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--- Friday --- February 19, 1993 --- Vol. 2 --- No. 172 ---

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THE NATIONAL UPDATE ON AMERICA'S EDUCATION GOALS
An APN publication, supported by The Annie E. Casey Foundation

BUSTING ON BIGOTRY
The Washington Regional Task Force on Campus Prejudice plans a conference March 9-10 at the U of Md. to devise plans for combating campus bigotry. (#7)

SAYING NO IN NEW MEXICO
The Carlsbad, N.M., board of education has approved an abstinence-based sex ed program called "Sex Respect" for seventh graders. (#4)

AMERICA'S VOC-ED REFORM
Richard Kazis offers policy proposals in his book, "Improving the Transition from School to Work in the United States." (#11)

I WANT TO LIVE IN AMERICA ...
The L.A. Unified School District begins a "massive" drive to help prepare immigrants for the citizenship test. (#6)

NOT "NIPPED IN THE BUD"
New research indicates that school-based clinics that offer reproductive counseling do not

SPOTLIGHT

MARKET FORCES

Wall Street yesterday reacted strongly to Pres. Clinton's proposal for direct government lending to students. The proposal threatens to destroy the business of Sallie Mae and the Student Loan Corp.

Both businesses' stock yesterday went "into a virtual free fall." Sallie Mae lost 17% of its value.

The administration said Clinton's plan would save \$1.8B and cut the deficit. But Sallie Mae contends the plan requires a new bureaucracy and wouldn't serve students well.

Who's right? We'll have time to decide: The proposal would take effect in 1997 (#8).

For reax to Clinton's

reduce teen birth rates. (#2) | State of the Union, see #9. |

Full index on page 2.

============== QUOTE OF THE DAY ==============

"Politicians always seem to be the last people to catch on to academic trends."
-- John Hood, of the John Locke Foundation, on the weaknesses of Head Start. (#1)

Publisher: Barbara A. Pape
Editor: Richard R. Hough
Managing Editor: Angela R. Heffernan
Staff Writers: Jessica W. Barrows
Jonathan B. Kay

============== TABLE OF CONTENTS ==============

===== GOAL ONE: SCHOOL READINESS =====

*1 HEAD-START EXPANSION: EXPERTS EXPLORE EFFICACY

Academics and educators are questioning the merits of Head Start as President Clinton plans to double funding for the program to $6B (Jordan, WASH. POST). Some "warn that it may be expanded too fast" and that one-third of preschools are a waste of money, writes the paper.

John Hood, of the John Locke Foundation: "Politicians always seem to be the last people to catch on to academic trends." Recent studies have found that the program's immediate benefits "wear off as early as the second grade." (See DRC 2/17,

#1) And a Head Start founder Edward Zigler, who recommends not putting more money into the program said: "If 30 percent closed down, there would be no great loss."

Texas Rep. Bill Archer (R) said: "There is clearly no definitive conclusive study on the cost-benefit of the study over the long term." The POST writes that some studies show that Head Start "raises a child's standardized test scores and increases the likelihood that the student will not be placed in expensive special education programs."

John Hood, author of a Cato Institute study on Head Start, writes in a WALL ST. JOURNAL op-ed that the logic behind Head Start is "simplistic." Hood: "If a kid attends bad schools, lives in poverty, and has little or no family support for 18 years, a couple of years of preschool aren't going to make a lot of difference ... Research shows that it's the health and nutritional components of Head Start that provide the greatest benefits. But surely those crucial needs can be met in a less costly way ... A combination of radical school reform, welfare reform, tough law enforcement, and conscientious efforts by parents, teachers, churches and communities can make a difference in the lives of those children. Implementing real change rather than emulating his predecessors is the only way President Clinton can make a difference." (Both cites 2/19)

===== GOAL TWO: HIGH SCHOOL COMPLETION =====

*2 SCHOOL-BASED CLINIC STUDY: TEEN PREGNANCY NOT REDUCED

School-based clinics, designed to cut down on teen pregnancies, have not reduced teen birth rates in the 20 years since their opening, according to a new study (Vrazo, PHILA. INQUIRER). Previous studies had said that the clinics "nipped teen pregnancy in the bud," writes the paper.

The research, done by Santa Cruz, Calif.-based ETR Associates, indicates that the rates at which teenagers have sex and babies are "influenced by so many different things" that school clinics offering reproductive counseling do not make a difference. ETR researcher Douglas Kirby: "Unfortunately, people look for magic bullets, and this seemed to be a magic bullet. There are no magic bullets."

Early studies found that the St. Paul Maternal and Infant Care Project, established in 1973, experienced a 56% a drop in birthrate within three years. But Kirby said that what clinic operators did not realize is that "they should not have compared post-clinic birthrates to a single pre-clinic year," because student birthrates always fluctuate from year to year.

ETR says it "found ... no clear impact of clinic presence." It adds that clinics that did not refer students to abortion providers "may have made continuing a pregnancy more acceptable" because they offer prenatal services (2/19).

*3 HOP ON THE BUS, GUS: KANSAS DROPOUTS COULD LOSE LICENSES

Kan. students who drop out of high school could lose their license under proposed legislation (AP/KANSAS CITY STAR). "Donna Whiteman, secretary of Social and Rehabilitation Services: "The biggest incentive to make kids stay in school is to tie it to something they really want. What we're doing right now is not working to keep them in school."

The STAR reports that Whiteman's department "favors the bill because dropouts tend to require more state financial aid, particularly in aid to dependent children grants." Whiteman is a former state representative who proposed similar legislation in 1990. Her measure passed the House, but was defeated in the Senate.

Schools would be required to notify the Division of Motor Vehicles if a student quits school under the proposed law. The department would have 10 days to notify the dropout. Kan. law allows students to leave school at age 16 (2/18).

===== GOAL THREE: CORE COURSE PROFICIENCY =====

*4 SEX ED: ABSTINENCE-BASED PROGRAM APPROVED IN N.M.

The Carlsbad board of ed has approved the abstinence-based "Sex Respect" program to be taught to seventh graders beginning next school year (Carlsbad Municipal Schools release). The program was endorsed by health officials and right-to-life proponents. The curriculum will not include discussion on birth control or disease prevention, other than abstinence. Students may be referred to other sources after class (Carlsbad CURRENT-ARGUS).

The three-week program currently is taught in Hobbs, N.M. One class will deal with AIDS and sexually transmitted diseases and the board is considering an abortion versus adoption section. Hobbs omitted the issue from its curriculum (Hawkins).

The board hopes to bring about "behavioral changes among or youth" with "an intense preventive approach to health/sex education." (release) Asst. Supt. Paul Sandford said the program will focus on "teaching the students self-restraint," writes the CURRENT-ARGUS.

The health/sex education ad hoc committee devised the "Sex Respect" curriculum and will continue working in mid-March to develop a sixth-grade curriculum (release).

The AWARE program, a school for pregnant teens and teenage mothers, will fund "Sex Respect." (Hawkins) The program will cost $10,000 a year for "consumable materials." (release; All cites 2/18)

===== GOAL FIVE: LITERACY AND LIFELONG LEARNING =====

*5 WYO.: STATE TRAINS WOMEN FOR NONTRADITIONAL POSTS

The Wyo. Department of Employment, Job Training Programs, has been awarded a $250,000 grant to train women in "nontraditional employment opportunities." (Dept. of Employment press release) The program will target low-income females, and will comprise summer institute attendance; basic skills updating; and working with a mentor, among other things.

The programs will begin in June, and will be based at several institutions of higher ed in Wyo., including Western Wyo. Community College in Rock Springs and Laramie County Community College in Cheyenne.

The summer institute will "familiarize participants with nontraditional employment opportunities, review current skills, offer skill training in those areas of need, provide an introduction to Trades and Industry occupations, where women comprise less than 25% of the workforce and offer discussion groups to help ensure success in the program," according to the release.

The programs also will include support services for participants and employment with women who have held or hold nontraditional jobs (2/93).

===== COMMUNITIES AND CITIZENSHIP =====

*6 IMMIGRATION: CITIZENSHIP TO "EMPOWER" L.A. PARENTS

The L.A. Unified School District will begin promoting a "massive citizenship preparation drive" sometime this month (Ford, L.A. TIMES). Under the 1986 Immigration Reform and Control Act, 1.6 million undocumented immigrants in Los Angeles County applied for legal status. This year, most have fulfilled the five-year residency requirement and may apply for citizenship. An additional 1.7 million immigrants in L.A. County are eligible, but have not applied for citizenship.

The program will target the two groups and offer 60 hours of instruction to prepare for the citizenship test administered by the Immigration and Naturalization Service. The goal is "to empower the parents of our students," said Letitia Quezada, president of the school board. "If our parents become U.S. citizens, they become investors in the educations of their children," she added.

Two million dollars in federal funds already have been promised and another $4M are expected. The free preparatory instruction will be offered in Spanish, Korean and Chinese. Participants can choose from 27 locations at adult ed centers. L.A. TIMES: "The program will be aggressively advertised in the local ethnic and foreign-language media." The L.A. program is the largest of any offered in the U.S. (2/18)

===== HIGHER EDUCATION =====

*7 CAMPUS BIGOTRY: REGIONAL TASK FORCE WILL HOLD CONFERENCE

The Washington Regional Task Force on Campus Prejudice will hold a conference March 9-10 at the U of Md. Center of Adult Education in College Park. Several hundred college and university administrators, faculty members and students will meet to develop ways of combating campus bigotry (American Council on Education release).

The conference will be called "Fighting Bigotry on Campus: Moving Towards a Comprehensive Plan." Sponsors are the American Council on Education, the Anti-Defamation League, George Mason U, Towson State U and the U-Md./College Park.

The task force is an alliance of 24 institutions of higher ed in D.C., Md. and Va. and the ADL that was formed after a 1989 conference, "Bigotry 101: A Crash Course in Combating Prejudice on Campus," presented by George Washington U and the ADL. The task force meets each month to exchange information, materials and contacts. The alliance also offers professional development workshops and campus consulting services (2/18).

===== MONEY MATTERS =====

*8 SALLIE MAE: STOCK HIT HARD BY CLINTON LOAN PROPOSAL

President Clinton's "national service loan" plan, which would phase in government lending of student loans, sent the stock of companies active in the student loan business "into a virtual free fall" yesterday (Reuters/INVESTORS' BUSINESS DAILY).

Investors fear the plan would destroy the business of the Student Loan Marketing Association as well as the Student Loan Corp.

Investors placed so many orders to sell yesterday that the New York Stock Exchange had to halt trading until buyers could be found to take the shares, according to the WASH. POST. Sallie Mae's stock dropped 9 3/8 to 47 1/4, and Student Loan Corp.'s stock fell 3 1/4 to 15 1/2.

The companies provide the cash to banks that make student loans and then collect payments on the loans after student borrowers graduate. Sallie Mae is the largest source of money for student loans, according to the POST.

The Clinton administration says that the government could save $1.8B if the colleges handled loan applications and the government took care of loan payments. Treasury Secretary Lloyd Bentsen said the president's plan "will save us money that now goes to middlemen," because "valuable dollars that could be invested in education are being spent on fees for commercial banks to operate the program."

But Sallie Mae says the plan would require a new government bureaucracy to handle the loan programs that are now being run by private enterprise, writes the POST. "Direct lending will not produce any real savings for taxpayers, schools or students in the actual delivery of loans. Neither will it enhance service to those constituents," according to Sallie Mae (INVESTORS' BUSINESS DAILY).

Student loans would be changed to 50% direct lending beginning in 1997, with the total shift taking place the following year, to cushion the effect on the agencies, writes the newspaper (all cites 2/19).

===== EDUCATION '93 =====

*9 REACTIONS TO STATE OF THE UNION: YEAS AND NAYS

"What is most impressive is this is the first time in at least a decade and a half that a president has made an explicit connection between the economic well-being of the country and investments in children." -- Judy Weitz, KIDS COUNT coordinator, Center for Study of Social Policy.

"The details on education, as on just about everything else, remain to be disclosed. It appears that the vast bulk of the money they're talking about adding is for higher education or pre-school education. It's not clear yet what, if anything, they are doing about K-12 education ... I'm not panicked yet, but I'm hardly encouraged by anything that has been said or done on that front." -- Chester Finn, founding partner and senior scholar, Edison Project.

"After 12 years of deafening silence, a president finally spoke up for kids. First he spoke to their immediate needs -- immunization, Head Start, education. He also spoke to the long-term mortgaging of the future which directly impacts children ... A refreshing change, indeed." -- Jim Steyer, president and founder, Children Now! (Calif.)

"We agree with President Clinton that education is the key social investment that leads to long-term competitiveness and productivity. We also hope that school districts will take a cue from President Clinton and trim unnecessary layers of bureaucracy so that scarce resources can be better spent educating children." -- Albert Shanker, president, American Federation of Teachers.

"The president offers us what he calls a new direction, but where he seems to be going is "back to the future" -- back to the failed big-government schemes of a generation ago. And that's not the direction we should be going." -- Robert Michel (R-Ill.), House Minority Leader.

"The President's proposed investments in Head Start, education, and earned income tax credits are obviously good news for disadvantaged kids. But they could become even more significant if they remain part of a deficit reduction package that also reduces the burden of debt we are passing on to the next generation." -- Douglas Nelson, executive director of the Annie E. Casey Foundation.

"We share President Clinton's commitment to improving federal student aid programs. However, warning sirens must be sounded before we force millions of student borrowers to rely on an untested and unproven direct lending program for their college aid." -- Daniel Cheever, president, American Student Assistance.

"I'm very enthusiastic about President Clinton's plan to fully fund Head Start, provided that as much attention is paid to improving the quality of Head Start as there is to serving more children." -- Dr. Edward Zigler, a founder of Head Start, Yale U.

"It is interesting that the president did not focus on systemic changes to improve K-12 education. He's focusing on adding things either before children have fully developed their ability to learn, or after they have left the system. Who [the system] is accountable to is what needs to change." -- Jeanne Allen, director of Town Hall, Heritage Foundation.

*10 ON THE STUMP: ED SEC SELLS CLINTON'S PLAN

Ed Sec Dick Riley yesterday went to his home state of S.C. to "pitch" President Clinton's economic plan (Sponhour, Columbia STATE; See #9) Riley: "A healthy economy and a renewed vision for our country will affect every single person."

The STATE reports that Riley, a former governor of S.C., "was warmly greeted by an audience filled with educators and Democrats at the University of South Carolina law school ..." The newspaper adds that he "spent as much time talking about his plans for schools reform as he did promoting Clinton's economic package."

The ed sec and other Clinton officials were traveling across the country yesterday "to help sell the plan that Clinton says will cut the federal deficit and spur economic growth," according to the STATE. The paper adds: "It was a familiar role for Riley, who as governor in 1984 won passage of a plan to increase the state sales tax by 1 cent to create a school-reform fund."

Riley said Clinton's plan "would provide new funds and boost the status of the historically low-profile federal education agency." (2/19)

===== WHO'S WRITING WHAT =====

*11 TRANSITION: FROM CLASSROOM TO CAREER

America fails its non-college-bound youth by not smoothing the transition from the classroom to the world of work, according to many advocates of voc-ed reform. "Improving the Transition from School to Work in the United States," a book by Richard Kazis, adds that students who move from school to work "face an extended period of labor market adjustment ... they flounder around, learning little in the way of productive job skills."

Kazis writes that business shares the burden of a flawed skills training system. According to the 1990 Commission on the Skills of the American Workforce, "95% of American companies still cling to old forms of work organization." And these firms lead the country into a low-wage economic strategy that "is politically and socially unacceptable."

Kazis explores in-school approaches to prepare high-skill workers and work-based strategies for increasing academic and occupational skills.

A major criticism of America's school-to-work palette of programs is that "programs coexist uneasily, are replicated thinly and unevenly, and are not part of a set of institutions that make it obvious to young people how to move form compulsory schooling into desirable career pathways," writes the author.

The author provides policy recommendations for the federal government; support for the creation of a national skills training system may be the most critical. "We must build a system, not just fund a series of demonstration projects," according to Kazis.

Copies of "Improving the Transition" are available for $5.00 post-paid from the American Youth Policy Forum at 1001 Connecticut Ave. NW Washington D.C. 20036-5541.

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/BOM/RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

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MAJOR MATH
Some teachers return to "the old school" and use former air force officer John Saxon's mathematics textbook. (#2)

STRIKE! ... LATER
The L.A. Unified School District teachers postpone a strike set for tomorrow. (#5)

SALLIE MAE ... DAY BY DAY
Analysts discuss the value of Sallie Mae shares as the stock drops. (#7)

$ENTENCE WITH SERVICE
Probation officials recommend 1,000 hours of community service and a $10,800 fine for suspended Calif. schools chief Bill Honig. (#9)

SORRY, WE'RE CLOSING
D.C. Schools Supt Franklin Smith outlines his plan to close ten District schools to save $8-10M. (#4)

NEW SCHOOLS NEEDS NEW LEADER
Ann McLaughlin resigns from her post as president and CEO

SPOTLIGHT

BUILDING CHARACTER

Daily eruptions of school violence, the stranglehold of gangs in many communities and prominent cases of cheating are causing many educators and parents to decry a loss of values.

But is forming student character the schools' job? Some say the classroom offers the only hope to instill good character and citizenship in youth.

ITEM: A United Way grant will help Baltimore schools develop a core-values curriculum. (#6)

ITEM: Jenkintown, Pa., has implemented an outcomes-based education program with a values component. But mastering the values outcomes is not required to graduate. (#1)

of New American Schools
Development Corp. (#10)

============= QUOTE OF THE DAY =============

"There are words and phrases that read as if to say the student must appreciate others ... That is far beyond the purpose of public schools." -- Robert Hench, a Jenkinstown language arts teacher, on the Pa. outcomes-based education plan. (#1)

Publisher: Barbara A. Pape
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Managing Editor: Angela R. Heffernan
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============= TABLE OF CONTENTS =============

===== GOAL THREE: CORE COURSE PROFICIENCY =====

*1 OUTCOMES-BASED EDUCATION: IN PLACE IN JENKINTOWN, PA.

A small school district in Pa. has put in place an outcomes-based education program while legislators remain "mired in controversy" over a state plan to implement OBE (Ullmann, PHILA. INQUIRER). "At the heart of OBE is a shift from efforts to results. It's not enough to teach the top 20 percent ... This program is for that huge middle group," said Robert Hench, a language arts teacher in Jenkintown.

The school board last spring approved a set of 40 outcomes in nine learning areas required for graduation beginning with the class of 1997. Jenkintown educators also selected 10 "'common values' that they hoped teachers would nurture, beginning in kindergarten," writes the INQUIRER. The values include possessing self-esteem and understanding people of different backgrounds, according to the newspaper. Students are not required to demonstrate those values to graduate.

"I can teach students to understand India, and what Hinduism is about," said Daniel Chittock, a world studies teacher. "But what they do with that information I really can't control. I don't want them to accept Hinduism for themselves, I just want them to learn about the religion."

The paper writes that Hench and Chittock "believe the state botched its OBE plan. There are words and phrases that read as if to say the student must appreciate others ... That is far beyond the purpose of public schools," said Hench.

Mastery learning, "a 20-year-old technique focusing on individual achievement," also is taking hold in Jenkintown. Teachers using this approach set goals for their students, teach the goals, test, and, if necessary, tutor and test again until students have mastered the goals. Hench said mastery learning is "critical to the success of outcomes-based education," writes the paper (2/21).

===== GOAL FOUR: FIRST IN MATH & SCIENCE =====

*2 MATHEMATICS TEXTS: OLD-FASHIONED MATH BOOK GOES UNDERGROUND

Teachers around the country are using the mathematic textbooks of John Saxon without the knowledge of principals and superintendents (Mathews, NEWSWEEK). Saxon, a former air force officer with no education degree, has sold 2.3 million books, but has not achieved the respect of the education establishment, according to the magazine.

NEWSWEEK writes that "his success, and the acidic reaction to it, has exposed a deep split between classroom teachers and reformers." Saxon's drill-laden texts represent the "worst of the old school" to state ed departments and textbook committees.

Saxon's method requires teachers to give 10-minute lectures each day, followed by classwork that focuses more on previous lessons than on what was presented that period.

"He tends to train students in a fairly well-defined traditional collection of problems, and our belief is that kids need a more flexible ability to apply their mathematics to novel problems," said James Fey, a U-Md. professor of mathematics and curriculum instructor. NEWSWEEK writes that the new thinking "suggests that the right answer isn't as important as the method students use to reach their answer."

But Saxon wonders why he must prove his books work, while mainstream textbook companies sell their titles with little evidence of their value. And Frank Wang, a 26-year-old MIT mathematician who is Saxon's executive vice president, said the "current fascination with critical thinking" borders on the simple-minded, writes NEWSWEEK.

Saxon got his break 10 years ago when Dallas bought $600,000 worth of texts after the books received "rave" reviews from teachers. Dallas mathematics director Mary Lester said math-achievement levels in middle schools "almost doubled." And she said the program best helped students from poorer, less-educated families, according to NEWSWEEK.

Dallas now has followed the "national trend" in mathematics teaching and replaced Saxon with the Scott, Foresman mathematics series. But teachers in the city have rejected the texts. "They haven't even taken the Scott, Foresman out of the book room," said one Dallas teacher. The anonymous teacher said, "I just take my old Saxon book down to the Xerox, and we do it one day at a time." (week of 3/1)

===== GOAL FIVE: LITERACY AND LIFELONG LEARNING =====

*3 A PATH TO HIGH-SKILL, HIGH-WAGE JOBS: APPRENTICESHIPS

The Clinton administration is "pinning its hopes" on a national apprenticeship program to compete with German and Japanese labor (Salwen, W.S. JOURNAL). "If done properly," the plan would help ninth- and 10-graders determine their interests and guide them through several years of a school-work curriculum with emphasis on a specific field, writes the paper. And the result would be a cadre of trained and educated 18-year-olds who have the option of attending college or continuing to work.

Details of the Clinton plan still are being assembled. But the program most likely would be designed to help states and localities link schools and business to develop a job curriculum, according to the JOURNAL. The paper writes that a federal program also would probably set national skill-standards to ensure nationwide acceptance of apprenticeship graduates.

But a federal apprenticeship program raises several questions, according to the paper. Some say that contemporary high schools are designed "almost exclusively to push young people into college," writes the paper. "We need to get away from the idea in this country that job preparation is second class," said Eugenia Kemble of the American Federation of Teachers.

Organized labor "paradoxically" also may be a major obstacle, reports the paper. The building trades, who run what some call "the country's most successful apprenticeship programs," fear that a national program would permit non-union employees to learn the same skills, according to the paper.

Other concerns include the costs of a federal program and the decentralized operation of training programs inside American companies.

But Labor Sec Robert Reich has said: "Not everyone in this country should have a college degree. There must be avenues of upward mobility for people without those degrees." He and Ed Sec Richard Riley will unveil their "vision" of an apprenticeship program today at a conference in D.C. (2/22).

===== FRONTLINES =====

*4 D.C. CLOSINGS, CONSOLIDATIONS: SUPT. LAYS OUT PLAN

An outline of D.C. Schools Superintendent Franklin Smith's plan to consolidate or close 40 schools appeared yesterday in a WASH. POST op-ed (See DRC 2/18, #6). Ten of the schools will be closed before the next school year. Smith: "The decision to close these schools, which will save the District an estimated $8 million to $10 million, was part of the education summit hammered out late last month by the mayor, the D.C. Council and the Board of education." (See DRC 1/25, #3)

The superintendent writes: "By promising to consolidate, the D.C. Public Schools are ensured of funding for teacher raises this year and next, and full funding for our fiscal year 1994 budget request." But Smith adds: "This promise has catapulted us onto a difficult and controversial path." And while he notes that no one wants his or her neighborhood school to close or consolidate, he adds, "this is exactly what must be done."

Smith writes that in a "departure from the way we have done business in the past, I have sought the participation of the community in the decision-making process." He adds: "With strong neighborhood input, we will arrive at decisions that best serve the educational needs of the children and the community."

"Why consolidate?" Smith asks. He writes: "Economics ... By spreading resources over fewer buildings in these tight budgetary times, we could develop quality programs in every neighborhood school."

The superintendent writes: "Our choice is clear. We must close school buildings to keep our bargain with the mayor and the council." He concludes: "What we make of the opportunities that school consolidations present will, in a very real sense, determine the quality of our schools and programs for our children well into the next century." (2/21)

*5 LOS ANGELES: TEACHERS POSTPONE STRIKE

The L.A. Unified School District teachers have voted to postpone a strike that would have begun tomorrow. The teachers will vote on a proposal that would restore 2% of their 12% pay cut implemented last October (Balto. SUN).

State Assembly Speaker Willie Brown (D) introduced the proposal late Saturday. He said the money to cover the salary change could come from the district's $31M emergency fund. Brown: "The district has a reserve for a crisis. This is a crisis."

School board President Leticia Quezada said she will recommend that the board adopt the proposal (2/22).

===== COMMUNITIES AND CITIZENSHIP =====

*6 TEACHING VALUES: UNITED WAY GRANT PAVES WAY

A $243,704 United Way of Central Md. grant focuses on teaching Baltimore students good character and effective citizenship (Bomster, Balto. SUN). The paper reports that the program will be phased in at 67 elementary and middle schools this year and next. Eighty-three other schools will adopt the curriculum soon after.

Baltimore school officials see a lack of teaching values and citizenship "as a serious void in the current curriculum" writes the SUN. And the grant comes at a time when there is "renewed" interest nationwide on teaching values in public schools, according to the paper.

Md. became the first state in the country to make community service a requirement for high school graduation, "a controversial mandate also intended to build character and citizenship," writes the paper (See DRC 1/28, #1) Md. students also are required to pass a series of functional tests, including a citizenship test, to graduate. The SUN writes that only 85.5% of Baltimore's 11th-grade students passed the citizenship test in 1991-1992, compared to a statewide pass rate of 95.6%.

The grant will pay for education materials to teach and reinforce certain "core values" including mutual self-respect, truthfulness, love of country; respect for the U.S. Constitution, democratic principles and the law, according to the SUN. The San Antonio-based Character Education Institute will prepare character education kits paid for by the grant. And United Way also will pick up the tab for one full-time staff person.

Baltimore will be responsible for measuring the effect the values curriculum may have on student behavior in areas including substance abuse, teenage pregnancy and school violence (2/19).

===== HIGHER EDUCATION =====

*7 SALLIE MAE: ANALYST STILL SEES VALUE IN STOCK

President Clinton's proposal last week to have college students borrow directly from the U.S. Treasury rather than through banks caused the stock of the Student Loan Marketing Association to plunge 9 3/8 (See DRC 2/19, #8). And Friday it fell another 7/8. "It became a shark frenzy," said E. Gareth Plank, a Mabon Securities analyst who recommended a "buy" on the stock the morning before it fell (Power, W.S. JOURNAL).

But Plank said he is convinced Sallie Mae has a good future. He said last week's fall was "clearly an overreaction, and the market is discounting a worst-case scenario that hasn't been legislated yet."

Plank noted that Sallie Mae "has many friends on Capitol Hill." He added, "And I think it'll be quite a sell for Mr. Clinton to convince the world that the government will do a better job of [loan-servicing] than the private sector." Plank even said earnings will be $4.90 a share for this year, up from $4.21 in 1992.

But the JOURNAL writes that "Mr. Plank is either braver -- or more stubborn -- than most others on Wall Street who look at Sallie Mae." Analysts at Merrill Lynch, Goldman Sachs, Smith Barney and others have pulled away from the stock, according to the JOURNAL. "These analysts say trying to handicap what Congress will do is a business they don't want any part of," writes the newspaper.

"It's really a high-risk situation," said Michael Hughes of Merrill Lynch. "It's really not a widows-and-orphans stock any more, and it used to be." But Hughes said he still sees long-term value in the stock no matter what happens to the direct-loan idea, according to the JOURNAL (2/22).

===== TAKING STOCK =====

*8 READING SCORES: 80% OF N.Y.C. SCHOOLS SHOW DROP

Reading scores dropped last year in 80% of N.Y.C.'s 800 public schools and 90% of its elementary schools (multi).

Results of the test show that fewer students are reading at grade level. The drops occurred in each of the 32 city school districts. The city has administered the multiple-choice reading test "Degrees of Reading Power" annually since 1986. The TIMES: "It has become a widely used indicator of educational performance."

Robin Willner, the Board of Ed's director of strategic planning: "This wasn't something that occurred only in poor districts, or only in districts with large numbers of immigrants, or in large or small districts, or in districts that suffered from poor management. And the budget was the one thing that happened in all the districts." The school system has lost $750M from its $8B budget over two years (Dillon, N.Y. TIMES, 2/20). Willner noted the score decline was consistent with performance across N.Y. (Chiles/Jordan/Negron, N.Y. NEWSDAY, 2/19).

Scores will be sent to schools tomorrow. Citywide results usually are published in June and are followed by rankings the following March. Fernandez announced that he would not release rankings "because they provide a simplistic, one-dimensional picture of a school and received such a great deal of media attention that negatively affected schools -- and even influenced the real estate values in some neighborhoods," writes NEWSDAY. Instead, Fernandez will release "overall school profiles," which disclose average student attendance, student income levels, and the number of students with limited English skills (2/19).

===== EDUCATION '93 =====

*9 HONIG: SCHOOLS CHIEF MAY AVOID PRISON

Probation officials in Calif. have recommended that suspended state schools chief Bill Honig be ordered to perform 1,000 hours of community service and pay a fine and court costs of $10,800 as a result of his recent conviction on conflict-of-interest charges (Hull, S.F. EXAMINER; See DRC 2/1, #6).

The EXAMINER reports that prosecutors with Attorney General Dan Lungren's office "have conceded they do not believe Honig should be sentenced to state prison for his crimes when he comes before Superior Court Judge James Long next week." But the newspaper adds that prosecutors "have strongly opposed" Honig's efforts to have his conflict-of-interest convictions reduced to misdemeanors.

Deputy Attorney General Cindy Besemer wrote in a memorandum to Long: "The defendant comes before this court seeking misdemeanors and at the same time appears before the court of public opinion professing his innocence and his victimization. He requests reduction but cannot be burdened by an admission that he violated the law."

But Patrick Hallinan, one of Honig's lawyers, said that Honig "accepts the verdict of his fellow citizens and is sincerely sorrowful and repentant." Hallinan said that were the charges to be reduced, Honig "potentially could go on to make further contributions in the field of public education, albeit not in public office." He added: "But the blight of a felony conviction will close doors to him that a misdemeanor conviction would not." (2/19)

===== FOCUS =====

*10 NEW AMERICAN SCHOOLS DEVELOPMENT CORP.: MCLAUGHLIN RESIGNS

Ann McLaughlin has resigned from her post as the president and chief executive of the New American Schools Development Corporation (N.Y. TIMES). The private, not-for-profit school-improvement group based in Arlington, Va., was established in 1990 as part of then-President Bush's America 2000 plan.

McLaughlin said that because of her other responsibilities, she could not meet the "full-time, undivided attention" which the position demands. She serves on many corporate boards and has held the NASDC post since July.

The goal of the organization is to raise $200M to award to 30 different design teams to improve public schools through innovative programs. The organization thus far has raised $48M and financed 11 projects.

The organization will be run by the four-member executive management council, which is led by vice chairman David Kearns. Kearns was a deputy ed sec under Lamar Alexander (2/21).

-30-

/EOM/

/BOM/RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Stephen Willson (WILLSON_S) (OMB)

CREATION DATE/TIME:22-FEB-1993 12:00:00.00

SUBJECT: Hotline 2/22/1993

TO: Remote Addressee (PUBLIC@HIMD@MRGATE) (DEFAULT)
READ: UNKNOWN

TEXT:

--- Friday --- February 19, 1993 ---

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==

FREQUENT FLYER BOX

WHAT, NO BUS? Clinton takes plan to Heartland. In MO, he challenges GOP to "Show Me" where to cut. (#1)

TRAVELING MINISTRY SHOW: Cabinet hits key states to spread good word. (#2)

CRUNCHED BY THE NUMBERS? Deficit discrepancy just a matter of "net" and "gross"? Target $170B lower than figure in Clinton's speech. (#3)

NEGATIVE ON HIV IMMIGRATION Senate hands Clinton first loss, 76-23. (#10)

GOP '96: PICKING A RIGHT FIGHT Buchanan charges up CPAC with attack on Kemp. (#9)

CLEANING HOUSE MS 02: Blackwell joins Espy in spurning tomorrow's caucus. GOP field clear for Dent. (#12)

SPOTLIGHT

THE NEXT BIG SELL

While the ratio between spending cuts and tax hikes spreads, the specter of new taxes for a summer health plan looms as a double-hit. Tsongas urges putting off health for fear of losing the whole deal. (#6)

ASK MADISON AVE: Selling "sacrifice" is a tough concept. Try selling "managed competition." Dem pollster CELINDA LAKE and GOP pollster BILL MCINTURFF say the early battle may be over the lexicon. Before people are sold on a plan, they have to understand what the choices are. Or do they?

Lake sees political reporters covering a complex issue as no help.

OH 02: Buchert attack ad hits Portman, McEwen. (#14)

| McInturff says Clinton & Co. are on "very dangerous political terrain." (#18) |

BLACK GOPER EYES RIEGLE (#17)

============= QUOTE OF THE DAY =============

"Let me tell my good friend, Jack Kemp, it is freedom that empowers people, not HUD."

-- Pat Buchanan to the CPAC Conference, W. TIMES, 2/19. (#9)

THE APN BULLETIN BOARD
FROM TODAY'S GREENWIRE: EPA's Browner asks for a lift -- Senate panel mulls elevation of agency to Cabinet level.
FROM TODAY'S DAILY REPORT CARD: Clinton's plan for direct gov't lending sends shares of Sallie Mae into a free fall
FROM TODAY'S ABORTION REPORT: NH House nixes parental notification and endorses national population policy.
FROM TODAY'S AMERICAN HEALTH LINE: General consensus: Clinton economic package has "a huge hole" -- health care reform.

HOTLINE/DATABASE INDEX

? ? ? ? OVERLOOKED ? ? ? ?

LONG WAY FROM LITTLE ROCK

Fellow Arkansans, Dem Sens. Pryor and Bumpers, both voted against Clinton's desire to lift the ban on allowing HIV-infected immigrants into the U.S.

============= THE CLINTON ADMINISTRATION =============

*1 SELLING THE PLAN: CLINTON ON THE ROAD AGAIN

Pres. Clinton "took on all the trappings of a traveling evangelist," using a rally in St. Louis "to begin selling his economic gospel of shared sacrifice" (Hood, K.C. STAR, 2/19). He was in "a fighting mood for what his advisers concede will be a long battle." He "dared" GOPers "who belittle his spending cuts to show where they would trim more": "No hot air. Show me where. ... And since I am here in [MO], I think I will repeat that: Show me" (Adams, ST. LOUIS POST-DISPATCH, 2/19). His "pitch is twofold" -- he wants "rallygoers to endorse his plan and he wants them to lobby their representatives to face up to the tough votes that will come" (Lewis, DALLAS MORNING NEWS, 2/19). NPR's Arnold: "[Clinton] turned up the heat on members of Congress by asking members of the audience to support campaign finance reform. So it's sort of a way of aligning himself with the people saying, 'see I don't like the way business is done in Washington, D.C. either'" (2/18). CBS' Plante: "What Mr. Clinton is asking these middle class Democrats who voted for him is to lean on Congress" (2/19). MO Sens. John Danforth (R) and Kit Bond (R) came home 2/18 and at a morning event to get in "the first word" on Clinton's plan and to "denounce" his proposals (Browning, POST-DISPATCH, 2/19). "Even though it was a frigid 15 degrees below freezing outside, a crowd of several thousand gathered" and gave Clinton "a warm welcome" (Benson, NEWHOUSE, 2/19). "Only those with special red and blue tickets were allowed into the roped off area" in front of the stage at Union Station where he spoke. Mall security estimated the crowd at 3,000 (Eardley/Mannies, ST. LOUIS POST-DISPATCH, 2/19).

BILLY LOMAN TALK: "Like a master traveling salesman with a suitcase full of potent if bitter elixirs," Clinton "hit the road ... hoping to persuade the American people that his prescription of spending cuts and tax increases would fix the ailing economy" (Baer, Balto. SUN, 2/19). "A coast-to-coast selling job" (Nichols, USA TODAY, 2/19).

CAMPAIGN TALK: CBS' Spencer: "Clinton gratefully said good-bye to skeptical Washington anxious to press his case in the heartland, looking a bit like someone trying for salesman-of-the-year. ... If all this looks and sounds a lot like a political campaign, well it is" (2/18). Louisville COURIER-JOURNAL header: "Clinton takes his sales pitch to the public" (2/19). NBC's Larson: "Clinton has become a traveling salesman with a briefcase full of economic reform" (2/19). "As with any organized campaign stop ..." (Milligan, N.Y. DAILY NEWS, 2/19). "Like a candidate taking his basic stump speech on the road" (Friedman, N.Y. TIMES, 2/19). NBC's Mitchell: "What amounts to the second Clinton campaign" (2/18). Clinton "hit the campaign trail ... the presidential seal replacing the Clinton-Gore banner but the rhetoric unmistakable" (Marcus, W. POST, 2/19). ABC's Jennings: "You can probably count on him being in your neighborhood pretty soon" (2/18).

PILLOW TALK: Balto. SUN's Simon characterizes Clinton's MO stop this way: "After a week of foreplay and after socking it to the public," Clinton "ventured forth ... to see if America still respected him in the morning" (2/19).

TODAY: Clinton spoke this a.m. in Chillicothe, OH, then flies to Hyde Park, NY. ABC did a feature on Chillicothe -- a majority of the voters went for Bush in '92. Resident Len Free on why Clinton is coming to Chillicothe: "He's just kinda of a country boy who's interested in country business" ("GMA," 2/19). NPR's Arnold: "This morning's audience may be tougher than the adoring crowd [in St. Louis]" ("Morning Edition," 2/19).

*2 SELLING THE PLAN: CABINET MEETS TARMAC

Pres. Clinton's "team of high-powered economic cheerleaders blanketed the nation ... in a drive to stir support" (Yoachum, S.F. CHRONICLE, 2/19). ABC's Hume: "At Washington's airports there was the rare sight of members of the President's Cabinet trundling down concourses to board commercial flights as they headed out to help sell the plan" (2/18).

GORE: VP Al Gore will hold a "town meeting" in Atlanta today to help sell Clinton's plan. He'll meet with 1,000 employees of GTE Telecommunications at the company's HQ. The meeting will not be open to the public but will be broadcast to other GTE employees by satellite (ATLANTA CONSTITUTION, 2/19).

BABBITT: Interior Sec. Bruce Babbitt discussed the plan at a Tucson luncheon "for about 160 friends from southern Arizona, including some Republicans" (ARIZONA REPUBLIC, 2/19).

BENTSEN: Sec/Treas. Lloyd Bentsen spoke at a high school with a satellite link throughout the state. Bentsen to the students: "I chose a group like this ... because I think a lot of that speech was about you, about what's going to happen to your country" (Hoppe, DALLAS MORNING NEWS, 2/19). Bentsen: "Whoever thought a Texan would be talking about an energy tax. ... I'm a Texan, and I'm not scared of this energy tax because it's fair" (HOUSTON CHRONICLE, 2/19). According to the Treasury Dept., Bentsen took an Air Force jet because he needed to return to DC in order to testify today on the Hill. According to the White House, Bentsen was the only Cabinet member who did not fly commercial (HOTLINE sources, 2/19).

J. BROWN: Veterans Affair Sec. Jesse Brown "met with veterans groups and students, telling them America must cut its deficit to avoid economic and social chaos" (Locin, CHICAGO TRIBUNE, 2/19).

R. BROWN: Sec/Commerce Ron Brown went to NYC where he toured the MetroTech complex with local politicians. Brown at a news conference: "The plan will have a positive impact of New Yorkers and it will jumpstart the economy" (Molloy/Coleman, N.Y. DAILY NEWS, 2/19).

BROWNER: EPA administrator Carol Browner held a news conference in Phila. and called Clinton's program "good for the environment and good for the economy" (Rankin/Boyd, PHILA. INQUIRER, 2/19).

CISNEROS: HUD Sec. Henry Cisneros "toured a variety of HUD-funded projects" in Flint, MI, "bypassing Detroit where a federal takeover of the city's troubled public housing system is on hold." Cisneros called the Bush maneuver an "11th hour takeover which just didn't look right." DETROIT FREE PRESS' Ball makes no mention of the Clinton economic program in the piece (2/19).

ESPY: "One of President Clinton's hurricanes of change swept" through MS "and its name was Mike Espy" (Neuffer, BOSTON GLOBE, 2/19). The Ag Sec. Espy spoke before a joint session of the MS legislature, "urging support" for Clinton's plan "because it represents real change" but "he still drew a largely negative reaction" from MS Gov. Kirk Fordice (R) (N.Y. TIMES, 2/19).

KANTOR: USTR Mickey Kantor "hopscotched" through L.A., his political home base, "in the toughest test of the Clinton team's political magic since the roughest days of the presidential campaign" (Gerstenzang/Lauter, L.A. TIMES, 2/19).

KUNIN: Dep. Ed Sec. Madeleine Kunin "quot[ed] freely from Clinton's Wednesday night speech" at a news conference in Burlington, VT (BURLINGTON FREE PRESS, 2/19).

O'LEARY: Energy Sec. Hazel O'Leary "said that commuters in Central Jersey shouldn't rev up their anger yet"over the energy tax because the "overall effect" of he tax "should be minimal" (McDonald, Bridgewater COURIER-NEWS, 2/19).

PENA: Sec/Trans Federico Pena "returned to his old Denver haunts ... cheering for the [Admin's plan] and happily renewing some old acquaintances" (Brown, DENVER POST, 2/19).

RILEY: "Almost a decade after convincing South Carolinians to accept a tax increase," Sec/Education Dick Riley "returned home with a new sales pitch." In a speech at the USC law school, "he spent as much time talking about his plans for education reform as he did promoting Clinton's economic package" (Sponhour, Columbia STATE, 2/19).

RUBIN/RIVLIN: Nat'l Econ. Council chair Robert Rubin and OMB dep. dir. Alice Rivlin visited a Harlem school with NYC Mayor David Dinkins. Rubin, an ex-aide to Dinkins: "The President has a deep belief that this country cannot have success economically if we do not deal with the problems of the inner city" (N.Y. DAILY NEWS, 2/19).

SHALALA: HHS Sec. Donna Shalala "was dispatched home ... but she "spent very little time pitching Clinton's $500 billion package of tax hikes and spending increases. Instead Shalala went to bat for health care reform." At the Univ. Hospitals of Cleveland, she met with patients and their families. She "offered few specifics" during her "whirlwind visit" (Frolick, Cleveland PLAIN DEALER, 2/19).

TYSON: CEA Chair Laura Tyson "returned to the Bay Area to defend the president's economic plan as the only path toward a hopeful future for the nation." She spoke to a "packed audience" at UC-Berkeley (Irving, S.F. EXAMINER, 2/19). NPR's Eisele: "Tyson described [Clinton's] proposal as a cautious but credible plan for economic recovery. But many of the questions that followed her address were about taxes" ("Morning Edition," 2/19).

*3 DEFICIT REDUCTION: $170 BILLION SHAVED OFF IN DAY ONE

Documents released 2/18 by OMB "projected deficit reduction over the next four years at $325 billion, instead of $493 billion claimed" by Clinton 2/17. "While the change in the four-year projection will not sink the President's economic plan, it could erode his credibility -- especially when combined with other revelations from the latest OMB documents." Figures show that in the next fiscal year, taxes would rise by $36 billion while spending would be cut by $2 billion. This means that for FY '94, "there would be a one-to-thirteen ratio of spending cuts to new taxes -- a far cry from the two-to-one ration promised earlier by Clinton" (Green, COPLEY/S.D. UNION-TRIBUNE, 2/19). OMB Dir. Leon Panetta was questioned by Rep. Lamar Smith (R-TX) on the discrepancy in testimony before the House Budget Cmte. Smith: "In less than 24 hours, 493 becomes 325. Are those figures true?" Panetta: "It's simply not true." Panetta said the $493 billion figure represents "total deficit reduction" from '93-97. But the numbers had to be modified with spending hikes to reach "gross" deficit reduction." WH press sec. Dee Dee Myers: "I guess we should have put the word 'gross' [in the documents released 2/17]" (Taylor, W. TIMES, 2/19). "The $493 billion was not inaccurate. It was simply the gross savings the Clinton program would produce, without subtracting any of the program's costs. In presenting the deficit reduction figure to the press, the administration chose to highlight the gross figure rather than the lower net figure, and initially did not provide all the information necessary for making the distinction" (Lewthwaite, Balto. SUN, 2/19). Clinton senior adviser Bruce Lindsey attributed it to a "failure to communicate" (N.Y. TIMES, 2/19). The Clinton admin., "which claimed the president's economic proposal included 'no gimmicks,' significantly overstated the plan's effect" on the deficit (Hines, HOUSTON CHRONICLE, 2/19). N.Y. DAILY NEWS' Nelson: "Panetta passed this confusion off as a minor glitch, an omission made in the haste of putting documents together at the last minute. For an accountant, it is indeed a minor glitch. But Clinton's chief asset ... is honesty. America might be willing to sacrifice for the truth, but not for another fast shuffle" (2/19).

LONG-TERM: One aide to a Southern Dem Member "said that even if the Social Security and user fees are counted as spending cuts, the ratio still comes out to about $1 in spending cuts to for every $1.50 in tax increases over the four years of the plan, making it very difficult for conservative Democrats to swallow" (Lochhead, S.F. CHRONICLE, 2/19). Sen. Pete Domenici (R-NM), on the taxes to spending ratio: "They're not even close to 1-to-1" (PHILA. INQUIRER, 2/19).

*4 ON THE HILL: "TIME IS OF THE ESSENCE"

That's a quote from Rep. Tim Penny (D-MN), "one of the conservative Democrats in the House whose votes are vital to passage of the plan." Penny said the WH should try to push for a vote "within the next month or two": "You lose ground the longer people pore over this document. ... If we break it into pieces, the whole thing could fall apart" (S.F. CHRONICLE, 2/19). Cleveland PLAIN DEALER's Brazaitis writes Dems face an "uncomfortable choice": Voting for "one of the largest tax increases in history"; or "voting against a program that promises to create 500,000 jobs by the next election ... not to mention [being] disloyal to the young Democratic president who has staked a big chunk of his presidency on this program" (2/19). W.S. JOURNAL's Jarsoslavsky reports House Dem whips "were ebullient at a meeting yesterday, especially at Clinton's in-your-face challenge to Republicans. ... House Democrats hope to pass a budget resolution by the April recess, though Senate action could be later" (2/19). W. TIMES' Garrett reports several conservative Dems used hearings to "gently scold" Clinton for "failing to aggressively reduce federal spending" (2/19). W.S. JOURNAL's Gigot writes, "Give [Clinton] credit for audacity: His economic and health-care ideas are the boldest grab for state power since LBJ passed Medicare" (2/19). The staff of Rep. James Walsh (R-NY) logged 290 calls yesterday, 156 in favor of Clinton's plan, 134 opposed. Last month, Walsh's office received 350 in one day on gays in the military (Salant, NEWHOUSE/Syracuse POST-STANDARD, 2/19). Rep. Pat Danner (D-MO), in her CD, on the reaction of her constituents: "They're reacting very favorably. ... They have two caveats however: They want to know that the money will go to decrease the deficit and they want additional spending cuts" ("CBS This Morning," 2/19).

*5 GOP OPPOSITION: MINCING NO WORDS

The "harsh" GOP reaction to Pres. Clinton's economic package "signals the start of a hard-knuckled fight in which the GOP hopes to regain the antitax issue but must first prove it can unite behind a budget of its own." The "first target" for GOPers will be the $16 billion stimulus bill, scheduled to be on the House floor. "Their strategy: to paint the Democrats as profligate spenders and pick up where George Bush left off with implicit attacks on Mr. Clinton's credibility and even his patriotism." But, "behind the rhetoric," GOPers "face many of the same problems" Dems had "in crafting a budget of their own." The WH "admits the tax package would be vulnerable if the administration isn't seen as credible on deficit reduction. But by the same token, Republicans risk hurting themselves by adopting too harsh a style" (Rogers/Harwood, W.S. JOURNAL 2/19). "While it is far too early to gauge how the Clinton plan will fare in Congress, the Administration could take heart that the criticism came almost entirely from Republicans" (Rosenbaum, N.Y. TIMES, 2/19). W. POST editorial: "If the Republicans don't like [Clinton's] list of specific proposals to solve the problem they did so much to help create, perhaps they will finally publish theirs. After so many years of evasion, that doesn't seem too much to ask" (2/19). ABC's Greenfield: "Being on Capitol Hill the day after a major presidential speech is like being in a major league ballpark on opening day. Last night in effect, the president threw out the first ball. Today, they start keeping score for real. .. The fate of the president's program in Congress won't be decided in Congress for months, but today, if you were part of the permanent political circus, it was the only show in town" (2/18). NBC's Brokaw: "The details are out and the Republicans are like guerrilla-fighters, firing away and then moving on to the next target." NBC's Myers: "Now it's up to the President's critics to come forward with their spending cuts -- no one expects a stampede" (2/18). BOSTON GLOBE's Gosselin: "Republicans responded with barely concealed glee at what many think could prve a politically fatal misstep by the Democrat: his decision to seek some of the largest tax hikes ever proposed by a president" (2/19).

GOP LEADERS SPEAK OUT: In a N.Y. TIMES op-ed, Jack Kemp writes, "The Clinton campaign that promised a plan for economic growth has suddenly turned into an Administration demanding across-the-board sacrifice from the American people. Indeed, the myth that Americans are undertaxed has become the defining principle behind President Clinton's economic policy. The truth is that Americans are overtaxed, not undertaxed" (1/19). In his syndicated column, Pat Buchanan writes, "What Clinton & Clinton are proposing ... is the greatest single government seizure of wealth and income in American history . The money is to be taken from individuals and businesses who earned it -- and turned over to politicians and bureaucrats to spend it. The sheer audacity of Mr. Clinton's program, the disingenuousness, bordering on deceit, with which he is selling it, should shock the GOP into an awareness of what is at stake" (W. TIMES, 2/19). NRSC Chair Phil Gramm said the plan is "cradle-to-grave government funded by cradle-to-grave taxes" (N.Y. DAILY NEWS, 2/19). Sen. Min. Leader Bob Dole said Clinton's claim that "the package represented a roughly one-for-one balance" of cuts and taxes is "inaccurate": "Once you clear away the smoke and the mirrors the balance gets even worse. ... the truth is, he is playing high-stakes budgetary games with your budget" (ARKANSAS DEMOCRAT-GAZETTE, 2/19). RNC chair Haley Barbour: "When [the American people] were told that they needed to vote for a new kind of Democrat ... they didn't know they intended to get the deficit down by $320 billion in taxes to reduce the deficit down by $140 billion. We will support, aggressively, true spending cuts" (CNN, 2/18).

*6 OTHER VOICES: FROM RUDMAN TO JACKSON TO RADIO TALK JOCKS

COMMON CAUSE PRES. FRED WERTHEIMER said his group "strongly endorses" Clinton's plan (Common Cause release, 2/18).

EX-SEN. WARREN RUDMAN (R) "asserted that Clinton's plan, 'in terms of deficit reduction, is the best I've ever seen.' He joined Perot in predicting that Congress would erect the biggest obstacles to erasing the country's red ink, and cautioned fellow Republicans that they 'will not prosper' if they are seen as obstructing White House attempts to deal with this problem" (Pertman, BOSTON GLOBE, 2/19).

PAUL TSONGAS, who praised the plan, like Ross Perot, was briefed by Clinton prior to his speech (Pertman, GLOBE, 2/19). Tsongas, in a N.Y. TIMES op-ed, acknowledged that he favors more deficit cuts than the Clinton plan, but praises Clinton as a "very intelligent President who can absorb data and the realities they represent in a way his immediate predecessors could not or would not." He issues a stern warning to not pick up the health care tab any time soon: "If a $30 billion to $90 billion health care proposal is dropped on the table in the middle of all this, it will disrupt everything. ... We need a health care package, but it must delay its debut until after the economic plan has been passed, taken root and begun to bear fruit" (2/19).

ROSS PEROT: He was interviewed by NBC's Brokaw. Perot on Clinton's speech: "He made a very effective speech ... The answers are always in the details, apparently the details are boiling up today and there's a lot of controversy around the numbers. I pray that they didn't rush forward to present this plan and not have the numbers right. ... I have great sympathy and empathy for the President in trying to get accurate numbers." On supporting Clinton's plan: "Got to see the numbers, got to make sure that plan's good, I got to make sure we have the balanced budget amendment, the line-item veto or the whole thing will be an exercise in futility. ... His instincts are right, we've all got to help get it done" (2/18). DALLAS MORNING NEWS' Leubsdorf writes if Perot decides "to focus on [the plan's] individual shortcomings, rather than its overall value and the need to act, he may rouse suspicions he is less interested in promoting a solution to the nation's economic woes than in promoting his own role" (2/18).

JESSE JACKSON: "Clinton promised change during the campaign. Last night he delivered. ... I'm glad the Rainbow Coalition supporters, agents for change, voted for Bill Clinton and the new direction. He followed through on many of the promises he made during the campaign. For that he is to be commended. ... We must generally support the President's proposals and programs, but progressives must push him to do more and to remind him of the urgency of now" (Rainbow release, 2/18).

NAT'L TAXPAYERS UNION'S DAVID KEATING: "Clinton's package guarantees higher taxes, but fails to control spending. ... Fighting the deficit with tax increases is like fighting a fire with gasoline" (NTU release, 2/19).

PENNSYLVANIA FOCUS GROUP: At a W. POST focus group of 10 "middle class voters" from suburban Philadelphia who watched the speech together 2/17, only 1 said she was in favor of the plan, while the others "wondered whether it would -- or should -- pass" (Broder/Morin, 2/19). PHILA. INQUIRER header: "Locally, acceptance -- and anger" (2/19).

FROM ARKANSAS: "By and large, Arkansans interviewed on the street Thursday said President Clinton made one of the his better speeches Wednesday night and agreed with him that they would have to bite the bullet to make things better ... But they generally had serious reservations whether Congress would go along with the president's hopes and dreams of reduced federal spending and tax increases" (Donald, ARKANSAS DEMOCRAT-GAZETTE, 2/19).

RADIO TALK SHOWS: W. TIMES' Price surveyed several radio talk show hosts who said callers were mostly opposed to Clinton's plan. WLS-Chicago's Roe Conn: "75% of the calls I've received are opposed to it." WFTL-Ft. Lauderdale's producer Nick Lawrence said 70% of their callers "are upset that their taxes are going up and that they face another tax increase in the spring or summer to pay for universal health insurance." KGO-San Francisco's Ronn Owens said calls were coming in 50-50. WDOD-Chattanooga's Earl Freudenberg "said he devoted two hours to the president's program": "And I didn't have one caller in that two hours who supported the plan" (2/19).

RATINGS: According to the A.C. Nielson Co., TV ratings for the speech "were within 1% of comparable figures for the Super Bowl," receiving a combined 43.7 rating on the 3 major networks in 29 markets with data. "When final national figures are announced next week, the total rating could the Super Bowl's 45.1, when cable viewership is figured in" (L.A. TIMES, 2/18).

*7 GREENSPAN: HE SHOULD HAVE SAT WITH BOB UECKER

"Eyes popped" during Pres. Clinton's State of the Union address as Federal Reserve Chair Alan Greenspan had the very visible seat next to the First Lady. "Economists and Wall Streeters were amazed. ... The sight of Greenspan next to the president's wife was startling, because he has worked hard to maintain the independent Fed's distance from the White House. In fact, no Fed chairman in recent memory has attended a presidential address." Fiscal analyst James Grant: "Greenspan, by sitting where he did, mutely made the point he is ready to do the bidding of the new administration." Norwest Corp. economist Sung Won Sohn: "Nothing like this is done by accident. The president is trying to borrowsome of Greenspan's credibility with financial markets" (Memmott, USA TODAY, 2/19).

*8 JOB BOARD: NO MR. BASEBALL FOR GEORGE

PENTAGON: W.S. JOURNAL's Jaroslavsky reports two nominations have hit "snags": Dep. Defense Sec. nominee WILLIAM PERRY's confirmation hearing was canceled 2/18 "because the White House failed to submit the necessary papers." And Asst Sec. nominee MORTON HALPERIN "faces a grilling over homosexuals in the military and long-ago links to Pentagon Papers leaker Daniel Ellsberg" (2/19).

JUSTICE: An FBI agent was in Little Rock 2/18 looking through clipping files on atty/ex-Little Rock mayor WEBB HUBBELL, a former law partner of First Lady Hillary Rodham Clinton. Hubbell "essentially has helped operate" the DoJ in the absence of a confirmed AG. he is expected to get "a top post" at the department. When Pres. Clinton announced his nomination of Janet Reno last week, he said Hubbell had done "a magnificent job" keeping the DoJ going, adding, "I hope he will be staying there" (ARKANSAS DEMOCRAT-GAZETTE, 2/19). W. POST's Kamen puts atty KENNETH FEINBERG on the list for Dep. AG (2/19).

BASEBALL COMMISH: Though the 2/22 issue of NEWSWEEK reported Sen. Maj. Leader George Mitchell was "very interested" in the job, the "'good field, no hit' second baseman in his youth, says he has not intention of leaving his current political post": "I intend to run for re-election in 1994. I enjoy my current position. ... Nobody has made me an offer." Mitchell did admit, "Some nights, when I am sitting in the Senate at 2 a.m. in the morning engaged in a fierce struggle, I think about being paid large sums of money to watch baseball games." Mitchell's "immediate departure from the Senate would pose major problems for both President Bill Clinton and Maine Democrats. Clinton is counting on Mitchell to shepherd the White House's economic plan through the Senate." Should Mitchell resign, Gov. John McKernan (R) "could appoint his wife," Rep. Olympia Snow (R-ME), "to complete Mitchell's term" (Day, BANGOR DAILY NEWS, 2/18).

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AL BRIEFING =============

*9 GOP '96: CPAC LOOKS TO '96

The annual Conservative Political Action Conference opened 2/19 with speeches by three "serious contenders" for the '96 GOP nomination: NRSC Chair Phil Gramm, ex-Defense Sec. Dick Cheney and Pat Buchanan. While Gramm and Cheney "appealed mostly to the intellect of the assemblage," Buchanan "gave them ideological red meat." The "audience of nearly 1,000 conservatives ... warmly greeted" the speeches by Gramm and Cheney but "it was Mr. Buchanan who provided the most sustained voltage for a crowd eager to be electrified." Buchanan "left his audience with no doubt that it was hearing more than the usual conference speech" as he "attacked 'big government conservatism'" by saying "there ain't no such thing." Buchanan "blistered" Jack Kemp: "Let me tell my good friend, Jack Kemp, it is freedom that empowers people, not HUD" (Hallow, W. TIMES 2/19). Both Buchanan and Kemp have op-eds today on Clinton's economic package. Buchanan's in the W. TIMES, Kemp's in the N.Y. TIMES. Speaking today: Wm Bennett, Jeanne Kirkpatrick, House Min. Whip Newt Gingrich, Rep. Dick Armey, Sen. Jesse Helms, and Dan Quayle is the featured speaker at the black tie dinner. 2/20 speakers: Ex-AG Ed Meese, Ex-Ed. Sec. Lamar Alexander, MI Gov. John Engler, Rep. Trent Lott, and Jack Kemp (W. TIMES, 2/18).

KEMP: Jack Kemp appeared on "Larry King Live." Kemp on Clinton's overall score on presentation: "A, A minus. He sounded a lot like John F. Kennedy, even a little bit of Ronald Reagan. The policy prescription is vintage Herbert Hoover and Jimmy Carter. ... I don't think the Congress will go along with it. It won't work, it won't work. ... There's never been a recovery that's been fostered and promoted by raising tax rates." On deficits: "They're a problem, but ... recessions cause deficits." On Clinton succeeding: "We all want him to succeed, we're all Americans first, party members second ... but you cannot foster economic growth ... by raising" the income tax rate. "It was a bold prescription, I'm not attacking his courage or his desire to lead this country, not at all, and I want him to succeed as all Americans should." On the difference between him and Clinton: "He believes that government creates jobs and I believe that entrepreneurs and employers create employees." On the tax code: "I've talked about a flatter, lower, simpler tax rate system, that you could fill out on a postcard. You know, somebody ought to do something about that -- maybe I'll have to run in '96." Larry King: "Are you going to run?" Kemp: "I may have to." On being out of government/politics: "Bill Clinton has given me a tremendous opportunity to get back involved in public policy." On the GOP: "The Republicans, albeit in opposition, need to think however, not just being of an opposition party, but of bringing back the party of Lincoln and growth and equality of opportunity and reaching out inclusively to all people" (CNN, 2/18).

WELCOME HOME: Sen. Min. Ldr. Bob Dole spoke at a dinner billed as "A Salute to Caspar Weinberger and the victims of the Walsh WitchHunt." The guests of honor were Iran-Contra figures Weinberger, Clair George and Elliot Abrams. The dinner was the idea of Dole and American Conservative Union pres. David Keene. Keene: "We wanted to demonstrate that we conservatives don't forget our own. Especially those who have been persecuted by out-of-control liberals who have a political agenda" (Hickey, W. TIMES, 2/19).

*10 HIV AMENDMENT: CLINTON HANDED FIRST LEG. LOSS

The Senate voted 76-23 to bar foreigners infected with HIV from entry into the U.S. Sen. Mark Hatfield (R-OR) was the only GOPer to vote against the ban. The legislation waives the restriction for visitors and people seeking medical treatment. The House responded with a parallel bill offered by Rep. Bill McCollum (R-FL) and 60 other members. CNN's Franken: "Political or not, the Senate ban on HIV-positive immigrants could be a problem for [Clinton] if it passed the House, because of the overwhelming bipartisan support so far (2/18). Asked if Clinton will push for an executive order lifting the ban, WH spokeswoman Dee Dee Myers: "He could, but the vote margin is fairly dramatic ... which suggests an executive order is not a fait accompli." The debate centers around what constitutes "communicable diseases of public health significance" as well as the approx. $100,000-per-person treatment for HIV-infected people (mult. 2/19). Sen. Don Nickles (R-OK), the amendment's sponsor: "I do not think it is compassionate to open up a sign that says, 'Yes, come into the [U.S.] even if you have a contagious, infectious disease that can be transmitted throughout our population'" (Innerst, W. TIMES, 2/19). Dinah Wiley and Philip Fornaci, of the Whitman-Walker Clinic, in a W. POST editorial: "The Senate has again intervened with a shameful display of ignorance and prejudice" (2/19). Atty Michael Ratner, of the Center for Constitutional Rights, which represents the Haitian refugees on the Guantanamo base in Cuba, called the Senate action an "outrageous act", comparable "to the days when we kicked kids out of high school for having HIV" (Krauss, N.Y. TIMES, 2/19). L.A. TIMES' Cimons: "a powerful coalition of lawmakers has challenged [Clinton] on his campaign promises to the nation's homosexual community" (2/19).

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============= CAMPAIGNS OF '93 =============

*11 L.A. MAYOR: WOO-OOPS, COUNCILMAN FORCED TO RETURN FUNDS

L.A. City Councilman Michael Woo "has received nearly $6,000 in cash contributions in apparent violation of city election laws, according to records and interviews." After inquiries by the L.A. TIMES, "Woo campaign officials moved hastily to return the questionable contributions, and the city's Ethics Commission said it plans to investigate. Despite written and oral warnings from the Ethics Commis. officials in recent months, Woo's campaign has accepted about 20 cash donations ranging from $40 to $1,000 from supporters at a series of fund-raisers, Woo campaign officials acknowledged." The L.A. Ethics Commis. places a strict $25 limit on cash contributions to City Hall elections "in [part because cash donations are nearly impossible for government auditors to track. Violations of the limit can lead to fines of up to $5,000 per incident." Woo spokesperson Gary South "said the violations were inadvertent. They were caused by 'a staff member ... who did not understand it was not legal to take cash from donors" (Connell, L.A. TIMES, 2/18).

BUT WAIT, THERE'S MORE: L.A. TIMES' Boyarsky offers advice "about how to campaign against Mike Woo so he'll really squirm." Boyarsky notes that "Woo lives in a lovely hillside house. ... Finding it too small, he remodeled last year, doubling the size of the home. No story there except that ... beginning in 1989, Woo has been a strong advocate of a law passed recently that mandates strict and costly construction restrictions on homes being built or remodeled on the hillsides. One provision requires extra parking spaces to eliminate curbside parking that blocks firetrucks. Another section requires houses to be set back so that narrow streets can be widened." While pushing for the restrictions, "Woo began work on his addition. He did not install the three parking spaces that the ordinances would have required. And, contrary to the proposed ordinance, his remodeled house nudged a few feet off the curb" (2/11).

WEEKLY WRITE-UP: NEWSWEEK's Klein: "Woo has been very successful raising money and has fixed on what may become the dominant political style of the '90s: wonkery leavened by empathy. ... A vote for Woo seems a safe investment in the symbolic reunification of the city. But empathy by any other name is pandering, and Woo has a reputation for telling audiences what they want to hear" (2/22 issue). Other major candidates: City councilmen Joel Wachs, Nate Holden, Ernani Bernardi, educator Julian Nava, Dep. Mayor Linda Geiego, Assemblyman Richard Katz and businessman Richard Riordan.

*12 MS 02: AS THE FIELD NARROWS

Vicksburg businessman Scotty Swillie (R) announced he would drop out of the race, making the GOP's chances of recapturing the seat "better day by day." This leaves aide Hayes Dent (R), ex-aide to Gov. Kirk Fordice (R), the lone GOPer. After Dent won the GOP caucus Swillie said he would run with or without the party's endorsement, but now has changed his mind: "We feel like it's best for party unity. Right now with the Democratic caucus breaking up before our very eyes, I don't want to be the divisive force in ours." Dent: "It was not only right for the party, but it was a right decision for Scotty because Scotty and I had some of the same ideas and so Scotty's voice is going to be heard throughout this race" (Fava, GREENWOOD COMMONWEALTH, 2/19).

CAUCUS PROCESS LOSES ANOTHER DEM: Mayersville Mayor Unita Blackwell (D) said 2/17 she was dropping out of Dem caucus process, calling it "unfair." The caucus will be held 2/20 at the Leflore Co. Civic Center. Henry Espy, brother of ex-Sec/Ag Mike, will also not participate in the 2/20 caucus, but will be on the 3/30 ballot. Dems participating in caucus: Hinds Co.

Supervisor Bennie Thompson, Cleveland Alderman Ellis Turnage, financial planner Sterling Roscoe of Rolling Fork and civil rights activist James Meredith (COMMONWEALTH, 2/19).

*13 NEW JERSEY GOVERNOR: WHITMAN SLAMS PATRONAGE, IT SLAPS BACK

'90 Senate nominee Christine Todd Whitman (R) "attacked" Gov. Jim Florio (D) "for cutting too many low-paid workers and not enough managers in efforts to balance the state budget," and "promised if elected, she would cut 925 state employees earning more than $50,000 a year." Whitman, citing an ASBURY PARK PRESS report that 628 of the 1,065 state workers laid off this year made less than $30,000 and only 151 made more than $50,000: "It's clear that Florio is protecting his friends and political cronies while laying off the rank-and-file workers." Whitman criticized as "abuse of patronage" the jobs held by six "prominent" Dems, including state Sens. Van Wagner and John Russo "who are, respectively, the Sports and Exposition Authority's general counsel and general manager for governmental affairs. According to Whitman, they are "'are going to cost New Jersey taxpayers' $250,000 in salary and benefits." Russo responded "that it was hypocritical for Whitman to attack his appointment": "[Ex-Gov. Tom Kean (R)] gave a patronage job to her, and I made it happen. ... Tom Kean personally asked me if I could allow her appointment to go. She knows all this. Talk about an ingrate!" (Magyar/Kruse, ASBURY PARK PRESS, 2/18). Former NJ Sports and Expo Authority chair Jon Hanson: "I guess she needs an issue to shift the focus from illegal aliens ..." (Bergen RECORD, 2/19).

FLORIO AIDE NANNYGATED: Florio's top health care advisor Brenda Bacon "said that for two years she employed a live-in worker from Barbados who did not have a green card but who was not illegal." Bacon said she "paid all taxes for the woman, but she declined to say when those payments were made": "My understanding, after discussing this extensively with my attorney, is that we did everything that I was supposed to do. ... All the taxes are paid and the person no longer works for me. I have followed every inch of what my lawyers said" (Mondics/Kiely, RECORD, 2/18). INS spokesperson Tony Papasso, 2/18: "I'm sure we'll look into this." A spokesperson for Florio "confirmed" Bacon "did not pay employer taxes ... until several weeks ago." Bacon paid $7,333 in back taxes "only after the well-publicized case of Zoe Baird" and also indicated on her application to the NJ labor dept. that her housekeeper worked for them "a year earlier" than she had claimed. The NJ GOP "responded ... with a sense of relief, and used it as an attempt to shift the focus of the debate ... to the problem of child care." Whitman and Ex-AG Cary Edwards R) had to pay fines and back taxes for hiring illegal aliens. Rutgers' Cliff Zukin: "This is not a welcome development for the governor." NJ Dem chair Raymond Lesniak: "Brenda Bacon is not a candidate for governor. Christie Whitman is" (Mondics/Kiely, RECORD, 2/19).

PERFECT TOGETHER: Whitman and Edwards "attacked" Clinton's economic plan for proposing new taxes with "Florio-like speed." Whitman: "One need only look at the economic devastation in New Jersey ... to know the Clinton plan would kill any chances of a national economic recovery." Edwards: "When are Democratic leaders in the White House and the state-house going to learn that tax increases erode the economic vitality of sagging economies?" (Magyar, PRESS, 2/19). Primary 6/8.

*14 OH 02: BUCHERT STARTS AIR ATTACK

Homebuilders Pres. Jay Buchert (R) "is airing the first attack ad of the race" (AP/CINCINNATI POST, 2/18). The ad began airing 2/17. TEXT: "(Two announcers parodying those obnoxious morning zoo DeeJays:) Annr 1: Whew, gridlock out there on the interstate. And from the looks of the newspaper, its gridlock in the congressional race to replace Bill Gradison. Annr 2: They got some beauties in there, all right. I mean Bouncin' Bob McEwen? The guy who bounced 166 checks? Annr 1: Yeah. He got bounced out of Washington for being the biggest spender in the Ohio delegation. SFX: Newspapers rustling. Annr 2: It says here he filed a federal campaign report saying he had no campaign debts, then a law firm says he owes 'em almost $11,000 since last August. Forgetful, huh? Annr 1: Then there's this young lawyer Robbie Portman who comes back to town to be the hand-picked choice of the downtown money crowd. Annr 2: Robbie says he's against special interests. But Robbie Portman was a registered foreign agent for the biggest Democrat lobbying firm in Washington, whose clients included the Sultan of Oman and the dictatorship of Haiti. Annr 1: Some friends. Annr 2: Some choice Bouncin' Bob or Prince Rob. Jay: I'm Jay Buchert. I'm not a political insider. I'm a businessman, a taxpayer, not a tax-waster. I'll fight to cut the deficit and create jobs. Send me to congress and I'll work for you. Annr 1: Jay Buchert for Congress, Republican Primary, March 16" (Buchert release, 2/18).

STEALTH MAIL: Information on Portman's lobbying was "anonymously mailed" to reporters and rival campaigns from a public mailbox on Capitol Hill. Portman spokesperson Robert Bennett: "The packet contains information that is horribly inaccurate and in some instances an outright lie. Rob Portman has never worked as a lobbyist for a foreign government." OH law "requires" campaign literature to have the sender's name and address on it; whoever mailed the document "may have violated the law." McEwen and Buchert deny any connection (Flannery, MT. WASHINGTON PRESS, 2/17). Buchert: "I don't know that the documents are really factual and I don't know that they're true" (WLWT-TV release). Buchert manager Jim Dornan: "This ad is 100 percent factual and accurate." Portman spokesperson Curt Steiner said in '85 Portman filed foreign lobbyist reports "because his employer asked him to," but "he never did any billable hours" for a foreign gov't (AP/CINCINNATI POST, 2/18).

PARTY POLITICS: Portman and McEwen have "sewn up the endorsements of every county Republican party organization in the district." Buchert's radio commercial is an attempt to prevent the GOP primary "from becoming a two-person race" between McEwen and Portman. Buchert has put $20,000 of his own into the race -- "enough to introduce himself to voters" without party support. (AP/CINCINNATI POST, 2/18). Also running: Garland Crawford (R), Anderson Township trustee Bob Dorsey (R), Norwood city auditor Donnie Jones (R), Ku Klux Klan leader Van Loman (R), atty Lee Hornberger (D), '92 Gradison foe/hospital technician Tom Chandler

(D), businessman Ray Mitchell (D), Ralph Applegate (D) and Robert McDilda (D). Primary 3/16; general 5/4.

GONE BUT NOT FORGOTTEN: Rep. Ted Strickland (D-06) said files "possibly related to McEwen's re-election campaign" were left on a computer hard drive that was passed-on when he defeated McEwen 11/92. House rules prohibit office equipment from being used for campaign related activities (ROLL CALL, 2/18).

============= 50 STATE REPORT =============

*15 CALIFORNIA: KATHLEEN BROWN OFFERS NO SPECIFICS AT SUMMIT

According to SACRAMENTO BEE's Walters, Treas. Kathleen Brown (D), the "putative frontrunner" for the '94 Dem Gov. nomination, spoke at the 2-day CA economic summit and "continued her penchant for uttering generalities rather than specifics." With her high poll standings, she "apparently feels little pressure to tell Californians precisely how she would deal with the knotty, inter-related economic and fiscal problems of the state." Californians "shouldn't settle for vague phrasemaking by Brown" or any other gov. hopeful. Controller Gray Davis (D) and Insurance Commis. John Garamendi (D) -- also potential gov. candidates -- also "had their moments in the media spotlight" at the summit (2/17).

SUMMITRY: "Every role was filled in the political theatre that was the [CA] economic summit." But "however wide-ranging the discussions during the 18 hours of summitry, the conference was suffused with a sense of disconnect. For starters, it was the first bipartisan gathering of its kind, yet it came in the third year of a recession that has ravaged the economy and psyche" of CA (Decker, L.A. TIMES, 2/18). The summit gave "heaping servings of talk ... but no immediate agreements on how to improve the state's economy" (Sample, SACRAMENTO BEE, 2/18). The "tone of the summit was sincere and somber" (Kershner, S.F. CHRONICLE, 2/18). Assembly Speaker Willie Brown (D) introduced his usual rival, Gov. Pete Wilson (R), in "glowing terms, ... adding to the air of unreality." Brown and Wilson "stand to suffer ... on paper ... if the summit fails to spawn new economic proposals" but Wilson spokesperson Dan Schnur "underscored Wilson's belief that any negative fallout" should go to Brown: "Willie Brown is the sponsor of this summit. ... It's very courageous to take on the responsibility, but it's clearly his" (Decker, L.A. TIMES, 2/18).

SALARY TO CHARITY: "Carrying through on a campaign promise," freshman Rep. Michael Huffington (R-22) announced he will donate his entire salary -- $133,644 -- to be used as seed money to set up a Partnership for the Children of Santa Barbara. Huffington: "The idea about doing this came out of nowhere [during the campaign]. ... But once I said it, it felt like the right thing to do." Huffington is reportedly worth about $50M (Bornheimer, L.A. TIMES, 2/18).

*16 IDAHO: POSITION WRANGLING FOR '94 RACE

State Sen. John Peavey "has opened his bid" '94 Dem gov nomination as LG Butch Otter (R) "all but took himself out of the race." Otter "said he would seek re-election to a third term as [LG] as long as GOP leader Phil Batt stayed in the race for that party's gubernatorial nomination." Otter had told financial backers in the late '80s he planned to run for gov. in '94. Otter: "I voluntarily went to Phil and told him, 'If you're really in the race, you'd be my kind of governor.' ... If Phil's in the race, I'm out of it." Batt, an ex-LG and unsuccessful '82 gov. candidate, "announced plans earlier this month to form an exploratory committee with a decision on whether to run by" 5/1. "Sources close to Batt" said party leaders have been "pressing him so hard over the last 10 days the he was within a matter of weeks of formally announcing" his entry into the race (AP, 2/18).

*17 MICHIGAN: WILL THE BUTLER DO IT?

Detroit City Councilman Keith Butler, MI's "most visible black Republican" said "he is considering" running against Sen. Don Riegle (D). Butler "is a relative political newcomer who is pastor of one of the city's biggest churches," the 8,400 member Word of Faith Christian Center. He has been speculated to run for LG, mayor and Wayne Co. executive. But Butler said yesterday: "What the Congress does and how it does it has a greater impact than anything else on the citizens of the city of Detroit and the state of [MI]." Butler said he thinks Riegle "has been fatally wounded" by being a member of the Keating Five. Butler said he received encouragement to run from GOPers at the state convention. He has already spoken to "major financial backers" who said they would support him. Butler believes a "viable campaign" would cost $4 million to $6 millon. MI GOP spokesperson Bryan Flood: "He would be a formidable candidate. He has been very well-received." Analyst Jack Casey sees some problems: "He's a local politician of one term. He has several hurdles" (Trent, DETROIT NEWS, 2/19).

============= INSIDER COMMENTARY =============

*18 HEALTH CARE: DEFINING THE TERMS -- PROBLEM OR OPPORTUNITY?

Celinda Lake is a Dem pollster from Greenberg/Lake: The Analysis Group and Bill McInturff is a GOP pollster from Public Opinion Strategies. The two were interviewed separately on the public's perception of the health care debate.

HOTLINE: Do people understand the health care terminology -- the differences between managed care, HMO's, play or pay, etc.?

MCINTURFF: No. People's view of the health care system stops at the point of their contact. Their view is their doctor, their insurance. Less than half the country could begin to guess and rate and be aware of what those phrases might mean. And I would just say parenthetically that anybody who thinks "managed competition" is a winner as a phrase is nuts. A) Who wants to be managed and B) when people hear "competition," what it focuses on is "that's good for the suppliers." Managed competition is a potentially sellable concept but it's a terrible phrase.

LAKE: They don't understand at all. They do a little bit with HMOs the further west you go because more people there are in them. They can't distinguish among systems. They do pay attention to the language, and they'll make assumptions about the language. For example, they don't know what the term "managed competition" means, but they know that they don't like it. They think it rings false to them and that's because they say there is not competition in health care. That's why we're in the

situation we're in now. Government is not a good manager. Government is a good regulator, that's why we want government involved. We want government regulating health care.
HOTLINE: Does the media help or hurt?
LAKE: There's certainly a set of reporters who follow it substantively and understand it. The coverage has moved sometimes now to a set of political reporters who are covering the politics of the issue but who don't necessarily understand the substance of it that well.
MCINTURFF: No. Bill Clinton went from a classic pay or play position in February in New Hampshire to a vastly different position in October. One of the reasons he got away with it is because so few political reporters understood this issue. The fact that he did that with so little scrutiny is a reflection that very few people understood what the changes were from February to October.

HOTLINE: Does the lack of public understanding pose a problem or an opportunity?
MCINTURFF: It's more of a problem because the entire premise of his debate is that there are tradeoffs in health care and that presumes that you have an electorate that knows enough to be talking or negotiating what those trade offs are going to be. That's clearly not what's out there. These guys are on very dangerous political terrain.
LAKE: In the theoretical debate that used to exist, it was kind of between systems. You would see the single-payer side and the pay or play side and the managed competition people. Now, the way the debate's shaped up it's the president's plan vs. the status quo. Ultimately it will be the president's plan vs. what different groups give as cues as to what is wrong with that plan. It won't be the president's plan against an alternative plan, but it'll be "The president's plan taxes too much, the president's plan doesn't control costs enough." And different actors will have credibility in that debate. If the insurance companies say it doesn't control costs enough, people will laugh outright. If the consumer groups say it doesn't control costs enough, voters will be worried. If the insurance companies say this will hurt quality, people would laugh but if doctors say it, people will be worried. They will look for cues based less on the content than on who's saying it.
HOTLINE: How do people look at Hillary Rodham Clinton's role?
LAKE: They're actually very pleased about it, because they trust her. Seniors in particular trust her, who are very worried about the health care package. In addition, they know this means it's going to get major priority. They think she cares about people and they think she's really smart and they like having someone who cares about people and who is really smart in charge.
MCINTURFF: The discussions of her role are not connected to the specifics of health care policy. People take the presidency very seriously. They want the president to be in charge -- when the Chief of Staff starts thinking his job is to clean up after the

elephant and he's running the show -- fire the guy. It's not Hillary. It's just a function of, is there anybody whose authority is beginning to supersede the perception that the president's in charge. In the near term, having his wife do this is a way to indicate that she is his eyes and ears and he really is going to get something done. Most importantly, it is a signal that they're not going to propose something incremental, they are going to move to a very dramatic change in structure in terms of the delivery of health care. My entire thesis has been that I see very little of today's data that says the American electorate is ready for something that dramatic.

============= TV MONITOR =============

*19 THIS MORNING: ABC's "GMA" hosted GOP strategist Wm Bennett, ex-HUD Sec. Jack Kemp and OMB dir. Leon Panetta. NBC's "Today" hosted Commerce Sec. Ron Brown and Apple CEO John Sculley. "CBS This Morning" hosted Rep. Patricia Danner (D-MO).

LAST NIGHT: CNN led with the Haitian high-jacking. All other nets led with Clinton's selling of his plan. PBS' "M/L" focused on Clinton's address with frosh Reps. Stephen Buyer (R-IN), Harry Bonilla (R-TX), Dan Hamburg (D- CA), Eva Clayton (D-NC), Karen Shepherd (D-UT), AEI's Susan Lee, New School's David Gordon, Brookings' Charles Schultze and OMB dir. Leon Panetta. CNN's "Crossfire" hosted ex-Rep. Tom Downey (D-NY), and ex-Bush CEA chair Michael Boskin on Clinton's address. "Larry King Live" hosted ex-HUD Sec. Jack Kemp and CDF pres. Marian Wright Edelman on Clinton's address. PBS' "Charlie Rose" hosted producer Garry Marshall, and N.Y. TIME's Caryn James, "Entertainment Weekly's" Owen Gleiberman and W.S. JOURNAL's Julie Salamon on the Oscars. PBS' "Dennis Wholey" hosted "Lorenzo's Oil" inventors Michael and Augusto Odone. ABC's "Nightline" hosted Jimmy Carter (2/18).

JOBS R' US: ABC's "PrimeTime Live" examined wasteful government jobs and spending. ABC's Donaldson: "More examples of how this city on the Potomac still doesn't get when it comes to the belt-tightening that President Clinton called for." Some highlights; Donaldson highlighted the Comptroller of the Currency's move to an office five blocks away, buying all new furniture. Total cost of furniture -- $6.5 million on a lease-purchase contract. Administrator Judith Walscher: "I'm sure we could have gotten it less expensively," but didn't "because we did not want to be replacing the furniture every two or three years." Next up: The RTC which awarded annual bonuses to 103 employees totaling over $444,000. This year, RTC head Albert Casey awarded even more. Casey: "These folks did an outstanding job." "PrimeTime Live's" Chris Wallace then examined government employees. First up was USDA's Harold Macchias, an agricultural marketing specialist who grades product on various aspects, such as the flow of ketchup and the length of pickle stems. He is paid $52,000/year "one of 76 government workers who evaluate more than 400 commodities" (2/18).

LAUGHS: Jay Leno on the letter he received saying he may already have won $7,000: "Oh, I get it, they're just telling me how much of the $10 million I'd have left after Clinton's tax plan went into effect." When Leno asked the audience if they liked Clinton's speech, the boos seemed to predominate. Leno on Clinton taxing the rich: "It was pretty smart of me not to hit NBC up for a bigger contract. Ol' Dave Letterman got tricked into taking that big deal, see" ("Tonight," NBC, 2/18).

============= TV SOUNDBITE =============

"At Washington's airports there was the rare sight of members of the President's Cabinet trundling down concourses to board commercial flights as they headed out to help sell the plan."
-- ABC's Brit Hume, 2/18).

# # # #

/EOM/

/BOM/RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Stephen Willson (WILLSON_S) (OMB)

CREATION DATE/TIME:24-FEB-1993 15:15:00.00

SUBJECT: Report Card 2/24/1993

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THE NATIONAL UPDATE ON AMERICA'S EDUCATION GOALS
An APN publication, supported by The Annie E. Casey Foundation

M-A-T-H-E-M-A-T-I-C-S
Okla. State U wants to create the Native American Mathematics Education Center to improve skills. (#2)

YEA, UP, UP ... AND PAY
Ind. House Bill 1003 would increase funds to schools by 2.5% and raise property taxes by as much as 4.7% (#7)

GO WEST (AND SW)!
Colleges and universities search the Southwest and the West for prospective Hispanic students. (#5)

IT'S A DIFFERENT BEAT
The Phila. Police Dept. lends Chief Inspector to schools to revamp security. (#3)

ROBIN HOOD HITS THE AIRWAVES
Texas Robin Hood Amendment advocates plan an "aggressive" ad campaign to sell their message to voters before the May election. (#8)

LOANS AND DEFICIT GROANS
Congressional report says

SPOTLIGHT

"GOALS 2000: EDUCATE AMERICA ACT"

Ed Sec Richard Riley yesterday spoke to Congress about what he considers the core of education -- "teaching and learning to meet high standards." Silver bullets and simplistic solutions should not drive America's movement to improve schools, he said.

What should? National standards that state what students should know and be able to do. The legislation calls for academic standards and occupational skill standards for non-college-bound youth. Both would be voluntary. (#10)

Riley also proposes a watchdog group to certify that students are taught a rigorous curriculum by

President Clinton's direct-loan | capable teachers. |
plan may increase deficit. (#6) | |

============= QUOTE OF THE DAY =============

"It flat out won't work." -- Thomas Scully, former associate director of the Office of management and Budget, on Clinton's direct-lending proposal. (#6)

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============= TABLE OF CONTENTS =============

===== GOAL ONE: SCHOOL READINESS =====

*1 HEAD START'S L.A. STORY: PROVIDERS STRIPPED OF FUNDS

Two of L.A.'s largest Head Start providers have been stripped of $7M in federal funding (Kaplantimes, L.A. TIMES). County officials said the providers were "riddled with financial and other problems," writes the TIMES.

The paper writes that the San Fernando-based Latin American Civic Association will lose $5M and Azteca Head Start of Alhambra will lose $2M. County officials said there "will be no reduction in services" and efforts will be made to "absorb the employees, particularly the instructional people," according to the paper.

County investigators last summer found that LACA violated several federal regulations. The organization "rent[ed] office space and vans from its own employees, overpay[ed] staff members and engag[ed] in nepotism, including hiring the executive director's wife," writes the TIMES. LACA was ordered to repay $104,700 in federal funds last December and was classified as a "high-risk agency" by county officials, who continued to scrutinize its books. The county has discovered that the agency appears to have misspent additional funds, bringing the total of misspent funds to more than $800,000, according to the paper.

Ralph Arriola, head of LACA, agreed that he committed several violations and that he hired his wife. But he "denied that he profited from doing so." The paper reports that last month the county requested that LACA correct some of the funding problems by eliminating top-level agency jobs. A county official reported that, instead, LACA "cut the heck out of the program staff by eliminating teachers, aides and nurses."

The Azteca program violated federal regulations by refusing to accept physically disabled children and toddlers who are not toilet-trained, according to the TIMES. Azteca was ordered to return $76,000 in mismanaged funds in 1990. The county found that money was used for unauthorized air fares and checks made out to cash (2/23).

===== GOAL TWO: HIGH SCHOOL COMPLETION =====

*2 MATHEMATICS: OSU PROPOSES NATIVE AMERICAN MATH ED CENTER

Okla. State U wants to create a center for American Indian students to improve mathematics skills, and thereby increase graduation rates and college opportunities (Killackey, SUNDAY OKLAHOMAN). OSU mathematics professor John Jobe will bring his plan for the Okla. Native American Mathematics Education Center at OSU to the National Science Foundation.

"We want to know why Indian students tend to shy away from math classes," said Jobe. Jobe led a recent seminar for 270 students and math educators to try to find ways to "encourage youngsters in [Native American] communities to successfully study more math."

Okla. has the largest American Indian population in the U.S., with 250,000 American Indian students from 36 tribes. Jobe linked performance in math classes to successful completion of high school. The dropout rate of American Indians in Okla. went from 10.6% in 1990-91 to 12.7% in 1991-92, "although the state is well below the national Indian student dropout rate of 30 percent," writes the paper.

The Okla. DoEd also calls for an increase in the number of teachers who are Native Americans. The Okla. City education department "stresses that Indian parents should become more involved in their children's education, and Indian languages should be taught in schools just like any other foreign language," according to the paper (2/21).

===== GOAL SIX: SAFE SCHOOLS =====

*3 SCHOOL BEAT: PHILLY POLICE LEND TOP OFFICIAL TO SCHOOLS

The Philadelphia Police Department will send Chief Inspector William Bergman, 43, to serve for at least six months in a newly created position to fight violence and revamp security at schools (multi). Bergman, an architect of the Police Department's community policing philosophy, will serve on Supt. Constance Clayton's cabinet and will be paid by the school board.

Bergman will work with students, teachers, principals, parents, security guards and police and will be given "broad authority" to restructure security procedures. City officials will ask Bergman for recommendations at the end of his designated tenure (Gammage/Mezzacappa, PHILA. INQUIRER).

The decision to create the post came after discussions between Clayton and Police Commissioner Richard Neal. They agreed that both the police and the schools must be involved to promote school and community safety. Mayor Edward Rendell (D) supported the plan. Bergman's appointment continues a trend toward decentralization of power both in the Police Department and the school system.

The INQUIRER writes that according to one high-ranking school official, "the goal is to move away from a narrow approach to school security and deal with the larger issue of violence in and around the schools." Bergman will face the task of "restoring safety and public confidence," reports the paper.

Bergman is "known within the Police Department as a thinker, an advocate for victims' rights and a tireless promoter of new and better ways of attacking entrenched problems." (Gammage, INQUIRER). Bergman teaches courses on youth and crime at Temple U and on juvenile-justice policy at the Federal Law Enforcement Training Center in Ga. (Gammage; all cites 2/24).

===== FRONTLINES =====

*4 TEXAS FACULTY: MINORITY RECRUITMENT A MUST

Central Texas school districts must try "to strike a balance" between minority enrollment and minority faculty to "close the gap" revealed in recent basic skills tests, according to parents and minority leaders (Hiott, Austin AMERICAN-STATESMAN). Hispanic leaders say minority students could have performed better on the Texas Assessment of Academic Skills had they more minority teachers as role models.

Dora Gonzales, a Comal Independent School District parent, said that based on an investigation into alleged racial discrimination, there is a need for more minority teachers.

The Texas Education Agency recommended that the San Marcos school district "undertake an organized, concerted effort to recruit and employ qualified minority faculty" after an accreditation team visited the district, writes the paper.

But small towns and rural districts face problems in bringing minority faculty to their schools. David Arnold, assistant supt of the Seguin School District: "We're really trying to get a good pool of minority applicants, but what do we have to offer against those larger districts?"

Minority students are "spoken for" at many Texas university job fairs before they even graduate, said Carlos Rodriguez, director of bilingual ed at Southwest Texas State. The STATESMAN writes that "according to statistics from SWT's office of teacher certification, where the largest number of students in the state receive degrees to teach, only 11.73 percent of the students receiving certification in 1991-92 were Hispanic. Black students made up just 0.7 percent of the new teachers." (2/21)

===== HIGHER EDUCATION =====

*5 HISPANIC COLLEGE STUDENTS: A BATTLE TO RECRUIT AND KEEP

Colleges and universities are "casting wide nets" to attract more Hispanic students, but getting them and keeping them can be a "difficult effort." (Celis 3d, N.Y. TIMES) Campus recruiters have "improved their efforts by making more trips to the Southwest and West ... and by arranging a wider array of services, like counseling and tutoring, to retain students."

The DoEd reports that of the nearly nine million students enrolled at four-year campuses, 17.8% are Hispanic, 23.4% are black and 36.8% are white. The TIMES reports that "just 3.1% of all bachelor's degrees awarded in the country in 1990 went to Hispanic people ... compare[d] with 5.8% for blacks ... and 84.3% for whites," according to the DoEd.

College officials say that the "Hispanic culture, in which the family comes first, often frowns on a son or daughter leaving home to attend school." Officials say Hispanic students' parents often block their enrollments, writes the paper.

Hispanic students also are more likely than others to drop out to take jobs to help support their families, and others leave because they cannot function outside an extended family. Hispanic students often have trouble with college academics because a "preponderance ... attend public schools in underfinanced districts that cannot afford college-preparatory courses." And some students said they must contend with racism.

The TIMES writes that Hispanics sometimes have an easier time at Catholic institutions because of the religion and traditions that most Hispanic families have in common. Some universities have created programs to give minority students "tutoring, counselling and a place to meet socially." (2/24)

*6 DIRECT LENDING: REPORT SAYS IT MAY INCREASE THE DEFICIT

President Clinton's proposal to have college students borrow directly from the government to save money may actually increase the deficit, according to a report by the Congressional Research Service (Jordan, WASH. POST; See DRC 2/22, #7). Clinton has said his proposal for direct lending could save the government more than $1B a year.

The POST writes that "every inspector general in recent memory has pointed to the current system's poor management, inefficiency and dereliction in loan collection." Since the government currently guarantees loans from private banks, taxpayers are paying $3B a year for students who default on their loans.

But the CRS report said the government may not be able to administer loans as efficiently as private sector lenders such as the Student Loan Marketing Association, writes the POST. The report recommends cutting the "high profits" of lenders like Sallie Mae rather than moving to a direct system of lending, according to the POST. And the report said lending could be improved by shifting more financial risk to private lenders.

Sen. Paul Simon (D), a supporter of the direct-loan proposal, said the CRS report "confirms that the student loan industry is taking excess profits." But he said that "special interests" may try to use the report to argue for the status quo.

The POST writes that the Consumer Bank Association plans a "Lobby Day" on Tuesday to fight against direct lending.

Thomas Scully, former associate director of the Office of Management and Budget, agreed that the current system needs reform. But he said direct lending "is a dumb idea," reports the POST. "It flat out won't work," he said. Scully said direct lending may add $10-$15B a year to the deficit by issuing new loans.

Two recent General Accounting Office studies say the Clinton proposal will save money. A study in 1991 estimated savings from direct lending would be over $1B a year. And a study last year predicted $4.5B in savings over five years, writes the POST (2/24).

===== MONEY MATTERS =====

*7 INDIANA FUNDING BILL: ANOTHER ROBIN HOOD?

House Bill 1003 would change "dramatically" elementary and secondary school funding and change some existing reform measures (Albert, INDIANAPOLIS STAR). The Democratic-sponsored bill already has passed the House. But, should it pass the Senate, its chances of being signed into law "are far from assured," the STAR writes.

The newspaper reports that the legislation would increase funding to schools by 2.5% during each of fiscal years 1994 and 1995, while local property tax dollars for schools would rise by 4.1% and 4.7%. The purpose of the bill, within five years, is to guarantee that each of Ind.'s 296 districts will spend a minimum of $3,300 per pupil with a minimum property tax rate of $2.90 per $100 of assessed valuation, writes the paper.

Local property taxpayers in some districts could "notice hefty increases in their tax rates, while their districts' state funding would remain level or drop -- perhaps sharply." The new system attempts to "boost funding for lower-spending districts to bring them closer to districts spending more."

Rep. B. Patrick Bauer (D), the bill's author, said no district would have less funding over the two years and that the total increase of $354M during the two years is "significant." He added that although a greater proportion of the new funds will come from local taxes, the "state's share will decrease only slightly overall," reports the STAR.

Reactions to the bill were mixed. Sen. Morris Mills (R): "We will hear the bill. But we will have a counterproposal. We have some concerns with it." Edward Adams, of Schools Allied for Funding Equity: "Generally, the response has been favorable to this." (2/21)

*8 SHERWOOD FOREST MEETS MADISON AVE.: TEXAS TO GET AD BLITZ

Supporters of Texas' "Robin Hood" constitutional amendment are planning an "aggressive" ad campaign to get their message across to voters before the May election (Stutz/Moreno, DALLAS MORNING NEWS; See DRC 2/18, #8). Backers also are "forming a bipartisan steering committee to push the proposed amendment in the state election."

Austin political consultant Jack Martin, who will chair the committee: "It will be an uphill battle. We intended to run a very aggressive campaign ... with a general theme that passage of this amendment is necessary to save our schools."

The measure is intended to satisfy a June 1 court deadline for Texas to have in place a constitutional school finance plan. Martin said the efforts on behalf of the school-funding amendment will be comprised of television advertising, phone banks and direct mail. He also said the campaign will cost up to $1M -- the bulk of which will be for T.V. ads.

The MORNING NEWS reports that Gov. Ann Richards (D) and Lt. Gov. Bob Bullock (D) "will be closely involved in the campaign." And "a team of Democratic and Republican supporters will crisscross the state talking to newspaper editorial boards," according to the newspaper.

"Although Republican Party officials attacked the Robin Hood amendment when it was debated in the Legislature, they are not yet planning a massive ad campaign to derail the proposal at the polls," the MORNING NEWS writes. But Texas GOP executive director Karen Hughes of Austin said: "There will be a concerted effort to defeat the amendment that may include some advertising." (2/23)

===== EDUCATION '93 =====

*9 CLINTON'S STIMULUS PACKAGE: CHAPTER 1 AND PELL GRANTS

Ed Sec Richard Riley yesterday addressed members of the House Subcommittee on Labor, Health and Human Services on the education components of President Clinton's economic stimulus package (Riley statement).

Riley said the DoEd is requesting $500M for immediate Chapter 1 grants to local school districts in inner cities and other areas with high concentrations of poor students. He added that the funds would be directed to new summer education programs that would employ up to 83,000 teachers, classroom aides and other staff.

Quick passage by Congress would allow the DoEd to notify states by late March of their county allocation. And the DoEd would require that all funds be obligated by Sept. 30, 1993, which would "ensure that the supplemental has the desired economic stimulus effect," according to Riley's testimony.

Riley said the DoEd also is requesting $235M "to mitigate the impact on districts" that stand to lose Chapter 1 funds in fiscal year 1993 as a result of using 1990 Census data for the first time to make Chapter 1 allocations.

Riley's proposal also includes $2B to eradicate the Pell grant shortfall. Riley: "This will allow us to issue a Pell payment schedule immediately, so that students who are now making plans for next fall will be able to find out how much grant aid will be available."

Riley's remarks touched briefly on the recent DoEd report on Chapter 1 (see DRC 2/23 #8). The ed sec said the department would work with Congress to improve the effectiveness of Chapter 1 during the upcoming reauthorization (2/23).

*10 ED SEC UNVEILS ED PLAN: EDUCATE AMERICA ACT

Richard Riley this morning unveiled the Clinton administration's first education initiative before the Senate Committee on Labor and Human Resources.

The "Goals 2000: Educate America Act" calls for the creation of "rigorous, internationally competitive standards" and creates a council to certify that the academic content standards and assessments are of the highest quality, according to Riley's testimony. Standards would be voluntary and the council would provide a process for "affixing a 'Good Housekeeping Seal of Approval' to national and state efforts to set challenging standards and assessments," Riley said.

Riley said a similar board would be created to develop voluntary occupational skill standards. The DoEd will work in concert with the Dept. of Labor to "build a new school-to-work transition system," said Riley. Labor Sec Robert Reich said in his testimony that "the skills of the American workforce means creating a new partnership between the world of education and the world of work." His remarks focused on development of a skill standards system for non-college-bound youth. Skill standards must be voluntary and designed with private sector leadership, among other things, according to Reich.

The legislation also would establish the "Opportunity to Learn Commission." The commission would be charged with developing standards that address issues such as the capability of teachers to provide quality instruction; the availability to teachers of state-of-the art research on teaching and learning; and the availability of rigorous curricula geared to meet world-class standards.

Another provision of the legislation calls for a 10-year nationwide "challenge" to states and school districts "to develop and implement action strategies helping all students achieve" the standards, according to Riley. Federal grant money would be provided for this purpose.

The legislation also would establishe the National Education Goals Panel in law, "with the full partnership of Congress on the panel," Riley said (2/24).

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Available each working day at 9:00 AM
Report for MARCH 3, 1993

TODAY'S SUMMARIES

Democrats Committed To Pass Budget, Stimulus By April 2, Leaders Say -- House and Senate Democrats are committed to voting on a fiscal 1994 budget resolution that tracks President Clinton's economic plan -- as well as his stimulus spending proposals for this fiscal year -- before Congress leaves for its Easter recess April 2, members of the leadership say. Clinton meets with Democratic congressional leaders at the White House to discuss the timing of action on the individual pieces of his economic program, then meets with House and Senate Republicans at the Capitol to seek their support. GOP lawmakers tell him they are unhappy with his proposed tax increases and want to cut more spending. Meanwhile, congressional aides say House Budget Committee Democrats will offer as an amendment to Clinton's package, a set of additional spending reductions. G-6

Attempt To Expand Clinton's Capital Gains Proposal Seen Likely -- The Clinton administration and congressional lawmakers expect an attempt to broaden the targeted capital gains exclusion contained in the president's economic plan, administration and congressional sources say. Treasury Secretary Bentsen says he expects some attempt to modify the proposal. Clinton's plan is narrower than that passed by Congress last year. G-1

January Leading Index Up 0.1% After Big Jump Month Before, BLS Reports -- The government's forward-looking index of leading economic indicators edged up 0.1 percent in January after a considerably bigger jump in December, the Commerce Department's Bureau of Economic Analysis reports. January marked the fifth consecutive increase in the leading index, which was designed to forecast the economy several months into the future. But analysts say the small gain is another sign that the economy is slowing from its fourth-quarter pace. N-1

Clinton Seeks Streamlining Similar To Corporate World -- President Clinton today will announce an initiative to apply the cost-saving and management techniques used by some successful businesses to the federal government in his continuing effort to "reinvent" the way the government works. There has been discussion within the White House about applying the concept of a comprehensive performance audit to the functions of the federal government. A-28

Housing Sales Plunge 13.8 Percent In January, Commerce Says -- Sales of new single-family homes plummeted in January by 13.8 percent to their lowest monthly level since last May, the government reports. They fell in all regions except the South, where they were unchanged. Economists say the sharp decline is an aberration, influenced by very poor weather. N-6

U.S. Official Calls Aircraft Subsidies Pact With EC 'Bad Agreement' -- U.S. Commerce Secretary Brown calls the agreement reached last year with the European Community limiting government subsidies to aircraft manufacturers a "bad agreement," saying it has been difficult to monitor because of changed circumstances. Brown, testifying before a congressional subcommittee, says that the four-nation European aircraft consortium Airbus Industrie continues to be "heavily subsidized" despite the accord. A-17

Three Bank Regulatory Merger Bills Expected This Week In House, Senate -- The House Banking Committee's ranking Republican says that he plans to introduce a bill later this week that would revamp and merge some of the bank and thrift regulatory agencies. Rep. Leach's bill would not remove supervisory powers from the Federal Reserve Board and the Federal Deposit Insurance Corp., as would the proposals expected to be offered simultaneously by the Democratic chairmen of the House and Senate Banking Committees March 4, staff say. A-15

CBO Says Health System Reform Would Not Reduce Deficit -- Contrary to the Clinton administration's expectation, health care system reform will not yield any significant reductions in the federal budget deficit over the next decade due to the high cost of expanding access to health care, Congressional Budget Office Director Reischauer says. Speaking before the House Ways and Means Health Subcommittee, he says the administration's expectation that health care reform would reduce the deficit by $200 billion by the end of 10 years probably is too optimistic. G-2

Creation Of Panel To Examine Airline Industry Approved By House -- The House overwhelmingly approves legislation aimed at developing a national consensus on how to address ongoing financial problems in the U.S. airline and aircraft manufacturing industries. The bill, introduced less than one month ago, passes on a 367-43 vote. A-18

Insurance Solvency Monitoring Program Gaining Ground In States -- Over half the states are expected to be accredited by year's end for adopting model laws aimed at improving the oversight of U.S. property-casualty insurance industry, the president of the National Association of Insurance Commissioners says. The NAIC's program so far has resulted in 19 states being accredited for adopting the organization's model solvency monitoring standards, NAIC President Foster tells the National Association of Independent Insurers. A-13

House Approves Bill To Reallocate Government Spectrum To Private Sector - The House approves legislation (HR 707) requiring reallocation of 200 megahertz of radio spectrum from federal use to the private sector. A-10

Survey Finds Firms Using Possessions Tax Credit Create U.S. Jobs -- Companies that use the possessions tax credit purchased $2.3 billion in materials and services in 1991 from U.S. mainland suppliers, according to a survey released by the Puerto Rico USA Foundation. The purchase of these goods and services in 46 states and the District of Columbia translates into 46,000 jobs created on the mainland, according to the foundation. G-1

ALSO IN THIS REPORT

* Securities -- The House passes a bill aimed at protecting investors from abusive limited partnership rollups. A-13
* UI Benefits -- The Senate is expected to approve legislation today to extend the current emergency unemployment benefit program for an additional seven months, following debate on an amendment proposed by Senate Republican leaders that would designate spending cuts to pay for the $5.7 billion benefit extension. A-25

* Futures Trading -- The Commodity Futures Trading Commission proposes regulations to prohibit dual trading in futures or option contract markets with average daily trading volume of 8,000 contracts or more. A-10

Technology

BILL WOULD PROMOTE COLLABORATION BETWEEN ENERGY DEPARTMENT, BUSINESS

Senate Energy and Natural Resources Committee Chairman J. Bennett Johnston (D-La) and other lawmakers March 2 introduced a bill that would increase collaboration between the Energy Department and private industry on developing advanced technologies.

The proposed "Department of Energy National Competitiveness Technology Partnership Act of 1993" would promote collaboration in areas of technology including energy, high-performance computing, the environment, human health, advanced manufacturing, advanced materials, and transportation," Johnston told a press conference to introduce the bill.

The Clinton administration has said it will focus national resources on promoting industries that use advanced technology as a way of creating high-wage jobs in the United States. As part of President Clinton's economic stimulus package, the Commerce Department announced proposed spending increases for technology, particularly at the National Institutes of Standards and Technology, which is under Commerce. Sen. Pete Domenici (R-NM), a committee member and sponsor of the bill, said the Energy and Commerce programs could complement each other in promoting technology.

"We're trying to ensure that the capacity of DOE is put to these purposes as well," said Sen. Jeff Bingaman (D-NM), another committee member and bill sponsor.

The legislation would authorize $100 million in expenditures on the energy side of the Energy Department in fiscal 1994, and $240 million on the defense side of the agency, according to Bingaman. The authorization would increase, on the energy side, to $140 million in fiscal 1995, $180 million in fiscal 1996, and $220 million in fiscal 1997 under the bill. On the defense side, the authorization would rise to $290 million in fiscal 1995, $350 million in fiscal 1996, and $400 million in fiscal 1997.

The bill aims at making Energy laboratories available for research that would benefit the international competitiveness of U.S. firms, its sponsors said. The measure would establish a minimum goal for the percentage of government laboratory budgets devoted to partnerships with industry and provide more authority to the secretary of energy to enter into partnerships with the private sector. It would also make it easier for cooperative research and development agreements between labs and industry receive final approval, among other measures.

The bill also would include provisions to encourage a broader range of partnership mechanisms and establish industry advisory boards at Energy and laboratories to increase industry involvement in lab activities.

Bingaman said the United States lags behind Japan and the European Community in providing government support for technology development.

European Community

EC COUNCIL AGREES TO PROHIBIT ABUSIVE CLAUSES IN CONTRACTS

BRUSSELS--The European Community Council of Consumer Affairs ministers March 2 adopted both a directive prohibiting abusive clauses in contracts and a resolution to study the possibilities of standardizing labeling across the

Community.

The directive will require countries to eliminate abusive clauses from contracts and to prohibit, in any case, consumers from being bound by such clauses. It will come into force at the end of 1994.

The resolution on standardized labeling requires the EC Commission to examine whether EC-wide standards for labeling are necessary and, if it thinks they are, to establish a framework for labeling requirements. The study must be completed and its results submitted to the Council by June 1994 at the latest.

Christiane Scrivener, EC commissioner for consumer protection, said that a fine balance had to be struck between too much and too little information being required from manufacturers.

"We have to make sure that labels say enough to make sure they are safe, but that they don't say so much that consumers give no importance to all that is said."

She also said that the EC was not yet sure what role the Community should play in bringing about standardization.

The Council agreed, however, that the Commission had to find a means to ensure that labeling across Europe was intelligible, relevant, transparent and verifiable.

It is important that the consumer have adequate and accurate information to be able to decide on his/her purchase in full knowledge of the facts, while the appropriate public authority also had to be easily able to verify the claims made by the products' label, she said.

The amount of information required on a label could well end up varying according to industry, Scrivener added. She cited packaged foods and cosmetics as two industries that would be carefully scrutinized.

The Council did not discuss whether eco-labeling should be considered. According to a source close to the Danish presidency, that had been discussed last year in the environment council.

Scrivener added, however, that she thought the labeling of products harmful to the environment was important. "And it's not that much more expensive for the manufacturer to do," she said.

Elimination Of All Abusive Clauses

The directive on abusive clauses in contracts was first suggested 16 years ago and will not come into force for almost another two.

According to the text of the directive, a clause is to be regarded as unfair where, in spite of the requirements of good faith, it creates a significant imbalance, to the detriment of the consumer, between the rights and obligations of the parties under contract.

In particular, it gives consumer associations the right to ask the courts or the relevant administrative bodies to remove unfair terms from contracts drawn up for general use or recommended by professional trade associations.

By the time the directive is passed into national law at the end of 1994, consumers should be able to rely to a greater extent on contractual clauses, as it will not be possible to impose standardized unfair items, according to an EC Commission press spokesperson.

An example cited during the Council meeting is the holder of a credit card not being bound by any detrimental changes in the terms and conditions of holding that card. That is, if a cardholder acquired a credit card and the terms state that she/he would begin paying interest from the date the payment is late, she/he cannot be legally subject to a change in the conditions so that the company can begin charging her/him interest from the date of purchase.

Jan Trojborg, the Danish minister who chaired the Council meeting, said that this "minimalist" directive was a first step that laid down rules concerning only standard or non-negotiated contract terms.

The individual member states were, however, free to offer greater protection than that offered in the directive and he said that the chances were good that, after this directive had been functioning for several years, it would be revised to incorporate individually negotiated contracts.

International Economics

NEW JAPANESE STIMULUS PACKAGE IN PREPARATION, SOURCES REPORT

TOKYO--Responding to pressure from industrialized countries on Japan to reflate its economy and slash its ballooning trade surplus, policymakers have begun preparing another large stimulus package, which some sources said could top the $84 billion program they compiled last August.

Broadly, the package would highlight the front-loading of public works spending during the first half of fiscal 1993, which begins April 1, tax cuts, and financial support for small and medium-sized businesses, a source with the governing Liberal Democratic Party said March 2.

It probably will not include a cut in the discount rate, which was lowered to a postwar low of 2.5 percent Feb. 4, unless the yen appreciates anew against other key currencies, the source said.

Finance Minister Yoshiro Hayashi, who attended the Group of Seven finance ministers' meeting in London Feb. 27, told a news conference Feb. 28 that other officials did not make any specific request to Japan to bolster its economy. He also said the government "isn't planning to compile additional economic measures," which would be the third package since last March.

Before the meeting, the financial markets were rife with speculation that Japan would agree to enforce a large fiscal stimulus package provided other countries coordinate to stabilize the yen in the range of 120-125 to the dollar.

Bank of Japan Governor Yasushi Mieno, who also attended the London G-7 meeting, said at a separate news conference Feb. 28, "There was no agreement on guiding the yen higher or accept a high yen. We also did not discuss about reaffirming the prevailing currency rates."

But their denials are the voices of Ministry of Finance bureaucrats who believe that if the new package includes a large tax cut, the ministry would have to lower the flag of its budget austerity program. In such a case, bureaucrats worry, national debts, now totaling $1.47 trillion, or about 37 percent of gross national product, may again grow, putting strains on future social security and pension payments that are set to swell in tune with the fast-aging population.

Thus, "reducing spending and balancing the budget and avoiding issuing deficit-covering bonds have been their years-long obsession," said Nobuyuki Ueda, a senior economist with Long-Term Credit Bank of Japan Ltd.

Yet, barring debate about a large tax cut, LDP economic policymakers already are huddled together to prepare a new package, LDP secretariat sources said. Tentatively, Hiroshi Mitsuzuka, chairman of the powerful LDP Policy Affairs Council, has drafted a package that is larger than last August's $83 billion program, they said.

The package, which is expected to be completed by late March, would feature housing and investment-related tax cuts, possibly totaling more than 1 trillion yen ($8.7 billion), as well as public works spending focused on modernizing such high-technology infrastructure as telecommunications, educational, and medical facilities, LDP sources said. The spending program, the sources said, is partly to encourage project contractors to use foreign-made high-tech equipment and services.

Unlike the August 1992 package, though, the spending program may not become the centerpiece, LTCB's Ueda said, because the effect of front-loading will be diluted as it already has been implemented in the first half of this fiscal year. Budget growth itself also is modest. In the fiscal 1993 budget bill, now waiting for Diet (parliament) passage, public works spending will rise a humble 4.8 percent over the current fiscal year which ends in March.

Against such a backdrop, attention of both LDP and opposition parties is geared to an income tax cut, party officials confirmed. MoF bureaucrats are resisting endorsement of such a cut because they probably have to resume issuing deficit-covering bonds, but their resistance "no longer is as strong as before because of mounting U.S. pressure on Japan to trim its trade surplus," said a member of the Socialist Democratic Party of Japan, the largest opposition party.

LDP and opposition leaders are expected to work out an income tax cut framework before March 5. The opposition is seeking a Y4.4 trillion ($38 billion) cut, but the LDP has yet to present its proposal, according to the SDPJ member. Bipartisan tax cut negotiations may drag on longer because both LDP and the opposition are trying to use it as a hostage for the general elections to be held later this year, political pundits said.

Compiling a results-oriented package is imperative because Prime Minister Kiichi Miyazawa will carry it to Washington in mid-April for his first meeting with President Clinton. The outcome could drive Washington to take tough trade action against Tokyo should Miyazawa fail to present active measures to prune Japan's $43.6 billion trade surplus with the United States, observers said.

International Trade

CHINA, U.S. SAID TO REMAIN FAR APART ON GATT RE-ENTRY TALKS

BEIJING--China and the United States are "a long way from completing the negotiations" on China's re-entry into the General Agreement on Tariffs and Trade, the head of a U.S. trade delegation said March 2 after two days of talks.

Assistant U.S. Trade Representative Douglas Newkirk led a delegation here March 1 to restart bilateral GATT entry talks that were suspended after the 1989 crackdown on pro-democracy demonstrators.

Newkirk told a press conference after the talks that in the general outline of the protocol for China's entry that the two sides had worked on, China would not accept two points that it had accepted during earlier negotiations from 1986 to 1989.

China agreed to work on the first few obligations in the outline protocol--creating a single national trade policy, full transparency of trade regulations, and elimination of non-tariff barriers. But it refused to move to detailed discussion on a fourth obligation, which would commit China to forming a market economy, and a fifth obligation, which would allow that before such a system is intact, fellow GATT members can protect their markets against surges in Chinese exports.

Without detailed discussion, Newkirk could not answer questions about the criteria GATT would use to decide when China had adopted a market economy or what forms of protection could be used.

He said the special safeguard system allowed the United States or other members to impose special tariffs or quotas exclusively on Chinese goods, despite GATT's principle of multilateral action.

China's Non-Market Economy

Newkirk said China felt this system was unfair, but he added that the protocol had to be exceptional since GATT was not set up to deal with China's non-market pricing system.

"Issues like antidumping, like subsidization, like customs valuation, none of those principles can be enforced without a market price system," he said, adding that the fundamental problem was to write a protocol that "works around" the lack of such a system without forcing reforms China cannot tolerate.

He said China argued the "socialist market economy" it set as a model last October at the 14th Communist Party Congress should be acceptable to GATT.

Newkirk said that Taiwan, where his delegation will hold similar GATT talks next week, had a "leg up" on China as far as entering GATT since it was a market economy. China has insisted, however, that it enter GATT before Taiwan.

Before the talks, Chinese negotiators expressed optimism that they could gain re-entry into GATT within the year. Asked if he thought this possible, Newkirk said China alone could decide the pace with which it accepted its GATT entry obligations.

"I'm going to be retired in seven years and I'm not sure that I'm going to be able to wrap it up at the current pace," Newkirk said, "but at any point the Chinese can accelerate that pace by talking about specifics and not rhetoric."

He said the protocol was even more important since China has said it will choose "developing country status" that will allow it to evade obligations to a certain degree to protect its infant industries.

The U.S. trade deficit with China bulged to $18.08 billion last year, up from $12.6 billion in 1991. This deficit is expected to strengthen congressional attempts to place arms control, trade, and human rights conditions on renewal of China's most-favored-nation trading status, under which the United States extends the same low tariff levels that it does to other countries' export goods.

China has argued that after it enters GATT the United States, as a fellow member, should automatically grant the status and abandon the practice of annual renewal.

Newkirk made it clear that a domestic legal process, not just GATT requirements, would be needed to change the existing U.S. law stipulating annual review. This seems unlikely since President Clinton has indicated guarded support for conditions on China's MFN.

"If China were to enter GATT, we would have to enter a reservation which says that the United States does not apply the GATT to China," he said.

The 13th session of the working group on China's GATT accession meets in Geneva March 15.

Chinese negotiators did not immediately publish any comments on the talks. However, Li Zhongzhou, deputy director of international trade and economic relations at the Ministry of Foreign Economic Relations and Trade, told the Xinhua news agency Feb. 27 that he and his colleagues are "full of confidence" with respect to the resumption of China's GATT status.

Li, who predicted re-entry within the year in the China Daily on Jan. 31, was more reserved saying "some major contracting parties, who view the negotiations as the last chance to affect China's foreign trade policies, have been resistant to admit China before the end of the Uruguay Round."

The Uruguay Round of multilateral trade talks, being held under GATT, which aim to liberalize global trade, have been stalled for more than two years, and a settlement date is still unclear.

Li said while China hoped for readmission as soon as possible, re-entry should be "based on bringing new life to, not restrictions on, the development of China's economy."

Assistant U.S. Trade Representative Ira Wolf today is scheduled to hold talks on implementing last October's bilateral agreement on market access.

On Feb. 23, China signed a memorandum of understanding outlining public telephone switching manufacture in China with AT & T. The U.S. company had been excluded from this market by a secret Chinese government directive, issued in August 1989, restricting public switching contract awards to Germany's Siemens AG, Japan's NEC Corp., and Alcatel AV of France.

Financial Institutions

FEDERAL, GSE OFFICIALS SUPPORT SECONDARY MARKET FOR BUSINESS LOANS

Representatives from the Resolution Trust Corp., the Small Business Administration, and four major government-sponsored enterprises March 2 told a House Banking subcommittee that they support the idea of a new secondary market for small business loans, and offered insight as to what makes such a program successful and what potential problems might erupt.

The roundtable hearing, held by the House Banking economic growth subcommittee, was the second in a series examining a new secondary market as a possible vehicle for getting credit to small businesses and alleviating the credit crunch.

The first hearing was held Feb. 16 and a third hearing has been scheduled for March 9.

"The establishment of a secondary market offers enormous potential to solve the serious credit crunch confronting business of all sizes across this country," committee Chairman Paul Kanjorski (D-Pa) said in his opening remarks.

"By injecting new capital into the system, and increasing the liquidity of our lending institutions, a secondary market should significantly increase the availability of credit, at reasonable interest rates, for business investment," he said. "This is critical if we are to succeed in creating new jobs and revitalizing our economy."

Kanjorski said he will develop legislation over the coming weeks to create a secondary market for small business loans. He expressed his concern that other legislative proposals that have been introduced do not go far enough.

For example, he said, some bills have been introduced to remove the legal obstacles to the creation and operation of a new secondary market.

"It is clear that this is an important part of what must be done, but I am not optimistic that a healthy market can be created without greater federal involvement at the outset," he said.

Other bills that have been introduced would create a secondary market specifically for small business loans, he noted.

"Again, this is an important element in the equation, but I believe this approach defines the new market too narrowly; loans of medium and large businesses should also be included in order for the new market to be truly effective and for us to realize the full potential for economic growth," he said. "At the same time, we must explore whether a new secondary market can securitize community and economic development loans."

Kanjorski said it remains up in the air whether the increased government role he envisions will result in a new government-sponsored enterprise or another approach.

Ingredients for Success

Jayne Shontell, senior vice president for financial and information services at the Federal National Mortgage Association, cited four key elements that have worked in Fannie Mae's secondary market program.

First, she said, it is necessary to separate credit from cash flows. "We have successfully forged a partnership with Wall Street," she said. "We focus on the credit risk by setting underwriting standards, while Wall Street markets the cash flows."

Fannie Mae's incentive to do this is to create commodity-like products that result in high liquidity that will appeal broadly to all market participants, she said.

"Wall Street has had tremendous incentives to develop proprietary products which could have been illiquid," she noted. "The synergy and the friction between these interests has propelled our market development," she said.

The second element in Fannie Mae's success has been centralizing the issuance of securities, Shontell said.

This has allowed for "high liquidity and a continuous presence in the market, which has translated into investor familiarity and confidence, and facilitated our doing business with a variety of players at every level of underwriting, trading, and selling the securities," she said.

Third, Fannie Mae has built wide expertise, Shontell said. She explained that centralization enabled Fannie Mae to build unrivalled expertise in mortgage investing, based on gathering data continuously over millions of transactions and across all geographic regions.

Finally, Shontell recommended homogenizing diverse assets. "While homogeneity of the underlying asset was helpful," she said, "it was not critical to developing a successful secondary market for home mortgages."

Despite a wide variety of assets and very distinctive credit risks for multifamily loans compared to single-family lending, Fannie Mae has been able to issue about $12.7 billion in multifamily mortgage-backed securities, she said.

High Mortgage Rates May Remain

According to John Gibbons, vice president for financial research at the Federal Home Loan Mortgage Corp., "A major hurdle for a commercial secondary market agency will be to understand and control the risks associated with guaranteeing commercial mortgages."

If the costs of commercial credit are high because the risks are difficult to measure, and they are much greater than those in the single-family mortgage market, creating a secondary market may not solve the problem of high mortgage rates, he warned.

Tim Greene, executive vice president and general counsel for the Student Loan Marketing Association, said the major factors underlying a successful GSE are sound risk management, exposure to private capital markets, and a clear commitment on the government's part to the benefits of private sector participation.

Kenneth J. Bacon, director of the RTC's securitization office, pointed to some difficulties that would be associated with creating a secondary market for commercial loans.

"The challenge of securitizing commercial business loans is, in a technical sense, even greater than the one faced by the RTC in securitizing its mortgages," he said.

Bacon pointed out that commercial loans are not standardized in either documentation or in terms of their underlying collateral. For some types of business loans, the appropriate credit analysis is much more complicated than it is for others, and credit rating agency criteria are much less developed, he said.

In addition, Bacon said, servicing is complicated because most commercial loans are in the form of a credit line.

"This means that principal balances can change radically from month to month as the borrower either makes payments to or advances against their line of credit," he said.

Moran Opposes Subordination

During a question-and-answer session, Kanjorski asked the participants whether any of them would issue subordinate loans if given the chance.

After hearing the question, Rep. Jim Moran (D-Va), who sat in on the hearing, remarked that it would be a big mistake to wrap business loans into that concept. Moran noted that in 1990, real estate was a $13 trillion market. Since then, it has dropped $1 trillion in value.

He cited the drop in the value of real estate as the reason why the economic recovery has not been and will not be robust.

Real estate's problems can not be blamed on the residential markets because there are government-sponsored enterprises facilitating lending, he said. However, a parallel structure does not exist in the commercial market, he noted.

"We have got to stabilize and restore real estate values," Moran said. He stressed that real estate is a buyer's market, and will remain so until capital comes back.

Moran also pointed out that the Federal Reserve Board has estimated that of $340 billion of commercial mortgages that are in the process of coming due, $185 billion will not be renewed. If that occurs, he said, the economy could fall back into the recession from which it is just emerging.

Henry D. Edelman, president and chief executive officer of the Federal Agricultural Mortgage Corp., said some sort of credit support is essential for a loan subordination program. "Rigidity is really the hobgoblin to stay away from," he said.

James W. Hammersley, deputy director of the office of financing and director for secondary market activities at the SBA, said any new GSE should be set up with as much flexibility as possible because the secondary market will change in coming years.

Another important element, Edelman said, is loan diversification. Even regional diversification will add value to loans because the GSE gets away from local economies in certain areas, he said.

Edelman said he thinks each existing GSE could begin to do some of the work of a secondary market for small business loans, which could be combined with a new GSE, resulting in a blend of the two.

Kanjorski said he does not want to get in the situation where business is taken away from banks by giving too much authority to the existing GSEs. In addition, he cautioned that letting each of the existing GSEs do some of the work may not leave enough business for a new small business GSE.

Kanjorski also asked the panel whether Community Reinvestment Act lending requirements should come into play in setting up another GSE.

Fannie Mae's Shontell said the benefits of a government charter include some responsibility to the public sector, but added that balance in this area is necessary.

Medicare

MEDICARE REIMBURSEMENT SAID CUT TO SOME PROVIDERS OVER CREDIT BALANCES

More than 700 health care providers were having 20 percent of their Medicare reimbursement withheld as of the end of 1992 because they failed to file credit balance reports, and another 7,000--about a quarter of all providers qualified for Medicare reimbursement--could be in danger of facing such action, a Health Care Financing Administration official told BNA March 1.

As of Dec. 31, 1992, 738 providers were being sanctioned by HCFA for failing to file the reports, which document how much Medicare funds a provider has received from an overpayment by Medicare, said the official, who did not wish to be named.

The agency also recently sent 7,000 letters to providers warning them that they have 30 days to file a credit balance report or they also will have Medicare funds withheld, the official added.

As of Dec. 31, 9,138 providers, including hospitals, nursing homes, hospices, and home health agencies, had either not submitted the quarterly reports due June 30, 1992, or Sept. 30, 1992, the official said. Just under 3,800 of those had not submitted either report, he added.

Final Figures Still Out

The official cautioned, however, that the figures do not include possible late submissions of reports due for the last quarter of 1992, so the final report figures may be somewhat lower.

Nevertheless, the official said HCFA is concerned about the high number of providers that have failed to file the reports. About 27,000 providers nationwide are certified to receive Medicare reimbursement for services. There may be several reasons why providers have not filed the reports, including an erroneous belief that if no money is due, it is not necessary to file; fear of agency sanctions; or willful disregard of Medicare regulations, the official said.

Credit balances often occur when a health care provider bills Medicare and private insurers for the same service, resulting in a double payment. Under federal law, Medicare is designed to be the secondary payer of any medical claim, responsible only after private insurers involved have provided reimbursement for the service. The agency has estimated that providers may owe Medicare about $300 million as a result of overpayments.

Medicare intermediaries are able to withhold anywhere from 20 percent to 100 percent of a provider's Medicare reimbursement in cases where a mandated form is not filed, the official previously told BNA. HCFA is more interested in bringing Medicare credit balance reports up to date than in imposing large sanctions on providers, but nevertheless is determined to see that the reporting requirements are met, he said.

HCFA reinstituted the quarterly filing requirement early in 1992 after the Office of Management and Budget, which earlier had suspended the practice over concern that it violated the Paperwork Reduction Act, reversed its decision. The HCFA official told BNA the agency eventually may ease the quarterly reporting requirement, but only after all overdue reports are accounted for.

Numerous hospitals around the country were audited by the Department of Health and Human Services Office of Inspector General last year to determine the extent of the credit balance problem. The IG most likely will investigate any facility that continues to have outstanding credit balance reports, the HCFA official told BNA.

International Trade

FRENCH MINISTER SAYS DRAFT EC-U.S. AGRICULTURE DEAL WILL BE RENEGOTIATED

PARIS--French Agriculture Minister Jean-Pierre Soisson said March 2 that the draft European Community-U.S. agreement on agriculture "will be renegotiated in the interests of the EC and the United States."

Saying that he was speaking personally, Soisson told reporters that he believed agriculture should never have been included in the Uruguay Round of the General Agreement on Tariffs and Trade. "America had everything to gain and the European Community everything to lose," he said. An agreement "would inevitably be unbalanced," he added.

Soisson confirmed that France has had direct contacts with the United States over the oilseed dispute, and that it will veto the pact if a vote to approve it is called during the EC foreign ministers' meeting in Brussels March 8. The latest documents for the meeting received by minister indicate that the vote will be on the agenda, he said.

Other EC countries are sympathetic to the French cause, Soisson said. Belgium and Holland, for example, are worried about demands from third countries for compensation for loss of exports under the EC oilseed regime, Soisson said. Latin American countries are requesting higher quotas for their beef exports to the EC, but no offers have yet been made, a diplomatic source told BNA.

The text of the draft oilseed pact is the only one that has been distributed to EC member states, Soisson noted. "We have still not seen the text of the [November] Washington agreement," which deals with all the other agricultural trade issues, he said.

France rejects the oilseed agreement because of the 1 million ton a year ceiling in meal equivalent for grains grown for industrial use, Soisson explained. The government has earmarked 25 million francs (about $5 million) for 1993 to help oil companies develop fuel made from agricultural produce.

International Economics

JAPAN'S UNEMPLOYMENT RATE DOWN TO 2.3 PERCENT IN JANUARY, DATA SHOW

TOKYO--Japan's seasonally adjusted unemployment rate fell back 0.1 percentage point to 2.3 percent in January, the Management and Coordination Agency said March 2.

In a separate report, the Labor Ministry announced January's seasonally adjusted job availability rate, the index based on job offers to job seekers, stood at 0.93, a 0.01 point improvement over December and meaning there were 93 vacancies for every 100 job seekers. December's level, which was earlier reported as 0.93, was revised downward to 0.92.

The January jobless population totaled 1.52 million, up 7.8 percent or 110,000 people over a year ago, the agency said. The number of employed totaled 62.96 million, up 0.5 percent or 320,000. An agency researcher said the unemployment rate is likely to continue meandering around the 2.2-2.3 percent level over coming months.

But Merrill Lynch Japan Inc. chief economist Peter Morgan argued that forecast. "The trend is clearly up," he said, predicting the rate would reach as high as 2.7 percent toward this summer. The postwar high of 3.0 percent was registered in 1988. Already, Morgan said, the female jobless rate has been running at 2.6 percent in recent months, including January. The male jobless rate in January was at 2.2 percent, down from 2.3 percent.

In recent weeks, many Japanese companies, including Nissan Motor Co., Nippon Telegraph & Telephone Corp., and Mitsubishi Heavy Industries Ltd., announced labor force cutbacks through attritions and voluntary retirement. But Morgan said, "It'll take a long time before they show up in the statistics. They are not going to be let go right away."

The Labor Ministry report showed the number of people looking for jobs in January totaled 1.58 million, up 12.7 percent over December and up 11.5 percent over a year ago. Of the total, new job seekers totaled 482,191, up a steep 46.5 percent on month and up 4.6 percent on year. The figures compared with December's new job seeker rises of 15.9 percent and 10.1 percent, respectively.

The number of job openings in January totaled 1.31 million, up 3.0 percent on month but down 18.1 percent on year. Of the total, new job openings came to 548,171, up 36.1 percent on month but down 18.0 percent on year.

By industry, new job offers in the construction industry totaled 85,682, down 4.4 percent year-on-year, compared with December's 13.6 percent increase. Those of the manufacturing industry as a whole totaled 128,359, down 28.4 percent and compared with December's 22.4 percent fall.

Of the manufacturing total, food processing accounted for 11,954, down 20.7 percent; textile and clothing 14,114, down 22.4 percent; metal manufacturing and fabrication 13,197, down 22.3 percent; general machinery 14,289, down 31.4 percent; electric and electronics 15,070, down 39.9 percent; and automobiles 11,179, down 33.5 percent.

In the services sector, new job openings in the transport and telecommunications industries totaled 35,530, down 19.5 percent on year; wholesale/retail/restaurant 82,013, down 19.1 percent; banking and insurance 8,941, down 4.6 percent; other services 107,019, down 15.5 percent.

In yet another report, the Labor Ministry said most key industries it surveyed in the second and third quarters of last year said economic recovery will not occur until this fall or winter and that labor reductions are beginning to be enforced by some industries.

The industries that have ample surplus workforces are the production sectors of steel and electric goods makers, the report said. Those with slight surpluses included the administrative divisions of apparel, machine tools, electric goods and automobile. In services, department stores and securities companies reported having idle workers in their marketing divisions.

The paper/pulp, non-ferrous metal, and machinery industries said they have heavy labor shortages in their production divisions. Automobile's production and the engineering divisions of machinery, office equipment, and air-conditioning industries reported experiencing a slight labor shortage.

Because of society's aging, young labor continues to be in short supply in many industries, the report said, in a finding that seems to contradict employment cancellations of college graduates by leading companies.

The report also said labor cutbacks have begun to affect managerial positions as businesses moved to downsizing operations.

Health Care

AMERICANS WANT LONG-TERM CARE ADDRESSED BY GOVERNMENT, POLL FINDS

Nearly 90 percent of those polled for a nursing home trade group believe that Congress and the Clinton administration are not adequately addressing the financing of long-term care in the health care reform debate, according to a survey released March 1.

The survey, conducted during the first two weeks of February by the Gallup Organization for the American Health Care Association, found that 87 percent believe the federal government should focus more attention on financing

nursing home care.
Seventy-six percent of the 1,008 respondents said government should pay for nursing home care only for those who cannot afford it, while about the same percentage said an individual or spouse should pay "a reasonable amount" toward the cost of care before the government begins paying, the survey found.
While the cost of nursing home care varies widely, on average such care costs about $31,000 annually, AHCA said. Home health aides often cost about $10,000 a year, the association said. About 43 percent of the costs of nursing home care are paid by individuals and their families, with most of the rest paid by Medicaid, according to AHCA.
Most Americans mistakenly believe that Medicare or their private insurance plan will pay for nursing home care, only to discover that they must spend down their own resources until they are poor enough to qualify for long-term care under Medicaid, AHCA Executive Vice President Paul R. Willging said in a statement accompanying the survey.
"By default, Medicaid has become our long-term health care program for the middle class," he said. AHCA has been lobbying for changes in federal policies allowing private long-term care insurance to play a larger role in financing long-term care. About 2 percent of long-term care currently is paid for by such insurance, AHCA said.

International Trade
JAPAN'S JETRO TO OFFER OFFICE SPACE IN TOKYO TO FOREIGN BUSINESSES
TOKYO--A Japanese government trade promotion office said March 2 it will offer office space in central Tokyo free of charge, on a short-term basis, to some visiting foreign executives, starting March 25.
The $43 million Business Support Center project of the Japan External Trade Organization (JETRO) is intended to help foreign businesses without a foothold in Japan sell their products and services, Kyosuke Shibata, an official with JETRO's import promotion planning division, said.
JETRO decided on the project because "foreign businessmen have complained about high office rents," Shibata said.
JETRO, which is affiliated with the Ministry of International Trade and Industry, leased the whole second floor of Akasaka Twin Tower Building, near the U.S. Embassy, for the project, Shibata said.
The BSC has 24 single- and twin-occupancy offices, each 100 feet to 180 feet wide, complete with a telephone, cabinets, and other amenities. In the communal area there are fax machines, copy machines, three personal computers, and lockers installed for common use, as well as a business library and audiovisual facility. Visitors must pay for telephones, faxes, and copies they use.
A visitor can use BSC for two weeks to two months, Shibata said. It is open five days a week, between 9:30 a.m. and 5:00 p.m.
JETRO will supply five advisers, most of them formerly with Japanese trading houses and business firms, to offer advice to incoming foreign executives, as well as assistants, who will provide such information as how to use public transportation and will arrange for interpreters and translators, Shibata said.
To use the BSC, foreign executives need to contact JETRO's overseas offices approximately two months before visiting Japan. There are more than 70 JETRO offices worldwide. In the United States, JETRO offices are located in New York, Chicago, Atlanta, Houston, Denver, Los Angeles, and San Francisco.

JETRO's overseas office staff will interview applicants, and after their approval, the executives will be asked to file formal applications, which will be screened by BSC for final approval, Shibata said.

JETRO also will accept inquiries by telephone (3-3582-5562) or fax (3-3582-5027).

Environment

EPA MAKES FINAL DECISION NOT TO REVIEW NATIONAL AMBIENT STANDARDS FOR OZONE

The standard for what is considered a safe amount of ground-level ozone was reaffirmed by the Environmental Protection Agency March 1 despite attempts by several environmental groups and health organizations to have it tightened.

However, the agency indicated it would consider new data, speed the review process, and propose to change the standard at "the earliest possible date," if appropriate.

The agency, under a court deadline to make a final decision of whether to revise the standard, stuck with its Aug. 3, 1992, proposal. That proposal reaffirmed the national ambient air quality standard for ozone, based on health studies, is adequate at 0.12 part per million.

The American Lung Association led the fight to have the standard tightened to 0.08 ppm after its own studies found healthy adults suffered adverse health effects when exposed for several hours to higher ozone levels. The association, joined by environmentalists and a handful of northeastern states, sued EPA Oct. 22, 1991, for failing to review the standard every five years as required under the 1977 amendments to the Clean Air Act (American Lung Association v. EPA, DC ENY, No. 91-CIV-4114, 10/22/91).

Ozone is the primary component of the smog that plagues U.S. metropolitan areas.

EPA said review by its Clean Air Scientific Advisory Committee of studies published up to early 1989 did not warrant changing the standard. It was not until the summer of 1991 that the ALA produced its own studies showing, for example, that healthy young men who were exposed for 6.6 hours to the lower levels of ozone--0.08 ppm--experienced coughing, wheezing, chest pain, and respiratory inflammation. The agency did not consider data made available after 1989 because the research had not yet been reviewed by CASAC.

"A number of comments on the proposal that led to [today's] decision argued that the newer studies raise serious concerns about the adequacy of the standard," the agency said in a release.

William Rosenberg, EPA's former assistant administrator for air, had brushed aside the need to tighten the standard saying the new programs under the 1990 Clean Air Act amendments would cut smog significantly anyway.

Moving the standard could pose serious consequences, on the other hand, for cities and states because it automatically would throw areas that currently meet the air quality standard into non-attainment status. They would have to expend the extra money and resources to meet the standard.

The new EPA administrator, Carol Browner, has shown an interest in reviewing the standard before another five years passes, EPA said.

"EPA intends to move the review process along as quickly as possible and, if appropriate, to propose revisions of the standards at the earliest possible date," the agency said.

The American Lung Association criticized EPA's action saying it "potentially condemns millions of Americans to continued exposure to unhealthy levels of ozone smog."

ALA said more than 30 million people live in 68 metropolitan areas that are within the current standard but exceed the 0.08 ppm standard the group has sought.

"EPA's decision not to revise the standard means these areas will not be required under the Clean Air Act to institute even the most basic of air pollution controls," Peter P. Baljet, chair of ALA's National Air Conservation Commission, said.

European Community

EC REQUESTS GATT CONSULTATIONS CONCERNING U.S. STEEL DUMPING DUTIES

BRUSSELS--The European Community Commission formally requested consultations with the United States, under General Agreement on Tariffs and Trade rules, on the U.S. Department of Commerce's preliminary antidumping duties on imported steel products, EC spokesman Peter Guilford announced March 2.

The EC's ambassador to GATT addressed a letter March 2 to GATT Director General Arthur Dunkel requesting formal consultations, which are the first stage in the GATT's dispute settlement procedures, Guilford said.

Guilford said, however, that "launching this first stage does not automatically mean the EC will go to the final stage and request the formation of a panel" of third countries.

The spokesman said that "the timing for these consultations was not yet clear."

The EC requested the consultations under the GATT Antidumping Code. "The Community is urgently consulting with the United States in order to verify whether the GATT rules have been respected both in procedural and substantive terms," according to an EC Commission statement released in Washington.

At issue is Commerce's preliminary determination Jan. 27 to impose provisional antidumping duties on steel products from 19 countries, including $1 billion worth of steel products from seven EC countries, ranging from 0.88 percent duties on imports from some Belgian companies to 109.22 percent on imports from the United Kingdom of flat-rolled steel products. Other EC countries affected are France, Germany, Italy, the Netherlands, and Spain. In late 1992, Commerce introduced preliminary countervailing duties on the same products.

Countervailing Consultations

The two sides Feb. 26 had their first consultations, under the GATT Subsidies Code, regarding the countervailing complaints. During the meeting, the EC criticized the way Commerce defined a subsidy and the methodology used to determine or calculate subsidies. The two sides agreed to continue the talks "in the very near future," the EC statement said.

EC Commission officials March 2 placed full blame for the steel dispute on the U.S. International Trade Commission. An official said, during a background briefing, that when U.S. companies filed their 84 dumping and countervailing duty petitions against steel imports in June 1992, "the case for injury was so weak that the ITC should have simply thrown out the case" in its preliminary ruling that is the first formal step in U.S. trade complaint procedures.

The emphasis on the ITC's responsibility suggests that the EC Commission is placing a good deal of hope in the independent organization's capacity to reverse its initial finding of injury when it hands down its final injury determination in the countervailing duty cases, expected in late May.

Within the bilateral antidumping consultations, the EC will seek clarifications about the antidumping complaint's substance and procedures.

During the talks, the EC will raise its concerns over what it believes is Commerce's arbitrary approach to using the best information available in calculating margins and market shares of foreign competitors. Under GATT rules, when a respondent in a case either declines to provide information or provides inadequate information, the investigating authority has the right to resort to other information.

An EC official said that the EC "relies on a variety of sources when no information comes from a defendant."

"We have the impression that the DOC made no serious effort to get the appropriate information," the official said, and it was easily satisfied "with relying on information provided by the U.S. complainants."

Banking

BANC ONE FIGHTS OFF CRA CHALLENGES AS FED APPROVES VALLEY NATIONAL BUY

Federal bank regulators March 1 gave the green light to a Columbus, Ohio-based bank holding company's plan to purchase an Arizona banking firm, turning away a substantial number of protests based on the Community Reinvestment Act.

The proposal by Ohio's Banc One Corp. to acquire Valley National Corp. of Phoenix, Ariz., met with opposition from a number of groups who questioned the CRA performance and community lending records of the two firms' subsidiary banks.

However, the Federal Reserve Board disagreed with the groups and approved the deal, devoting almost half of the 36-page order to a listing of Banc One's and Valley National's community lending and small business financing programs.

The CRA, enacted in 1977, requires banks to meet the credit needs of the communities in which they operate. Regulators review each bank, then assign a rating based on its performance. Those ratings, which are made available to the public, have become a major focus of community groups and others who often mount vigorous opposition to bank mergers and acquisitions.

Poor Preliminary CRA Rating Cited

Sixty individuals and organizations provided input in connection with the Banc One proposal, according to the Fed.

Roughly half of the commentators supported the proposal, but the other half objected, citing among other points a Banc One subsidiary bank that recently received a preliminary "needs to improve" rating from national bank regulators, which the Fed said marks a downgrade from the institution's current "satisfactory" rating.

But the Fed said that subsidiary--Bank One Cleveland--amounts to only a small part of the overall Banc One organization, and that Banc One has promised to boost its performance.

The Fed dealt with similar objections based on Bank One Cleveland's performance in a separate order the same day. In that order, the Fed approved Banc One's acquisition of bank and non-bank subsidiaries of First Community Bancorp., of Rockford, Ill.

Banc One, with $51.2 billion in total consolidated assets, is the ninth largest commercial banking firm in the nation, controlling $39.6 billion in deposits.

Valley National is the largest commercial banking firm in Arizona, with $10.9 billion in total consolidated assets, and about $9 billion in deposits there.

Flexibility on CRA Not a Given

The Fed has not always been flexible in dealing with poor performance by bank subsidiaries.

In 1991, the Fed surprised a number of analysts by blocking a merger between a Wyoming bank holding company and a Montana bank holding company, citing poor CRA performance by a subsidiary that made up only a small fraction of one bank system.

However, the Fed gave one of those firms a second chance in November, saying its CRA record had improved enough to allow an acquisition of several banks in Montana.

Futures Trading

CFTC PROPOSES RULES TO PROHIBIT DUAL TRADING

The Commodity Futures Trading Commission March 2 proposed regulations to prohibit dual trading in futures or option contract markets with average daily trading volume of 8,000 contracts or more.

If adopted, the rule would affect trading in approximately 25 contracts on five exchanges by barring floor brokers from executing customer orders and trades for their own accounts during the same trading session. Exchanges would be allowed to petition for an exemption from the dual trading prohibition.

The CFTC also proposed rules that would require self-regulatory organization governing boards to have at least 20 percent of their membership consisting of public members and at least 10 percent consisting of commercial interest representatives.

Dual Trading

At a March 2 meeting, the CFTC agreed to propose Regulation 155.5, "which would prohibit dual trading in contract markets with daily trading volume equal to or in excess of 8000 contracts, . . ." except in certain situations permitted by contract market rules made effective under Section 5a(a)(12) of the Commodity Exchange Act.

In general, dual trading is defined as "the practice whereby floor brokers execute both customer orders and trades for their own accounts, accounts in which they have an interest, or accounts for which they have trading discretion, during the same trading session," a CFTC news release explained. The proposed regulations set out in detail the definition of dual trading.

Andrea Corcoran, head of the Division of Trading and Markets, noted that the proposed regulations supersede the dual trading rules proposed by the CFTC in January 1990 and incorporate standards outlined in the CFTC's reauthorization legislation under the Futures Trading Practices Act of 1992. The proposed regulations are expected to affect approximately 25 contracts on five futures exchanges, Corcoran said. Corcoran also noted that the proposed regulations must be finalized on or before July 25, 1993.

Petition For Exemption

Under proposed regulation 155.5, a contract market would be permitted to petition the CFTC for an exemption from the dual trading prohibition. In particular, the "contract market would be required to demonstrate in its petition that its trade monitoring system satisfies specified standards, or that there is a substantial likelihood that a dual trading prohibition would harm the public interest in hedging or price basing at the contract market and that it will implement corrective actions to achieve compliance with the specified standards."

Moreover, the proposed regulations would "provide for exceptions to the dual trading prohibition as the Commission determines are necessary and appropriate to ensure fair and orderly trading in affected contract markets." The exceptions to the prohibition are detailed in the proposed rules, and would include low volume contract months, the correction of trading errors, customer consent, in writing, designating a "specifically identified" floor broker to execute orders, spread transactions, market emergencies, and transition measures for a reasonable phase-in period. Under the proposed regulations, "[t]o provide for any of the exceptions, a contract market would submit proposed rules to the Commission." The proposed regulations will be published in the Federal Register with a 60-day comment period.

SRO Composition

The CFTC also proposed rules that would require self-regulatory organization governing boards to "adopt rules establishing composition requirements for their governing boards and major disciplinary committees." According to a CFTC news release, the proposed rules "are intended to assure greater diversity of representation, foster integrity and impartiality in decision making, and prevent preferential treatment in disciplinary proceedings."

Under proposed regulation 1.64(b)(2), SROs "would be required to adopt a rule requiring that at least 20 percent of the regular voting members of its governing board be members of the public who are capable of contributing to the board's deliberations." The public members would have to be knowledgeable as to futures trading or financial regulations, but "could not have certain commodity industry affiliations." In particular, the public member must not have been a CFTC registrant or SRO member within the prior year, and must not have received more than 10 percent of his or her "income for the prior year as compensation for work done for any particular SRO, SRO member or Commission registrant."

In addition, the proposed rules would require "that each contract market must adopt a rule which requires that at least 10 percent of the regular voting members of its governing board be comprised of persons who primarily produce, manufacture, process, export, merchandise or commercially use any of the commodities underlying a futures product traded on that market." The proposed rules would also require exchanges to implement representational standards for major disciplinary committees. In addition, the proposed rules would amend existing regulation 1.63 "so that persons with certain disciplinary histories would be prohibited from serving on any SRO oversight panel."

The proposed rules will be published in the Federal Register with a 30-day comment period.

Health Care

MANAGED CARE HELPS KEEP COST INCREASES TO SMALLEST IN FIVE YEARS, SURVEY FINDS

The 1992 increase in the cost for providing employee health benefits was the smallest in five years, due in part to an increase in employee enrollment in managed care plans, according to a Foster Higgins survey released March 2.

Total employee health benefit costs rose 10.1 percent in 1992 to an average of $3,968 per employee, Foster Higgins said in its seventh annual Health Care Benefits Survey. Total health benefit costs include employer and employee contributions for indemnity and managed care plans, and dental, vision, hearing, and prescription drug benefits, Foster Higgins said.

Foster Higgins surveyed 2,448 employers.

In addition, the benefit consulting firm found that, for the first time, more than half of employees covered by an employer plan were enrolled in managed care plans. Of those in managed care plans, 26 percent were enrolled in health maintenance organizations in 1992, up from 23 percent in 1991. The survey found that enrollment in preferred provider organizations grew from 17 percent in 1991 to 20 percent in 1992. Enrollment in point-of-service plans remained at 5 percent.

The remaining 49 percent of employees were enrolled in indemnity plans, Foster Higgins said.

Seventy-seven percent of surveyed employers offered at least one type of managed care plan to their employees in 1992, up from 73 percent in 1991. Also, 30 percent of employers do not offer an indemnity option at all, the survey found.

The growth in managed care plans occurred among plans that give employees the option to receive care outside of the plan's network, Foster Higgins said. In 1992, 39 percent of employers offered a PPO, up from 31 percent in 1991.

HMO and POS plans, which according to Foster Higgins either prohibit or severely limit employee choices, showed almost no growth. In 1992, 61 percent of employers offered an HMO and 11 percent offered a POS plan. However, Foster Higgins found that an additional 11 percent of surveyed employers plan to introduce a POS plan by 1994.

Plan Costs

Indemnity plans remained the most expensive vehicle for providing health benefits in 1992, the survey found.

"More significantly, however, is that the gap in costs between indemnity plans and managed care alternatives widened," John Erb, a Foster Higgins principal and author of the study, said in a press release.

The cost of coverage under an indemnity plan increased 14.4 percent in 1992, to an average $4,080 per employee, the survey found. This increase followed a 13 percent increase in 1991.

However, the cost of HMO coverage increased 8.8 percent in 1992 to $3,313 per employee. According to Foster Higgins, the 1992 HMO cost increase was a drop from the 1991 increase of 13.5 percent.

The cost of PPO coverage in 1992 rose 10.5 percent to $3,708 per employee and the cost of POS coverage increased 8.4 percent to $3,566 per employee.

While the cost savings of managed care plans was significant for some employers, when compared to indemnity coverage, Foster Higgins noted that in some parts of the country the savings was minimal.

The survey found, for example, that in the South Central region PPO and POS plan costs were only 2.3 percent and 2.9 percent respectively less than indemnity plan costs. In that region, HMO costs were 8.5 percent below the cost of indemnity coverage. However, in the Mid-Atlantic region, HMO and POS costs were significantly lower than indemnity plan, by 26.5 percent and 21.5 percent respectively. PPO costs in that region were 18.7 percent less, the survey found.

"Managed competition programs are beginning to live up to their promise to deliver significant cost savings over traditional indemnity plans," Erb said. "The fact that more employers and workers are accepting managed care bodes well for health care reform efforts in Washington which encourage managed competition," he added.

According to Foster Higgins, under managed competition, employers and individuals would buy health insurance through provider networks like HMOS, which would compete freely on the basis of cost and quality.

Copies of the 1992 survey are available for $150 each from Sheila Lynn, Foster Higgins, 212 Carnegie Center, Princeton, N.J. 08543-5323; telephone (609) 520-2695.

Export Controls

U.S. URGED TO WITHDRAW TRADE BENEFITS FROM COUNTRIES

PROMOTING WEAPONS TRADE

The U.S. government was urged March 2 to deny trade benefits to countries that violate international agreements aimed at preventing the spread of weapons of mass destruction and related missile systems.

Experts testifying at a hearing of the House Foreign Affairs Committee, chaired by Rep. Lee H. Hamilton (D-Ind), said that punishing countries such as China for failing to cooperate on proliferation issues would bolster U.S. security.

Leonard Spector, a senior associate at the Carnegie Endowment for International Peace, also advised the U.S. government to support restrictions on lending and debt relief to countries that refuse to cooperate with the rest of the international community on non-proliferation initiatives.

Spector said that the United States historically has taken proliferation issues into account when making decisions about economic and military assistance.

"With the growing importance of proliferation to U.S. security," he said, "it would also be highly desirable to integrate proliferation considerations more deliberately into other aspects of U.S. policy affecting countries of concern, in particular trade policy, such as MFN [most-favored-trade status] for China, and policy vis-a-vis multilateral bank lending and debt rescheduling."

Spector said that ensuring the cooperation of the U.S. trade secretary and the U.S. trade representative would be important in enforcing such a policy.

Earlier this week, Secretary of State Warren M. Christopher said that President Clinton supports the renewal of MFN status for China, subject to conditions "much like those" contained in legislation considered by Congress last year--specifically, improvements in human rights, trade, and non-proliferation initiatives. That legislation (HR 5318) was vetoed by President Bush.

Rep. Nancy Pelosi (D-Calif), a sponsor of the legislation, has said that she will introduce similar legislation this year.

Rep. Tom Lantos (D-Calif), a member of the House Foreign Affairs Committee, said at the hearing March 2 that he would only support MFN renewal for China if it agreed to accept the provisions of the 22-nation Missile Technology Control Regime, which controls the transfer of missile-related technology to "countries of concern," particularly in the Middle East.

Geoffrey Kemp, also of the Carnegie Endowment for International Peace, said that evidence exists linking China to the sale of missiles to countries in the Middle East and Pakistan.

"China has to be brought in [to the MTCR]," he said. "The Chinese have been left off the hook."

Paul Freedenberg, a former undersecretary of commerce for export administration, testified that the U.S. export growth has been and is likely to be highest in China, India, the Pacific Rim, and the Middle East, "where concerns about the proliferation of weapons of mass destruction are the strongest."

Freedenberg, an international trade consultant at the law firm of Baker & Botts, said that recent proliferation efforts have led to a "patchwork of overlapping and confusing rules" in the United States and other Western countries.

The rules, according to Freedenberg, have put the burden on companies, rather than governments, of cutting off shipments to questionable end-users. But most companies, he said, are ill-equipped to make such judgements, and the standards are vague, "with guidance from the regulators of various participant countries often confusing." He called the process "baffling at best."

Freedenberg said he supports the creation of an international organization using a limited proliferation embargo list "that really cuts off access to technologies critical for missile, chemical, and nuclear proliferation." That would be preferable, he said, to unilateral U.S. controls that limit U.S. companies but do little to actually deprive the target nation of the technology it seeks.

International Economics

CANADIAN GDP AT MARKET PRICES UP 0.9 PERCENT IN 1992, STATSCAN SAYS

OTTAWA--Canada's gross domestic product, at 1986 prices and as determined through the National Income and Expenditure Accounts, grew 0.9 percent to C$558 billion in 1992, Statistics Canada reported March 1.

"Final domestic demand recovered 0.8 percent during 1992, led by a surge in residential construction," StatsCan said. "Consumer expenditure and government current expenditure on goods and services also rose, although their advance was modest after allowing for inflation. Business continued to cut investment spending and inventory levels in response to the drop in both aggregate demand and profits during the recession."

At current market prices, seasonally adjusted at annual rates, the GDP increased 1.9 percent to C$687 billion ($543 billion) in 1992, following on an increase of 1.0 percent in 1991.

Real consumer spending increased 1.0 percent during 1992 to C$336 billion, following on a decrease of 1.7 percent in 1991, with purchases of durable goods up 0.1 percent to C$47.7 billion, of semi-durables up 0.7 percent to C$29.5 billion, of non-durables up 1.0 percent to C$87.1 billion and of services up 1.4 percent to C$171 billion.

Business investment in residential construction increased 7.4 percent to C$33.1 billion, while investment in plant machinery and equipment increased 2.2 percent to C$46.4 billion. Investment in non-residential construction fell sharply, down 15.7 percent to C$24.9 billion. Net exports of goods and services increased by 8.2 percent to C$179 billion in 1986 dollars, while net imports increased 5.5 percent to C$190 billion.

Inflation, as measured through the chain price index for GDP, increased 0.9 percent in 1992, down from the 2.9 percent increase in 1991, while the index for personal expenditure was up 1.4 percent, down from 5.1 percent the previous year and the index for residential construction was unchanged from 1991. The GDP implicit price index increased 1.0 percent in 1992, down from 2.7 percent in 1991.

Wages, salaries, and supplementary income increased 2.7 percent in 1992, with wages and salaries up 2.0 percent and supplementary labor income up 8.6 percent. Corporation profits before taxes, at current market prices, increased 6.7 percent in 1992 to C$33.9 billion ($26.8 billion), but remained well below the 1988 peak of C$64.7 billion ($51.1 billion). Interest and miscellaneous income fell 4.3 percent during the year.

Fourth Quarter Results

GDP at 1986 prices grew 0.9 percent in the fourth quarter of 1992 to a seasonally adjusted annual rate of C$563 billion, StatsCan said. "The economy grew more robustly in the fourth quarter, as real GDP jumped 0.9 percent following a 0.3 percent rise the previous quarter," it said.

At current market prices, seasonally adjusted at annual rates, the GDP increased 0.7 percent in fourth quarter 1992 to C$694 billion ($548 billion), following on increases of 0.7 percent in the third quarter, 0.4 percent in the second quarter and 0.2 percent in the first quarter.

Real consumer spending was essentially unchanged in the fourth quarter at C$337 billion, down from the 0.9 percent increase reported in the third quarter. Purchases of durable goods increased 0.8 percent to C$48.4 billion in 1986 dollars, while spending on semi-durable goods decreased 0.2 percent to C$29.8 billion. Spending on non-durables increased 0.4 percent to C$87.3 billion, while spending on services fell 0.3 percent to C$172 billion.

Business investment in residential construction was unchanged at C$33.7 billion in 1986 dollars, while investment in plant machinery and equipment increased 0.5 percent to C$47.7 billion. Investment in non-residential construction continued to fall, down 7.2 percent to C$22.2 billion.

Net exports of goods and services increased 1.3 percent in the fourth quarter to C$183.9 billion in 1986 dollars, while net imports fell 2.2 percent to C$191 billion.

Inflation, as measured through the chain price index for GDP, increased only 0.1 percent in fourth quarter 1992, down from the 0.5 percent increase in the third quarter. The index for personal expenditure was up 0.6 percent, and the index for residential construction increased 0.5 percent. The GDP implicit price index decreased 0.2 percent, a turnaround from the 0.3 percent increase the previous quarter.

Wages, salaries and supplementary income increased 0.8 percent in the fourth quarter, the same size increase as in the third quarter, with paid hours worked increasing 0.4 percent and real GDP per person-hour increased 0.5 percent. Unit labor costs were essential unchanged after a 0.5 percent increase in the third quarter.

Corporation profits before taxes increased 0.4 percent in the fourth quarter after a 6.7 percent increase in the third quarter. Interest and miscellaneous income increased 0.3 percent, a turnaround form the 3.3 percent decline the previous quarter.

Insurance

NAIC'S SOLVENCY PROGRAM SAID GAINING GROUND AMONG STATES

Over half the states are expected to be accredited by year's end for adopting model laws aimed at improving the oversight of U.S. property-casualty insurance industry, the president of the National Association of Insurance Commissioners said March 2.

The NAIC's program, begun in large part to address congressional criticism of the state-by-state regulatory system, so far has resulted in 19 states being accredited for adopting the organization's model solvency monitoring standards, according to NAIC President Stephen Foster. Meanwhile, 20 other states are now ready to undergo the accreditation review process, he told the National Association of Independent Insurers.

Foster, Virginia's insurance commissioner, said the NAIC's stricter standards encounter relatively little opposition in the states. Still, he said, regulators face criticism for either moving too fast or too slow to implement the new solvency rules.

The standards proposed by the NAIC generally require insurers to maintain higher capital reserve ratios and hold fewer junk bonds. Although the number of large company insolvencies has fallen off during the past year, key lawmakers in Congress--particularly House Energy and Commerce Committee Chairman John Dingell (D-Mich)--remain concerned about the ability of state regulators to detect financial problems in their periodic examinations of insurers.

The NAIC will meet next week in Nashville, where it plans to approve the addition of seven new model acts to its accreditation program. In addition, the NAIC's Property/Casualty Risk-Based Capital Working Group will discuss proposed model law language on capital requirements for insurance companies.

Foster said the NAIC hopes also to finalize by year's end its risk-based capital formula, which he called one of the most important issued facing state regulators. However, he said that developing the formula has been problematic and that regulators must move slowly to ensure it becomes an effective tool for solvency monitoring.

Vincent Laurenzano, chairman of the NAIC's working group on the formula, told the NAII that he intends for the formula to be ready for public discussion by June and for NAIC adoption in December. If those goals are met, he said, the risk-based capital formula would first be applied to the 1994 annual statements filed by insurance companies in March 1995.

Laurenzano said the working group's primary aim is to ensure that companies have adequate surpluses to cover claims. Among other things, he said, the formula takes into account asset risks and underwriting risks.

Isolating the various risks, he said, was relatively easy. However, determining adequate capital levels for companies has proven difficult, he added.

At present, the NAIC is testing a preliminary formula, said Laurenzano, the assistant deputy superintendent and chief of the property companies bureau at the New York Insurance Department. Although he gave few details about the formula, he said it uses the worst underwriting year during the last 10-year period as a threshold for determining the adequacy of a company's surplus.

Laurenzano also declined to give information about the NAIC's current testing of the formula, particularly on how companies performed when the preliminary formula is applied to them. He predicted, however, that adoption of the standard will not result in many firms being declared insolvent.

But when the formula was applied to insurers that already failed, it shows that they would not have met the NAIC's standard some two years before they were actually declared insolvent, Laurenzano added.

Laurenzano cautioned that even if the risk-based capital standard is eventually adopted by all 50 states, it still will not create a perfect system where no insolvencies occur. Instead, the aim of regulators is to reduce their number and severity, thereby keeping down assessments for state guaranty funds.

Also speaking at the NAII's legislative conference was Robert Graham, vice-president and assistant general counsel of General Reinsurance. Graham, who has helped the NAIC draft the formula, said a risk-based capital standard cannot eliminate company fraud, a factor in several recent insolvencies.

Rather, the NAIC's goal is to protect the overall industry and ensure that "we're not where the [savings and loan] industry was five years ago," Graham said.

Securities

HOUSE PASSES MEASURE TO REFORM LIMITED PARTNERSHIP ROLLUPS

The House March 2 passed a bill aimed at protecting investors from abusive limited partnership rollups, by a vote of 408 to 6, with 17 members not voting.

The proposed "Limited Partnership Rollup Reform Act of 1993" (HR 617) is substantially similar to legislation introduced and passed by the House in the last Congress. Passage of the bill by the House followed soon after the bill was reported by the House Energy and Commerce Committee Feb. 23.

Swift action on the measure came despite urging by the National Association of Securities Dealers--in hearings before the subcommittee Feb. 3--that the subcommittee delay action on the proposed legislation to give NASD rules not yet in effect a chance to work. Chairman of the Telecommunications and Finance Subcommittee Edward Markey (D-Mass) introduced HR 617 in January on behalf of a bipartisan group of sponsors.

Fairness Opinion

Energy and Commerce Committee Chairman John Dingell (D-Mich) explained at the committee markup that the intent of HR 617 is to reform abuses, not to eradicate the mergers and reorganizations of limited partnerships known as "rollups." Markey indicated that regulatory treatment of rollups would be reformed by the bill. He estimated losses to investors as a result of unfair rollups to be about $1.7 billion during the past decade, amounting to losses of about 71 percent of the money invested.

HR 617 would require the Securities and Exchange Commission to amend its disclosure and proxy rules. It would also amend the 1934 Securities Exchange Act to require the NASD, as a national securities exchange, to maintain rules preventing member participation in a rollup and prohibiting the surviving entity from listing its securities on the NASDAQ/NMS or an exchange if specified protections are not afforded the limited partners.

Unlike the NASD's proposed rules intended to reform rollups, the bill would require inclusion of an independent fairness opinion in rollup soliciting materials. The NASD rules, adopted Nov. 20, 1992, were filed with the SEC for approval.

The bill also would establish a minimum solicitation or offering period of 60 days. The bill would exempt certain investor communications from some SEC filing requirements. Investors would be required to be provided with access to lists of holders of the securities that are the subject of the transaction.

The legislation, if enacted, would reach non-NASD member firms, unlike the NASD's rules.

Senate Bill

A substantially similar rollup reform bill--S 424--was introduced in the Senate Feb. 24, by Sens. Christopher Dodd (D-Conn), Donald Riegle, Jr. (D-Mich), and Alfonse D'Amato. According to Dodd and Riegle, the bill enjoys wide support.

International Trade

U.S. INDUSTRY INJURED BY SOME IMPORTS OF COMPUTER PANEL DISPLAYS, ITC SAYS

On remand from the Court of International Trade, the U.S. International Trade Commission March 2 found that a U.S. industry is materially injured by imports from Japan of active matrix liquid crystal high-information content flat panel displays and display glass that are sold at less than fair value in the United States, the agency announced.

In another ruling, the ITC found that imports of electroluminescent high-information content flat panel displays and display glass from Japan are not a cause of material injury to the U.S. industry.

The display screens are components of laptop computers.

The CIT had remanded the case to the agency Dec. 29, finding that the agency improperly granted "itself immunization from Commerce's class or kind distinctions." The court said that the ITC essentially linked "two classes or kinds of merchandise together for one investigation" and in the process redrew the U.S. Commerce Department's class or kind categories. As a result, the ITC acted improperly in deciding "in place of Commerce which articles fall within each class or kind of merchandise," the CIT said.

The ITC had previously made an affirmative final determination in this investigation on Aug. 26, 1991.

According to the agency, the ITC determinations on remand will be delivered to the CIT by March 8, 1993.

The affirmative determination on active matrix liquid crystal high-information content flat panel displays resulted from a 3-3 vote. A tie vote is an affirmative determination under the law governing antidumping investigations, the ITC noted. Chairman Don Newquist, and Commissioners David Rohr, and Janet Nuzum voted in the affirmative. Vice Chairman Peter Watson and Commissioners Anne Brunsdale and Carol Crawford voted in the negative.

The ITC voted 4-2 on the negative determination regarding electroluminescent high-information content flat panel displays. Watson, Brunsdale, Crawford, and Nuzum voted in the negative, with Newquist and Rohr casting affirmative votes.

After March 23, interested parties can get the ITC's public report--Certain High-Information Content Flat Panel Displays and Subassemblies Thereof From Japan (Views on Remand) (Inv. No. 731-TA-469, USITC Publication 2610, March 1993) by calling (202) 205-1809 or from the Office of the Secretary, 500 E Street SW., Washington DC, 20436. Requests may also be faxed to 202 205-2186.

Changed Circumstance Review

In related developments, the Commerce Department's International Trade Administration Jan. 19 proposed revoking the dumping margin on certain flat panel displays imported from Japan.

The ITA's Federal Register notice (58 FR 4979, 1/19/93) stated that the agency had initiated a changed circumstance review to determine whether to revoke the order. The agency is authorized by statute to revoke an antidumping duty order if it finds that changed circumstances sufficient to warrant revocation exist.

An ITA spokeswoman told BNA March 2 that the ITA changed circumstance review will not be affected by the ITC determination since the changed circumstance review only involved active matrix displays, which were the subject of the affirmative ruling. She said that the agency was in the process of reviewing comments and hoped to have a final ruling by late spring, even though the statutory deadline extends into August.

The case had sparked considerable opposition by domestic manufacturers of laptop computers, who claimed that levying antidumping duties on imports of flat panel displays from Japan would drive U.S. manufacturers offshore since many U.S. manufacturers use display screens from Japan.

Financial Institutions

THREE BANK REGULATORY MERGER BILLS EXPECTED THIS WEEK IN HOUSE, SENATE

The House Banking Committee's ranking Republican said March 2 that he plans to introduce a bill later this week that would revamp and merge some of the bank and thrift regulatory agencies.

Rep. Jim Leach's (R-Iowa) bill would not remove supervisory powers from the Federal Reserve Board and the Federal Deposit Insurance Corp., as would the proposals expected to be offered simultaneously by the Democratic chairmen of the House and Senate Banking Committees March 4, staff said.

The bills that will be introduced by Rep. Henry Gonzalez (D-Texas), the House Banking Committee chairman, and Sen. Donald Riegle (D-Mich), the Senate

Banking Committee chairman, would create a "super-regulator" out of the existing bank and thrift agencies, leaving the Fed with its monetary policy responsibilities and the FDIC with its insurance funds.

The supervisory functions would be moved to one umbrella agency that would not, however, regulate credit unions. Gonzalez, who had originally proposed to include the National Credit Union Administration in his merger scheme, was convinced by other members of the committee to leave it out, staff said.

The Gonzalez and Riegle bills also are expected to include a provision for a separate consumer division within the new agency to inspect compliance with consumer protection and community investment laws, staff said. This new department also would serve as a central location for receiving and pursuing consumer complaints.

A special consumer examiner would conduct separate compliance exams in conjunction with other regulatory examinations, staff explained.

This differs from Leach's bill, which would only merge the regulators of federally chartered thrift institutions and national banks. Leach's plan also would move bank holding companies around to the regulator that oversees the holding company's subsidiary bank or thrift. Furthermore, although it would not call for a new consumer compliance division, staff said that the Fed already has a consumer department.

Leach's Merger Plan

In a speech to the Savings and Community Bankers of America's government affairs conference in Washington, D.C., Leach said that his bill would merge the Office of the Comptroller of the Currency and the Office of Thrift Supervision, and create a new, though independent, regulator that would oversee federally chartered banks and thrifts, as well as their holding companies.

The FDIC, also an independent agency, would only supervise state-chartered institutions and their holding companies, under his bill, he said.

The Fed would supervise only the largest banks and their holding companies, under the Leach approach.

Leach told the SCBA audience that if interest rate spreads remain favorable for banks, and the economy continues to grow, "By the end of the year, the United States of America will have the strongest financial community of any country in the world, with the possible exceptions of aberrations like Switzerland."

Leach said that he favors a regulatory policy that allows well capitalized, healthy institutions to suffer the least amount of regulatory burden, with increasing restrictions placed on weaker institutions.

With this in mind, he said, "Now we ought to be thinking about taking off regulations, and there are only three ways that I can think of going about it."

Redesigning the regulatory structure for financial institutions is the first place where the federal government could look to reduce the regulatory burden on the industry, Leach said, echoing remarks that Riegle made to a credit union industry group on Feb. 22.

Congress should also "look at the total amount of paperwork that is required" for regulatory compliance, Leach said, adding that a bill to reduce the paperwork requirements for banks and thrifts was introduced recently by Rep. Doug Bereuter (R-Neb).

Bereuter's bill (HR 962), introduced Feb. 18, would reduce the regulatory burden imposed on safe, sound, and properly managed financial institutions.

The third area in which Congress could bring about regulatory relief, Leach said, concerns the Community Reinvestment Act, which requires financial institutions to meet the credit needs of their communities. His legislation, HR 238, introduced Jan. 5, would bring more certainty to CRA guidelines and provide incentives for financial institutions to establish community dvelopment banks, Leach said.

At the same SCBA conference, Sen. Christopher Bond (R-Mo) said that there is "great resistance to regulatory reform in the leadership of both the House and Senate Banking Committees."

Bond said that Congress will probably work this session to "refocus" the CRA to reduce its burden, to structure some kind of community development banking program, and to fund the Resolution Trust Corp.

International Trade

STEEL PIPE, TUBE INDUSTRY PLANS TO FILE ANTI-CIRCUMVENTION PETITIONS, OFFICIAL SAYS

The U.S. pipe and tube industry will file anti-circumvention petitions with the U.S. Commerce Department in the next few months, Roger Schagrin, executive director and general counsel, Committee on Pipe and Tube Imports, told the Congressional Steel Caucus March 2.

Schagrin made his remarks at a meeting where steel industry officials stressed the need to enforce U.S. antidumping and countervailing duty laws. Industry officials also called for a Multilateral Steel Agreement and a conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade that would not weaken U.S. antidumping and countervailing duty laws.

At the meeting, Rep. John Murtha (D-Pa) was elected chairman of the caucus.

In testimony before the caucus, Schagrin said that the Commerce Department has failed to enforce the anti-circumvention provision in the 1988 trade act. He predicted that circumvention issues will increase in the steel area if final duties are imposed on bar and flat-rolled products.

Provisional Duties Imposed

The Commerce Department Jan. 27 imposed provisional antidumping duties on steel products from 19 nations. In a related development, the ITA Nov. 30 preliminarily found that 12 countries are unfairly subsidizing some steel products.

Canada, Japan, and the European Community reacted strongly to the U.S. antidumping decision and Brazil asked for a GATT discussion of the action.

Speaking for the American Iron and Steel Institute, Curtis Barnette, Bethlehem Steel Corp. chairman and chief operating officer, asked the caucus to resist any solution to pending steel trade cases other than letting them proceed to conclusion. He told reporters after the meeting that a political solution to the cases was not acceptable, expressing confidence that the Clinton administration would enforce the U.S. trade laws. However, he added that a generalized concern remained based on the way such cases have been handled in the past. In Barnette's view, the unfair trade cases, GATT, and the MSA, are three trains going down different tracks--all of which should be pursued.

Before the caucus, Barnette also urged adoption of a simple, GATT-legal, and border-adjustable tax on business activities. "[A]ll of our major foreign competitors already employ such a tax, and it would achieve two critical goals. It would enhance U.S. competitiveness at home and abroad while finally calling upon foreign producers to make an appropriate contribution for the benefits they derive from participation in the U.S. market," he asserted.

AISI's member companies also support actions to help reduce the U.S.-Japan trade imbalance, Barnette said.

According to Barnette, U.S. steel companies have seen health care costs more than triple since 1980. The resulting disparity between what U.S. companies and their foreign counterparts pay for health care put U.S. firms at a severe competitive disadvantage with foreign steel producers, he suggested.

Barnette said that AISI would continue to work with the caucus to ensure that the trade weakening provisions of the Uruguay Round draft text provided by GATT Director General Arthur Dunkel are totally rejected.

United Steelworkers of America President Lynn Williams said that the MSA's successful conclusion should not depend on the resolution of the unfair trade cases on steel. On balance, Williams said, an MSA would be an advance in addressing steel unfair trade practices.

Williams reiterated opposition to the North American Free Trade Agreement, saying that NAFTA could contribute to a downward pressure on wages in some industries. He also expressed concern about circumvention of U.S. trade arrangements with third countries. "Presently we are concerned about ore imports coming from Brazil at dumped prices," he asserted.

On GATT, Williams said that the Uruguay Round provides opportunities to impose GATT disciplines on areas of trade that have not been previously subject to such disciplines. Also, U.S. exports could increase with the removal of additional trade barriers, he added. However, Williams stressed that such advantages must not be bought at the price of weakening U.S. trade laws.

Legislative Proposal Planned

Testifying on behalf of the Steel Service Center Institute, Richard Ill, Alco Diversified Services chairman and president of the Triumph Group Inc., said that the MSA remains the only way to address the root causes of the steel trade problem. Issues that he said still need to be addressed in negotiations include:

* Tighter subsidy rules than those provided in domestic law and the GATT Subsidies Code;
* Harmonization and ultimate elimination of tariffs;
* Elimination of non-tariff barriers;
* Promotion of privatization of steel production throughout the world; and,
* Reduction, through market mechanisms, of excess production capacity.

In other remarks, Steel Manufacturers Association President Ralph Boswell said that 1993 will be a watershed year for steel trade policy. In his view, the administration faces two policy options--the first would allow the ongoing steel trade cases to run to their conclusion, while the second would be a negotiated solution.

Boswell urged a strengthening of U.S. trade laws, including directives to the Commerce Department to increase use of its power to self-initiate investigations, a re-examination of subsidy laws, and new procedures to make the filing of petitions less complex and difficult. SMA will have a complete legislative proposal urging these results later in the spring, he stated.

On behalf of the Specialty Steel Industry of the United States, Robert Heaton, president and chief operating officer, Washington Steel Corp., said that the specialty steel industry continues to support efforts to find a multilateral solution to foreign government subsidies. However, he said that the industry is skeptical about any multilateral agreement that will grandfather past subsidy programs or will provide waivers so broad as to defeat the purpose of the agreement. Heaton also expressed concern about the attempt by foreign producers to utilize the GATT process and MSA negotiations to weaken U.S. trade laws.

European Community

U.S. OFFICIAL CALLS PACT WITH EC ON AIRCRAFT SUBSIDIES 'BAD AGREEMENT'

U.S. Commerce Secretary Ronald H. Brown March 2 called the agreement reached last year with the European Community limiting government subsidies to aircraft manufacturers a "bad agreement," saying it has been difficult to monitor because of changed circumstances.

Brown, testifying before a congressional subcommittee, said that the four-nation European aircraft consortium Airbus Industrie continues to be "heavily subsidized" despite the accord.

EC officials said recently that the subsidies were being repaid.

"I think it is clear that we negotiated a bad agreement in the first place," Brown said. "It's clear that we haven't been playing on a level playing field. It's clear that the Airbus is heavily subsidized and has been. [The U.S.-EC agreement] has been difficult to monitor because [it] just didn't foresee a number of things that it should have foreseen." He did not elaborate.

President Clinton said last month that the administration will "closely monitor" the accord, signed last July, and U.S. Trade Representative Mickey Kantor said last week that the United States was seeking consultations with the EC Commission on the pact.

EC External Economic Affairs Commissioner Sir Leon Brittan said last week that he had been assured that the United States had no plans to reopen the agreement.

Brown, testifying before the House Science, Space and Technology Subcommittee on Technology, Environment and Aviation, said that the president, in his remarks last week to employees of The Boeing Co. that the Airbus subsidies had resulted in the loss of U.S. jobs, had not been advocating the use of subsidies to compete.

"I think what the president was doing was I think expressing real concern about what had happened and indicating that we intend to be competitive," he said. "We intend to enforce our trade laws. We intend to be aggressive in the enforcement of those trade laws. We are not a protectionist administration. We believe in free trade but we believe in open markets, too, and the fact is that markets have not been open to us. The fact is that our industries have been subjected to unfair trade practices and unfair and uncompetitive kinds of practices."

Communications

HOUSE APPROVES BILL TO REALLOCATE GOVERNMENT SPECTRUM TO PRIVATE SECTOR

The House March 2 by a 410 to 5 vote approved legislation (HR 707) requiring reallocation of 200 megahertz of radio spectrum from federal use to the private sector.

The "Emerging Telecommunications Technology Act"--which supporters hailed as a bill to create jobs, improve U.S. competitiveness, and help decrease the deficit--would require the Commerce Department's National Telecommunications and Information Administration to identify 200 MHz of spectrum to transfer to the Federal Communications Commission for reassignment for use by existing or emerging technologies.

"At it's core, this bill will do much more than merely freeing up more government frequencies and handing them over to the FCC," Chairman of the Energy and Commerce Telecommunications and Finance Subcommittee Edward Markey (D-Mass) said in a floor statement. "It's about freeing up creativity, ingenuity, and entrepreneurship. It's about giving new wireless technologies and products some 'breathing room' on the airwaves so that America can be the premier supplier to the world of the information appliances of tomorrow."

Markey added that HR 707 could create "hundreds of thousands of jobs" in the computer, telephone, and software industries.

The measure was approved by the Energy and Commerce Committee earlier this month, and does not address the controversial issue of authorizing the FCC to employ competitive bidding to assign spectrum licenses. During floor debate, however, Markey restated his intention to examine the feasibility of spectrum auctions later this year.

Support From Clinton Administration

The Clinton administration supports HR 707 as well as the concept of competitive auctions which they estimated could raise as much as $4.4 billion from fiscal 1995 through 1998. Similar legislation in the Senate (S 335) would allow competitive bidding for 30 MHz of spectrum on an experimental basis.

Markey, an original cosponsor of HR 707, said spectrum auction legislation would be developed with the goal that universal service, localism, and diversity remain at the heart of telecommunications policy. He said that he wanted to develop a way of awarding licenses that would guard against "frequency speculators" but added that the interest of small entrepreneurs must be taken into account because there is no "spectrum fairy" to ensure that smaller companies could be awarded spectrum licenses.

In a Feb. 26 letter to Acting Assistant Secretary for Communications and Information Tom Sugrue, Markey stated he is committed to considering an auction proposal and to working with the administration to construct a proposal "that advances the goal of recovering money from the spectrum assignment process and expediting that process while also protecting the public interest."

HR 707 would not affect the FCC rulemaking reassigning users of spectrum in the 2 gigahertz range in order to open space for new technologies such as personal communications services, Markey said. In addition, the legislation was not drafted to address the possible increase in demand for spectrum created by development of high-definition television or digital audio broadcast, Markey said during floor debate.

Financial Institutions

STATES WOULD GET UNCLAIMED DEPOSITS UNDER LEGISLATION APPROVED IN HOUSE

A bill to give states jurisdiction over unclaimed deposits in failed banks and thrifts was passed 409-1 on the House floor March 2.

Under current law, deposits controlled by the Resolution Trust Corp. and the Federal Deposit Insurance Corp. after the resolution of a failed institution become the property of these agencies if they are still unclaimed after 18 months.

Under the Unclaimed Deposits Amendments Act of 1993 (HR 890), sponsored by Rep. Barney Frank (D-Mass), deposits in failed institutions, unclaimed 18 months after the appropriate federal agency assumes receivership of the institution, would be handed over to the home state of the failed bank or thrift. They would then be subject to the unclaimed property laws of the individual state.

This is intended to protect depositors from losing the benefit of full deposit insurance, Rep. Stephen Neal (D-NC), chairman of the House Banking Committee's financial institutions subcommittee, explained at a Feb. 24 hearing on the bill.

Depositors who apply for their money after 18 months under current law are entitled to only partial payment, while state laws allow longer claim periods, sometimes indefinitely.

Also, Frank said, states have much more experience in trying to locate people who have not collected their deposits.

HR 890 was approved by the House Banking financial institutions subcommittee on Feb. 24. RTC and FDIC officials voiced their support for the bill at a hearing before the subcommittee vote.

The full banking committee never voted on the bill, which was non-controversial and thus was placed directly on the House suspension calendar.

The change proposed in the bill would apply retroactively to Jan. 1, 1989. It would not apply for claims against resolutions initiated before that date or for closed receiverships.

If a state does not accept the unclaimed deposits, the FDIC and the RTC would continue to hold them, and the depositors could claim their insured funds from the agencies until the receivership for the failed institution is closed.

Frank's staff said that all but one state, New Hampshire, retains the unclaimed funds in an account indefinitely, so that a depositor can reclaim his or her money after any amount of time.

If a failed bank or thrift is resolved by the transfer of deposits to a purchasing institution, the unclaimed deposits would go to the institution and remain there for 180 days before being transferred to the state.

The bill, which would take effect 120 days after enactment, would amend Section 1822(e) of the Federal Deposit Insurance Act.

Aviation

HOUSE PASSES BILL AIMED AT AIRLINE, AIRCRAFT MANUFACTURING INDUSTRY PROBLEMS

The House overwhelmingly approved legislation (HR 904) March 2 aimed at developing a national consensus on how to address ongoing financial problems in the U.S. airline and aircraft manufacturing industries.

The bill, which was introduced Feb. 16 by House Aviation Subcommittee Chairman James Oberstar (D-Minn), was passed on a 367-43 vote. It now awaits action by the Senate.

The legislation has the support of the Clinton administration, including Transportation Secretary Federico Pena, who attended a press conference marking its introduction. It would expand a previously authorized national commission to study the current condition of the two industries and then make policy recommendations to the Congress and president, according to House Public Works and Transportation Committee Chairman Norman Mineta (D-Calif).

"At a time when there is much discussion about stimulating our economy and creating new jobs and the kind of investment that is needed for long-term economic growth, the situation facing the airline industry is bleak," Mineta said. "The situation is not one of how many jobs can we add, but how many jobs can we avoid losing."

Congress passed similar legislation in the 102nd Congress. But while the commission was established, it never convened to look into these issues, Mineta said.

The new bill would increase the size of the commission from seven members to 15 voting members and seven non-voting members. They would be appointed by both the president and congressional leaders of both parties.

In addition, the legislation reduces the time the bipartisan commission will have to make its report from 180 days to 90 days.

According to Mineta, the bill makes previously appropriated Transportation Department funds available to the commission.

Other co-sponsors of the bill are Majority Leader Richard Gephardt (D-Mo), Public Works' Ranking Minority Member Bud Shuster (R-Pa), Aviation Subcommittee Ranking Minority Member William Clinger (R-Pa), and Appropriations Transportation Subcommittee Chairman Bob Carr (D-Mich).

Technology

JAPANESE SUPERCOMPUTER SAID TO MEET AGENCY REQUIREMENTS

Japan's National Institute of Fusion Science March 1 announced that a supercomputer purchased in 1992 succeeded in meeting the technical requirements promised by the machine's manufacturer, NEC Corp.

The announcement is a setback for U.S. supercomputer maker Cray Research, Inc. Cray had bid against Japan's NEC for the NIFS contract, and appealed the agency's decision to buy the Japanese supercomputer. Cray said its machine was technically superior to NEC's.

However, the appeal was rejected by a panel formed to review contested procurements under an agreement between the United States and Japan. Cray officials said they doubted NEC's supercomputer would be able to meet the technical specifications by the delivery deadline.

NEC's supercomputer passed the agency requirements "with flying colors" in tests conducted Feb. 25, NEC said in a press release. The machine uses NEC's optical magnetic disks, which the company says are the world's fastest and have the largest capacity for computer-use optical magnetic disks.

A spokesman for Cray said his company had "substantial reservations" about the results of the test. While Cray had a technical team present for a demonstration of the computer's capacity, it was not permitted to keep documentation of the results, said Frank Parisi, vice president for corporate communications at Cray. Cray's technicians were not permitted to inspect the system, he added.

"The bottom line is that the test or demonstration fell far short of being a technical certification of the NEC system's capabilities," he told BNA.

Cray has asked for an independent assessment of the supercomputer, but indications are that this will not take place, Parisi said.

In July, John Rollwagen, then Cray's president and chief executive, told the House Government Operations Subcommittee on Legislation and National Security that the NIFS procurement raised doubts about Japan's compliance with the 1990 renewal of the original 1987 agreement between the two countries. Rollwagen has been nominated as deputy Secretary of Commerce and is currently serving as an advisor to Commerce Secretary Ronald H. Brown.

Financial Institutions

CONGRESSMEN DEFEND CLINTON'S DIRECT STUDENT LOAN PROGRAM AGAINST ATTACKS

Four members of the House and Senate held a bipartisan news conference March 2 to defend the president's plan for a student loan program run directly out of the federal government, as a "counter-attack" to the "lobby day" being held by a bank trade group.

In organizing the news conference, Sen. Paul Simon (D-Ill), a long-time supporter of the Clinton plan, said, "We have a choice. We can either subsidize students or we can subsidize banks."

Simon said that private-sector banks and the federally chartered Student Loan Marketing Association (Sallie Mae) are the prime beneficiaries of interest subsidies the government pays loan originators over the life of the loans so that they will receive a competitive rate of return.

"They have a clear interest in maintaining the status quo," he said.

On the same day, 80 members of the Consumer Bankers Association visited members of Congress to challenge proposals for direct loans that would cut off a revenue source for banks that originated $15 billion in loans last year, according to a statement released by CBA President Joe Belew.

"Today many lenders and other participants have a role in the program, because it is decentralized and represents the type of public-private partnership that many advocate," Belew said.

He said that there is a limited understanding of the current program, and that CBA members "have a big job of education to do to ensure a thoughtful debate."

Belew pointed out that there is a legitimate question as to whether alleged cost savings of direct lending are real since the Congressional Research Service Feb. 22 issued a report suggesting that total budget outlays may actually increase under direct lending.

Lawmakers who attended the news conference, including Sens. Simon and Dave Durenberger (R-Minn), and Reps. Tom Petri (R-Wis) and Rob Andrews (D-NJ), insisted, however, that the government could save as much as $6 billion over the next five years if a direct lending program was fully implemented, primarily by lowering the default rate.

The plan would also open college opportunities to more students, they said, through a provision allowing for income-contingent repayments that would be collected annually at tax-time by the Internal Revenue Service.

Simon showed a March 1 letter sent to him by the American Association of State Colleges and Universities and the National Association of State Universities and Land-Grant Colleges, which said, "Our analysis indicates direct federal lending to be a viable and vastly superior system of federal assistance to your constituents."

James B. Appleberry, from AASCU, and C. Peter Magrath, from NASULGC, urged the senator to "choose the financing option that is in the best interest of America's students and taxpayers rather than the profits of narrow interest groups."

The direct lending program would be incorporated into the president's national service proposal, which would allow some students to pay off their college loans through community service work. Clinton outlined that proposal in a speech March 1.

Durenberger said that bankers are going to make the argument now that they can make income-contingent loans, where lenders schedule monthly payback amounts based upon the amount of income the student earns. "But they can't," he said, because only the IRS has access to the income information they would need.

"Why not just have the IRS do the whole thing?" he said.

Andrews said that bankers may still have a role in the process. They could competitively bid for the job of loan servicer, he said.

International Trade

ITC CONTINUES ANTIDUMPING CASE ON DEFROST TIMERS FROM JAPAN

In a 6-0 affirmative determination, the International Trade Commission voted to continue an antidumping case on defrost timers from Japan, the agency announced March 2.

The vote means that the ITC found a reasonable indication that allegedly dumped defrost timers from Japan are materially injuring a U.S. industry.

According to an ITC fact sheet, the investigation covered defrost timers used in residential refrigerators to reduce or evaporate the builup of ice on evaporator coils.

Chairman Don Newquist, Vice Chairman Peter Watson, and Commissioners David Rohr, Anne Brunsdale, Carol Crawford, and Janet Nuzum voted in the affirmative.

The Commerce Department's International Trade Administration will continue its antidumping investigation on these products with a preliminary determination expected on or about June 28, 1993, the ITC said.

According to the fact sheet, the U.S. industry consists of three producers. Plants are located in Illinois, Tennessee, and Wisconsin.

After March 19, interested parties may get the ITC's public report, Defrost Timers From Japan, Inv. No. 731-TA-643 (Preliminary), USITC Publication 2609, March 1993) by calling 202 205-1809 or from the Office of the Secretary, 500 E Street SW, Washington DC, 20436. Requests may also be faxed to 202 205-2186.

Health Care

RETIREE BENEFIT TERMINATIONS SHOW NEED FOR REFORM, WITNESS SAYS

A spate of companies canceling retiree health coverage after years of offering "lifetime" benefits underscores the need for national health care reform, panelists agreed March 2 before a joint Senate subcommittee hearing.

Also, something needs to be done quickly to address the inequitable position many retirees are finding themselves in and to address the problems of competitiveness in a global economy, the panelists said.

"The high cost of retiree health benefits is having a devastating impact on retirees and businesses," Sen. Donald Riegle (D-Mich), chairman of the Senate Finance Subcommittee on Health for Families and the Uninsured, said in his opening statement before the joint meeting of his subcommittee and the Senate Labor and Human Resources Subcommittee on Labor.

As the rising cost of health care has forced many companies to cut or eliminate health care coverage for retirees, many retirees are joining the ranks of the uninsured, Riegle said.

Growing Competitive Disadvantage

Nevertheless, simply requiring employers to continue to provide retiree health coverage does not address the problem of U.S. companies' growing competitive disadvantage because of the high cost of health care, including retiree medical care, Riegle said.

For instance, Riegle provided data showing that there is a $600 per vehicle differential between Japanese-owned auto manufacturers operating in the United States and the big-three U.S. auto manufacturers due solely to health care costs. In 1990, U.S. health care costs per vehicle amounted to $1,086 ($383 of this amount was attributable to retiree health costs), compared to $475 per vehicle for the Japanese manufacturers operating in the United States.

Companies that traditionally have provided coverage to retirees are lessening the burden on the public sector, which otherwise would have to provide for the coverage, Riegle said. However, the rapidly growing cost of health care has made it impossible for some companies to continue to offer retiree benefits, he said. At the same time the arbitrary cutback of promised benefits "is just plain wrong," Riegle said.

Changing the situation would have to involve amendments to the Employee Retirement Income Security Act as well as the tax code, Riegle said.

McDonnell Douglas Case

Sen. Howard Metzenbaum (D-Ohio), chairman of the Senate Labor Subcommittee, opened the hearing by noting that, over the past several months, dozens of companies have announced plans to reduce or terminate retiree health benefits, including General Motors Corp., E.I. du Pont de Nemours & Co., McDonnell Douglas Corp., Unisys, and Primerica Corp.

Companies are able to escape their retiree health benefit promises "in part because we do not have a national health insurance system," Metzenbaum said. ERISA is primarily intended to set standards for pension benefits, not health benefit promises, he said. Several courts have rules that ERISA does not prevent companies from cutting health benefits so that "despite years of promises, employers can put clauses in their health plans, literally overnight, breaking original promises, and reserving the right to terminate benefits," Metzenbaum said.

Metzenbaum singled out the case of McDonnell Douglas, which announced in October 1992 it was terminating company-paid health insurance for non-union retirees effective Dec. 31, 1992. "Despite repeated oral and written assurances that they would provide lifetime benefits," McDonnell Douglas added a clause reserving the right to reduce benefits for retirees on page 147 of a health plan summary, Metzenbaum said.

Federal Contractor Issue

"The case of McDonnell Douglas is outrageous for many reasons" including the fact that it is a major federal government contractor whose contracts were paid on a "cost-plus" basis that included the cost of providing retiree medical benefits, Metzenbaum said.

Metzenbaum suggested that barring such companies from further government contracts might get them to take their promises more seriously.

Also, the subcommittees heard a statement from Kazimer J. Patelski, an engineer who worked for McDonnell Douglas for 28 years, during which he helped in the design of the Skylab Space Station and was managing director of Mission Control for the Apollo Saturn Moon Program.

Patelski was told both orally and in writing by his company that he and his wife would receive health benefits for life after retirement, a promise that was repeated even during Patelski's exit interview, he said. Patelski is now faced with the loss of health care coverage for himself and his wife after an employee-funded health plan expires in four years, he said.

Owen Bieber, president of the United Auto Workers, also noted the $600 health care cost differential between the Big Three and the Japanese transplant facilities in the United States, due mainly to the cost of providing health care coverage to a workforce that is an average of 13 years older.

"As long as employers have to compete on the basis of their health care costs, there will be substantial pressure on employers to seek ways to reduce these costs, and in particular, to cut back on health care benefits for retirees," Bieber said.

Potential Autoworkers' Strike

"Unless prompt action is taken to address the problems associated with financing retiree health care benefits, I am concerned that the upcoming negotiations between the UAW and the Big Three automakers could lead to a strike over this issue in the fall of this year," Bieber said.

General Motors already has cut retiree health coverage for its salaried retirees, he noted. "If we are forced into a prolonged strike over this issue, this could seriously undermine prospects for economic growth in the country," he said.

To address the retiree health care problem, the UAW supports establishment of a tax-based financing mechanism and a tax that would have a uniform impact on all employers, Bieber said.

The UAW remains convinced that the best way to do this would be the adoption of a single-payer, social insurance national health care program, but the union also supports proposals to expand Medicare or to institute an income-related premium to buy into regional purchasing cooperatives, Bieber said.

Lynn R. Williams, president of the United Steelworkers of America, told the subcommittees that from 1987 to 1993, the total cost of retiree major medical coverage in the steel industry increased over 225 percent. This rapid rise in cost forced the union to bargain to have steel companies share half of the traditionally out-of-pocket cost of major medical expenses, Williams said.

Implications of Court Ruling

In Senn v. United Dominion Industries, Inc. (15 EBC 1415), the U.S. Court of Appeals for the Seventh Circuit ruled that contract silence on the issue of the duration of retiree health care coverage should be interpreted in favor of the company, Williams said. Although the Steelworkers have asked for a review of the càse, Williams warned that USW members may appear the committee again concerning the Senn case and its implications for legislation.

William H. Bywater, president of the International Union of Electrical Workers, told the subcommittees that any health care reform initiative must include coverage for retirees and those workers who have lost jobs due to plant closings, eligibility for Medicare at age 60; and reform of ERISA to recognize retiree health coverage as a "vested right," to give unions standing to sue under ERISA to protect the federal rights of former members, and to subject employers who violate retirees' contractual rights to exemplary damages and mandatory attorneys' fees under ERISA.

"If the companies you have heard about today are successful in shedding their liabilities, we predict a flood of additional employers who will seek to increase their competitive advantage at the expense of their former workers," Bywater said.

Pesticides

EPA NOTICE ANNOUNCES 37 CANCELLATIONS, 16 SUSPENSIONS OF PRODUCTS LACKING DATA

More than 50 pesticide products appear destined to lose their Environmental Protection Agency registrations due to voluntary cancellations by the manufacturers on 37 products and agency suspension actions on 16 products, EPA announced in today's Federal Register.

Unless registrants of the voluntary cancellations withdraw within 90 days of the published notice their requests to end the registrations, EPA will cancel the registrations. Other parties interested in maintaining the registrations must contact EPA during that time period.

The notices gave no reasons behind the voluntary actions.

Canceled products generally will be allowed to be sold or distributed for one year after the date of the cancellation was received by EPA, according to the agency notice.

EPA said it intended to suspend 16 products after registrants failed to secure reregistration data requirements issued by EPA in notices under Section 4 of the Federal Insecticide, Fungicide, and Rodenticide Act. Active ingredients included in the action are carbon and carbon dioxide, capsaicin, inorganic nitrate/ nitrite, silica gel, and silicon dioxide.

Under the five-phase review scheme mandated by the 1988 amendments to FIFRA, roughly 400 active ingredients used in pesticides first registered before Nov. 1, 1984, were supposed to be assessed under modern testing standards, and the products reregistered, or re-licensed for use by 1997. But EPA officials estimate the program, if continued under current funding and staffing conditions, will not be completed until 2002.

More information on the products to be suspended can be obtained from Stephen Brozena, Office of Compliance Monitoring (EN-342), Laboratory Data Integrity Assurance Division, EPA, 401 M St., S.W., Washington, D.C. 20460, (703) 308-8267.

More information on the canceled products can be obtained from James Hollins, Office of Pesticide Programs (H7502C), EPA, 401 M St., S.W., Washington, D.C. 20460; in person at Crystal Mall #2, Room 220, 1921 Jefferson Davis Highway, Arlington, Va.; telephone (703) 305-5761.

International Trade Commission

ITC CHAIR PRESENTS BUDGET REQUEST OF $47,692,000 BEFORE HOUSE PANEL

The International Trade Commission's budget request for fiscal year 1994, $47,692,000, is essentialy a request to fund operations at current levels, ITC Chairman Don Newquist told a House Appropriations subcommittee March 2.

The budget request funds 477 of the ITC's 502 authorized permanent positions, according to Newquist's statement.

Newquist told the panel that the budget request is a 6.3 percent increase over the FY 1993 appropriation. 78 percent of the increase is for non-discretionary salary costs and higher rent costs. The balance of the increase is for necessary support services, he stated.

According to Newquist, the 1994 request is based on a projection that the ITC workload will remain at approximately the current level. However, he stressed that much of the ITC's workload cannot be predicted because the ITC is a reactive agency. "Unlike some agencies, we cannot budget with certainty the unanticipated requests for investigations or petitions for trade relief," he commented.

The ITC has not requested funds for a number of possible workload expansions that could occur during FY 1994, Newquist said. "If all these possibilities come about, this budget could fall below our manpower requirements," he warned.

International Trade

TALKS WITH JAPAN ON RICE SAID POSSIBLE IF URUGUAY ROUND FAILS

U.S. Trade Representative Mickey Kantor is willing to consider one-on-one negotiations with Japan and other countries to open rice markets if the Uruguay Round of multilateral trade talks fails, a rice industry official said March 2.

Representatives of the U.S. rice industry were "extremely pleased" with an hour-long meeting they had with Kantor March 2, said David Graves, president of the Rice Millers' Association.

"He assured us that rice was right at the top of every discussion they have with trading partners where rice access is a question, such as Japan," Graves told BNA. Korea, Taiwan and the European Community also pose market access difficulties for U.S. rice growers, the association head said.

In response to a question raised by Kantor, the rice industry representatives said that they would be satisfied if the current approach to the Uruguay Round of talks to renew the General Agreement on Tariffs and Trade proves successful, Graves said. The industry is in "desperate need" of a conclusion to the round because it seeks wider global trade, he said.

However, while the rice industry would be willing to accept quotas and tariffication, it would not accept an exception for Japan's rice market and extremely high tariffs in the EC, he said.

Kantor told the rice representatives that the administration would seek as quick a conclusion to the trade talks as possible, but would accept only a conclusion that solves problems such as the ones raised by the rice industry, Graves said. If the round fails, Kantor said the United States would be "quite willing and interested" to take on the issues on a bilateral basis, the association head said.

Graves said a bilateral approach would likely involve use of Section 301 of the 1974 Trade Act, because that is a standard process for initiating trade negotiations.

"We believe we have a strong advocate in the ambassador for our causes," he said.

The rice industry estimated in 1988 that open markets for U.S. rice around the world would result in $656 million more business for U.S. producers because of greater volume and higher prices.

Separately, Japanese legislators are scheduled to visit Washington in coming weeks to discuss Japan's rice market with U.S. officials, a Japanese official said.

International Trade

SEN. DOLE SAYS RUSSIA READY TO REPAY AGRICULTURAL LOANS 'ALMOST IMMEDIATELY'

Sen. Robert S. Dole (R-Kan) said March 2 that the Russian government plans to repay "almost immediately" more than $400 million in U.S. government-backed loans now owed to Western banks for past purchases of U.S. farm products.

Dole, speaking after a 50-minute meeting with high-ranking Russian officials, said that he expects repayment within "about 30 days."

"I think there's room for optimism,' Dole said. 'They're prepared to pay us all the interest and all they owe us almost immediately."

Since last November, the Russian government has been suspended from the U.S. government program administered by the Agriculture Department's Commodity Credit Corp. that guarantees commercial bank loans used to purchase U.S. farm products because it has failed to repay million of dollars in loans on schedule.

U.S. Agriculture Secretary Mike Espy, who also met the Russian delegation, led by Deputy Prime Minister Alexandr Shokhin, said last week that the U.S. government was close to resolving the debt issue.

The delegation was also scheduled to meet Treasury Secretary Lloyd Bentsen and Commerce Secretary Ronald H. Brown, as well as other members of Congress.

Dole, the Senate minority leader, said it is critical for the United States to resume "normal" trade with Russia because "it's a market we can't afford to lose." He warned that Russia has "opportunities" for buying grain elsewhere, particularly in Australia and Europe, "which would in effect take us out of the market."

"I'm somewhat optimistic," he said. "I think there's a way to work this out. . . . It's in our interest to work it out. It's a market we can't afford to lose."

The Agriculture Department said March 2 that Russia now owes about $415.5 million to Western banks on CCC-backed loans. Several banks have already demanded to be reimbursed by the U.S. government, officials said.

Hazardous Substances

DOE AGAIN MISSING DEADLINES, FACING POSSIBLE EPA FINES IN FERNALD CLEANUP

The Department of Energy is facing a threat of fines from the Environmental Protection Agency for the second time in less than two years over missed deadlines in the cleanup of DOE's nuclear weapons production facility in Fernald, Ohio, according to DOE and EPA officials.

The deadlines -- or "milestones" -- were set by a superfund consent agreement between the two agencies. Officials now are discussing problems with meeting milestones for one of the so-called operable units covered by the cleanup agreement, an EPA Region V official told BNA March 2.

The official, James Saric, said the discussions are aimed at resolving substantive problems dealing with sampling for contaminants at the site and agreeing on a new schedule for DOE to submit reports on a remedial investigation, feasibility study, and record of decision.

February Deadline Missed

DOE has already missed a Feb. 8 deadline for the remedial investigation report and will miss a March 15 deadline for the feasibility study and a Dec. 10 deadline for a record of decision, according to officials. In a letter sent last month to EPA, DOE officials asked that the deadline for the ROD be pushed back more than a year to March 1995.

DOE formally requested an extension of the deadlines in the letter, which was sent Feb. 3. But, EPA responded the Energy Department had not shown "good cause" for the extension.

EPA's rejection of the DOE request raises the possibility that DOE may again have to pay fines to the environmental agency for the missed deadlines. A Feb. 9 letter to DOE signed by Saric said EPA "intends to assess stipulated penalties for late submission" of the reports in question.

The issue of penalties is now in a formal dispute resolution process and may ultimately have to be decided by EPA administrator Carol Browner.

Penalties against DOE could accrue at a rate of $5,000 for the first week after each missed deadline and $10,000 for each subsequent week.

Situation 'Exactly The Same' As In 1991

Saric said that, procedurally, the situation is "exactly the same" as that faced two years ago, when DOE agreed to pay a fine for missed deadlines. After Congress earmarked the money last year, DOE paid EPA a $100,000 fine stemming from violations of a previous superfund cleanup agreement for the Fernald facility.

The fine resulted from a settlement between the agencies in May 1991, which also included a renegotiated cleanup agreement. DOE now has asked for extension of deadlines set under the renegotiated agreement.

Along with the request for the deadline extension, DOE also said it wanted to accelerate a deadline for a record of decision dealing with another operable unit at Fernald. DOE said it could move up by almost three years -- from 1997 to 1994 -- work on decontaminating and decommissioning production buildings at Fernald. EPA responded, however, that this was a separate issue from the request for a deadline extension for Operable Unit 2 and would be handled in separate discussions.

DOE's Fernald facility, known as the Feed Materials Production Center, produced high-purity uranium products for use in nuclear weapons until production was shut down in 1989. Radioactive and hazardous waste contamination has been found at the site and beyond the site's boundaries. Contamination has been found in ground water, surface water, soil, and sediment, according to federal officials. The first agreement between DOE and EPA for cleanup of the site was signed in 1986.

Last August, DOE awarded a $2 billion contract to oversee cleanup at the Fernald site to a unit of the Fluor Corp., the Fernald Environmental Restoration Management Co. (FERMCO). Previously, the cleanup was being managed by the operating contractor at the site, a unit of Westinghouse Corp.

Problems With Sampling

DOE's deadline-extenstion request involves Operable Unit 2, which includes two flyash piles, two lime sludge ponds, a landfill, and another disposal area. According to EPA, the basic problem encountered in the cleanup of the unit is that collection and analysis of soil and water samples at the site has been inadequate to determine the source of contamination and the impact of contamination on ground water and other media. Without this data, it is impossible to develop an adequate cleanup plan, according to the agency.

The sampling problems were raised, officials said, when DOE sent a draft of its remedial investigation report to EPA officials last October. DOE cited EPA's objections to the draft report as the reason why it needed an extension of the deadlines for Operable Unit 2. But, Saric responded in his Feb. 8 letter that "DOE should have been aware that the existing sampling data was insufficient and could have conducted additional sampling prior to" the deadlines.

According to Saric's letter, problems were evident in the sampling data at least as early as last summer, but DOE "provided no indication of what, if any, action has been taken over the past six months" to deal with the problems. One problem, according to EPA, is that DOE is unable to validate data for samples collected at the site as far back as 1986 and 1987. Saric told BNA that DOE could not supply paperwork to validate these samples. In his letter to DOE, Saric said the data should have been validated long ago.

Saric said EPA and DOE officials are close to an agreement on a new schedule to collect the needed sampling data, though he could not say when the required reports for Operable Unit 2 will be completed. Meetings on the issue occurred in late February and another meeting is scheduled for March 4, he said.

These negotiations are separate from the dispute resolution process dealing with possible penalties against DOE for the missed deadlines. Officials said the penalty issue is pending before higher-level DOE and EPA officials in Washington, D.C. If an agreement is not reached, a decision whether to seek penalties may have to be made by Browner as early as this month. However, the dispute resolution process could be extended further.

Environment

U.K. ENVIRONMENT SECRETARY ENCOURAGING CLINTON TO SIGN BIODIVERSITY CONVENTION

British Environment Secretary Michael Howard said March 2 he is encouraging the Clinton administration to sign the international treaty to conserve biodiversity.

"It is absolutely pointless having a global convention of this kind unless the United States is a signatory," Howard told a small gathering of reporters.

Howard was in Washington to meet with officials in the Clinton administration, including Environmental Protection Agency Administrator Carol Browner and Interior Secretary Bruce Babbitt.

The United States did not join the 153 other nations that signed the United Nations Framework Convention on Biological Diversity at the Earth Summit in June 1992. The accord is designed to curb the destruction of species, habitats, and ecosystems. Then-President Bush claimed the treaty did not provide sufficient protection of intellectual property rights and put too many constraints on biotechnology.

"Some of the issues which concern them [Bush administration officials] are of concern to us," Howard said. "Some of the issues which concern them we've examined very carefully and come to the conclusion that we can live with the language of the convention and that it doesn't present a problem to us."

"I think it's very desirable the United States should sign and I very much hope that the new administration will be able to sign," Howard said. "We're keen to help them in any way we can."

GATT, Environment

Howard also discussed trade and the environment, focusing on the stalled Uruguay Round of the General Agreement on Tariffs and Trade. He said he opposes proposals to postpone the conclusion of the Uruguay Round until environmental issues are incorporated into GATT.

In a speech the World Resources Institute March 2, Howard said, "The central question is: can we afford to risk delaying the substantial body of agreements already accomplished in the Uruguay Round in order to try to graft onto it a system for regulating environmental aspects of trade?" He continued, "Or do we get Uruguay out of the way as fast as possible in order to get on with the urgent task of reconciling trade and environment policies?"

"To re-open the whole issue of the GATT to begin a new and complex discussion of environmental standards could be fatal to the whole process," Howard told WRI. "I believe it would not make good sense environmentally or economically."

In his remarks to reporters, Howard recommended establishment of an international mechanism to address environmental issues related to trade. These procedures could be set up at the end of the Uruguay Round.

Howard called the suggestion of a "green" round of GATT "a slightly misconceived approach."

He said one aspect of the North American Free Trade Agreement might be helpful for GATT -- the proposed North American Commission on the Environment. This commission to oversee ecological aspects of NAFTA was proposed by environment chiefs of Canada, Mexico, and the United States in September 1992. Dispute resolution procedures established for the commission may provide a model for GATT, he said.

Other Issues

Turning to other international environmental issues, Howard said the United Kingdom has a goal of ratifying the international treaty on climate change by the end of 1993. The United States in October 1992 ratified the accord, the United Nations Framework Convention on Climate Change.

"We're in discussion with our partners in the European Community," Howard said. "There is a yet-unresolved issue as to whether every member state of the Community should ratify together."

The government of Prime Minister John Major wants the United Kingdom to ratify the biodiversity convention as soon as possible, Howard added.

Howard called the Global Environment Facility meeting in Rome today through

March 5 "extremely important -- it's going to be considering the financing arrangements."

The GEF is a program to help poor countries conserve their environments. It is run by the World Bank, the United Nations Environment Program, and the United Nations Development Program.

"We will be discussing our position with the United States before the [GEF] meeting starts," Howard said. But he did not elaborate further on the U.K. stance.

In addition to Browner and Babbitt, Howard said he met with Vice President Albert Gore, heads of congressional committee that deal with the environment, and Katie McGinty, special assistant to the president for the environment.

"I'm very pleased with the way my talks have gone," Howard commented. "We have a common standpoint on most of these [environmental] issues."

Employment

JOBLESS BENEFIT EXTENSION SCHEDULED FOR SENATE VOTE

The Senate is expected to approve legislation March 3 to extend the current emergency unemployment benefit program for an additional seven months, following debate on an amendment proposed by Senate Republican leaders that would designate spending cuts to pay for the $5.7 billion benefit extension.

Senators began consideration of a bill (S 382) March 2 that would extend the program under legislation identical to a bill adopted by the House last week. The Senate delayed any votes on the proposal until March 3, however, after agreeing to debate the Republican-sponsored amendment on funding the extension through federal spending cuts.

With the current emergency benefit program set to terminate at midnight March 6 for new claims, Democrats urged the Senate to pass the measure without amendment so the bill could be signed by the president before the program expires. The Clinton administration, which proposed the benefit extension last month, also has called for passage of the legislation without change. The bill relies on an emergency declaration for budget purposes and includes no financing provisions.

Cuts In Federal Overhead Would Fund Extension

Sen. Bob Packwood (R-Ore), joined by Senate Minority Leader Robert Dole (R-Kan), proposed the amendment to pay for the bill by cutting 0.5 percent in overhead and administrative costs of federal agencies this year. The spending reductions are among those being recommended by President Clinton as part of his deficit reduction package for 1994. They would raise an estimated $3.5 billion in fiscal year 1993 if implemented with the benefit extension, Packwood said.

The proposed extension of unemployment benefits would cost an estimated $3.32 billion in fiscal year 1993 and another $2.34 billion in fiscal year 1994.

Sen. Daniel Patrick Moynihan (D-NY), chief sponsor of the bill to extend the benefit program, called for its passage without change to keep the "safety net in place" for 1.8 million long-term jobless workers who will be eligible for the benefits.

Moynihan, chairman of the Senate Finance Committee, arguing against adding the spending-cut offset, said the Senate will turn to those proposals "in a matter of weeks," but needs to "take a look" at it first. He said he supports the suggested spending cuts, but not as part of a "measure that has to become law by Saturday evening."

The proposed amendment would not "provide a dime on Sunday" to pay for the extended benefit program, Moynihan said.

Packwood, however, said that although he supports extension of the benefit program, he "cannot justify" adding almost $6 billion to the deficit on the first spending bill to come from the new administration. It could be "a harbinger of what we are going to see down the road," Packwood warned.

Sen. Don Nickles (R-Okla) said the president is being irresponsible to propose the spending cuts, but oppose amendments to the benefit bill. If the spending cuts are backed by the president to take effect next year, why not adopt them this year and pay for the bill, Nickles asked.

"This program needs to be enacted, and now," said Moynihan, who added that if the bill is adopted without amendment it will be ready to go to the president's desk since it would be identical with the House-passed measure.

It is the Senate's "simple duty to the American people" to pass the bill so the president can sign it before the current program expires March 6, Moynihan said.

The proposed benefit extension would keep the current 20 or 26 weeks of extended unemployment benefits in effect for new claimants through Oct. 2, 1993, with the final payments to be made by Jan. 15, 1994, rather than June 19, 1993, under the expiring program. Those benefits are available to long-term jobless workers who exhaust their regular 26 weeks of benefits, with the higher level of benefits available in states with the highest unemployment rates.

The duration of the extended benefits would be reduced to 10 and 15 weeks if the national unemployment rate drops below 7.0 percent for two consecutive months and to 7 and 13 weeks if the rate drops below 6.8 percent for two consecutive months.

The proposed extension bill would also apply to a special program for railroad workers and it would include a new feature that would authorize the Department of Labor to help states develop programs to identify dislocated workers and refer them to job training and counseling programs.

Congress

PEROT TELLS CONGRESS TO END PERKS, BALANCE BUDGET, LISTEN TO PEOPLE

Congress must be more frugal in its spending, put an end to perks for members, and listen more closely to those who elected them, Texas billionaire and former presidential candidate H. Ross Perot told the Joint Committee on the Organization of Congress March 2.

Perot continued his revived political crusade, testifying before lawmakers on what he thinks is the best way to reform congressional ethics at the committee hearing. A vocal standing room only audience was on hand to support his ideas.

"Put in plain talk, the people are concerned the federal government doesn't keep its books," Perot said, adding that there is even the perception Congress misrepresents spending. The deficit, which Perot referred to as the "old crazy aunt you keep locked in the basement" during his campaign, continues to grow out of control. "We have added $130 billion to the national debt since the November election. Time is critical," he said.

To combat the deficit, he suggested Congress spend more wisely. "Every dollar needs to be doled out like water in the desert," he said. He also told members to cut pork programs, adding he and his supporters are starting a "Pork of the Month" report, detailing every appropriation that benefits a member's district. Sen. David Pryor (D-Ark.) asked Perot if he considered the superconducting supercollider, a multi-billion dollar federal project in Texas, to be an investment or pork, to which Perot replied "everything must go on the list." Perot also said he favored a line-item veto to cut down on pork.

He told committee members from the Senate that they should "think" before they they pass emergency extension for unemployment (S 382) and add $5.7 billion to the deficit.

"The American people have to eat it," he said.

Americans will not accept a tax raise while "elected officials are living in opulence," Perot said. "The American people cannot be expected to sacrifice while their elected officials continue to live in royal splendor."

Sen. Harry Reid (D-Nev) disputed Perot's assertion that Congress has done little to lower the deficit. "You've given us 45 minutes of sound bites and five minutes of detail . . . you need to start checking your facts and stop listening to applause as much," Reid said. Reid claimed the Omnibus Budget Reconciliation Act 1990 and the Appropriations Act of 1991 saved the government $431 billion. Perot said the government must rely on one set of deficit figures, not conflicting reports from the Congressional Budget Office and the Office of Management and Budget, as well as admit to increasing taxes without using euphemisms for them. "Let's just call a dog a dog, an elephant an elephant," he said.

Perot decried the influence of foreign lobbyists, saying they account for 20 percent of the money lobbyists spend on influencing Congress. He cited Japanese and British news articles which said America was for sale and "legally corrupt." He called for criminal penalties to deter such lobbying, and added that former members of Congress should not be allowed to lobby, similar to the White House policy. "The revolving door is still going at Mach four," he said. While lobbying, both foreign and domestic, seems acceptable among Washington circles, "once you get outside the Beltway it looks like Martians to the people," he added.

Sen. Nancy Kassebaum (R-Kan) said she did not think Congress was for sale. "I deeply resent the implication of other countries that America is for sale," she said.

Perot, who is holding a video vote/town meeting March 21, said there must be some type of system to allow people to voice their opinions to their elected officials. He urged members to return to their district to meet with people, citing the success of Walmart executive Sam Walton who stood in the aisles of his store to get a feel for what customers wanted.

Perot also said the government has an adversarial relationship with private business, which has sent thousands of jobs overseas. The antitrust suit against IBM has forced them to downsize, and a similar fate may be in store for the Microsoft corporation in Oregon, he said. "Stop killing our tax base," he said.

Government Contracts

SPACE STATION COST OVERRUNS ESTIMATED AT $500 MILLION TO $1 BILLION

Depending on whose estimate is accurate--the contractors' or National Aeronautics and Space Administration's--the space station Freedom will cost between $500 million and $1 billion more than had been expected over the next three years, a House subcommittee was told March 2.

NASA Associate Administrator for Space Systems Development Arnold Aldrich March 2 attempted to assure the House Science, Space and Technology subcommittee that NASA is "working hard" to reduce estimated potential cost overruns for the space station for fiscal years 1993-1995.

In January, space station contractors informed NASA that revised cost growth estimates for the entire space station program totaled $1.08 billion over the next three fiscal years--double the approximately $500 million overrunn estimated only a month earlier. The estimated overruns included $533 million for Work Package 2 being performed at the Johnson Space Center by McDonnell Douglas, the prime contractor, and by Honeywell Space Systems Group and IBM Federal Systems Co., the subcontractors.

According to Aldrich, NASA did not accept the contractors' "revised cost growth estimates," and after "scrubbing our estimates, making technical, managerial, and phasing changes, and applying planned funding reserves, we now believe our three-year cost problem is approximately $500 million." NASA is maintaining $350 million in program reserve funding that will be used to partially offset the overrun, he noted.

Aldrich told the panel that NASA is in the midst of an intensive review to pinpoint the exact cost growth within the program, identify the causes of the growth, and determine how to prevent future cost growth. This review is expected to be completed April 1; however, preliminary findings indicate that there are six primary causes for the cost growth that occurred:

* An inability to achieve management challenges that had been incorporated into the program as a result of the 1991 restructure of the space station;
* An inability to attain selected projected productivity gains that were assumed by the program in light of the contractor and subcontractor bids and projections;
* An increase in contractor rates due to the declining business base in the aerospace business;
* A lack of overall design maturity in the program that resulted in costs being underestimated in earlier FY 1993-1995 budget planning;
* NASA-directed change orders that resulted from the technical reviews of the program that were being conducted to provide necessary operational performance to lower long-term operating costs; and
* The need to commit budget earlier to long lead spares.

Further, Aldrich expressed concern about the base funding profiles across the program and said that several weeks ago, NASA Administrator Dan Goldin chartered an independent cost assessment review team to examine the overall status and fiscal condition of each of the space station projects and contractor organizations. These reviews are scheduled to be completed in mid-April, and Aldrich said that he would factor in the results of these reviews with the cost reduction proposals in arriving at a complete determination of costs for the baseline program.

Subcommittee chairman Ralph Hall (D-Texas) pointed out that there is an important difference between the current cost overrun problems of the space station and the cost overrun problems of the Space Shuttle toilet, the focus of a Feb. 23 Space subcommittee hearing. Namely, the shuttle toilet experience actual overruns of 182 percent, while the space station program has identified potential cost overruns of about 15 percent over three fiscal years, if corrective steps are not taken.

Rep. Dana Rohrabacher (R-Calif) again blasted NASA for its "mismatch" management of space programs and called for "revolutionary reforms" in NASA contract management. "Taxpayer dollars are being flushed into a black hole in space," Rohrabacher asserted.

Responding in part to Rohrabacher, Aldrich said that NASA has been concerned with finding ways to strengthen and streamline space station management. As a result of internal and external studies of the program's management, Goldin proposed a series of changes to the Office of Management and Budget and Congress last December. He added that NASA is developing plans for implementing these changes, in conjucntion with guidance and direction from the White House on the overall program.

Goldin did not testify before the panel; however, he sent a letter to Hall March 2 in which he said he "expressed concern with respect to the validity of the present cost and schedule estimates" for the space station. Ranking minority member James Sensenbrenner (R-Wis) called on Goldin to explain to the panel what he (Goldin) meant in the letter.

Environment

STATE AIR REGULATORS WANT EPA TO ADOPT THEIR TRANSPORTATION CONFORMITY CRITERIA

State air regulators, dissatisfied that an Environmental Protection Agency proposal requiring certain transportation projects conform with air quality plans was too narrow, March 2 issued an alternative whose application extends to clean air areas and to projects not paid for directly with federal funds.

Members of the State and Territorial Air Pollution Program Administrators and Association of Local Air Pollution Control Officials voted "overwhelmingly" at their annual meeting to adopt the alternative, S. William Becker, the groups' executive director, told BNA. He said the groups want EPA to issue it as a reproposal.

The Clean Air Act Amendments of 1990 required EPA to work with Transportation to issue criteria to ensure certain transportation projects conform with air quality plans. Under the law, a conforming transportation is one that would not cause any standard in any area to be violated, increase an existing violation, or delay the attainment of any standards.

"Until EPA ultimately promulgates a rule, agencies should use ours as a model," Becker said.

EPA was to have issued final criteria by Nov. 15, 1991 in time for them to have been incorporated into state implementation plan revisions due Nov. 15, 1992. The agency proposal came out on Jan. 11.

Environmentalists, state regulators, and state transportation planners criticized the EPA proposal at a public hearing Jan. 29 for, among other things, threatening to pollute areas that meet national ambient air quality standards. They said under the agency plan large transportation projects in clean air regions could move forward without a review to assess their impact on air quality. Such a scenario could throw an area with clean air into non-attainment.

The states' alternative requires transportation plans to undergo review for their impact on air quality. It includes separate procedures for attainment areas adjacent to areas that exceed the ozone pollution standard, urban areas that meet the standard, and rural areas where development may cause a "localized hotspot violation of the NAAQS for transportation-related pollutants."

EPA and the federal Department of Transportation argued at the hearing that the proposal was only supposed to set minimum guidelines and that states were empowered by the Clean Air Act to strengthen the criteria if they needed to.

The EPA proposal was also criticized for only applying to projects paid for with federal money from the Intermodal Surface Transportation Efficiency Act or that receive approval by the Federal Highway Administration or Federal Transit Administration.

This provision would exclude about 70 percent of all transportation infrastructure, STAPPA/ALAPCO said, including those that could increase pollution. "To compensate for such increased pollution, additional, and most likely, costly control measures -- geared toward both mobile and stationary sources -- will be necessary," the alternative proposal said.

Rather, the criteria should be expanded to apply to projects approved or funded by state and local agencies that receive federal funds, according to the alternative.

Becker said the organizations decided to drop a provision that would have required transportation plans and improvement programs in serious, severe, and extreme ozone non-attainment areas to make up for shortfalls in emissions reductions expected under certain clean air programs.

The Clean Air Act requires these areas to cut their emissions of volatile organic compounds -- ozone precursors -- 15 percent by 1996. Lax transportation conformity measures could hinder states' ability to achieve this, STAPPA/ALAPCO argued. However, rather than requiring the projects to make up the difference, Becker said they would have to meet annual emissions reductions.

"They would have to adopt transportation control measures to offset increases in vehicle miles travelled," Becker said.

The air regulators alternative also would require transportation plans and improvement projects to show reductions in nitrogen oxides unless the state can show that such decreases would not help them meet air quality standards.

Employment

CBO STUDY EXPLORES UI BENEFIT EXPANSION FOR DISPLACED WORKERS

As Congress considers extending emergency unemployment benefits for the third time since 1991, the Congressional Budget Office suggests that a permanent expansion of the duration of benefits for displaced workers might be desirable.

Roughly half of the displaced workers who received benefits in the 1980s exhausted them without having found another job, compared with about one-third of all recipients, CBO said in a study released March 2.

Given that the number of workers who will be displaced during the next few years may be somewhat larger than the number displaced in the late 1980s, "Congress might wish to consider increasing the amount of income support available to displaced workers or providing them with additional reemployment assistance," CBO said.

Factors such as the North American Free Trade Agreement and defense cuts gives the issue of displaced workers "particular urgency" as far as Congress is concerned, according to the report, Displaced Workers: Trends in the 1980s and Implications for the Future.

Unemployment insurance benefits are generally available for no more than 26 weeks, although Congress is acting to once again enable unemployed workers who have exhausted their regular benefits to receive further payments. One option that Congress might want to consider is expanding the duration of UI benefits for some if not all displaced workers "to cushion the losses that many of them would otherwise incur," CBO said.

Providing displaced workers with more time to find another job before their benefits run out would recognize the fact that they generally face a more difficult time compared to workers who have been temporarily laid off, CBO said. It also suggested that allowing UI recipients who are participating in a training program to receive extended benefits might enable more of them to undergo extensive retraining.

Effects Of Increased Duration

CBO addresses the concern that an increased duration of benefits will encourage recipients to remain unemployed longer by setting out options to limit eligibility. "One option would be to provide additional weeks of UI benefits only to people who had an especially strong attachment to their previous jobs as indicated by long job tenure." Displaced workers with relatively long job tenure generally take longer to find new jobs than those with shorter tenure, CBO said, but administering such an eligibility criteria could be difficult.

Another option would be to tie eligibility to participation in some activity such as a job club or other program that helps participants find jobs faster. While there is strong evidence that such assistance is effective in shortening the time that participants receive UI benefits, it would be a "major undertaking" to launch a large-scale, mandatory program of this nature, to say nothing of the additional administrative costs it would require, CBO said.

A third alternative would be to broaden the eligibility criteria of the trade adjustment assistance program to encompass workers displaced for reasons other than imports, CBO said. Drawbacks to this option involve the difficulty of identifying such workers and the fairness of providing help to some unemployed workers who exhaust their benefits but not to others who face similar problems.

Copies of the report can be obtained by contacting CBO's publications office at (202) 226-2809.

Government Operations

CLINTON SEEKS TO APPLY CORPORATE STREAMLINING TO FEDERAL GOVERNMENT

President Clinton today will announce an initiative to apply the cost-saving and management techniques used by some successful businesses to the federal government in his continuing effort to "reinvent" the way the government works, the White House said March 2.

Although the details of Clinton's plan are to be disclosed today, there has been discussion within the White House about applying the concept of a comprehensive performance audit to the functions of the federal government as part of an overall plan to cut administrative spending, eliminate waste and redundancies, and to consolidate operations where practicable.

White House Press Secretary Dee Dee Myers said March 2 that the president will seek to incorporate entrepreneurial techniques to streamline the federal government, including incentives for government improvements.

One of the models reportedly favored by some in the administration is the Texas Performance Review, which was used in that state to reorganize the state government and stave off a budget shortfall.

Clinton is expected to outline his plan today accompanied by David Osborne, author of the book Reinventing Government, which the president often cited during the presidential campaign and during the transition. Osborne was one of the hundreds of participants at Clinton's two-day economic conference in Little Rock, Ark., in December.

The president recently announced a 25 percent cut in White House staff in an effort to take the lead in cutting federal spending, and he ordered federal departments to show a 3 percent savings per year through job attrition and spending cuts.

As part of his overall economic strategy for investment and deficit reduction, the president undertook a detailed examination of current spending almost line-by-line, and while the program he outlined Feb. 17 proposed 150 specific cuts, it does not address issues such as consolidating related programs that exist in separate agencies, or even eliminating entire departments.

Environment

DETAILS OF PLAN TO DISCONTINUE WASTEWATER GRANTS MAY CHANGE, AIDE SAYS

The details of a proposal to discontinue a waste water construction grants program may change before President Clinton unveils his fiscal 1994 budget plan later this month, a House Democratic aide said March 2.

The Clinton administration Feb. 17 described the discontinuation of the waste water construction grants program--which included funds for several coastal cities--as a spending cut.

"This proposal reflects savings due to the completion of the current wastewater treatment grant funding authorization that was designed to end federal assistance for wastewater funding," the Clinton administration economic stimulus plan, A Vision of Change for America, said.

The Office of Management and Budget maintained that the savings from the completion of authorization would be $1.9 billion in fiscal 1997 and $4.1 billion over five years.

According to an EPA fact sheet on the proposal, the outlay savings presume that funding would have continued at the fiscal 1993 base construction grants/ state revolving fund appropriation of $2.34 billion with economic adjustments in fiscal 1994 through 1997.

Several large coastal cities, including Boston, received wastewater construction grants through the fiscal 1993 EPA funding legislation. Those grants included:

* $100 million for Boston.
* $70 million for New York City.
* $55 million for Los Angeles.
* $45 million for San Diego.
* $40 million for Baltimore.
* $35 million for Seattle.

Rep. Gerry Studds (D-Mass) has discussed concerns regarding the proposed cuts in Boston Harbor cleanup funds with officials in the White House, OMB, and EPA, an aide said. Studds chairs the House Merchant Marine and Fisheries Committee.

The basic message coming out of the White House is that the final details of the Clinton administration fiscal 1994 budget proposal have "not been ironed out yet," the aide said.

Meanwhile, House Rules Committee Chairman Joseph Moakley (D-Mass) has expressed reservations regarding possible elimination of federal grants for the Boston Harbor clean up, an aide said Feb. 22.

Moakley is concerned that the elimination of the grant program will cause further increases in already skyrocketing water rates in several communities in the state, his aide said.

Aides to Sen. Edward Kennedy (D-Mass) could not be reached for comment.

Grants Should Not Affect SRF

If the Clinton administration decides to continue the construction grants program, it should be done at the expense of the SRF program, Thomas Curtis, the National Governors' Association natural resources committee group director, said March 2.

He said the Clinton administration at the least should seek to fulfill its $2 billion commitment to the wastewater SRF program in fiscal 1994, and request $1 billion for a new drinking water SRF.

The NGA, during its mid-winter meeting, recommended that Congress provide at least $5 billion for the SRF program through the year 2000.

The Clinton administration should also ensure that the $845 million fiscal 1993 supplemental funding request creates "a real stimulus," rather than provide money that would be appropriated anyway in fiscal 1994, Curtis said.

Government Operations

CLINTON ANNOUNCES ADDITIONAL NOMINATIONS AT STATE, EPA, EDUCATION

President Clinton March 2 continued to announce his selections for sub-Cabinet posts at federal departments, announcing 11 nominations for the departments of State and Education, as well as the Environmental Protection Agency.

"This group of nominations continues the process of filling our government with top-flight public servants," Clinton said in a written statement. "I am proud that they have agreed to join my administration."

The following is a list of the president's nominations:

State Department

Patrick Kennedy to be assistant secretary for administration; Elinor Constable to be assistant secretary for international environmental and scientific affairs; Alexander Watson to be assistant secretary for inter-American affairs; John Shattuck to be assistant secretary for human rights and humanitarian affairs; Mary Ryan to be assistant secretary for consular affairs; and Wendy Sherman to be assistant secretary for legislative affairs.

Environmental Protection Agency

Robert Sussman to be deputy administrator; Bailus Walker Jr. to be assistant administrator for the Office of Research and Development; Steve Herman to be assistant administrator for enforcement; and David Gardiner to be assistant administrator for policy, planning and evaluation.

In addition, EPA Administrator Carol Browner announced March 2 the appointments of Loretta Ucelli to be associate administrator for communications, education and public affairs; and Robert Hickmott to be associate administrator for congressional and legislative affairs.

Education Department

Kay Casstevens to be assistant secretary for legislation and congressional affairs.

Leading Indicators

JANUARY LEADING INDEX UP 0.1% AFTER BIG DECEMBER JUMP, BLS REPORTS

The government's forward-looking index of leading economic indicators edged up 0.1 percent in January after a considerably bigger jump in December, the Commerce Department's Bureau of Economic Analysis reported March 2.

January marked the fifth consecutive increase in the leading index, which was designed to forecast the economy several months into the future. But analysts said the small gain was another sign that the economy is slowing from its fourth-quarter pace.

During the fourth quarter of 1992, gross domestic product expanded by a healthy 4.8 percent. Forecasters have been telling BNA that the economy currently is growing at a little more than half the rate of October through December.

In contrast to January's number, the leading index increased 1.7

percent in December (revised down from 1.9 percent) and 0.7 percent in November, Commerce said. Revisions in the length of the average workweek were the biggest contributor to the December change, according to the report.

"Given the extraordinarily large advance of last month, the increase for January was to be expected," said Robert Dederick, executive vice president and chief economist, The Northern Trust Co.

Taken together, the December and January numbers are a fairly solid increase, the Chicago economist said.

More Unfilled Orders

Five of 11 indicators contributed to the January increase in the leading index, Commerce said. From largest to smallest they were: change in manufacturers' unfilled orders, change in sensitive materials prices, average workweek, vendor performance (as measured by slower deliveries), and manufacturers' new orders for consumer goods and materials.

Six of 11 indicators made negative contributions to the January index. From the largest negative contributor, they were: money supply, average weekly initial claims for state unemployment insurance (including claims made under the July 1992 Emergency Unemployment Compensation amendments), index of consumer expectations, building permits, contracts and orders for plant and equipment, and stock prices.

January's increase brought the leading index up to 152.9 percent of its 1982 base.

Dederick noted that the leading index has not been very accurate in forecasting the near-term economy over the last couple of years, but rather has been more indicative of present economic conditions. January's report, according to Dederick, is "consistent with the notion that we have a slower expansion in the first quarter than in the fourth quarter."

Dederick said his own forecast still calls for the economy to grow about 3.5 percent for 1993, with business conditions somewhat stronger in the second half of the year than in the first half.

Some Mixed News Recently

Several recent economic reports have signaled that the economy is slowing, according to analysts' interpretations.

A separate Commerce Department report released March 2 showed that new home sales fell 13.8 percent in January, the largest monthly decline in 11 years.

Commerce data issued Feb. 24 showed that new orders for durable goods were down 1.7 percent in January.

The Conference Board reported Feb. 23 that consumer confidence fell in February, the second month of decrease.

Economists interviewed by BNA have been saying that the United States is not in danger of lapsing back into recession, but that robust growth is not in store, either. Forecasters, on average, are predicting about 3 percent growth in 1993.

The March 2 indicators report also showed that the composite index of coincident indicators, designed to reflect current economic activity, rose 0.1 percent in January to 125 percent of its 1982 base.

The coincident index had risen 0.6 percent in December and 0.2 percent in November.

A composite index of lagging indicators fell 0.2 percent in January to 104.1 percent of its 1982 index. The lagging index generally follows the coincident index, confirming its information.

The lagging index had fallen 0.5 in December, but rose 0.7 percent in November.

The following Commerce Department tables and chart outline the latest data:

Housing

NEW HOME SALES PLUMMETED IN JANUARY BY 13.8 PERCENT, COMMERCE REPORTS

Sales of new single-family homes plummeted in January by 13.8 percent to their lowest monthly level since last spring, the government reported March 2.

Sales fell in all regions except the South, where they were unchanged from December.

In a joint report, the Departments of Commerce and Housing and Urban Development put new home sales at a seasonally adjusted annual rate of 561,000 units, down from 651,000 units in December. The December figure was revised downward from an earlier estimate of 656,000, so sales that month were up 4.7 percent rather than 6.3 percent (21 DER N-17, 2/3/93).

Compared with January a year ago, when sales were at a rate of 676,000 units, sales were off by 17 percent.

The January sales pace was the slowest since last May, when monthly sales were at a 552,000-unit rate. It was the biggest monthly drop since sales fell 19 percent in January of 1982, the Census Bureau said. But economists said they viewed the steep decline as a fluke.

"It's disappointing, but I still cling to the belief that housing markets are moving in an upward direction, so this month is an aberration," commented David Lereah, chief economist with the Mortgage Bankers Association of America.

Lereah, noting that mortgage interest rates are at the lowest they have been in two decades, said, "It's a great environment for housing activity." He said, anecdotally, he hears that members' loan originations are on the rise, while the MBA's own weekly surveys confirm that both new loans and refinancing applications are at high levels.

The average 30-year fixed-rate mortgage was 7.53 percent for the week ended Feb. 26, down from 7.65 percent the previous week, according to the Federal Home Loan Mortgage Corp. The last time fixed rates were this low was April 6, 1973 when they averaged 7.51 percent.

"I would have to attribute a lot of the [January] decline to lousy weather conditions, in particular in the West and Northeast," Lereah said.

Steepest Drops In West, Northeast

Sales fell 39.4 percent in the Northeast to a pace of 43,000 units from 71,000 in December. They fell just as dramatically in the West to a rate of 133,000 units from 186,000--a drop of 28.5 percent.

Sales also slipped in the Midwest, down 7.8 percent to a rate of 107,000 units. They were unchanged at 278,000 units in the South, the largest of the four regions.

"I believe it is an aberration for the most part," remarked Robert Hess, real estate economist with The WEFA Group. "There was a very sharp decline in home sales in the West and we know weather in southern California was extremely bad; that explains about half of the decline for the month." He said that would also account for the sharp decline in housing prices, because the West has more expensive housing than other regions. "The Northeast is more of a concern, even though it was a colder-than-usual January," Hess said.

The median sales price of a new home declined in January to $117,000 from $125,000 in December.

"Although this is a larger decline than anticipated, we view this as a temporary aberration," said J. Rogert Glunt, president of the National Association of Home Builders. "December sales may have been somewhat inflated after the election while weather-related factors may have contributed to January figures somewhat lower than expected." He said the market should "pick up steam in the coming months."

At the end of January there were 273,000 new houses for sale, which represents a supply of 5.7 months at the current sales pace.

Earlier, the National Association of Realtors said that sales of existing homes fell 6.4 percent in January from December (39 DER A-7, 3/2/93).

The following BNA graphics and government tables show the latest data:

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/EOM/

Clinton Presidential Records
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Creation Date: 1993-03-16

Subject: Congress Daily 3/16/1993

Creator: Stephen Willson WILLSON_S OMB

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APPROPRIATIONS
Senators Caucus Over Stalled Stimulus Bill

Senate Democrats and Republicans caucused separately this afternoon in an effort to resolve the continuing stalemate over President Clinton's stalled $16.25 billion economic stimulus bill -- after a proposal unveiled earlier today by Senate Minority Leader Dole was immediately rejected by the White House. The senators met after the Senate voted, 49-29, this morning for the third time not to invoke cloture and cut off a GOP filibuster against the bill.

After the caucuses, GOP senators said they were willing to give Dole some flexibility in subsequent negotiations with the Democrats -- but that "there isn't support to let things go that are unpaid," according to Sen. Hank Brown, R-Colo. Dole and Majority Leader Mitchell were scheduled to meet sometime this afternoon. At the outset of the GOP caucus, Dole told reporters, "I think [the Democrats] are beginning to move." Asked what kind of a compromise was needed to break the deadlock, Dole said, "A big one." Earlier, OMB Director Panetta told reporters that "it looks like there's give on both sides" -- but that, at the moment, the White House was "standing firm" in support of its full stimulus bill. Appropriations ranking member Mark Hatfield, R-Ore., said there would be the broadest consensus around a $7 billion to $9 billion package.

Before the party caucuses, Dole made a new proposal on the floor. "What we ought to do is take up the debt limit and put the $4 billion unemployment compensation [benefits extension] on it and send it back to the House," Dole said. He said legislators could then debate a jobs program after the recess, as long as any new program is paid for rather than hiking the deficit, as Clinton's bill would do. White House chief lobbyist Howard Paster, talking to reporters just off the Senate floor, said Dole's idea was not acceptable because, he predicted, no jobs bill would ever reach the White House if the current measure is delayed.

Paster also said "nobody who we're working with has asked us to" back off from current provisions of the stimulus bill and accept a compromise. Asked if the administration was negotiating with anyone to trim the package, Paster said, "No, sir. ... We are not involved in any negotiations." Asked if half a bill were better than no stimulus bill at all, Paster paused and said, "I don't know the answer."

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SCHEDULE

House Unlikely To Return Sooner Than Next Week

With top House Democratic and GOP leaders and some key aides this week on a six-day trip to Russia, it appears unlikely that the House will return to vote on pressing legislation -- such as a possible economic stimulus conference report -- any sooner than next week, leadership aides said today. Top Democratic aides said the leadership decided over the weekend that it was not likely the House would have to dispense with anything but pro forma business this week, even with the Senate yet to consider the debt limit extension or dispense with President Clinton's economic stimulus package. A key leadership aide said the House is now expected to return for votes on April 14 -- rather than April 20, as had been announced late last week. "We are not coming back until the 14th, that's definite," one aide said.

However, some aides cautioned the return date remains "fluid" and contingent on what happens in the Senate on both the stimulus and debt limit bills. One leadership aide said House leaders were told by the Senate leadership that it does not appear likely there will be any problem passing the debt ceiling bill. This means the Senate is likely to pass the same version that cleared the House last week -- avoiding the need for the House to return for further action. The Treasury Department has indicated it will run out of cash Wednesday under the current debt ceiling. If the House somehow were required to take additional action on the measure this week, it still could be called back. "If Treasury says you've got to do a debt limit by X date, then the House could come back in 24 hours," said a leadership aide.

On the stimulus package, the leadership has asked members of the House Appropriations Committee to stay on call for "preconference" discussions. If the Senate were to pass a stimulus bill this week, House leaders could begin initial conference discussions before the House returns and "go to conference when the full House is in session," a leadership aide said. House Appropriations Chairman Natcher has been asked to remain in town for this purpose, said a leadership aide. The House might still end up returning as late as April 20 if the Senate fails to act on the stimulus package. Under that scenario, the House would have little reason to return any sooner, aides said.

Majority Leader Gephardt, Minority Leader Michel, Majority Whip Bonior, and Minority Whip Gingrich are leading a delegation on a long-scheduled trip to Russia as well as to Poland and Ukraine. Energy and Commerce Chairman Dingell is leading an 11-member committee delegation that left Saturday on a 10-day healthcare fact-finding mission to Great Britain, France and Germany. The group includes Health and Environment Subcommittee Chairman Henry Waxman, D-Calif.

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ENERGY

Energy Department Increases Waste Cleanup Spending

Energy Secretary O'Leary today announced a roughly $1 billion increase in DOE's proposed environmental cleanup and waste management budget in FY94, bringing the total to $6.5 billion. The budget reflects the first time that environmental activities would exceed defense program spending in the DOE budget. However, about $700 million of the increase is earmarked for the maintenance and transfer of contaminated DOE defense plants that have been closed down and will come under environmental management. About half of that $700 million was previously in the budget under the heading of defense programs.

One environmentalist praised the administration for openly accounting for money for transition of defense-related facilities, which he said has been hidden in previous budgets. But he questioned whether the funds would be sufficient, suggesting that DOE defense programs -- by moving some of the contaminated properties to the environmental restoration line -- may have "foisted" an increasingly expensive bill onto another program.

The new cleanup money also includes $286.3 million for decontamination and decommissioning of uranium enrichment plants, an 82 percent increase in spending at the Rocky Flats facility and 48 percent more for environmental programs at the Oak Ridge facility. O'Leary conceded some job losses in defense programs would be inevitable; the budget decreases defense programs by 19 percent and nuclear research and development by 45 percent. "It would be unfair to pretend each job will be replaced slot for slot," she said. She said the agency would seek to reduce its work force by attrition, but that some employees would need "the flexibility and capability" to move from one program to another.

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CAMPAIGN REFORM

Gejdenson: Outlines Forming On Campaign Bill

Rep. Samuel Gejdenson, D-Conn., the House Democratic leadership's point man on campaign finance reform, Friday indicated the current thinking is to finance campaign reform by both creating a $5 tax check-off and eliminating deductions for lobbying expenses. The money would be used to make available vouchers for broadcast time and other advertising -- rather than providing matching funds outright, he said. And he said the $600,000 per cycle voluntary spending limit, included in legislation approved by the House last year, would be increased to account for inflation.

In an interview, Gejdenson said of the $5 check-off, "That's what I think the White House wants." Because the check-off is subtracted from the amount filers pay in income taxes, it is expected to lead to a decrease in federal revenue. This decrease would be offset by the elimination of certain lobbying deductions, Gejdenson said. "The check-off provides the funding for campaign finance reform," Gejdenson said. "The deductibility provides that there is no budget impact." Gejdenson emphasized that the current funding options are not written in stone -- because support must still be cemented in the Democratic Caucus. However,

referring to efforts to come up with a Democratic campaign reform bill, he said, "We're not far off."
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BANKING

Gonzalez Wants To Begin On RTC Bill April 21

House Banking Chairman Gonzalez said Friday he wants the Financial Institutions Supervision Subcommittee to begin marking up the $45 billion Resolution Trust Corp. funding bill on April 21 -- but has yet to cement an agreement with Financial Institutions Subcommittee Chairman Stephen Neal, D-N.C. If Neal's subcommittee reports the bill that day, Gonzalez said he probably would consider the bill in full committee the next week. "I'm pushing Mr. Neal to fix the 21st," Gonzalez said. Other sources confirmed it was likely the subcommittee would begin the RTC markup sometime that week. The Clinton administration has requested $28 billion for the RTC and $17 billion for the Savings Association Insurance Fund, saying the money would wrap up the savings and loan industry cleanup and provide enough financing to handle any new failures.

Although the Senate Banking Committee reported RTC legislation March 25, the House Banking panel has been deadlocked over RTC performance in distributing professional services contracts to minority- and woman-owned business -- not to mention concern over a host of other RTC management problems that Treasury Secretary Bentsen has promised to clean up. The Senate panel approved a bill making release of the funding contingent upon certification by Bentsen that his management changes were working. But the self-certification procedure is likely to come under attack on the Senate floor, and Sen. Christopher Bond, R-Mo., has promised to offer an amendment that would put the RTC out of business at the end of FY94.
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HOUSE RACES

In Chicago, Possible Rosty Successors Maneuvering

Several elected officials with ties to Chicago's Democratic "machine" are positioning themselves to run next year for the seat held by House Ways and Means Chairman Rostenkowski -- on the theory Rostenkowski will retire, may be indicted, or will be weakened enough to be defeated. Rostenkowski, a key player in the effort to get President Clinton's economic plan through Congress, has been the subject of a federal grand jury probe arising from dealings with the House Post Office. In an interview late last week with the Chicago Sun-Times, Rostenkowski seemed ambivalent about another term. "I will have 36 years of ... service in Washington," he said. "I will be 66 years old. I'm not in as good shape at my age as Sidney Yates is at his." Yates, a fellow Chicago Democrat who chairs the Interior Appropriations Subcommittee, is 83. Rostenkowski did say he is reluctant to leave before the passage of healthcare reform, adding there "is a good possibility I may stay for another term."

Dick Simpson, a former "anti-machine" alderman who got 43 percent of the vote in a primary against Rostenkowski last year, said he is almost certain to run again -- with or without Rostenkowski in the race. Simpson hopes to raise $100,000 by September. The surprise is that a number of Democrats with ties to Mayor Richard M. Daley, a strong Rostenkowski supporter, also are overtly testing the waters. Rostenkowski, a long-time ward committeeman, first ran for the House in 1958 thanks to the backing of Daley's father, the late Mayor Richard J. Daley.

State Sen. John Cullerton and Alderman Eugene Schulter are forming exploratory committees, but say they will not run against Rostenkowski. However, two others -- state Rep. Rod Blagojevich and former state Rep. Gary Marinaro -- said they would consider running against "Rosty." While neither is well known, Blagojevich is the son-in-law of Alderman Richard Mell -- a ward committeeman who is an influential player in Chicago Democratic politics. Blagojevich and Mell have formed a federal campaign fund with the goal of raising $200,000 by July.

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BANKING

Jackson Wants Black To Head FDIC

Rev. Jesse Jackson, D.C.'s elected "shadow senator," was on Capitol Hill last week to pressure the Clinton administration on two fronts. Jackson emerged from a Congressional Black Caucus luncheon saying he wants President Clinton to name a black as a top financial officer in the government -- and that he wants Treasury Secretary Bentsen and Senate Banking Chairman Riegle to review Primerica's $1 billion acquisition of American Express Co.'s Shearson brokerage unit to protect the interests of minorities.

Jackson said Clinton has passed over blacks to head key financial agencies. "There is not one black in a position of authority in a major financial institution," he said. Jackson said Clinton should name former Connecticut state treasurer Frank Borges to head the FDIC, a five-year appointment. Borges, an attorney, served in the Connecticut post from 1986 until last month -- when he resigned to become a director of the Financial Guaranty Insurance Co. in New York. Although Borges has been recommended for consideration by Riegle as well as House Majority Leader Gephardt, Arkansas banker William Bowen is seen as the top contender at the moment.

Meanwhile, Jackson said he sent letters to Bentsen and Riegle asking them to review Primerica's investment portfolio, affirmative action record, and outreach to the black business community. "We went through the merging and purging and the slashing and burning in the 80s," Jackson said. "I don't see any relationship between this deal and urban policy."

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HILL BRIEFS

Sallie Mae is circulating a proposal that would save $4 billion from the guaranteed student loan program over five years without converting it to a direct loan program, according to sources. The plan would base the level of subsidy payments to lenders on a process similar to current Treasury Department auctions, rather than specify the rate in law. It also would decrease administrative payments to state student loan agencies and reduce payment to banks for defaulted loans from 100 percent to 95 percent. The House Education and Labor and Senate Labor and

Human Resources committees must find more than $4 billion in savings in the student loan program under the FY94 budget resolution, and Democrats are pushing a direct loan program that would eliminate banks and curtail Sallie Mae's role in the loan program.

After much criticism within the trade policy community about his delay in filling the job of Commerce undersecretary in charge of the International Trade Administration and other trade-related posts, Commerce Secretary Brown said late last week he has made his picks. "From my perspective, they are filled now," Brown told CongressDaily. "They haven't been announced, but I've made the decisions on all those posts. As soon as the proper clearances are acquired, they will be announced." Commerce sources say the job of undersecretary in charge of the ITA has been offered to Jeffrey Garten, a former managing director of the Blackstone Group, a New York investment firm. Garten, who teaches at Columbia University, has held posts on the National Security Council and in the State Department in the Nixon, Ford and Carter administrations.

Federal Reserve Chairman Greenspan, in a response to a letter from House Banking Chairman Gonzalez, said determining the amount of U.S. currency held abroad is "fraught with difficulty" and therefore "formulating a definitive estimate of the overseas component is impossible." Greenspan's written response, dated Thursday, followed a letter last Monday from Gonzalez -- in which the Banking chairman expressed concern that the Fed's narrowest money supply aggregate was inaccurate, due to the Fed's inability to pinpoint the percentage of U.S. currency in foreign countries.

Rep. Vic Fazio of California, chairman of the Democratic Congressional Campaign Committee, Friday attacked Republicans for their willingness to spend "unlimited" money in a two-week runoff election cycle to try to win the special election in Mississippi for the House seat vacated by Agriculture Secretary Espy. Because GOP officials are "anxious to see if they can throw sand in [our] gears," Democrats will require extensive fund-raising and get-out-the-vote efforts to "win a seat that should be ours," he said. Republican Hayes Dent and Democrat Bennie Thompson, the front-runners in this week's primary, will meet on April 13. If Thompson loses, Fazio said, it will be "an aberration" that does not show a national trend.

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THE FINAL WORD

"When the trough is full of swill, the hogs knock each other over getting to it. ... When it comes to our constituents, we're good at telling them how good we are at putting pork on the table."

-- Sen. Frank Lautenberg, D-N.J., during debate today on the economic stimulus bill, in which he disputed GOP accusations that the bill is full of pork barrel spending. In response, Sen. John Chafee, R-R.I., said Lautenberg was "unfair to his Democratic colleagues to call them hogs trying to get to the swill."

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TRADE

Baucus: Replace SII With Tough Sector Program

Senate Finance Trade Subcommittee Chairman Max Baucus, D-Mont., is urging President Clinton to terminate the controversial U.S.-Japan Structural Impediments Initiative and negotiate a tough new sectoral approach to opening Japan's market that would involve use of Super 301 remedies. Complaining the Structural Impediments Initiative program -- known as SII -- has not worked, Baucus urged Clinton in a letter Friday to seek the expiration of the SII in June and replace it with a U.S. Framework for Expanding Trade and Investment, or FETI. Baucus' recommendations come as Clinton prepares to meet late this week with Japanese Prime Minister Kiichi Miyazawa. House Speaker Foley also is scheduled to visit with Miyazawa, sources said.

The FETI could address both deep-seated institutional trade barriers and sector-specific issues -- and would tap U.S. trade remedies if negotiations failed. It would focus on about six sectors that have been disadvantaged by institutional barriers, Baucus said. He cited U.S. insurance companies as an example, contending they are denied access in Japan due to exclusionary business practices. He said the FETI also could address sectors that encounter discriminatory distribution or pricing policies.

Baucus suggested implementing the FETI in September 1993, giving negotiators a year to draft arrangements. He wrote that if agreements are not reached by then, FETI sectors should become the targets of Super 301 negotiations. Baucus this year introduced legislation to extend the expired Super 301 law, which required the administration to produce an annual unfair traders list and authorized it to take tough action, including sanctions, against the worst offenders. Baucus plans to try to attach the Super 301 legislation to an upcoming bill to extend the administration's fast track negotiating authority. Baucus said Super 301 could also be used to target broader problems like Japan's keiretsu -- or the widespread cartel-like business practice considered the largest barrier for U.S. businesses to the Japanese market.

While Baucus contended he wants to work with Clinton to more vigorously enforce existing trade agreements with Japan, he said Clinton should remind Miyazawa about commitments Baucus claimed have been ignored in the areas of computers, supercomputers and construction.

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HOUSE ADMINISTRATION

Ford Preparing To Reclaim Ways And Means Panel Chair

Rep. Harold Ford, D-Tenn., automatically will resume the House Ways and Means Human Resources Subcommittee chairmanship after being acquitted Friday of long-standing bank fraud charges, sources said today. The process is automatic unless the House Democratic Caucus votes to block Ford within 10 legislative days. Key sources said they do not expect any caucus meetings on the matter, and noted members had not raised any objection to Ford resuming the chairmanship.

Ford will receive the gavel from acting Human Resources Subcommittee Chairman Robert Matsui, D-Calif., who has headed the panel since the beginning of this year. In an interview today, Matsui said he believes the panel's direction under Ford's leadership would not change. "He's supportive of family preservation, welfare reform, child support enforcement and [unemployment insurance] revisions," Matsui said. According to Matsui, he and Ford have "kept in touch with each other," so Ford and his staff already are involved in subcommittee activities. Matsui said he would give Ford "whatever assistance is required," and that they likely would meet later this week for a discussion of active issues.

Ford's first order of business will be reconciliation, as Ways and Means subcommittees have been directed to report legislation to the full committee by May 1. Matsui has been actively challenging the administration on family preservation funding. Although Matsui had been promised it would be an entitlement in the budget resolution, it appeared as a domestic program, leaving Ways and Means to fund the $1.6 billion program. Matsui last week sent a letter urging the administration to raise the revenue, and said he expects a response next week. While sources suggested the program could be included in Ways and Means' new entitlement authority, Matsui said there is not enough revenue in the overall authority to do so.

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EDUCATION

Direct Loans May Cause Some Guarantors' Collapse

Supporters of a new direct student loan program today confirmed that the federal government might have to bail out an unspecified number of loan guaranty agencies as the guarantors are phased-out of the loan program. "There are a number of guaranty agencies that are on the brink right now," Bob Shireman, an aide to Sen. Paul Simon, D-Ill., a prime backer of direct loans, told CongressDaily. Shireman contended some guarantors would be on shaky ground regardless of changes in the loan program, but added that the new program could exacerbate the situation. He declined to specify which loan agencies are in financial trouble.

The Education Department last week confirmed it has built an undetermined amount of money into its direct loan proposal to help financially troubled agencies. "It's our hope that it won't happen," Deputy Education Secretary Madeleine Kunin told reporters. "But we've got contingency plans for that kind of situation."

Loan guarantors -- ranging from state agencies to not-for-profit foundations -- ensure student loans and pay lenders for defaulted loans, relying on new loan fees to pay the default claims. But new loan volume would decrease as direct loans are phased in, decreasing the fees the agencies would receive. In addition, as an agency's loan default rate increases, federal payments for guaranteed loans decrease and the agency must assume a percentage of the default cost.

In 1990, soaring defaults for what was then the nation's largest student loan agency -- the Higher Education Assistance Foundation -- forced the federal government to bail it out. The Education Department contends that bailout eventually will cost about $30 million, although the GAO has said it cannot estimate the total cost. Sallie Mae helped distribute the foundation's loans to other guarantors, but Sallie Mae's own existence is now threatened by the direct loan program. Sallie Mae's future is "the most open-ended question," Shireman said, adding that future roles for Sallie Mae range from "everything from maintaining its charter and winding it down, to completely freeing it to do what it will with the assets it has."

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HEALTH

Stark Plans Bill To Tie Capital Spending, Health Planning

House Ways and Means Health Subcommittee Chairman Pete Stark, D-Calif., is drafting legislation to tie capital expenditures to health planning, similar to New York's certificate-of-need program, according to a Stark aide. Only New York and a few other states have procedures to review and certify the need for capital expenditures to build hospitals and other healthcare facilities, sources said. "The number of open-heart surgical centers in California [is] exhibit No. 1 in how the American healthcare system wastes billions of dollars in the over-building of unnecessary and, in many cases, medically unsafe high-tech facilities," Stark contended in a statement.

The legislation will be introduced after President Clinton unveils his healthcare plan, sources said, and Stark wants his proposal to be included in the comprehensive reform package. "We need to stop financing under-used, high-tech medical facilities like open-heart surgical centers and magnetic resonance imaging centers," Stark said, contending they are "helping to drive health expenditures through the roof."

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APPROPRIATIONS

Taxpayers Union Endorses Modified Rescission Bill

In a move supporters of the modified enhanced rescission bill hope will help attract votes from reluctant Republicans, the National Taxpayers Union has endorsed the measure as "a practical, positive step forward on the path toward fiscal restraint." The group's endorsement of the bill -- sponsored by Reps. John Spratt, D-S.C., and Charles Stenholm, D-Texas -- was contained in a letter to House members dated today. A Stenholm aide expressed hope that the NTU letter "will help convince Republicans the changes [in the modified bill] were improvements" and that "the changes we made did not sell out the interests of the taxpayers." The aide claimed Republicans look to NTU for leadership on some fiscal issues.

After comparing the modified bill and Stenholm's original proposal, the group decided that "on balance, the Spratt-Stenholm version is actually stronger than [Stenholm's original] and that it would be a more effective tool to eliminate wasteful spending," the letter said. It said that while the NTU has "long preferred stronger legislation that would allow full line-item veto powers for the president," the modified bill "provides the best opportunity for passage" in both houses. "The Spratt-Stenholm modified line-item veto would be a major improvement to the current process," the letter from NTU Executive Vice President David Keating said.

House Democratic leaders had to pull the rule on the rescission bill from the floor at the last minute before the recess after all Republicans, Congressional Black Caucus members and others who oppose a line-item veto on principle appeared ready to vote against the rule, signaling certain defeat. Leaders promised Stenholm the bill would come up right after the recess. Faced with opposition by Democratic appropriators, the rescission bill was changed at the last minute to let appropriators substitute their own rescissions if the president's proposals are defeated.

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REPUBLICANS

House GOP Targets Ed And Labor Issues In Strategy Test

With their new strategy falling into place, House GOP leaders are making education and labor issues an initial "testing ground" for their new emphasis on long-range planning, according to sources. In accordance with the "Blueprint for Leadership" -- an organizational and action plan developed by leadership in recent months -- staff has begun to identify Education and Labor Committee members likely to map out GOP strategy in coordination with the leadership, sources said. A key GOP leadership source said education and labor issues have been targeted as a proving ground because the Education and Labor panel is "where much of the Democratic and Clinton agenda will be moved."

Other key issues remain on the party's long-range agenda, including budget reconciliation, crime and healthcare reform, GOP sources said. However, the Democratic education and labor agenda -- including striker replacement legislation, education funding and OSHA reform -- involves issues on which there is greater consensus within the GOP Conference than on such contentious social issues as abortion, sources noted. And the Education and Labor minority staff appears more "pro-active" than other committee staffs, leadership sources added. For example, committee Republicans already have introduced their own education reform bill and apprenticeship legislation. In addition, GOP

Education and Labor members include Republican Conference Chairman Richard Armey of Texas, often seen as an irritant to Labor and Education Chairman Ford.

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JUDICIARY

Rowland Lining Up Key Democrats On Product Liability

Rep. Roy Rowland, D-Ga., sponsor of product liability reform legislation to be introduced April 21, has lined up a number of influential cosponsors, including Defense Appropriations Subcommittee Chairman John Murtha, D-Pa. Bill backers contend the addition of Murtha -- who has not cosponsored such legislation in the past -- is important because they believe he can bring dozens of Democrats around on the issue if the measure ever reaches the floor. "It's not a drastic shift in his thought," a Murtha aide contended. "I think it's more a reaction to the things he's hearing about [product liability] back home."

Despite the addition of Murtha, bill supporters said the measure's success still hinges on whether Judiciary Chairman Brooks, who has joint referral of the bill, will put aside past problems with the legislation and agree to hold hearings. Rowland's bill has previously been referred to the Judiciary and Energy and Commerce committees. Energy and Commerce Chairman Dingell, who will continue as a Rowland bill cosponsor this year, in recent remarks pointed to the Judiciary panel as the stumbling block in the House.

Meanwhile, Intelligence Chairman Glickman, a longtime critic of the state-by-state product liability scheme, is planning to introduce narrower product liability legislation that would place a 15-year liability limit on manufacturers and parts suppliers for alleged equipment defects. Glickman, also a Judiciary panel member, already has 115 cosponsors. His Kansas district is home to several airplane manufacturers -- including Cessna Aircraft in Wichita, which has discontinued making piston engine aircraft because it fears losing product liability suits and paying large damages.

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SENATE RACES

Texas Poll Shows Top GOP Candidates In Dead Heat

With the special election nearing in Texas for Treasury Secretary Bentsen's former Senate seat, Rep. Jack Fields and Texas Treasurer Kay Bailey Hutchison -- now the top two GOP contenders -- are locked in a statistical dead heat, according to a new poll. A Houston Chronicle poll released over the weekend shows Hutchison ahead of Fields 12-11 percent, well within the survey's 4 point error margin. National Republican Senatorial Committee Communications Director Gary Koops said the GOP field is too close to call, contending, "I think it's wide open right now." The poll of 790 registered voters who said they would probably vote in the May 1 election was conducted April 2-7.

By nearly all accounts, interim Democratic Sen. Bob Krueger appears assured a spot in a likely runoff. However, the Chronicle survey also suggests potential trouble in a likely runoff between Krueger and the top GOP vote-getter. According to the survey, Krueger has locked up just 18 percent of the vote, but only 34 percent of the respondents who were familiar with Krueger gave him a favorable rating, with 27 percent viewing him unfavorably. In contrast, Hutchison's favorable/unfavorable rating was 50-14, Fields' was 45-10 and GOP Rep. Joe Barton's stood at 35-18.

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HILL BRIEFS

Sen. Dianne Feinstein, D-Calif., is parting ways with Jon Haber, her chief of staff of only four months, the Los Angeles Times reported today. "It comes down to chemistry," a Feinstein spokesman told the paper. "In this case, it didn't work." Haber plans to remain in his post until a successor is named, the Times reported.

Due to the extension of the House recess from April 13 to April 19, House Telecommunications and Finance Subcommittee Chairman Edward Markey, D-Mass., has postponed the scheduled April 15 hearing on spectrum leasing and auctioning until April 22.

Rep. Pete Stark, D-Calif., is drafting legislation to apply leftover Energy Department funds to help Ukraine "shut down its dangerous Chernobyl-model reactors, before another serious nuclear accident occurs." The legislation will be introduced shortly after the recess, according to a statement. Under the proposal, $500 million would be made available to fund environmental assistance projects in the Soviet Union. The funds would come from prior year DOE budgets.

After recently punishing Sen. Richard Shelby, D-Ala., for opposing the White House's economic stimulus plan, the Clinton administration last week rewarded Sen. Howell Heflin, D-Ala., by restoring 500 Alabama jobs in the FY94 budget after Heflin expressed "95 percent support" for the plan, the Los Angeles Times reported today. After Shelby publicly lambasted Clinton's plan, 90 jobs involving work on the space station at the Marshall Space Flight Center in Huntsville, Ala., were transferred to the Houston Space Center. Yet Heflin saved the $34 million-a-year National Fertilizer and Environmental Research Center in Muscle Shoals, Ala., after convincing Vice President Gore in a conversation in the Senate gym that the center performs vital wetlands research, the Times reported.

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THE FINAL WORD

"He's standing tall in the straddle."

-- State Treasurer Kay Bailey Hutchison, running against appointed Sen. Robert Krueger, D-Texas, in a May 1 special election, quoted in the Chicago Tribune responding to Krueger's explanation for voting against the FY94 budget resolution. Krueger had said his "no" vote was different than the GOP "no" votes because the Republicans wanted to "hurt the president," while "all I want to do is audit the federal government."

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RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: David_Kleinberg$HIMD (DAVID_KLEINBERG$HIMD@HIMD@MRGATE@CD) (DEFAULT)

CREATION DATE/TIME:13-APR-1993 09:42:00.00

SUBJECT: FYI -- From Cong Daily 4/12

TO: Barry White (WHITE_B@A1) (OMB)
READ: UNKNOWN

TEXT:
Date 4/13/93
Subject FYI -- From Cong Daily 4/12
From David Kleinberg
To Barry White

Subject: Time:8:46 AM
OFFICE MEMO FYI -- From Cong Daily 4/12/93 Date:4/13/93

EDUCATION
Direct Loans May Cause Some Guarantors' Collapse

Supporters of a new direct student loan program today confirmed that the federal government might have to bail out an unspecified number of loan guaranty agencies as the guarantors are phased-out of the loan program. "There are a number of guaranty agencies that are on the brink right now," Bob Shireman, an aide to Sen. Paul Simon, D-Ill., a prime backer of direct loans, told CongressDaily. Shireman contended some guarantors would be on shaky ground regardless of changes in the loan program, but added that the new program could exacerbate the situation. He declined to specify which loan agencies are in financial trouble.

The Education Department last week confirmed it has built an undetermined amount of money into its direct loan proposal to help financially troubled agencies. "It's our hope that it won't happen," Deputy Education Secretary Madeleine Kunin told reporters. "But we've got contingency plans for that kind of situation."

Loan guarantors -- ranging from state agencies to not-for-profit foundations -- ensure student loans and pay lenders for defaulted loans, relying on new loan fees to pay the default claims. But new loan volume would decrease as direct loans are phased in, decreasing the fees the agencies would receive. In addition, as an agency's loan default rate increases, federal payments for guaranteed loans decrease and the agency must assume a percentage of the default cost.

In 1990, soaring defaults for what was then the nation's largest student loan agency -- the Higher Education Assistance Foundation -- forced the federal government to bail it out. The Education Department contends that bailout eventually will cost about $30 million, although the GAO has said it cannot estimate

the total cost. Sallie Mae helped distribute the foundation's loans to other guarantors, but Sallie Mae's own existence is now threatened by the direct loan program. Sallie Mae's future is "the most open-ended question," Shireman said, adding that future roles for Sallie Mae range from "everything from maintaining its charter and winding it down, to completely freeing it to do what it will with the assets it has."
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=================== ATTACHMENT 1 ===================
ATT CREATOR: UNKNOWN (UNKNOWN)

ATT CREATION DATE/TIME:13-APR-1993 09:42:00.00

ATT BODY PART TYPE: A

ATT SUBJECT:

ATT TEXT:
VMSmail To information: Barry White
================= END ATTACHMENT 1 =================

RECORD TYPE: FEDERAL (RECONSTRUCTED EMAIL)

CREATOR: Jonathan P. Gill (GILL_J) (WHO)

CREATION DATE/TIME:29-APR-1993 12:04:00.00

SUBJECT: AM Press Briefing by Dee Dee Myers 4.29.93

TO: (202) 456-6444 (WNS_1) (WHO)
READ: UNKNOWN

TO: Christian M. Baldia (BALDIA_C) (WHO)
READ: UNKNOWN

TO: Janet Handal (HANDAL_J) (WHO)
READ: UNKNOWN

TO: Remote Addressee (1=US@2=TELEMAIL@3=INTERNET@*RFC-822\JGILL(A)NSF.GOV@MRX@EOPMRX) (DEFAULT)
READ: UNKNOWN

TO: Michael Gill (GILL_M) (DEFAULT)
READ: UNKNOWN

TO: Marla Romash (ROMASH_M) (VPO)
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TO: Jeffrey L. Eller (ELLER_J) (WHO)
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TO: Lisa Mortman (MORTMAN_L) (WHO)
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TO: Ernest D. Gibble (GIBBLE_E) (WHO)
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TO: Patricia A. Enright (ENRIGHT_P) (WHO)
READ: UNKNOWN

TO: Jonathan P. Gill (GILL_J) (WHO)
READ: UNKNOWN

TO: Richard Strauss (STRAUSS_R) (WHO)
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TO: Maria M. Tio (TIO_M) (WHO)
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TO: Joshua N. Silverman (SILVERMAN_J) (WHO)
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TO: Jess Sarmiento (SARMIENTO_J) (WHO)
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TO: Lavora R. Barnes (BARNES_L) (WHO)
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TO: Margaret C. Sherry (SHERRY_M) (WHO)
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TO: Elizabeth A. Bernstein (BERNSTEIN_E) (WHO)
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TO: Carolyn Curiel (CURIEL_C) (WHO)
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TO: Remote Addressee (JACK BELCHER@1=US@2=TELEMAIL@3=HOUSE@MRX@EOPMRX)
(DEFAULT)
READ: UNKNOWN

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TO: Remote Addressee (1=US@2=TELEMAIL@3=INTERNET@*RFC-822\JPOLEY(A)ESUSDA.GOV@MRX@EOPMRX) (DEFAULT)
READ: UNKNOWN

TEXT:

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release April 29, 1993

PRESS BRIEFING
BY DEE DEE MYERS
The Briefing Room

9:46 A.M. EDT

Q Happy 100 days. (Laughter.)

MS. MYERS: Good morning, class. What time is the barbecue? (Laughter.)

Q Has the jury reached a verdict?

MS. MYERS: Yes. Enormously successful first 100 days. Incredible.

Q Where was the President this morning?

MS. MYERS: Where is he?

Q Where was he?

MS. MYERS: He is in his office right now.

Q He didn't jog. On the 100th day he rested. (Laughter.)

MS. MYERS: On the 100th day he rested. (Laughter.) I like -

-

right. She got here really early just to wait for him in that hope.

At 10:00 a.m. the President is going to meet with the Democrats from the House Ways and Means Committee. It will be in the Roosevelt Room and there will be a photo op at the top. The meeting may start a few minutes late.

Q Oh, no.

MS. MYERS: Shock.

Q On what?

MS. MYERS: The subject matter is reconciliation package mainly.

Q Not parts of the stimulus package?

MS. MYERS: It's largely geared toward reconciliation. As you know, Ways and Means has about 90 percent of the reconciliation package. That's the focus of the meeting, and they may talk about other things, but that's the primary purpose.

Q Will he take Rostenkowski to the woodshed?

Q Will the OMB Director be there?

MS. MYERS: I don't believe the OMB Director -

-

St.
Leon, as he's now been dubbed in the press, is scheduled to attend.

Q How long does the meeting last?

MS. MYERS: The meeting is scheduled to last about an hour, until 11:00 a.m. And then I'm sure that some of the members will avail themselves at the stakeout.

Then, as you know, he leaves at 12:15 p.m. for the Justice Department. At 12:30 p.m. he'll tour; 1:00 p.m. give remarks. Then he comes back. At 3:00 p.m. he will meet with King Juan Carlos and Queen Sofia of Spain. There will be a photo op on the steps. They'll greet the King and Queen -

-

the President and
First Lady will greet the King and Queen in the foyer, in the front foyer. Then he has his regular weekly official photos. And that's it. He'll have a health care meeting later with staff.

Q Is he going to fire Higgins?

MS. MYERS: There's an investigation underway and we'll wait for the results of the investigation.

Q Is there a recommendation that he go?

MS. MYERS: No. Secretary Bentsen has said -

-

I think
they put out a statement this morning to clarify it -

-

that there's
an investigation underway and they don't expect -

-

the Secretary
believes there are a number of questions that need to be answered, but until the results of the investigation come back, the Secretary doesn't have any more to say about it.

Q Has it been discussed with the President?

MS. MYERS: Not that I know of.

Q Isn't it unusual to have a statement like this, raising questions of -

-

MS. MYERS: I think it's clarifying questions that were raised in some of this morning's reports.

Q Is that the Secretary's call or the President's?

MS. MYERS: The Secretary's call. Jack just called me this morning to let me know it was going out.

Q Now, the investigation you're referring to is the joint Treasury-

Justice one that the President announced?

MS. MYERS: I believe -

-

and you need to double-

check
with the Treasury Department, but I believe there's a separate investigation about the ATF's handling of the primary showdown. But I would refer you to Justice to check on the specifics of the investigations.

Q Final handling or the whole -

-

MS. MYERS: No, the preliminary one. The ATF event.

Q Are you considering abolishing ATF?

Q Is the President meeting today with members of the G-

7 finance ministers and central bank?

MS. MYERS: No. I believe Secretary Bentsen is participating in that.

Q There was a report that the President would meet.

MS. MYERS: It is not on his schedule today.

Q Why not?

Q Janet Reno's -

-

MS. MYERS: Secretary Bentsen is meeting with them today.

Q Normally the President meets with them when they come into town.

MS. MYERS: I don't know what past practice is, but I just know the President is not meeting with them today.

Q Getting back to Higgins, does the President share the concerns that Secretary Bentsen expressed in yesterday's statement?

MS. MYERS: I think that the President believes that we ought to wait for -

-

that there are questions that need to be answered; that's why there's two investigations ongoing on this -

-

the joint Treasury-

Justice investigation and then I believe this is a separate investigation. But we'll wait for the results of those -

-

we're not going to prejudge them now -

-

and make a determination at that time.

Q Do you think yesterday's statement, then, did prejudge?

MS. MYERS: I think, again, we'll wait for the results of those investigations to come back.

Q When you said it's the President's call, did you mean a call on whether Higgins goes? I thought you said before it was the President's call.

MS. MYERS: I don't think I -

-

Q It's the Secretary's call on whether Higgins stays or goes?

MS. MYERS: As head of the department, yes. I'm sure he'll -

-

he may consult with the President about it, but it is Secretary Bentsen's call. But, again, I don't want to say anything more about it because there are investigations ongoing at this point.

Q What is the outcome of this legislation -

-

part of

the outcome of this investigation be a decision on whether to abolish the ATF altogether? I mean, is that part of this or you're letting Capitol Hill deal with that?

MS. MYERS: There are a number of things going on right now. I'm sure there will be a number of different recommendations that come back, things that need to be discussed. But I don't want to talk about any of the specifics that may come out of these investigations.

Q Is Bentsen the person, though, to -

-

he's not going to abolish -

-

he's not going to recommend abolishing something that he has turf over. Is someone above supervising this?

MS. MYERS: I certainly wouldn't at this point speculate about what the Secretary may or may not do about the results of an investigation that has yet to be completed.

Q Who is conducting the investigation?

MS. MYERS: Justice is conducting one investigation and then there's a separate investigation which the President announced last week that is a joint Justice-

Treasury investigation.

Q They're investigating themselves. Does that include the Attorney General's actions?

MS. MYERS: Yes, there's the joint Treasury-

Justice. There's one joint Treasury-

Justice and then there's another one in Treasury. And again, I would refer you to Treasury for the details of the progress of this particular investigation.

Q Who would do it?

MS. MYERS: What do you mean? The Treasury Department, and then there's a joint Treasury-

Justice Department investigation of the entire Waco incident that the President announced last week that will include input from outside sources, outside law enforcement sources. Both of those are ongoing and I just don't have anything more to say about the specifics.

Q Not the specifics, but to whom do those investigations report? Who will get the final report and what is the charge of the investigators?

MS. MYERS: The charge of the investigators is to look at the incidents in Waco. I believe the reports will go to the Secretaries, and probably to the President. I'll have to get back to you on what the exact reporting procedure is.

Q But in terms of the charge, is it to simply find out what happened and make recommendations for dealing with incidents like this in the future? Or is the future of ATF, apart from this, something that they're even being allowed to consider?

MS. MYERS: I think there are two objectives to the investigation. One is to get as detailed and clear an accounting of what happened as possible; and two is to look at how similar episodes, God forbid there ever are any, can be handled in the future and look at ways to perhaps do things better.

Q Would abolishing ATF be under the mandate of -

-

I
mean, have they been told that's not their purview to recommend?

MS. MYERS: I don't know what the specific instructions were. I think that they've been given very broad latitude to look at the events. And then I don't know how broad they think their mandate is in terms of recommendations, but I would think that there would be a discussion of a number of incidents. Again, the objective here is to try to figure out how to do things. If there are changes that can be made that will help us deal with similar matters more effectively in the future. So I don't think their mandate is narrow. But again, I would refer you for the operating details to Justice of Treasury.

Q In terms of what ATF does, what -

-

the Waco thing
was a very narrow thing. So that's why I'm wondering -

-

MS. MYERS: Well, I'm sure that will be -

-

Q In terms of alcohol and tobacco, it had nothing to do with Waco, and so --

MS. MYERS: That will be among the things that would be considered, I would think, in looking at the overall incident.

Q What's the White House reaction to the GDP numbers out this morning?

MS. MYERS: I thought you'd never ask.

Q I thought you probably thought we wouldn't, but we did.

Q What?

MS. MYERS: The White House reaction to the GDP numbers. GDP came in for the first quarter of this year came in much lower than expected; it's 1.8 percent. Originally, analysts had thought it would be closer to two and one-

half percent. Obviously, the President is very concerned about this. He's expressed a great deal of concern about the potential for another sort of stumble in the recovery. That's why he's proposed an economic plan that he believes will dramatically reoriented the funding -

-

of the country and invest in this country again. It's why he proposed a program to create jobs. That's why he'll continue to press for anything he can do to create jobs. It's what we've been worried about and there's clearly not enough growth in the economy to create the kind of jobs the President believes we need to get out of this recession.

Q Do you all place any credence in the theory that this had to do mainly with the big snowstorm in March?

MS. MYERS: No, I think that there are -

-

all of the components of the GDP were low. And I think that there is a lot of concern, I think that there's a lot of concern among economists who've looked at this about the weak numbers. There weak almost across the board with the exception of private investment which is a result of low interest rates.

Clearly, lower interest rates have helped a little bit.

I think there's some good news although it's not consistently good in housing as people refinance or buy new homes because interest rates are at a 20 year low. However, all of the other components of the GDP are below -

-

are going down, including growth. And I think that's very troubling.

Q Where's the President's renewed or revitalized or revamped stimulus package? I thought we were led to believe that we might see some of that this week.

MS. MYERS: I don't think this week, but we're going to continue to work with Congress to try to figure out how to create more jobs. Clearly, the President's committed to job creation and he'll continue to push very hard to work with Congress very closely on reconciliation to get his economic plan through.

Q Where does that stand?

MS. MYERS: We're consulting with Congress about it. He's talking to various members.

Q Has he made decisions on which elements of this are even going to be included?

MS. MYERS: Not yet.

Q On Bosnia, how close is the President to making a decision? Do you expect something? Can you give us better time line on that? And -

-

answer that first, and then I have something else I'd like to ask.

MS. MYERS: The time line hasn't changed. It's, I think, likely that he'll make a decision in the next couple of days. But we --

Q Senator Boren said specifically yesterday by the end of the week, is that not true?

MS. MYERS: I think in the next couple of days. I don't want to -

-

Q That's tomorrow.

MS. MYERS: I don't want to lock in any particular time. I think it's likely that he'll make a decision sometime perhaps by tomorrow. Then there will be one more round of consultation as he --

Q By tomorrow, or Saturday?

MS. MYERS: -

-

as he said -

-

I'm not going to lock him into a day. I think it's likely that it will happen in the next couple of days.

Q Today or tomorrow?

MS. MYERS: Possibly. But again, I don't want to say --

Q Will you tell us when he makes a decision? You always said we'll tell you when he makes a decision. Will you?

MS. MYERS: I don't know that we'll make an announcement because we won't be able to talk about the details until after he's had a chance to consult with the allies. So we expect that, hopefully, will happen sometime over the weekend or early part of next week.

Q What form will the consultations take?

MS. MYERS: Probably, I believe phone calls from the President and perhaps discussions at other levels as well.

Q No Christopher trip?

MS. MYERS: It's not scheduled at this time.

Q Let me ask you too, how does he reconcile the divisions in Congress and the skepticism at the Pentagon? I mean, here's a president who came into office with very little experience in foreign policy and he's got everybody sort of all over the lot and divided. How does he sort through all that?

MS. MYERS: That' a lot of what this whole process has been about, to consult with Congress. And, clearly, there is differences of opinion among members. They had, as you know, a three-

hour meeting on Tuesday to discuss the different members' concerns about Bosnia and what the best course of action there would be.

As you know, the Pentagon has -

-

there are some differences of opinion there about the best course of action. I think everybody agrees that there is no clear, good course of action. There are costs and risks with every decision. I think the President has considered them all very carefully and he will make a decision. I think the one thing that's clear is the President firmly believes we must take more action to stop ethnic cleansing and to stop Serbian aggression in Bosnia.

Q You've grazed through various analyses of yesterday. I was struck by the fact that a lot of people have varying opinions on where the Europeans are now, particularly Major's statements yesterday. How do you read the Europeans, moving toward your position or moving against it?

MS. MYERS: I don't want to characterize their positions, other than I think they're going through the same process that we are in a lot of ways, considering what their options are, reconsidering what the costs are, and making a decision. I think what the President hopes to do is make a decision and then consult with them, press them to join him.

Q Do you feel that you have a general consensus yet to do more?

MS. MYERS: I think there's great concern among the allies about the situation in Bosnia. And, again, I don't think there's any clear, good solution. If there was, the decision would have been easy, not difficult. But I think that there is great concern. The President believes it's the United States' mission in this case to lead, and that's what he intends to do.

Q Dee Dee, if you do not get an agreement among the allies, a consensus there, will you then not announce to us or to Washington the intention or the desire of the President, or will you go ahead anyway?

MS. MYERS: I think it is our hope at this point and our expectation that we will get agreement. The President believes that

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he doesn't want to act alone, but doesn't believe we'll have to. I think we -

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Q But if he doesn't, will he go back to the drawing board before telling us?

MS. MYERS: I can't answer that at this time. I mean, we fully expect to have something that the allies will have been consulted on and agree to.

Q Once the President makes a decision, will he seek U.N. endorsement of his action before doing anything?

MS. MYERS: Again, that will depend on what the decision is about -

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whatever we do will be consistent with U.N. approval, if you will, and we'll do whatever is -

-

it would be -

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Q Preexisting? You mean -

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Q What does that mean?

MS. MYERS: I don't want to say "preexisting," but we will act within the mandate of the U.N.

Q But will not necessarily -

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MS. MYERS: I can't speak to that, because he hasn't made a decision.

Q A lot of people have come out in print and made their own opinions, saying that the existing authority is enough.

MS. MYERS: But, again, it will depend on what decision he decides, what action he decides to take. But we'll act consistent with the U.N. guidelines.

Q Dee Dee, characterize, if you would, the decision the President is -

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MS. MYERS: I'll take Jill, and then Wendell.

Q Thanks. I'm just a little confused about how you can be so specific about saying that he will make a decision, let's say by Friday or Saturday, if it's kind of a searching, amorphous process. Has he decided that he has to make a decision by Friday, or is this just that you have a feeling that he is going to -

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MS. MYERS: I think he'd like to make a decision soon. I think he's spent a good deal of time, as you know, over the course of the last couple of weeks consulting widely, considering his options. I think he believes that it's time to make a decision. I think he's close to doing that.

Q In other words, has he decided that there will come a point at which I have to make a decision?

MS. MYERS: I think that's always been true.

Q So he has set that point? That point is now?

MS. MYERS: I just don't want to imply that it's absolutely immutable. I mean, there could be something that -

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just don't want to set this deadline in stone, because, as you know, that's a dangerous thing to do. It's just not productive. But I think we're moving toward a decision possibly as early as tomorrow, I think within the next couple of days, followed by another round of consultation, followed by a public announcement.

Now, I don't have any hard dates on when any of that will happen, other than to say I think the process is moving forward and we will have action soon. I think sometime -

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this process is going to happen sometime in the next few days.

Q My question is similar to Jill's, I think. I don't really understand precisely what is the -

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the decision he's making,
is it a general reassessment of U.S.-

Bosnian policy?

MS. MYERS: That's implied, I think.

Q Is it another step forward? Is it an attempt to resolve the overall situation? How do you characterize what decision he's trying to make?

MS. MYERS: I think clearly what he's been doing is reassessing U.S. policy. We've taken a number of steps, as you know, over the last several months. I won't go through them. I think that's answer 16. But what he's said is that we need to take further action under the circumstances. The Serbians have continued their aggression, they've refused to sign onto the peace process, they've refused to sit down to the table and negotiate. The President believes the time has come for further action.

Now, what he's done is considered a wide variety of options, things that weren't previously on the table; things that we've said, such as lifting the arms embargo, limited air strikes, things that weren't previously on the table. He's moving toward a decision, he's working, obviously, with Congress and with our allies to try to have a consensus on that decision, and we'll have a decision, an announcement of that soon.

Q In light of that, then, there was discussion just a few days ago from folks who said we have just now tightened the embargo.

MS. MYERS: Right.

Q Is the President not being advised that it might make sense to let that work for a while?

MS. MYERS: I think there are probably people in Congress and others who have advised him that that is the best course of action, sure.

Q Does it not make sense that what the President is likely to announce is more along the lines of a threat than additional action?

MS. MYERS: I'm not going to characterize what he's likely or unlikely to announce. I do think that there is consensus that these additional sanctions will cause pain in Serbian Montenegro, that there is consensus with the allies to help really tighten the screws on things like transshipments and shipments on the Danube and seizing assets overseas -

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Serbian assets. But I think that there is a discussion now about what else can be done. And I'm just not going to characterize what the President's decision might look like.

Q Would the President seek any kind of resolution from Congress authorizing or endorsing whatever his decision is, like President Bush got in Iraq?

MS. MYERS: I think that will depend on what the decision is. So we'll -

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Q How is he going to make his announcement?

MS. MYERS: There's no specific plans yet. Again, that will depend -

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a lot of this will be driven by what his decision is, what kind of further action we'll take, how it will be announced.

Q What's under consideration? I mean, a speech, Oval Office address?

MS. MYERS: I think there will be a number of things. I think the whole variety of options, traditional options will be considered. But we just can't say until we know what the decision is.

Q Dee Dee, whatever his decision is, would he like the allies to pull out their troops before he implements it?

MS. MYERS: Nice try. But it completely depends on what

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I can't speak to the specifics.

Q Let me see if I might follow on that clarification. The President's ruling out of U.S. ground troops involvement -

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does
that include humanitarian aid workers under the auspice of the U.N.? Owen yesterday said the U.S. should be involved in that. Is that ruled out, or is that just -

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MS. MYERS: I think that the decision not to insert ground troops is across the board.

Q Are you sure about that?

Q I thought afterward -

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MS. MYERS: Yes, afterward -

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no.

Q -

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I'm talking about after a peace treaty. I'm talking about in terms of now, helping the British, French and -

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MS. MYERS: There is no other options under consideration, other than -

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I will double-

check this to make sure,
but other than enforcing an agreed-

upon settlement.

Q Not even to protect safe havens if they were created?

MS. MYERS: I don't believe that's under discussion, but I'll take the question and get back to you.

Q Are the only options then, bombing and lifting the arms embargo? These are the only two that we hear mentioned.

MS. MYERS: I can't talk to what advice he may be getting from his advisors.

Q But you do raise those.

MS. MYERS: I think those have been widely discussed, but I just am not going to characterize that those may or may not be the only things that are under discussion.

Q Dee Dee, you said the President will make a decision to impress the allies to join him. And then later you said you were seeking a consensus. So is this going to be a consultation process after he makes his decision? Is there room for the President to alter his position?

MS. MYERS: I think there is room for him to alter his position. I think he'll make a decision about the general course of action, but I don't think it will be set totally in stone. I think he'll press the allies to move in a certain direction to join him in a direction, but I think that part of the goal of consultation, obviously, is to get their input and if there's suggestions that can make the policy better or more effective, I think he'd be open to that.

Q In fact, but you say that they have -

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the allies
have the right to veto over any U.S. initiative.

MS. MYERS: No, that's not what I said.

Q I mean, if the British and the French don't want to go along, there would be nothing, you wouldn't be able to do anything? That's what you said.

MS. MYERS: What the President has said is that he doesn't plan to act alone, he doesn't believe he'll have to. We're going to continue to press the allies to work with them to reach a consensus.

Q Just quick verification on another subject. Why is he going to the Justice Department today? Is it part of this tour, I imagine?

MS. MYERS: Yes, I think it's part of his ongoing sort of series of tours. He's gone to the Treasury Department, he's gone to the OMB.

Q It seems coincidental that he went to the Pentagon the day the budget cuts were released, and now he's going here after Janet Reno stood up against fire. Is there no connection, or -

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MS. MYERS: No, I wouldn't say that there's no connection. I think that the timing is good. I think that the Justice Department has -

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and particularly the Attorney General has comported herself well under difficult circumstances in recent weeks, and I think it's a good time for the President to go to the Justice Department. I also think he'll talk a little bit about appointments in the department that happen to be ready and a few other things that are Justice-

related.

Q Any plans to -

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Q You won't announce Sessions being relieved of duty?

MS. MYERS: No.

Q Any plans to mark the 100 days in any way?

MS. MYERS: Nothing special.

Q Was anything said at senior staff or anything like that?

MS. MYERS: No, it didn't really -

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Q It didn't come up?

Q -

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it came up only in the context that there were a lot of stories about it today.

Q And?

MS. MYERS: There were, I thought, generally about what we expected. (Laughter.)

Q Sorry.

Q Fifty-

five percent of you thought they were accurate, and -

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MS. MYERS: Nearly 60 percent of the American people support the President now, believe that he's doing a good job; that's encouraging. And -

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Q And sixty percent of them feel he hasn't done a thing.

MS. MYERS: I don't think that they expected them to solve all their problems within 100 days. I think that 100 days is exactly that. It's the first couple months of a new administration. We believe that, obviously passing the budget resolution was a huge deal, and it's the first step toward fundamentally changing the economic policy of the country. However, there will be a lot more accomplished in the next three years and however many -

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265 days.

Q Is there agreement here with the widespread perception that over the last couple of weeks at least the President has lost his focus?

MS. MYERS: I think that these things are cyclical, that you -

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sometimes events drag you off of the things you would prefer to focus on. That's part of being President, you have to deal with foreign policy, you have to deal with situations like Waco.

I think -

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you know, we have an ambitious President. He wants to accomplish a lot. He's thinking about a lot of things all the time. But I think we that we will continue to focus throughout this administration on creating jobs and providing health care. I think that we will continue to come back to those things. I think not every week will be a smashing success, but I think hopefully we'll be judged over the course of four years, not 100 days or two weeks.

Q Frustrated by outside events, not anything of your own doing?

MS. MYERS: I wouldn't -

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I didn't say that, but, I mean, you can always do better.

Q You just said -

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MS. MYERS: You can always do better. No, I didn't mean to, other than to say that we've learned a lot in the first 100 days. I think we have a lot of successes to point to. I think there are clearly things that we could have done better. And I think that we'll hopefully learn from both our successes and our not so successes and move on.

Q Dee Dee, his approval ratings have been the lowest since opinion polls for acquitting the '50's. -

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MS. MYERS: Because he's tried to do more.

Q If he has done such a great job, how does he explain that? What is the reason?

MS. MYERS: I -

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Q Is it because of the press or the American people understand?

MS. MYERS: No. I don't want to blame anybody other than to say, I think, first of all, that the President came into office saying he was going to be an activist President. I think he's been an activist president. He didn't come in here and tell people he was going to cut their taxes and raise defense spending. He came in here and said there's a lot of things that are wrong in this country and we're all going to have to work together and we're all going to have to sort of contribute to change things. That is not an easy thing to do. He didn't say it would be easy.

Q He's been blaming the Republicans all along for gridlock.

MS. MYERS: Given the recent weeks, I think that's pretty clear why.

Q But the American people blame him. Well, according to the polls -

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MS. MYERS: No, they don't. They do not blame him for gridlock. That's just not -

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I just totally disagree with that premise.

Q -

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but why are the ratings so low, compared to, what, to Reagan or Bush, or -

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MS. MYERS: I think I just tried to explain that and I won't bore everybody else by going over it again. But it's difficult

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he's asked -

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he's made difficult decisions and he's asked people to take a difficult course of action.

I also think that polls are being taken in the wake of not the best week or two of the first 100 days, which, I think, does have some impact. But I think that the main reason is that he's made tough decisions; he's asked people to do hard things, not easy things and we're going to continue to do that.

I think in the long run that the President will be judged on the merit of his policies, which will be his efforts to create jobs and reform health care and a few other things, but those will primarily drive the next four years. I think that the American people believe that's important and we're happy to stand on our record on those.

Q The question that always bedeviled George Bush was the wrong track right/track question. According to that poll in the paper this morning 71 percent or something think that this President is on the wrong track.

MS. MYERS: They think the country is on the wrong track.

Q Okay, fine. The country is on the wrong -

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MS. MYERS: The President agrees. That's what -

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mean, he didn't expect to get the country from the wrong track to the right track in a 100 days. He never said he could do that. What he said was that he had -

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over the course of four years he was going to change economic policy, he was going to provide health care, he was going to try and do something about the campaign finance system, he was going to try to make sure that every American had an opportunity to go to college. Those are the kinds of big changes that the previous administrations didn't take on. George Bush didn't take those on. Ronald Reagan didn't take those on.

Tomorrow the President's going to announce a plan that will allow every American, regardless of income, to go to college, to borrow the money to go to college. That is a huge thing, that is a huge change.

He's already passed a $1.5-

trillion budget that invests more, that cuts the deficit more than anybody's done. These are big changes that will change the direction of the country and hopefully move it from the wrong track to the right track. I think the President is not satisfied with where we are. He doesn't believe this country's on the right track yet. He doesn't believe that when 43 Senators can hold up jobs when the gross domestic product is not growing in a way that will create jobs the economy not growing in a way that will create jobs, that we're clearly not on the right track yet.

Q But -

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more Americans think that -

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or at this point they think the country is on a longer track than it was three months ago. And the big difference is that Bill Clinton is now President.

MS. MYERS: Well, that's true. But I don't know that they think it was on a wronger track than it was six months ago. And I think that these -

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again, you have -

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fortunately we'll be judged not on 100 days, but on four years. And if at the end of -

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because these changes take time. But I think we're on a good track with health care reform and economic reform, to making the kinds of changes that will move the country from the wrong track to the right track.

Q So you're not buying the argument that many make that many Americans appear concerned that Bill Clinton, who campaigned as a moderate new Democrat, in his first three months has come across perhaps as more liberal than many of those who had voted for him had thought.

MS. MYERS: I think that we're concerned about getting the debate back and the focus back to the things Bill Clinton got elected to do, which, again, not to be redundant, but is to reform the economy and reform the health care system and a few other things. I think we worry about that every single day, and I think that, again, I'm glad we're not -

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that this isn't all the time we have, because I think that we will make good progress on those issues. But obviously we're going to continue to work -

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we can do better. I don't think -

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the President is not satisfied with the state of the country at this point. He believes we have to -

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we've got a lot of work to do.

Q Dee Dee, the President has had to back off any one of a number of things that came out of the campaign -

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Bosnia, Haiti,
the middle class tax cut, in most cases pleading that things were different when he got in than he had thought. Do you all go back and reassess the campaign -

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things that are left -

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promises that were
made that are still pending? And I wonder if maybe there are more things that are going to turn out to be naive.

MS. MYERS: I would disagree with a couple premises there. I think Bill Clinton ran for President on one of the most specific agendas that anyone has ever run on. That clearly has its down sides. But, for example, on Bosnia, the President said he would take tougher action on Bosnia. He's done that. We've -

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Q Yes, well, not yet.

MS. MYERS: Yes, he has.

Q Where?

MS. MYERS: Already. He created a no-

fly zone, enforced
the no-

fly zone, pushed the allies to do that, tightened sanctions
-

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Q Using military force -

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Q I mean, he hasn't done anything that's had any effect, has he?

MS. MYERS: He's taken tougher action, which he promised to do, and we're now considering -

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I don't think the American people expect him to accomplish everything in 100 days. I think clearly we're doing much more on Bosnia than the Bush administration did. I don't think -

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there can be no doubt about that. That's just indisputable.

Now, you may disagree that he's doing the right thing or doing enough, but he's clearly doing more, which is what he said he would do.

On Haiti, I think we're still committed toward restoring democracy in Haiti, to restoring President Aristide. I think that that process is ongoing and I think we are making progress there. Like all of these problems, it is difficult and complicated. But I think there are far more things that he talked about that he's actually doing, and I think particularly on the big things.

People elected him to create jobs, to get the economy moving again, to invest in things like education and worker training. All of which -

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he's done much more on that issue in 100 days than anybody would have expected.

Q Would you like to take a -

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MS. MYERS: On health care -

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Q No, go ahead.

MS. MYERS: -

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but, anyway -

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so I think we're making progress on the big things and there are a number of other littler things that he's done. He said that he would reverse the Reagan-

Bush era prohibitions on abortion. He's done a lot on that. He said that he would sign family medical leave; he's done that. He said he would get motor voter done. We're very close to that. So I think that there's a number of things to be happy about, but we're not there yet. We've got four years, we've got a lot of work to do.

Q Is he planning the "Putting People First," -

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the list of stuff is turning out to be somewhat of an albatross?

MS. MYERS: No, I think it's clearly a challenge. It was an ambitious agenda to campaign on, it's an ambitious agenda to govern on. But he ran on it because he though it was important and that he could accomplish it, and I think we're still moving on.

Q Is this student loan announcement tomorrow going to effect Sallie Mae at all and its status? Are you going to shut it down?

MS. MYERS: We'll have the specifics of it tomorrow, but

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Q If you had the specifics a moment -

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allow everybody -

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tell us.

MS. MYERS: It is. We're going to announce a program tomorrow that will allow every -

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Q -

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lending program that nobody will be denied on the basis of -

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MS. MYERS: That's right, on the basis of income. So

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Q Initially, they said they were talking about scaling that back? Have they decided not to scale that program back and go full, all-

out? There was talk a couple of months ago -

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MS. MYERS: There was talk based on -

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Q So it's not going to happen?

Q Are you announcing it piecemeal?

MS. MYERS: No, we're going to announce the outlines of the program tomorrow.

Q Stephanopoulos briefing today?

MS. MYERS: Two o'clock p.m.

THE PRESS: Thank you.

END10:17 A.M. EDT