RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: Robert M. Shireman@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:21-APR-1997 17:54:00.00

SUBJECT: Meeting

TO: FURMAN_J (FURMAN_J@A1@CD) (CEA)
READ:22-APR-1997 09:06:44.98

TO: roger.anderson (roger.anderson@MS01.do.treas.sprint.com@INET)
READ:NOT READ

TO: Peter R. Orszag (Peter R. Orszag@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
Message Creation Date was at 21-APR-1997 17:47:00

A little preview on the 9:30 meeting Tuesday (room 231 OEOB):

Student loan interest rates are adjusted annually, and are set at 3.1 percentage points above an average of 91-day T-bills (up to a cap -- the government picks up anything above the cap). In the 1993 reconciliation, a decision was made to change the interest rate to one percentage point above the 10-year T-bond rate, still adjusted annually (technically, the law says it's one point above the rate on a security with a "similar maturity" -- i.e. the discount rate we use for the program, which is actually a melded 10/20 year rate, I believe). This new rate is scheduled to take effect in July 1998.

Under current interest rate projections, students will pay less with the new rate. Lenders are urging the Administration to cancel the rate change. (Doing so would save money because it would increase the spread, over baseline, in the direct loan program). They argue that it is too volatile, by which I gather they mean that the long-term rate does not track their short-term borrowing closely enough.

Below is further background from a staffer at the state college association.

---------------------- Forwarded by Robert M. Shireman/OPD/EOP on 04/21/97 05:17 PM ---------------------------

nassirianb @ aascu.nche.edu
04/21/97 04:08:00 PM
Record Type: Record

To: Robert M. Shireman
cc:
Subject: Meeting

Bob:

Here are my quick observations about the meeting I had with CBA, EFC, and their PaineWebber consultant, Paul Wozniak:

1- Paul makes the argument that, based on historical data, the 91-day T + 310 formula is no worse for borrowers than the 10 year T + 100. The data he uses to "prove" his case go back to the early 1980s. I agreed with his historical data, but asked him whether PainWebber's economists had any opinions on where short and long term rates were headed. He claims they don't, and that the differential between the two formulae will continue to be a sine curve. For my part, this strikes me as a bogus argument. Students will, in all likelihood, be better off with the 10-year formula than with the 91-day one, but lenders deny this.

2- He makes the argument that banks hedge their rate risk, and that hedgeing against the 10-year rates is prohibitively expensive, if not altogether impossible. I asked him about shorter-term indexing--say, 1-yr T--and he gave the same response. When I enquired about how mortgage lenders can do this, he answered that they securitized. I asked why, given the government guarantee on student loans, student loans couldn't be securitized. A: They could, but that the rates on mortgages were really 270 daily rates, whereas student loans would be exactly one rate. I asked whether resets could be used (I am not crazy about this idea at all), he said he hadn't thought about it, and would get back to me. Pat Smith correctly sums this up as coming down to whether one believes that student lending is as theoretically sound a business as these guys make it out to be. The idea that they all run their operations with matched books is a bit too neat for my comfort.

Short answer, I am unconvinced on both counts. The conversation I had with Paul really ought to have been between he and experts on our side of the issue. Someone with Wall Street expertise would be especially helpful.

I will fax you the charts he handed out.

Barmak

==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE:21-APR-1997 17:54:00.00

ATT BODYPART TYPE:D

TEXT:
The following attachments were included with this message:

TYPE : FILE
NAME : 042117B1.TXT

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

==================== ATTACHMENT 2 ====================
ATT CREATION TIME/DATE:21-APR-1997 17:54:00.00

ATT BODYPART TYPE:D

ATT SUBJECT: 042117B1

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IHZ3TPM2M80030ZP@PMDF.EOP.GOV> for "Robert M. Shireman"@oa.eop.gov; Mon,
 21 Apr 1997 17:10:40 -0500 (EST)
Received: from gatekeeper.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IHZ3TNBTKW002CYY@PMDF.EOP.GOV> for Robert_M._Shireman@oa.eop.gov; Mon,
 21 Apr 1997 17:10:36 -0500 (EST)
Received: from nchemail.nche.edu by gatekeeper.eop.gov;
 (5.65v3.2/1.1.8.2/17Oct95-0424PM) id AA06534; Mon, 21 Apr 1997 17:10:29 -0400
Received: by nchemail.nche.edu (5.65/DEC-Ultrix/4.3) id AA01723; Mon,
 21 Apr 1997 17:05:23 -0400
Received: from aascudomain-Message_Server by aascu.nche.edu with
 Novell_GroupWise; Mon, 21 Apr 1997 17:13:45 -0400
X-Mailer: Novell GroupWise 4.1
================== END ATTACHMENT 2 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: cjs@leland.Stanford.EDU@INET@LNGTWY (cjs@leland.Stanford.EDU@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:24-JUN-1997 22:29:57.00

SUBJECT: Big Grad student tax increase (fwd)

TO: Cristian J. Santesteban@EOP (Cristian J. Santesteban@EOP [CEA])
READ:UNKNOWN

TEXT:
---------- Forwarded message ----------
Date: Tue, 24 Jun 1997 16:29:12 -0700 (PDT)
From: Raphael Chaim Thomadsen <raphael@leland.Stanford.EDU>
To: econ-grads@lists.Stanford.EDU
Subject: Big Grad student tax increase

FYI

> Dear Fellow Graduate Students,
>
> If this does not affect you, please feel free to ignore it.
>
> This month, Congress is discussing changing the tax code to make
> tuition which is paid by the university for R.A.s or T.A.s or by
> scholarships or fellowships taxable to students as income. For a
> typical graduate student at Stanford taking four quarters at nine
> units a quarter, the annual tuition is about $17,000. Depending on
> whether a graduate student is in the 15% or 28% tax bracket, making
> tuition taxable will result in an increased individual tax liability
> of $2,550 to $4760 each year.
>
> Many graduate students believe this change is a bad idea because it
> taxes students for income they never really receive. In many cases it
> more than doubles their taxable income while leaving their actual
> salaries unchanged. It also discourages students from pursuing
> graduate education.
>
> Since this proposed tax code change will have a significant impact on
> graduate students' take-home income, we are writing to inform you of
> the facts and to give some suggestions about how to contact your
> representatives, if you want to let them know what you think of these
> changes. Since this month is when these decisions are being made, and
> Congress has not heard much from the public on this issue, your input
> is likely to have a large impact on our representatives.
>
> This email is long, so here is an outline to allow you to go to
> sections that you feel are relevant:
> I. Description of basic facts
> II. How to contact your representatives

> III. Where to go for more information
> IV. Suggestions for a good format for letters to Members of
> Congress.
>
> **
> This message was brought to you by the Graduate Student Council.
> **
>
> I. Some facts.
>
> Stanford pays the tuition for many of its graduate students. It rests
> its decision to not treat this tuition as income on sections 117(a)
> and 117(d) of the Tax Code. It also previously rested this decision
> for some students on section 127. Section 127 has been repealed.
> Earlier this week, the House Ways and Means Committee recommended that
> 117(d) be repealed. 117a remains but it is uncertain whether 117a by
> itself it would allow continued tax exemption of tuition.
>
> Currently, the bill that would repeal 117(d) is awaiting
> reconciliation with a corresponding bill from the Senate Finance
> committee. The Senate committee's is considerably more financially
> beneficial to graduate students than the House bill. Specifically,
> it:
>
> * Includes the continuance of Section 117(d) of the Tax Code
> and therefore maintains the current situation under which grad student
> tuition paid for RAs, TAs, and fellowship recipients is not considered
> taxable;
> * Introduces an above-the-line tax deduction for up to $2,500
> paid in student loan interest for the first five years of repayment;
> * Adds a permanent extension of the Section 127 tax exemption
> related to employer provided educational assistance, for both
> undergraduate and graduate coursework.
>
> These competing views (the Senate's and the House's) can be reconciled
> in two ways. First, a House member can introduce an amendment on the
> House floor, asking for the addition of changes to make the House bill
> match the Senate's. If that failed, a joint Senate-House committee
> will meet and hammer out a reconciled version of the bill.
>
> II. How to contact your representatives
>
> If you think that the changes in the House bill, especially the
> potential elimination of the tuition tax exemption (section 117d), are
> important to you, or if the above proposals to benefit grad students
> from the Senate version intrigue you, you can contact your
> representatives. It would probably be most effective if you contacted
> the Congressperson from your home district (if you are an American
> citizen), the members of the Senate Finance committee, and the members
> the House Ways and Means committee. If you feel like it, you might
> want to call Anna Eshoo, the local representative for the Stanford
> area, and ask to meet with her (her office is in Palo Alto), or write
> her a letter. If you write a letter, fax, telephone or send email to
> a Congressperson or Senator, do so quickly since these decisions are

> being made now.
>
> Letters can be sent to:
>
> The Honorable _________ The Honorable_________
> United States House of Representatives United States Senate
> Washington, D.C. 20515 Washington,D.C. 20510
>
> When writing to your local Congressperson or Senator, you should ask
> him or her to communicate your views to Senator Roth (author of the
> "pro-grad student" Senate bill described above) or Representative Archer
> (author of the proposed repeal of the tuition tax waiver); they are
> the chairmen of the relevant Senate and House committees. Fax numbers
> for your Members of Congress are available at:
> http://www.visi.com/juan/congress/. Their phone numbers are available
> through the Capitol Hill Switchboard at 202-224-3121, or call
> toll-free at 1-800-962-3524 or 1-800-972-3524.
>
> The members of the Senate Finance Committee are as follows (with
> contact information):
>
> Majority Party Members (Republicans)
> DC Phone Numbers are in Area Code (202)
>
> State Member DC Tel. DC FAX District Tel. E-Mail
> DE Sen. W Roth, Jr. (R) 224-2441 228-0354 302-573-6291 N/A
> RI Sen. J Chafee (R) 224-2921 228-2853 401-528-5294
> senator_chafee@chafee.senate.gov
> IA Sen. Cs Grassley (R) 224-3744 224-6020 319-363-6832
> chuck_grassley@grassley.senate.gov
> UT Sen. O Hatch (R) 224-5251 224-6331 801-524-4380
> senator_hatch@hatch.senate.gov
> NY Sen. A D'Amato (R) 224-6542 224-5871 212-947-7390
> senator_al@damato.senate.gov
> AK Sen. F Murkowski (R) 224-6665 224-5301 907-271-3735
> email@murkowski.senate.gov
> OK Sen. D Nickles (R) 224-5754 224-6008 405-231-4941
> senator@nickles.senate.gov
> TX Sen. P Gramm (R) 224-2934 228-2856 214-767-3000
> webmaster@gramm.senate.gov
> MS Sen. T Lott (R) 224-6253 224-4639 601-965-4644
> senatorlott@lott.senate.gov
> VT Sen. J Jeffords (R) 224-5141 228-0338 802-658-6001
> vermont@jeffords.senate.gov
> FL Sen. C Mack (R) 224-5274 224-8022 813-275-6252
> connie@mack.senate.gov
>
> Minority Party Members (Democrats)
> DC Phone Numbers are in Area Code (202)
>
> State Member DC Tel. DC FAX District Tel. E-Mail
> NY Sen. D.P. Moynihan (D) 224-4451 228-0406 212-661-5150
> senator@dpm.senate.gov
> MT Sen. M Baucus (D) 224-2651 224-1974 406-329-3123

> max@baucus.senate.gov
> WV Sen. J Rockefeller (D) 224-6472 224-7665 304-343-4496
> senator@rockefeller.senate.gov
> LA Sen. J Breaux (D) 224-4623 224-4268 504-589-2531
> senator@breaux.senate.gov
> ND Sen. K Conrad (D) 224-2043 224-7776 701-232-8030
> senator@conrad.senate.gov
> FL Sen. B Graham (D) 224-3041 224-2237 305-536-7293
> bob_graham@graham.senate.gov
> IL Sen. C Moseley-Braun (D) 224-2854 224-2626 312-353-5420
> senator@moseley-braun.senate.gov
> NV Sen. R Bryan (D) 224-6244 224-1867 702-686-5570
> senator@bryan.senate.gov
> NE Sen. J R Kerrey (D) 224-6551 224-7645 402-391-3411
> bob@kerrey.senate.gov
>
> If you want to hit them all with email, here is an easy block of email
> addresses:
>
> senator_al@damato.senate.gov,senator@dpm.senate.gov,
> bob@kerrey.senate.gov, senator@nickles.senate.gov,
> connie@mack.senate.gov,senator_chafee@chafee.senate.gov,
> senator@breaux.senate.gov,senator_hatch@hatch.senate.gov,
> senatorlott@lott.senate.gov,senator@rockefeller.senate.gov,
> max@baucus.senate.gov,vermont@jeffords.senate.gov,
> senator@mosely-braun.senate.gov,bob_graham@graham.senate.gov,
> senator@bryan.senate.gov,chuck_grassley@grassley.senate.gov
>
> You might also contact the House Ways and Means members (sorry, I do not
> have their emails):
>
> House Ways and Means Majority Party Members (Republicans)
> Phone Area Code in Washington, DC (202) 225- [noted when it is 226]
> State Member Phone Fax District Phone
> TX Bill Archer (R-07) 2571 4381 713-467-7493
> IL Philip M. Crane (R-08) 3711 7830 847-265-9000
> CA William Thomas (R-21) 2915 8798 805-327-3611
> FL Clay Shaw, Jr. (R-22) 3026 8398 954-522-1800
> CT Nancy L. Johnson (R-06) 4476 4488 860-223-8412
> KY Jim Bunning (R-04) 3465 0003 606-325-9898
> NY Amo Houghton (R-31) 3161 5574 607-937-3333
> CA Wally Herger (R-02) 3076 1609 916-893-8363
> LA Jim McCrery (R-04) 2777 8039 318-798-2254
> MI Dave Camp (R-04) 3561 9679 517-631-2552
> MN Jim Ramstad (R-03) 2871 6351 612-881-4600
> IA Jim Nussle (R-02) 2911 9129 319-927-5141
> TX Sam Johnson (R-03) 4201 1485 214-739-0182
> WA Jennifer Dunn (R-08) 7761 8673 206-450-0161
> GA Mac Collins (R-03) 5901 2515 770-603-3395
> OH Rob Portman (R-02) 3164 1992 513-791-0381
> PA Phil English (R-21) 5406 1081 814-456-2038
> NV John E. Ensign (R-01) 5965 8808 706-731-1801
> NE Jon Christensen (R-02) 4155 3032 402-397-9944
> OK Wes Watkins (R-03) 4565 9029 405-226-6300

> AZ J. D. Hayworth (R-06) 2190 8819 602-926-4151
> IL Jerry Weller (R-11) 3635 4447 815-741-1997
> MO Kenny C. Hulshof (R-09) 2956 5712 573-449-5111
>
> House Ways and Means Committee Minority Party Members
> (Democrats & Ind's)
> Phone Area Code in Washington, DC (202) 225- [noted when it is 226]
> State Member Phone Fax District Phone
> NY Charles B. Rangel (D-15) 4365 5-0816 212-663-3900
> CA Pete Stark (D-13) 5065 6-3805 510-247-1388
> CA Robert T. Matsui (D-05) 7163 5-0566 916-498-5600
> CT Barbara Kennelly (D-01) 2265 5-1031 860-278-8888
> PA William J. Coyne (D-14) 2301 5-1844 412-644-2870
> MI Sander M. Levin (D-12) 4961 6-1033 810-268-4444
> MD Benjamin Cardin (D-03) 4016 5-9219 410-433-8886
> WA Jim McDermott (D-07) 3106 NA 206-553-7170
> WI Gerald D. Kleczka (D-04) 4572 5-8135 414-297-1140
> GA John Lewis (D-05) 3801 5-0351 404-659-0116
> MA Richard E. Neal (D-02) 5601 5-8112 413-785-0325
> NY Michael McNulty (D-21) 5076 5-5077 518-465-0700
> LA William Jefferson (D-02) 6636 5-1988 504-589-2274
> TN John S. Tanner (D-08) 4714 5-1765 901-382-3220
> CA Xavier Becerra (D-30) 6235 5-2202 213-550-8962
> FL Karen L. Thurman (D-05) 1002 6-0329 352-344-3044
>
> III. Where to go for more information.
>
> We have only outlined the basic information about this issue. For
> more information on the web, go to the following sites. Most are from
> the National Association of Graduate and Professional students
> (NAGPS).
>
>
> NAGPS legislative updates:
>
> http://nagps.nagps.org/NAGPS/bod/Prez/legis_update.htm
>
> Legislative Fact Sheets:
> http://nagps.nagps.org/NAGPS/bod/Prez/fact_sheets.htm
>
> NAGPS WWW FAX-Line (can send faxes to members of the House Ways &
> Means and Senate Finance Committees via the Worldwide Web):
> http://www.nagps.org/Student_Aid/Fax_Your_Member.html
>
> Fax numbers of Members of Congress:
> http://www.visi.com/juan/congress/
>
> The text and an analysis of the House proposal can be found at:
> http://www.nagps.org/Student_Aid/105th/Archer-97Tax_Analysis.html
>
> You can also call toll-free at 1-800-574-4AID. If this number
> does not work, call the Capitol Hill Switchboard at 202-224-3121.
>
> Additional relevant information can be found at:

> http://essgrad.ps.uci.edu/~hannegan/nagps/legis_update.htm
>
> IV. Suggestions for a good format for letters to Members of
> Congress.
>
> The American Institute of Physics makes the following general
> suggestions for letters to Members of Congress. They seem reasonable,
> and we forward them here:
>
> One of the best ways to communicate with a Member of Congress is
> through a well-reasoned personal letter. Taking the time to write a
> letter shows sincerity and thoughtfulness. Your correspondence will
> more effective if you follow these guidelines:
>
> Timing is important. A letter sent after Congress acts is amissed
> opportunity, while correspondence sent months before an issue is
> considered is likely to be forgotten. Now is the time to write!
>
> Limit your letter to one page and one subject. Avoid jargon.
>
> In the first paragraph, explain your reason for writing. Briefly note
> your "credentials," and include other pertinent information.
>
> In the second paragraph, describe the importance of the issue. Cite
> relevant facts and avoid emotionalism. Frame your discussion from a
> national, rather than a personal, perspective [note: for this issue, a
> personal perspective may be helpful]. In the third, and concluding
> paragraph, request (not demand) a specific action. Thank the Member
> for his/her consideration ofyour views. Offer assistance.
>
> Ensure that your letter is legible, and includes your name,address,
> and telephone number. Traditional correspondence is more easily
> handled, and is generally thought to be more effective, than
> electronic mail in many congressional offices. Faxes should be
> avoided unless thereare time constraints. [note: there are time
> constraints. It may make sense to fax, call, or email].
>
> The correct address style is:
>
> The Honorable __________ The Honorable __________United
> States House of Representatives United States SenateWashington, D.C.
> 20515 Washington, D.C. 20510
>
> Dear Representative __________: Dear Senator __________:
>
> Cite a specific bill when possible.
>
> Thank you for taking the time to consider this. If you think these
> changes to the tax code are important, contact your representatives
> now.
>
>
>
>

>
>
>

===
This message was posted through the Stanford campus mailing list
server. If you wish to unsubscribe from this mailing list, send the
message body of "unsubscribe rains-thirties" to
majordomo@lists.stanford.edu
==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
 id <01IKGTEPGOCW005FHR@PMDF.EOP.GOV> for santesteba_c@a1.eop.gov; Tue,
 24 Jun 1997 22:23:34 -0500 (EST)
Received: from storm.eop.gov (storm.eop.gov)
 by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IKGTEG04IO005HAB@PMDF.EOP.GOV> for
 santesteba_c@a1.eop.gov; Tue, 24 Jun 1997 22:23:29 -0500 (EST)
Received: from power.Stanford.EDU ([171.64.14.20])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IKGTE845A4000R8K@STORM.EOP.GOV> for santesteba_c@a1.eop.gov;

 Tue, 24 Jun 1997 22:23:09 -0400 (EDT)
Received: (from cjs@localhost) by power.Stanford.EDU (8.8.5/8.8.3)
 id TAA19052; Tue, 24 Jun 1997 19:23:06 -0700 (PDT)
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David S. Beaubaire@EOP@LNGTWY@LNGTWY (David S. Beaubaire@EOP@LNGTWY@LNGTWY [WHO])

CREATION DATE/TIME:30-JUN-1997 15:01:35.00

SUBJECT: Q/A's -for internal use only

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TO: Barry J. Toiv@EOP (Barry J. Toiv@EOP [WHO])
READ:UNKNOWN

TO: Darrell A. Johnson@EOP (Darrell A. Johnson@EOP [OMB])
READ:UNKNOWN

TEXT:
Message Creation Date was at 30-JUN-1997 14:53:00

Tax Cut Proposal -- Q & A
June 30, 1997

Q: IS THE PRESIDENT GOING TO VETO THE TAX BILL IF HE DOES NOT GET WANT HE WANTS?

A: We expect all sides to continue to work in good faith to produce a
final tax
bill that is good for the country.

The tax cut proposal the President is unveiling today moves the process
a big
step forward.

The President !,s tax cut is a fair proposal, targeted to help middle
class
families raise their kids and send them to college. It places a priority
on
education and on delivering a tax cut to families who work hard, pay
taxes, and
are trying to do the best by their kids. It also makes a good faith
effort to
include Republican priorities, such as capital gains and estate taxes.
That
makes the President !,s proposal one that all sides can coalesce around.

The President has unveiled a tax cut proposal that is good for the
country.
While there will be give and take between the Administration and the
Congress,
we expect that the final tax bill will look similar to the proposal the

President outlined today.

Follow-ups:

Q: WHAT IF THE HOUSE AND SENATE DO WHAT THEY NORMALLY DO AND MERGE THEIR TWO
BILLS, WILL THE PRESIDENT SIGN IT?

A: We don !,t expect that to happen. The Republican leadership has signaled
very strongly that it wants to pass a final bill that the President can sign.

We expect that both sides, the Administration and the leaders in Congress, are
going to work together in good faith as we all have all year, to produce a good
final tax bill that is close to the President !,s proposal and consistent with
the principles he has articulated all along:

(1) Must be faithful to the bipartisan agreement;
(2) Must help the economy grow;
(3) Must be fair to middle class families;
(4) Must target our top priority -- education; and
(5) Must not explode the deficit and make it more difficult to meet the fiscal
challenges we face when the baby boom nears retirement.

Q: WILL THE PRESIDENT VETO THE BILL IF IT INCLUDES INDEXING OF CAPITAL GAINS?

A: Indexing capital gains would be inconsistent with the budget agreement,
because it would explode in cost, just at a time when the baby boom generation
nears retirement.

The Congressional leadership knows the President feels very strongly on this
point. It is important to note that, after we objected to the provision in the
House, the Senate did not include it in their bill. We do not expect indexing
to be in the final bill.

Q: WHAT ABOUT THE ISSUE OF STACKING ON THE CHILD TAX CREDIT. THE REPUBLICANS
LIKEN YOUR PROPOSAL TO WELFARE, WILL THE PRESIDENT VETO THE BILL IF THEY KEEP
IT THE WAY IT IS IN THEIR BILLS?

A: The President strongly believes that families who work hard, play by

the
rules and make around $20,000 or $25,000, who pay taxes, and who are trying to
do the best for their kids just like everybody else, deserve a tax cut too.

It is an extremely important issue and one in which President Clinton has a
basic disagreement with some in Congress.

Example: Consider a family of four with two small children living in a medium sized southern city. The father is a rookie police officer making $23,000, and the mother is not working while the kids are young. The family
will owe $675 a year in income taxes, but this will be offset by a $1,668 Earned Income Tax Credit (EITC). This family, however, pays $1,760 a year in
payroll taxes out of pocket (the city pays another $1,760 for him).

Add up the income taxes owed and the just his share of the payroll taxes and
subtract their EITC and the family owes a net $767 in federal taxes. That !,s
the size of the tax cut they would get under the President !,s proposal, $767.
Under the House and Senate alternatives, the police officer and his family would get no tax cut.

The President believes that a family of a police officer making $23,000, who
pay taxes, deserve a tax cut too. We expect that as more members of Congress
study the impact of this provision that they will agree with the President.

Q: WHY IS THE TAX CUT BEING PROPOSED NOW?

A: It is our view that the unveiling of the President !,s tax cut proposal will
move us forward towards reaching final agreement on a tax cut the American people deserve.

The House and Senate have passed tax bills and it is now time for the Administration and the Congress to reach final agreement. The President !,s tax
cut is a fair proposal, targeted to help middle class families raise their kids
and send them to college. It places a priority on education and on delivering
a tax cut to families who work hard, pay taxes, and are trying to do the best

by their kids. It also, very importantly, makes a good faith effort to include
Republican priorities, such as capital gains and estate taxes. That makes the
President !,s proposal one that all sides can coalesce around

Q: YOU SAY THAT YOU HAVE INCLUDED REPUBLICAN PRIORITIES, BUT YOUR CAPITAL GAINS
PROPOSAL LEAVES UNCHANGED THE TOP CAPITAL GAINS RATE?

A: We included a broad based capital gains tax cut proposal to be consistent
with the agreement and as a good faith effort to include Republican priorities
. Our proposal allows taxpayers to exclude 30 percent of their capital gains
from taxation. We think that !,s pretty generous. If you !,re in the 28 income
tax bracket, your capital gains tax rate will be cut to 19.6 percent, the full
30 percent cut.

It is true that for the top one-half of one percent of taxpayers, the 30
percent exclusion only provides a small cut in the rate they will pay. These
are people with taxable incomes above $250,000. So we !,re talking about people
at the low end of this small group who have incomes of about $300,000 and
above, into the millions. This group already enjoys a preferential rate of
capital gains taxation. Therefore, the additional cut they will get will be
proportionally smaller than other taxpayers, but it still is a cut.

Take a wealthy taxpayer with $1 million in capital gains. This proposal would
cut their capital gains tax by $2,800. To that taxpayer that may not be a lot
of money, but it is a tax cut and it is five times larger than a middle class
family with a child would get from the child tax credit.

Q: YOUR EDUCATION TAX CUTS DO NOT HAVE THE SUPPORT OF MEMBERS FROM YOUR OWN
PARTY, HOW DO YOU EXPECT TO END UP WITH THEM IN THE FINAL BILL?

A: Our proposal of a $1,500 two-year HOPE Scholarship and 20% tuition tax
credit is similar to the provisions in the House and Senate Democratic
alternatives and is consistent with the budget agreement. We are united on
this issue and determined to deliver a very good package of education tax cuts

to the American people.

There are differences between our plan and the plans that passed the House and the Senate:

(1) The House and Senate bills are not consistent with the budget agreement in which all sides agreed to include roughly $35 billion in education tax cuts consistent with what the President proposed.

(2) Our two-year HOPE Scholarship does more to make the first two years of college universally available. It does more for students attending community colleges. For example, consider a student going to a typical community college with tuition of $1,200. Under the President !,s proposal that person would receive an $1,000 HOPE Scholarship, compared to just $600 under the House plan and $900 under the Senate plan.

(3) Our plan does something the others plans do not do. It helps those Americans who are out there working and want to improve their education and upgrade their skills. The President strongly believes that the principle of lifelong learning must become ingrained in our culture as we head into the next century.

Q: DOES YOUR PROPOSAL INCLUDE A TOBACCO TAX?

A: Yes it does include the same 20 cent tobacco tax increase that is in the Senate bill.

We have said all along that we are very sympathetic to the idea of using revenues from a higher tobacco tax to expand health coverage for children.

The Republican leadership objected to the Hatch-Kennedy bill on the grounds that it was outside of the budget agreement. While we were sympathetic, we did not support that proposal at that time in order to honor the agreement.
The Republican leadership !,s position has now changed on this and they now support, at least in the Senate, an increase in the tobacco tax.

We strongly believe that the revenue from a higher tobacco tax must not go to special interests, same as it did when it was adopted in the Senate. They did channel $8 billion to expand health coverage for children. We strongly support that, but we strongly that the remaining revenue should go to similarly worthy causes, like children !,s health, overall children !,s development, and health in general. That is why we propose to separate the funds from a tobacco tax increase, to ensure that the resources are put to good use.

Q: UNDER YOUR PROPOSAL, WOULDN !,T YOU END UP WITH A SMALLER TAX CUT, ONLY ABOUT $71 BILLION?

A: The President has unveiled a tax cut proposal that provides a net tax decrease of $85 billion consistent with the budget agreement. Separate from that we have a proposal to dedicate a tobacco tax increase to expand health coverage for children, address other children !,s development issues, and to improve general health.

This is similar to what the Senate did with a portion of their tobacco tax increase that went to expand health coverage for children. We just want to make sure that all of these funds go to such worthy causes and not to special interests.

Q. THE SENATE PASSED AN AMENDMENT THAT WOULD ALLOW WITHDRAWALS FROM THE EDUCATION SAVINGS ACCOUNTS TO BE USED FOR ELEMENTARY-SECONDARY EDUCATION EXPENSES -- PRIVATE SCHOOLS. DOES THE ADMINISTRATION SUPPORT THAT PROVISION?

A. No. At the elementary-secondary level, the President !,s commitment is to high quality, free, public education available to all children. This amendment is akin to a private school voucher, which we have consistently opposed.

Q. WHAT IS DIFFERENT ABOUT THE EDUCATION TAX CUTS IN TODAY !,S ANNOUNCEMENT?

A. There are a number of differences and additions:

1. The HOPE Scholarship is still $1500. But instead of covering tuition

dollar-for-dollar up to the maximum credit, it covers it dollar-for-dollar up
to $1000, and 50 cents on the dollar after that, up to the $1500 total. This
moves in the direction of the Senate and House, which both have a 50% credit
(the Senate is 75% for community colleges). For a student paying average
community college tuition and fees -- about $1200 -- the old plan would have
provided a $1200 credit, and the new plan would provide an $1100 credit. The
Senate would provide $900 and the House, $600.

2. Instead of a deduction for other postsecondary tuition and fees not
covered by HOPE, the new plan would provide a 20 percent credit. This simpler
approach cut would be available for the same broad range of higher education
tuition and fees, but would be somewhat more progressive than the previous
version (because those in the 15 percent tax bracket would receive a 20 percent
benefit, while those in the 28 percent bracket would also receive a 20 percent
benefit).

3. There is an education savings account component to the child tax credit.
This is similar to the direction that the Senate has gone.

4. The tax exclusion for employer-provided educational assistance is made
permanent. The Budget had proposed an extension through 2000.

5. New provisions are added for school construction, donations of technology
to schools, and university bonds. (Provisions on IRA withdrawals, loan
forgiveness, and student loan interest remain as previously announced).

Q: DON !,T THE REPUBLICANS HAVE A POINT THAT THE FAMILY ECONOMIC INCOME
OVERSTATES WHAT PEOPLE MAKE, CLASSIFYING MORE PEOPLE AS RICH, AND THEREFORE
YOUR DISTRIBUTION TABLES SHOULD BE TAKEN WITH A GRAIN OF SALT?

A: First of all, the Treasury Department calculates income the same way they
did it under Ronald Reagan and George Bush.

Second, the top five percent is the top five percent, no matter which
definition of income you use it is near impossible to avoid the conclusion that
the Congressional plans are tilted toward the upper end of the income scale.
And the top five percent gets 35% of the House tax cut and 28% of the
Senate tax

cut, compared to just 7% under the President !,s proposal.

Third, the distribution tables used by the Joint Tax Committee are
extremely
misleading. Consider, that when they analyzed the House plan they counted
a
capital gains tax cut as a tax increase on the wealthiest taxpayers. That
is
just not credible.
=================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from mr.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IKORM60LNK006PH2@PMDF.EOP.GOV>; Mon, 30 Jun 1997 14:58:39 -0500 (EST)
Received: with PMDF-MR; Mon, 30 Jun 1997 14:58:33 -0500 (EST)
X400-MTS-identifier: [;33854103607991/5602032@EOPMRX]
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Michele Jolin (CN=Michele Jolin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 2-JUL-1997 09:27:09.00

SUBJECT: Treasury Tax Conferee Letter for Quick Review

TO: Mark J. Mazur (CN=Mark J. Mazur/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Michele Jolin/CEA/EOP on 07/02/97 09:24 AM ---------------------------

Joshua Gotbaum
07/02/97 12:13:33 AM
Record Type: Non-Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Treasury Tax Conferee Letter for Quick Review

Treasury provided us with the following last night. (Also attached is a WordPerfect file version.) OMB's LRD can collect comments, or they can be provided directly to Treasury.

DRAFT

Dear [conferee]:

I write to share with you the Administration,s views on major issues in conference on the tax portions of revenue reconciliation.

In general, as we have previously indicated, the Administration strongly believes that any tax-cut package must meet four basic tests to reflect sound policy and be fair for all working American families. First, it must reflect the terms of the bipartisan budget agreement. Second, the tax cuts must be fiscally responsible by avoiding an explosion in out-year costs and be designed to help the economy to continue to grow. Third, the tax cut must not disproportionately benefit upper-income families. Fourth , a tax-cut package must genuinely expand educational opportunities for Americans of all ages.

The Senate bill moves more in the direction of these principles than does the House bill; however, a number of changes are necessary to satisfy the four tests listed above. The most significant of these necessary changes are briefly described below.

Education Tax Incentives

We are pleased that each bill contains a version of the President,s HOPE scholarship proposal. Both the House and Senate bills, however, fall far short of meeting the specific agreement of providing roughly $35 billion over five years of education incentives along the lines of the President's HOPE scholarship credit and tuition deduction proposals.

While the HOPE credit as modified in the Senate bill is an improvement over the version in the House bill, each bill significantly reduces the value of education benefits for millions of students attending low-cost institutions by cutting the percentage of expenses covered by the credit (50% in the House bill, 50% to 75% in the Senate bill).

Neither bill includes a widely available tuition deduction or credit to help beyond the first two years of higher education consistent with the tuition deduction in the President,s budget proposal. We are particularly concerned that neither bill significantly promotes life-long learning, which we believe is a critical component of any education package. In addition, neither bill offers low-income students and students who work to pay tuition meaningful help beyond the first two years of higher education. Under both bills, tax-free saving offered through new education IRAs and prepaid tuition plans is overly generous to upper-income families. We also object to the provision in the Senate bill that allows tax-free withdrawals from these accounts for primary and secondary school tuition because it provides Federal subsidies to parents who send their children to private schools. Overall, as compared to the President,s proposals, both packages direct more benefits toward upper-income families while reducing the benefits to lower-income families, particularly those who rely on their earnings to finance higher education.

Administration Position:

HOPE Scholarship Credit: The Administration remains strongly committed to the principle that the education tax incentives must be fair, must genuinely expand educational opportunities for Americans, and must promote life-long learning. To accomplish these objectives, the Administration urges the conferees to adopt a HOPE credit that gives a HOPE Scholarship of 100 percent of the first $1000 of tuition and fees, and 50 percent of the next $1000 in 1998 through 2002. Students must attend at least half time in the first two years of a post-secondary degree or certificate program. If a student is not eligible for the HOPE scholarship but is pursuing a postsecondary degree or certificate or is enrolled in classes to improve job skills, we believe that a 20-percent credit for tuition and fees up to $5,000 through 2000 and $10,000 thereafter should be granted.

This proposal furthers the Administration,s education objectives in two ways: it lessens concerns about tuition inflation by limiting the marginal subsidy of the HOPE scholarship to 50 cents on the dollar (rather than dollar for dollar) for students with tuition between $1,000 and $2,000. It also increases the progressivity of the tuition deduction by converting it into a 20-percent credit.

Administration,s Position on Other Features in the Education Packages

Make permanent the exclusion of employer-provided educational assistance from taxable income and extend the exclusion to graduate education (Section 127).

Adopt a student-loan interest deduction and a loan forgiveness exemption similar to that contained in the Senate bill.

Adopt proposals to aid K-12 public school construction (and other activities) in poor neighborhoods.

Provide tax incentives to help public elementary and secondary schools obtain up-to-date computer technology.

Include a proposal to repeal the $150 million bond cap for new capital expenditures by private colleges and universities.

Child Credit

We are pleased that both the Senate and House bills include child credits. We are deeply concerned, however, that each bill would deny the child credit to millions of low-income, working families who pay taxes. The Senate bill is less objectionable in this regard, in that it would stack the child credit after one-half of the EITC, whereas the House bill would stack the child credit after 100 percent of the EITC and would also reduce tax benefits for many families who receive a tax credit for their child-care expenses.

Administration,s Position: Stack the child credit before the EITC. Allow the $500 child credit ($400 in 1998) for kids under 17 through 2002 and under 19 thereafter. Make the child credit refundable to the extent that the family,s payroll taxes exceed their earned income tax credit. Adopt an optional Kidsave feature that allows parents to contribute up to the amount of the credit plus $500 per child to a nondeductible, backloaded IRA-type savings vehicle. Earnings could be distributed tax-free for a child's post-secondary education or purchase of a first ho me, or for the parent's retirement. The income limits would be the same as in the President,s Budget (phased out between $60,000-$75,000 through 2000, and $80,000-$100,000 thereafter). The child credit and its income thresholds should be indexed.

Capital Gains Relief

We are pleased that both the Senate and House bills contain the President,s proposal to exclude up to $500,000 of capital gains from home sales. We also support targeted small-business capital gains relief that is similar to proposals contained in the Senate bill. We believe that the additional across-the-board capital gains relief in both bills is too generous and would disproportionately benefit the wealthy over lower- and middle-income wage earners. The Administration strongly opposes the indexing provision in the House bill: it would contribute to an explosive revenue cost after 2007, possibly jeopardizing all our important work on deficit reduction. In addition, the indexing proposal is enormously complex and difficult to administer. We also oppose as unwarranted the provision in the House bill for corporate capital gains relief.

Administration,s Position: Provide a 30 percent exclusion for long-term capital gains. This reduces the top rate on capital gains to 27.72 percent for taxpayers in the 39.6-percent bracket, and gives a rate cut to all taxpayers in the 36-percent bracket and lower. Taxpayers in the 28-percent and 15-percent brackets get almost as much relief as they do under the 20/10 separate rate schedule proposed in the House and Senate bills. The proposal would include the President,s home sale provision and targeted small-business capital gains relief.

Alternative Minimum Tax Relief

We are pleased that both the Senate and House bills adopt a modified version of the President,s proposal to exempt small corporations from the AMT. We also acknowledge the importance of provisions in each bill designed to compensate for the failure in previous years to index the AMT exclusion for inflation. We strongly oppose, however, the House provision that over five years would provide $22 billion in unwarranted AMT relief for large corporations.

Administration,s Position: Do not adopt the House provision for AMT relief for large corporations.

IRAs

The back-loaded IRAs in both the Senate and House bills are not sufficiently targeted. Contributions could be made to these back-loaded IRAs without any income limits, which would result in a substantial shifting of existing savings into tax-preferred investment vehicles by high-income taxpayers, rather than creating new savings. These provisions significantly add to the dual problems of an out-year explosion of revenue costs and distributional inequity.

Administration,s Position: Allow penalty-free withdrawals from existing IRAs to finance education expenses, for first-time home purchases, and for certain other limited purposes. Provide Kidsave accounts for taxpayers who are entitled to a child credit, with contributions limited to the amount of the child credit plus $500 per child.

Estate Tax Relief

We are pleased that both the Senate and House bills have included versions of the Administration,s proposal to provide liquidity relief for estates owning small businesses and farms. We are concerned, however, that the sweeping estate tax relief in both bills is too expensive and benefits only the very wealthiest Americans. In addition, the special estate and gift tax treatment of pre-paid tuition plans under the Senate bill would provide inappropriate tax planning opportunities. Further, the unlimited repeal of the so-called &throw-back8 rules would allow certain trusts that are already tax advantaged to reap additional, unwarranted tax benefits. We believe that estate and gift tax relief is most productively targeted to owners of small businesses and farms, along the lines of the small-business provision in the Senate bill.

Administration,s Position: Give special exemption for $900,000 of value in a qualified farm or small business in addition to the $600,000 value of the unified credit; increase value of estates eligible for liquidity relief as proposed in the Administration,s FY 98 budget. Do not apply the repeal of the throw-back rules to the pre-1984 trusts that are already entitled to a special exemption from the multiple trust rules.

Other Administration Tax Initiatives

We are pleased both the Senate and House bills, like the President,s budget, include tax incentives for the District of Columbia; however, we have significant concerns with specific proposals in both the House and Senate bills. We are disappointed the Senate and House bills include only very limited aspects of proposals in the President,s Budget intended to revitalize distressed urban areas, and omit other important initiatives altogether. In addition, we are disappointed the Work Opportunity Tax Credit (WOTC) contained in both the House and Senate bills allows employers to claim the WOTC for hiring workers for a very short period of time and does not expand the Food Stamp target group in WOTC to cover childless, able-bodied adults ages 18-50 subject to the Food Stamp time limit and work requirements. We are, however, pleased that the Senate bill has included a provision for FSC software.

Administration,s Position: In addition to the President,s D.C. incentives, include the President,s Budget proposals to expand Empowerment Zones and Enterprise Communities, and to provide tax incentives to clean up brownfields and to stimulate investments in Community Development Financial Institutions. We would support the House provision on the enhanced welfare-to-work tax credit for long-term welfare recipients, but would change the credit to be 50 percent for both years. Make no change in the current structure of the WOTC regarding number of hours, and expand the Food Stamp target group to cover the 18-50 year olds. In addition, include a provision for equitable tolling, which protects a taxpayer's rights when he or she is incapacitated, a provision restructuring our Nation's affordable housing portfolio, and economic activity tax incentives for Puerto Rico.

Independent Contractors

We strongly oppose provisions in the House bill that would provide a new safe-harbor for independent contractor status. This provision would permit employers to avoid essential worker protections and could lead to widespread shifting of employees to independent contractor status, resulting in loss of worker protections such as pension and health coverage, and consequently wage and hour protections, unemployment insurance benefits and compensation for work-related injuries.

Administration,s Position: Do not include provisions on independent contractor status.

Extension of Airport and Airways Trust Fund Tax

The President proposed to extend the current airport and airways trust fund tax to give the National Civil Aviation Review Commission an opportunity to complete its work. Both the House and the Senate bills would set new fee structures that could have an enormous impact on the U.S. airline industry by disrupting the current competitive environment.

Administration Position: Extend the current airport and airways trust fund tax so the Commission has sufficient time to study the issue. When it has completed that work, its findings should be taken into account in modifying or amending this tax.

Tobacco Tax

The Senate bill contains a provision to raise tobacco taxes by 20 cents a pack, using part of the tax to fund children,s health care. This tax should be committed to benefit children,s health care, and not to pay for tax cuts.

Administration Position: Increase the tobacco tax by 20 cents, and separate all the revenues into a trust fund to expand health coverage for children, address children,s development issues, and improve the overall public health.

Other Issues of Concern

The House and Senate bills contain other provisions that raise serious concerns. For instance, the Administration opposes the provision in the Senate bill transferring the 4.3 cents per gallon in fuel taxes currently dedicated to deficit reduction from the General Fund to transportation trust funds. While the transfer provision in itself has no revenue or spending effect, transferring the revenue feeds efforts to move the trust funds off-budget and creates pressure to increase ground transportaiton spending to levels significantly higher than in the bipartisan budget agreement.

The Administration continues to support the ethanol tax incentives, as evidenced by the proposed extension of the excise tax exemption for ethanol in our ISTEA reauthorization proposal earlier this year. As compared to the House bill, the Senate bill more closely approaches the Administration,s favored position.

Both the Senate and House bills are heavily laden with special-interest provisions, such as special tax benefits for vacation timeshare associations, new tax benefits for friends and family riding corporate jets, and special treatment of travel and meals expenses for targeted groups of taxpayers, such as Alaska seafood processors. We believe that it is inappropriate to use this reconciliation bill as a vehicle for new tax breaks for special interests. We urge the conferees to keep the revenue reconciliation bill clean of all special-interest provisions.

In addition, the Administration has technical and/or policy concerns about a number of other provisions in the House and Senate bills. We believe that by working together, our staffs should be able to address many of these problems, and we strongly urge the conferees to authorize the staffs to begin working on these issues as soon as possible.

As the revenue reconciliation bill proceeds to conference, we remain eager to work with the Congress to fashion, and ultimately sign, tax-cut legislation that is faithful to the bipartisan budget agreement, and that is fair to all Americans.

Sincerely,

Message Sent
To:____
Jacob J. Lew/OMB/EOP
Kenneth S. Apfel/OMB/EOP
Michael Deich/OMB/EOP
Joseph J. Minarik/OMB/EOP
Nancy A. Min/OMB/EOP
T J. Glauthier/OMB/EOP
Barry T. Clendenin/OMB/EOP
Barry White/OMB/EOP
Kenneth L. Schwartz/OMB/EOP
Alan B. Rhinesmith/OMB/EOP
Ronald M. Cogswell/OMB/EOP
Gene B. Sperling/OPD/EOP
Charles R. Marr/OPD/EOP
Janet L. Yellen/CEA/EOP
Michele Jolin/CEA/EOP
John L. Hilley/WHO/EOP
Victoria Radd/WHO/EOP
Sylvia M. Mathews/WHO/EOP
John Podesta/WHO/EOP

Message Copied
To:____
Lisa M. Kountoupes/OMB/EOP
Alice E. Shuffield/OMB/EOP
Elisa Millsap/WHO/EOP
Elisa Millsap/WHO/EOP
James J. Jukes/OMB/EOP
Ronald E. Jones/OMB/EOP
=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D45]MAIL436263284.116 to ASCII,
The following is a HEX DUMP:

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

DRAFT

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Administration's Position on Other Features in the Education Packages

- Make permanent the exclusion of employer-provided educational assistance from taxable income and extend the exclusion to graduate education (Section 127).
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- Adopt proposals to aid K-12 public school construction (and other activities) in poor neighborhoods.
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- Include a proposal to repeal the $150 million bond cap for new capital expenditures by private colleges and universities.

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> **Administration's Position**: Provide a 30 percent exclusion for long-term capital gains. This reduces the top rate on capital gains to 27.72 percent for taxpayers in the 39.6-percent bracket, and gives a rate cut to all taxpayers in the 36-percent bracket and lower. Taxpayers in the 28-percent and 15-percent brackets get almost as much relief as they do under the 20/10 separate rate schedule proposed in the House and Senate bills. The proposal would include the President's home sale provision and targeted small-business capital gains relief.

Alternative Minimum Tax Relief

We are pleased that both the Senate and House bills adopt a modified version of the President's proposal to exempt small corporations from the AMT. We also acknowledge the importance of provisions in each bill designed to compensate for the failure in previous years to index the AMT exclusion for inflation. We strongly oppose, however, the House provision that over five years would provide $22 billion in unwarranted AMT relief for large corporations.

Administration's Position: Do not adopt the House provision for AMT relief for large corporations.

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The back-loaded IRAs in both the Senate and House bills are not sufficiently targeted. Contributions could be made to these back-loaded IRAs without any income limits, which would result in a substantial shifting of existing savings into tax-preferred investment vehicles by high-income taxpayers, rather than creating new savings. These provisions significantly add to the dual problems of an out-year explosion of revenue costs and distributional inequity.

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Administration's Position: Give special exemption for $900,000 of value in a qualified farm or small business in addition to the $600,000 value of the unified credit; increase value of estates eligible for liquidity relief as proposed in the Administration's FY 98 budget. Do not apply the repeal of the throw-back rules to the pre-1984 trusts that are already entitled to a special exemption from the multiple trust rules.

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We are pleased both the Senate and House bills, like the President's budget, include tax incentives for the District of Columbia; however, we have significant concerns with specific proposals in both the House and Senate bills. We are disappointed the Senate and House bills include only very limited aspects of proposals in the President's Budget intended to revitalize distressed urban areas, and omit other important initiatives altogether. In addition, we are disappointed the Work Opportunity Tax Credit (WOTC) contained in both the House and Senate bills allows employers to claim the WOTC for hiring workers for a very short period of time and does not expand the Food Stamp target group in WOTC to cover childless, able-bodied adults ages 18-50 subject to the Food Stamp time limit and work requirements. We are, however, pleased that the Senate bill has included a provision for FSC software.

Administration's Position: In addition to the President's D.C. incentives, include the President's Budget proposals to expand Empowerment Zones and Enterprise Communities, and to provide tax incentives to clean up brownfields and to stimulate investments in Community Development Financial Institutions. We would support the House provision on the enhanced welfare-to-work tax credit for long-term welfare recipients, but would change the credit to be 50 percent for both years. Make no change in the current structure of the WOTC regarding number of hours, and expand the Food Stamp target group to cover the 18-50 year olds. In addition, include a provision for equitable tolling, which protects a taxpayer's rights when he or she is incapacitated, a provision restructuring our Nation's affordable housing portfolio, and economic activity tax incentives for Puerto Rico.

Independent Contractors

We strongly oppose provisions in the House bill that would provide a new safe-harbor for independent contractor status. This provision would permit employers to avoid essential worker protections and could lead to widespread shifting of employees to independent contractor status, resulting in loss of worker protections such as pension and health coverage, and consequently wage and hour protections, unemployment insurance benefits and compensation for work-related injuries.

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The President proposed to extend the current airport and airways trust fund tax to give the National Civil Aviation Review Commission an opportunity to complete its work. Both the House and the Senate bills would set new fee structures that could have an enormous impact on the U.S. airline industry by disrupting the current competitive environment.

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Tobacco Tax

The Senate bill contains a provision to raise tobacco taxes by 20 cents a pack, using part of the tax to fund children's health care. This tax should be committed to benefit children's health care, and not to pay for tax cuts.

> **Administration Position**: Increase the tobacco tax by 20 cents, and separate all the revenues into a trust fund to expand health coverage for children, address children's development issues, and improve the overall public health.

Other Issues of Concern

The House and Senate bills contain other provisions that raise serious concerns. For instance, the Administration opposes the provision in the Senate bill transferring the 4.3 cents per gallon in fuel taxes currently dedicated to deficit reduction from the General Fund to transportation trust funds. While the transfer provision in itself has no revenue or spending effect, transferring the revenue feeds efforts to move the trust funds off-budget and creates pressure to increase ground transportaiton spending to levels significantly higher than in the bipartisan budget agreement.

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Both the Senate and House bills are heavily laden with special-interest provisions, such as special tax benefits for vacation timeshare associations, new tax benefits for friends and family riding corporate jets, and special treatment of travel and meals expenses for targeted groups of taxpayers, such as Alaska seafood processors. We believe that it is inappropriate to use this reconciliation bill as a vehicle for new tax breaks for special interests. We urge the conferees to keep the revenue reconciliation bill clean of all special-interest provisions.

In addition, the Administration has technical and/or policy concerns about a number of other provisions in the House and Senate bills. We believe that by working together, our staffs should be able to address many of these problems, and we strongly urge the conferees to authorize the staffs to begin working on these issues as soon as possible.

As the revenue reconciliation bill proceeds to conference, we remain eager to work with the Congress to fashion, and ultimately sign, tax-cut legislation that is faithful to the bipartisan budget agreement, and that is fair to all Americans.

Sincerely,

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 2-JUL-1997 09:34:33.00

SUBJECT: here is copy of tax letter

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Mark J. Mazur (CN=Mark J. Mazur/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Russell W. Horwitz/OPD/EOP on 07/02/97
09:31 AM ---------------------------

Charles R. Marr
07/02/97 09:04:24 AM
Record Type: Record

To: Russell W. Horwitz/OPD/EOP
cc:
Subject: here is copy of tax letter

---------------------- Forwarded by Charles R. Marr/OPD/EOP on 07/02/97
09:05 AM ---------------------------

Joshua Gotbaum
07/02/97 12:13:33 AM
Record Type: Non-Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Treasury Tax Conferee Letter for Quick Review

Treasury provided us with the following last night. (Also attached is
a WordPerfect file version.) OMB's LRD can collect comments, or they can
be provided directly to Treasury.

DRAFT

Dear [conferee]:

I write to share with you the Administration,s views on major issues in conference on the tax portions of revenue reconciliation.

In general, as we have previously indicated, the Administration strongly believes that any tax-cut package must meet four basic tests to reflect sound policy and be fair for all working American families. First, it must reflect the terms of the bipartisan budget agreement. Second, the tax cuts must be fiscally responsible by avoiding an explosion in out-year costs and be designed to help the economy to continue to grow. Third, the tax cut must not disproportionately benefit upper-income families. Fourth , a tax-cut package must genuinely expand educational opportunities for Americans of all ages.

The Senate bill moves more in the direction of these principles than does the House bill; however, a number of changes are necessary to satisfy the four tests listed above. The most significant of these necessary changes are briefly described below.

Education Tax Incentives

We are pleased that each bill contains a version of the President,s HOPE scholarship proposal. Both the House and Senate bills, however, fall far short of meeting the specific agreement of providing roughly $35 billion over five years of education incentives along the lines of the President's HOPE scholarship credit and tuition deduction proposals.

While the HOPE credit as modified in the Senate bill is an improvement over the version in the House bill, each bill significantly reduces the value of education benefits for millions of students attending low-cost institutions by cutting the percentage of expenses covered by the credit (50% in the House bill, 50% to 75% in the Senate bill).

Neither bill includes a widely available tuition deduction or credit to help beyond the first two years of higher education consistent with the tuition deduction in the President,s budget proposal. We are particularly concerned that neither bill significantly promotes life-long learning, which we believe is a critical component of any education package. In addition, neither bill offers low-income students and students who work to pay tuition meaningful help beyond the first two years of higher education. Under both bills, tax-free saving offered through new education IRAs and prepaid tuition plans is overly generous to upper-income families. We also object to the provision in the Senate bill that allows tax-free withdrawals from these accounts for primary and secondary school tuition because it provides Federal subsidies to parents who send their children to private schools. Overall, as compared to the President,s proposals, both packages direct more benefits toward upper-income families while reducing the benefits to lower-income families, particularly those who rely on their earnings to finance higher education.

Administration Position:

HOPE Scholarship Credit: The Administration remains strongly committed to the principle that the education tax incentives must be fair, must genuinely expand educational opportunities for Americans, and must promote life-long learning. To accomplish these objectives, the Administration urges the conferees to adopt a HOPE credit that gives a HOPE Scholarship of 100 percent of the first $1000 of tuition and fees, and 50 percent of the next $1000 in 1998 through 2002. Students must attend at least half time in the first two years of a post-secondary degree or certificate program. If a student is not eligible for the HOPE scholarship but is pursuing a postsecondary degree or certificate or is enrolled in classes to improve job skills, we believe that a 20-percent credit for tuition and fees up to $5,000 through 2000 and $10,000 thereafter should be granted.

This proposal furthers the Administration,s education objectives in two ways: it lessens concerns about tuition inflation by limiting the marginal subsidy of the HOPE scholarship to 50 cents on the dollar (rather than dollar for dollar) for students with tuition between $1,000 and $2,000. It also increases the progressivity of the tuition deduction by converting it into a 20-percent credit.

Administration,s Position on Other Features in the Education Packages

Make permanent the exclusion of employer-provided educational assistance from taxable income and extend the exclusion to graduate education (Section 127).

Adopt a student-loan interest deduction and a loan forgiveness exemption similar to that contained in the Senate bill.

Adopt proposals to aid K-12 public school construction (and other activities) in poor neighborhoods.

Provide tax incentives to help public elementary and secondary schools obtain up-to-date computer technology.

Include a proposal to repeal the $150 million bond cap for new capital expenditures by private colleges and universities.

Child Credit

We are pleased that both the Senate and House bills include child credits. We are deeply concerned, however, that each bill would deny the child credit to millions of low-income, working families who pay taxes. The Senate bill is less objectionable in this regard, in that it would stack the child credit after one-half of the EITC, whereas the House bill would stack the child credit after 100 percent of the EITC and would also reduce tax benefits for many families who receive a tax credit for their child-care expenses.

Administration,s Position: Stack the child credit before the EITC. Allow the $500 child credit ($400 in 1998) for kids under 17 through 2002 and under 19 thereafter. Make the child credit refundable to the extent that the family,s payroll taxes exceed their earned income tax credit. Adopt an optional Kidsave feature that allows parents to contribute up to the amount of the credit plus $500 per child to a nondeductible, backloaded IRA-type savings vehicle. Earnings could be distributed tax-free for a child's post-secondary education or purchase of a first ho me, or for the parent's retirement. The income limits would be the same as in the President,s Budget (phased out between $60,000-$75,000 through 2000, and $80,000-$100,000 thereafter). The child credit and its income thresholds should be indexed.

Capital Gains Relief

We are pleased that both the Senate and House bills contain the President,s proposal to exclude up to $500,000 of capital gains from home sales. We also support targeted small-business capital gains relief that is similar to proposals contained in the Senate bill. We believe that the additional across-the-board capital gains relief in both bills is too generous and would disproportionately benefit the wealthy over lower- and middle-income wage earners. The Administration strongly opposes the indexing provision in the House bill: it would contribute to an explosive revenue cost after 2007, possibly jeopardizing all our important work on deficit reduction. In addition, the indexing proposal is enormously complex and difficult to administer. We also oppose as unwarranted the provision in the House bill for corporate capital gains relief.

Administration,s Position: Provide a 30 percent exclusion for long-term capital gains. This reduces the top rate on capital gains to 27.72 percent for taxpayers in the 39.6-percent bracket, and gives a rate cut to all taxpayers in the 36-percent bracket and lower. Taxpayers in the 28-percent and 15-percent brackets get almost as much relief as they do under the 20/10 separate rate schedule proposed in the House and Senate bills. The proposal would include the President,s home sale provision and targeted small-business capital gains relief.

Alternative Minimum Tax Relief

We are pleased that both the Senate and House bills adopt a modified version of the President,s proposal to exempt small corporations from the AMT. We also acknowledge the importance of provisions in each bill designed to compensate for the failure in previous years to index the AMT exclusion for inflation. We strongly oppose, however, the House provision that over five years would provide $22 billion in unwarranted AMT relief for large corporations.

Administration,s Position: Do not adopt the House provision for AMT relief for large corporations.

IRAs

The back-loaded IRAs in both the Senate and House bills are not sufficiently targeted. Contributions could be made to these back-loaded IRAs without any income limits, which would result in a substantial shifting of existing savings into tax-preferred investment vehicles by high-income taxpayers, rather than creating new savings. These provisions significantly add to the dual problems of an out-year explosion of revenue costs and distributional inequity.

Administration,s Position: Allow penalty-free withdrawals from existing IRAs to finance education expenses, for first-time home purchases, and for certain other limited purposes. Provide Kidsave accounts for taxpayers who are entitled to a child credit, with contributions limited to the amount of the child credit plus $500 per child.

Estate Tax Relief

We are pleased that both the Senate and House bills have included versions of the Administration,s proposal to provide liquidity relief for estates owning small businesses and farms. We are concerned, however, that the sweeping estate tax relief in both bills is too expensive and benefits only the very wealthiest Americans. In addition, the special estate and gift tax treatment of pre-paid tuition plans under the Senate bill would provide inappropriate tax planning opportunities. Further, the unlimited repeal of the so-called &throw-back8 rules would allow certain trusts that are already tax advantaged to reap additional, unwarranted tax benefits. We believe that estate and gift tax relief is most productively targeted to owners of small businesses and farms, along the lines of the small-business provision in the Senate bill.

Administration,s Position: Give special exemption for $900,000 of value in a qualified farm or small business in addition to the $600,000 value of the unified credit; increase value of estates eligible for liquidity relief as proposed in the Administration,s FY 98 budget. Do not apply the repeal of the throw-back rules to the pre-1984 trusts that are already entitled to a special exemption from the multiple trust rules.

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Message Sent
To:____

Jacob J. Lew/OMB/EOP
Kenneth S. Apfel/OMB/EOP
Michael Deich/OMB/EOP
Joseph J. Minarik/OMB/EOP
Nancy A. Min/OMB/EOP
T J. Glauthier/OMB/EOP
Barry T. Clendenin/OMB/EOP
Barry White/OMB/EOP
Kenneth L. Schwartz/OMB/EOP
Alan B. Rhinesmith/OMB/EOP
Ronald M. Cogswell/OMB/EOP
Gene B. Sperling/OPD/EOP
Charles R. Marr/OPD/EOP
Janet L. Yellen/CEA/EOP
Michele Jolin/CEA/EOP
John L. Hilley/WHO/EOP
Victoria Radd/WHO/EOP
Sylvia M. Mathews/WHO/EOP
John Podesta/WHO/EOP

Message Copied
To:
Lisa M. Kountoupes/OMB/EOP
Alice E. Shuffield/OMB/EOP
Elisa Millsap/WHO/EOP
Elisa Millsap/WHO/EOP
James J. Jukes/OMB/EOP
Ronald E. Jones/OMB/EOP

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D36]MAIL40796328Y.116 to ASCII,
The following is a HEX DUMP:

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

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Administration's Position on Other Features in the Education Packages

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The Administration continues to support the ethanol tax incentives, as evidenced by the proposed extension of the excise tax exemption for ethanol in our ISTEA reauthorization proposal earlier this year. As compared to the House bill, the Senate bill more closely approaches the Administration's favored position.

Both the Senate and House bills are heavily laden with special-interest provisions, such as special tax benefits for vacation timeshare associations, new tax benefits for friends and family riding corporate jets, and special treatment of travel and meals expenses for targeted groups of taxpayers, such as Alaska seafood processors. We believe that it is inappropriate to use this reconciliation bill as a vehicle for new tax breaks for special interests. We urge the conferees to keep the revenue reconciliation bill clean of all special-interest provisions.

In addition, the Administration has technical and/or policy concerns about a number of other provisions in the House and Senate bills. We believe that by working together, our staffs should be able to address many of these problems, and we strongly urge the conferees to authorize the staffs to begin working on these issues as soon as possible.

As the revenue reconciliation bill proceeds to conference, we remain eager to work with the Congress to fashion, and ultimately sign, tax-cut legislation that is faithful to the bipartisan budget agreement, and that is fair to all Americans.

Sincerely,

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

Collection: 2013-0723-F

Bucket: CEA

Creation Date: 1997-07-15

Subject: Re: tuition wavers

Creator: Daniel L. Goroff CN=Daniel L. Goroff/OU=OSTP/O=EOP [OSTP]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert B. Anderson (CN=Robert B. Anderson/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 1-AUG-1997 15:57:13.00

SUBJECT: BPM - 821, Supplement No. 1 -- REVISED INFORMATION REQUIRED FOR THE MID-SESSION REVIEW OF THE 1998 BUDGET

TO: Steven N. Braun (CN=Steven N. Braun/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
This explains what the OMB examiners are to do in updating the OMB data base for the changes enacted in the budget bills just passed by Congress.
---------------------- Forwarded by Robert B. Anderson/OMB/EOP on 08/01/97 03:56 PM ---------------------------

Justine F. Rodriguez

08/01/97 03:46:33 PM
Record Type: Record

To: Randolph M. Lyon/OMB/EOP, Mark A. Wasserman/OMB/EOP, Robert B. Anderson/OMB/EOP, Laurence R. Jacobson/OMB/EOP
cc:
Subject: BPM - 821, Supplement No. 1 -- REVISED INFORMATION REQUIRED FOR THE MID-SESSION REVIEW OF THE 1998 BUDGET

---------------------- Forwarded by Justine F. Rodriguez/OMB/EOP on 08/01/97 03:44 PM ---------------------------

Pamula L. Simms
08/01/97 03:29:11 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc: Kenneth S. Kelly/OMB/EOP
Subject: BPM - 821, Supplement No. 1 -- REVISED INFORMATION REQUIRED FOR THE MID-SESSION REVIEW OF THE 1998 BUDGET

************************************BPM ALERT**************************************

Please E-mail this BPM to the appropriate Program Examiners in your division/branch.

A hard copy of the BPM will be delivered shortly.

This will be the ONLY hard copy (1) you will receive. Please make hard copies for your branch or division, if necessary.

The Director, Deputy Director, and PADs will also receive a hard copy today.

SEE THE ATTACHED SCHEDULE FOR DATES FOR THE MID-SESSION REVIEW OF THE FY 1998 BUDGET.

Attachment BPM 821, Supplement No. 1.

August 1,

1997

BUDGET PROCEDURES MEMORANDUM NO. 821, SUPPLEMENT NO. 1

TO: ACTING DEPUTY DIRECTOR FOR MANAGEMENT
PROGRAM ASSOCIATE DIRECTORS
PROGRAM DEPUTY ASSOCIATE DIRECTORS
ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE
DEPUTY CONTROLLER, OFFICE OF FEDERAL FINANCIAL MANAGEMENT

FROM: Barry Anderson
Assistant Director for Budget

SUBJECT: Revised Information Required for the Mid-Session Review of the FY 1998 Budget

1. Purpose and background. BPM No. 821, dated June 5, 1997, provided Resource Management Offices (RMOs) with instructions and a schedule for the revision and review of estimates required to prepare the Mid-Session Review of the FY 1998 Budget. Submission of the Mid-Session Review Report was delayed pending enactment of implementing legislation related to the Bipartisan Budget Agreement. The &Balanced Budget Act of 1997" (BBA) and the &Taxpayer Relief Act of 1997" (TRA) have now been enacted.

This supplement to the BPM provides additional guidance for updating the existing Presidential policy Mid-Session database to reflect enactment of the &Balanced Budget Act of 1997" and the &Taxpayer Relief Act of 1997," a budget amendment transmitted on July 17, 1997, and the release of a contingent emergency appropriations for counter-terrorism to the Department of the Treasury.

2. Information required. The existing database reflects the Bipartisan Budget Agreement as contained in the FY 1998 budget resolution. RMOs are asked to update existing estimates of mandatory budget authority, outlays,

and receipts to reflect enactment of the BBA and the TRA. RMOs are responsible for entering the revisions directly into data sections A and R of the MAX A-11 data entry system. Agencies can be provided access to the MAX A-11 data entry system on a case by case basis, if requested.

RMOs are required to revise estimates as follows:

a. Balanced Budget Act of 1997 and the Taxpayer Relief Act of 1997. Mandatory spending resulting from the BBA and the TRA will continue to be displayed as proposed legislation (in transmittal code &4" schedules) even though this legislation has been enacted. Items that were included in reconciliation instructions but not included in the final reconciliation bill, should now be dropped. Other reconciled items should be adjusted to reflect final action and new items in the reconciliation bill should be added. All items should be reported at the account level. BRD will update all governmental receipt accounts. RMOs preferring to do their own data entry for governmental receipts should contact Mary Barth (ext. 53690).

b. Budget amendments and Administration initiatives. Budget amendments for discretionary appropriations transmitted on July 17, 1997, should be reflected in Mid-Session Review revised policy estimates in transmittal code &0" schedules. All other amendments should already be reflected in the database.

c. Release of contingent emergency appropriations. The release of $7.5 million of contingent emergency appropriations for counter terrorism programs in the Department of the Treasury should be reflected in revised policy and baseline estimates in transmittal code &0" schedules.

d. Baseline. With the exception of revisions for releases of contingent emergency appropriations, no changes should be made in baseline estimates without advance approval from BRD.

3. Timing. RMO revisions to the existing information for the Mid-Session Review should be entered into the database no later than cob Wednesday, August 20, 1997. A revised schedule for the preparation of the Mid-Session Review document is attached.

4. Inquiries. Questions concerning Mid-Session Review instructions should be addressed to Ellen Balis (ext. 54574), BAB; Nancy Ridenour (ext. 54674),BRB; or Ken Kelly (ext. 53753), BCB.

Attachment

Attachment
BPM

No. 821

Supplement

No. 1

SCHEDULE FOR PREPARATION OF THE
MID-SESSION REVIEW (MSR) OF THE FY 1998 BUDGET

OMB revised instructions on MSR
distributed....................................Monday, August 4

MAX database opens ....Monday, August 4

Draft of MSR document circulated..................Friday, August 8

Comments due on draft........................COB Monday, August 11

Final draft of MSR document to Director, Deputy Director
and Executive Associate Director..........COB Tuesday, August 12

Comments due from Director, DD, and EAD ....COB Thursday, August 14

Comments incorporated........................... Friday, August 15

Revised MSR data due to BRCD.....................Monday, August 18

MSR database locks...............................Friday, August 22

Camera-ready copy prepared................Wednesday, August 27, 9am
(OK to Print)

Transmittal of MSR to Congress.................Thursday, August 28
(posting on Internet)

Message Sent
To:
Gordon Adams/OMB/EOP
Donald R. Arbuckle/OMB/EOP
Kenneth S. Apfel/OMB/EOP
Robert E. Barker/OMB/EOP
Christina Barnes/OMB/EOP
Jean D. Baxter/OMB/EOP
Rodney G. Bent/OMB/EOP
Gary L. Bennethum/OMB/EOP
James Boden/OMB/EOP
Yvonne T. Bowlding/OMB/EOP
Nancy L. Brandel/OMB/EOP
Denise M. Bray/OMB/EOP
Jonathan D. Breul/OMB/EOP
Edward A. Brigham/OMB/EOP
Allan E. Brown/OMB/EOP

John D. Burnim/OMB/EOP
Susan M. Carr/OMB/EOP
James P. Christopoulos/OMB/EOP
Mary M. Chuckerel/OMB/EOP
Barry T. Clendenin/OMB/EOP
Ronald M. Cogswell/OMB/EOP
Teresa L. Collins/OMB/EOP
Hugh T. Connelly/OMB/EOP
William P. Curtis/OMB/EOP
Philip R. Dame/OMB/EOP
Michael Deich/OMB/EOP
Elizabeth M. DiGennaro/OMB/EOP
Kate P. Donovan/OMB/EOP
Karen S. Dooley/OMB/EOP
William L. Dorotinsky/OMB/EOP
Robert S. Dotson/OMB/EOP
Sherron Duncan/OMB/EOP
Philip A. DuSault/OMB/EOP
Marguerite D. Dyson/OMB/EOP
Eugene M. Ebner/OMB/EOP
Michelle A. Enger/OMB/EOP
Rhodia D. Ewell/OMB/EOP
Lisa B. Fairhall/OMB/EOP
Robert S. Fairweather/OMB/EOP
Jack D. Fellows/OMB/EOP
Patricia A. Ferrell/OMB/EOP
Darlene B. Fleming/OMB/EOP
Dana L. Flower Lake/OMB/EOP
Gillian J. Foster/OMB/EOP
Wanda J. Foster/OMB/EOP
Lisa A. Gaisford/OMB/EOP
Evett F. Gardner/OMB/EOP
T J. Glauthier/OMB/EOP
Maryanne B. Green/OMB/EOP
Pamela B. Green/OMB/EOP
John A. Gribben/OMB/EOP
Lawrence J. Haas/OMB/EOP
William A. Halter/OMB/EOP
Dianne M. Ham/OMB/EOP
Patricia S. Haney/OMB/EOP
Dionne Hardy/OMB/EOP
Brenda F. Harper/OMB/EOP
David J. Haun/OMB/EOP
Jefferson B. Hill/OMB/EOP
Edith D. Hopkins/OMB/EOP
Kathy M. Hudgins/OMB/EOP
Toni S. Hustead/OMB/EOP
Janet E. Irwin/OMB/EOP
Norwood J. Jackson Jr/OMB/EOP
Carol D. Jenkins/OMB/EOP
Marilyn E. Jones/OMB/EOP
James F. Jordan/OMB/EOP
Sally Katzen/OMB/EOP
James B. Kazel/OMB/EOP

Barbara F. Kahlow/OMB/EOP
Ann Kendrall/OMB/EOP
Farooq Khan/OMB/EOP
Charles E. Kieffer/OMB/EOP
Louisa Koch/OMB/EOP
Lisa M. Kountoupes/OMB/EOP
Bradley W. Kyser/OMB/EOP
Cameron M. Leuthy/OMB/EOP
Linn M. Ligon/OMB/EOP
Susanne D. Lind/OMB/EOP
Jenise Littlejohn/OMB/EOP
Bruce D. Long/OMB/EOP
Jonna M. Long/OMB/EOP
Eric L. Macris/OMB/EOP
Bernard H. Martin/OMB/EOP
Larry R. Matlack/OMB/EOP
Bruce W. McConnell/OMB/EOP
Yvonne A. McCoy/OMB/EOP
Katrina A. McDonald/OMB/EOP
Katherine L. Meredith/OMB/EOP
Richard A. Mertens/OMB/EOP
Harry G. Meyers/OMB/EOP
Mark E. Miller/OMB/EOP
Joseph J. Minarik/OMB/EOP
John F. Morrall III/OMB/EOP
David H. Morrison/OMB/EOP
Delphine C. Motley/OMB/EOP
Sheila D. Newman/OMB/EOP
Desiree C. Noble/OMB/EOP
Memphis A. Norman/OMB/EOP
Marcia D. Occomy/OMB/EOP
Marvis G. Olfus/OMB/EOP
Anna K. Pannell/OMB/EOP
Darrell Park/OMB/EOP
Jacqueline M. Peay/OMB/EOP
Carolyn R. Phelps-Carter/OMB/EOP
Joseph G. Pipan/OMB/EOP
Edward M. Rea/OMB/EOP
Francis S. Redburn/OMB/EOP
Thomas Reilly/OMB/EOP
Rosalyn J. Rettman/OMB/EOP
Alan B. Rhinesmith/OMB/EOP
Robert B. Rideout/OMB/EOP
Justine F. Rodriguez/OMB/EOP
Maria F. Salcedo/OMB/EOP
Lavonne D. Sampson/OMB/EOP
Bruce K. Sasser/OMB/EOP
Andrew M. Schoenbach/OMB/EOP
John T. Schuhart/OMB/EOP
Kenneth L. Schwartz/OMB/EOP
Alice S. Sheck/OMB/EOP
Vanna J. Shields/OMB/EOP
Angela C. Simmons/OMB/EOP
Pamula L. Simms/OMB/EOP

Julie J. Sonier/OMB/EOP
Kathryn B. Stack/OMB/EOP
Thomas P. Stack/OMB/EOP
E S. Swain/OMB/EOP
Daniel M. Tangherlini/OMB/EOP
David E. Tornquist/OMB/EOP
Richard J. Turman/OMB/EOP
Katherine M. Tyer/OMB/EOP
Areletha L. Venson/OMB/EOP
Phebe N. Vickers/OMB/EOP
Joyce M. Wakefield/OMB/EOP
Stanley R. Wallace/OMB/EOP
Iratha H. Waters/OMB/EOP
Rebecca A. Wayne/OMB/EOP
Mark A. Weatherly/OMB/EOP
Tawana F. Webb/OMB/EOP
Lisa F. Western/OMB/EOP
Ophelia D. West/OMB/EOP
Arnette C. White/OMB/EOP
Barry White/OMB/EOP
Kim S. White/OMB/EOP
William F. Wiggins/OMB/EOP
Debra L. Williams/OMB/EOP
Chantale Y. Wong/OMB/EOP
Louise D. Young/OMB/EOP
Leonard B. Zuza/OMB/EOP
Wendy B. Zenker/OMB/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 3-SEP-1997 18:22:46.00

SUBJECT: Re:

TO: Lael Brainard (CN=Lael Brainard/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Charles R. Marr/OPD/EOP on 09/03/97 06:23 PM ---------------------------

Robert M. Shireman
09/03/97 06:21:41 PM
Record Type: Record

To: Charles R. Marr/OPD/EOP
cc:
bcc:
Subject: Re:

Some edits below:

A $1,500 HOPE Scholarship and a 20% Tuition Tax Credit for working Americans pursuing lifelong learning to upgrade their skills. At the President ,s insistence, the balanced budget includes [a] both a $1,500 HOPE Scholarship for the first two years of postsecondary training and a 20% Lifetime Learning tax credit that workers can use to help pay for training to upgrade their skills. The President has long understood that the economy is changing and that people need the opportunity to enhance their skills throughout their working lives.

Charles R. Marr
09/03/97 04:00:25 PM
Record Type: Record

To: Robert M. Shireman/OPD/EOP
cc:
Subject:

Bob - could you take a quick look - edit - the audience is how tax cuts will help dislocated workers and workers in transition -- thanks

A $1,500 HOPE Scholarship and a 20% Tuition Tax Credit for working Americans pursuing lifelong learning to upgrade their skills. Because of the President ,s insistence, the balanced budget includes a both a $1,500 two-year HOPE Scholarship and a 20% tuition tax credit that workers can use to help pay for training to upgrade their skills. The President has long understood that the economy is changing and that people need the opportunity to enhance their skills throughout their working lives.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lael Brainard (CN=Lael Brainard/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 5-SEP-1997 10:06:05.00

SUBJECT: Chuck's Edits, as Discussed

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Lael Brainard/CEA/EOP on 09/05/97
10:04 AM ---------------------------

Charles R. Marr
09/03/97 06:22:42 PM
Record Type: Record

To: Lael Brainard/CEA/EOP
cc:
Subject: Re:

---------------------- Forwarded by Charles R. Marr/OPD/EOP on 09/03/97
06:23 PM ---------------------------

Robert M. Shireman
09/03/97 06:21:41 PM
Record Type: Record

To: Charles R. Marr/OPD/EOP
cc:
bcc:
Subject: Re:

Some edits below:

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Charles R. Marr
09/03/97 04:00:25 PM
Record Type: Record

To: Robert M. Shireman/OPD/EOP
cc:
Subject:

Bob - could you take a quick look - edit - the audience is how tax cuts will help dislocated workers and workers in transition -- thanks

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Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

Collection: 2006-0143-F

Bucket: CEA

Creation Date: 1997-09-25

Subject: US Survey – Chapter 3

Creator: Mee-Lan.FRANK@oecd.org@INET@LNGTWY
Mee-Lan.FRANK@oecd.org@INET@LNGTWY [UNKNOWN]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jeremy B. Rudd (CN=Jeremy B. Rudd/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 1-OCT-1997 09:46:03.00

SUBJECT: Comments on chapter three redraft

TO: Peter.JARRETT (Peter.JARRETT @ oecd.org @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
Peter: Here are the comments on the chapter three redraft. When should I expect the remaining chapters?

- Jeremy

Comments on Chapter Three Redraft

Para. 78:

1. This is a minor stylistic item: The text of the second sentence of the paragraph appears to identify "a need to comply with international agreements" with "efficiency-enhancing motives."

2. Although this item wasn ,t raised during the drafting session, I would point out that it might be a bit strong to identify the separation of powers found in the United States as being the reason that current reforms lack coherence. The current situation is atypical relative to past experience in that the Republican Party controls Congress (while the President is a Democrat). And, it is not clear that a parliamentary system would not suffer from similar problems if the prime minister of such a government were supported by a weakly allied coalition of parties. Is the last sentence of the paragraph intended to be expositional? Or is the EDRC recommending that the U.S. adopt a parliamentary form of government?

Para. 84:

It might be good to mention that the U.S. is one of a very small number of countries that does not allow bribes to foreign officials to be tax deductible. As written, this part of the text seems to lump the U.S. among the OECD member countries who do allow such practices.

Para. 87:

In response to the Japanese delegation ,s request, mention was made of the recent imposition of restrictions against imports by "state and local governments." I do not recall that this point ever came up during the

EDRC meetings (as opposed to the shipbuilding agreement, which was discussed), and so would prefer that the mention be dropped. However, if it is kept, I would suggest redrafting the text in order to emphasize that this represents a single incident, and does not appear to be the start of a trend. As written, the text appears to imply that more than one state and/or local government has imposed such sanctions--is this correct?

Para. 88:

The first sentence of the paragraph is slightly garbled as written. A suggested redraft would be:

"Several financial services reform measures were passed by Congress in 1996."

...or words to that effect.

Para. 89:

Another important component of the House banking reform legislation that might be worthy of note is its lack of capitalization guarantee (see the draft comments that the U.S. delegation originally submitted).

Para. 94:

Just out of curiosity, why weren ,t all of the originally suggested edits to the text of this paragraph made? My impression is that they are basically factual in nature.

Para. 96:

1. Please add "yet" to the final sentence of the paragraph, so that it reads "...for reductions has not yet been formulated." As written, the sentence might appear to suggest (erroneously) that there is no policy process currently in motion to address this issue.

2. [*** Possible comment pending from JLY ***]

Para. 97:

1. The footnote on the minimum wage ,s effects is unfair and probably not correct. First, it is difficult to have much faith in the footnote ,s conclusion as currently drafted, particularly since one quarter of data appear to be driving the results (the previous draft of the footnote came to a completely different conclusion). Second, looking at teenage employment tells a partial story only; for example, one can also look at employment at eating and drinking establishments, the growth of which appears unaffected by the minimum wage increase. Moreover, the teenage participation rate is quite noisy, so computed growth rates are sensitive to one ,s choice of initial and final dates. Finally, it is far from clear just what the "orthodox" view of the minimum wage ,s effect is,

considering that the only modern empirical research on the subject (Card and Krueger) finds essentially no effect of the minimum wage on employment. In light of all this, the conclusion in the footnote should probably be heavily hedged, if it is used at all.

2. Will there be any additional revision to the paragraph in light of the conclusions of the Farber paper I faxed you?

3. You might emphasize that Polivka ,s findings are based on a single cross-section of the CPS. It is therefore unclear whether this result regarding independent contractors is a normal state of affairs (especially given the state of the recovery in 1995). The same point can be made about the rate of job loss ("job cuts are still proceeding at a rate of nearly half a million a year"): Gross job creation and destruction rates are quite high in the United States--is the current situation peculiar? There is no context or referent for these statements.

Para. 98:

There is a typo. in the second to last sentence of the paragraph ("deduction for student loan interest," not "deduction or student loan interest ").

Para. 101:

The fourth sentence of the paragraph appears to be garbled.
There is a typo. in the sixth sentence (change "programme" to "programmes").

Para. 104:

There is a typo. in the footnote to this paragraph ("managed care," not "managed cars").

Para. 107:

The $368 billion figure referred to in the text is a base value (see the corresponding point in the original set of U.S. delegation comments). Also, the $15 billion annual payment is not fully put into place until the fifth year after the agreement is signed.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-OCT-1997 08:47:57.00

SUBJECT: Student Loan Interest Rate Mtg.

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Bob Shireman would like to invite you to the aboved subject meeting. The meeting will take place on Friday, October 17th at 2:00 pm in room 231. Please RSVP your attendance by E-mail. Thank you.

P.S. Can you RSVP with your fax number so Bob can fax you a draft paper. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:15-OCT-1997 09:30:25.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Can it be put back to 2pm or even earlier?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-OCT-1997 09:43:09.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
If It changes back to 2:00, it will shut a lot of people out and an earlier time is not available on majority either. I'm really sorry this is inconveniencing you and wish that 2:00 would work. Let me know what you plan to do. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:15-OCT-1997 09:56:22.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
It's hard to RSVP for a meeting you don't know anything about. Could you
fax me the paper and let me get back to you?

My fax number is 395-6809

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-OCT-1997 09:58:18.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
That paper won't be ready until later today or first thing in the morning,
so be on look out and I'll await your response. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-OCT-1997 15:32:17.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
O.K. - I HAVE YOUR FAX NUMBER. THANKS.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-OCT-1997 08:46:09.00

SUBJECT: Student Loan Interest Rate Mtg.

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Bob Shireman would like to invite you to the aboved subject meeting. The meeting will take place on Friday, October 17th at 2:00 pm in room 231. Please RSVP your attendance by E-mail. Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:15-OCT-1997 15:29:01.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
I will not be able to make the 3pm meeting. However, I would be happy to send comments on materials that you mentioned.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:15-OCT-1997 09:12:15.00

SUBJECT: Student Loan Interest Rate Mtg.

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Change - This meeting will now take place on Friday, October 17th at 3:00 pm in room 231. Please RSVP your attendance by E-mail. Thank you.

P.S. Can you RSVP with your fax number so Bob can fax you a draft paper.
Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:17-OCT-1997 10:53:49.00

SUBJECT: Re: Student Loan Interest Rate Mtg.

TO: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Does CEA really need to send someone to the meeting on student loan
interest rates? Nobody here seems to have a great interest in the issue,
and we're very busy with other things.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:24-OCT-1997 15:34:37.00

SUBJECT: Re: student loan interest rates

TO: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
We're going to start looking into those possibilities, and we would love your help. Whatever we do, we need to be careful not to increase the cost to students. So as long as our approach still alllows us to set a maximum rate that the student pays, it makes sense to explore these options.

I'm copying this to Kathy Stack at OMB, who is supposed to make some of these discussions occur within the Administration. (Kathy, maybe we could ask Aaron to lead a group of Education and Treasury folks in figuring out how something like this would work?)

Aaron S. Edlin
10/24/97 02:54:43 PM
Record Type: Record

To: Robert M. Shireman/OPD/EOP
cc:
Subject: student loan interest rates

Bob,

My main thought after last Friday's student loan interest rate meeting was that we are barking up the wrong tree.

Do you know of any sound reason why we shouldn't go the free-market route?

If not, what are the political forces that stand in the way of having banks bid to the government?

Rate of return regulation is notoriously difficult. So difficult, that the United States is trying hard to abandon it even in industries long thought to have increasing returns to scale, industries where competition is not viable or involves inefficient replication of fixed costs.

Why, then, should we continue to use rate of return regulation in student loans, an area where there are multiple competing lenders. Instead of spending a huge amount of time trying to find an appropriate rate of return, and probably getting it wrong, shouldn't a system be created in which lenders bid to the government or to students to provide loans at low interest rates? Competition could drive banks toward the break-even point far better than regulation, despite treasury's admirable efforts.

The only real worry that I am able to conjure is a "cream skimming". Lenders might try to only loan to good repayment risks (economizing on debt collection costs and the two percent of the loan that isn't guaranteed). Presumably, this could be regulated easily. Lenders could be required to lend to all eligible borrowers. This wouldn't fully solve the problem, because lenders would try to only amortized to good risks. This problem is also probably controllable, however. Lenders could be required to provide an 800 number, and the department of education or college financial aid officers could provide a list of lenders phone numbers to each eligible student.

-- Aaron

****
Email composed using speech recognition software.
Misrecognized words are common.
****

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:24-OCT-1997 16:20:42.00

SUBJECT: Re: student loan interest rates

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I would be happy to lead a group in this effort. In response to your cautionary note, I should assure you that my point was not that the government should get out of the financial aid business and let the free market do its thing.

Instead, my point was that the government should use market mechanisms such as auctions to accomplish its goals at the minimum cost.
****
Email composed using speech recognition software.
Misrecognized words are common.
****

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:24-OCT-1997 14:54:36.00

SUBJECT: student loan interest rates

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Bob,

My main thought after last Friday's student loan interest rate meeting was that we are barking up the wrong tree.

Do you know of any sound reason why we shouldn't go the free-market route?

If not, what are the political forces that stand in the way of having banks bid to the government?

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Why, then, should we continue to use rate of return regulation in student loans, an area where there are multiple competing lenders. Instead of spending a huge amount of time trying to find an appropriate rate of return, and probably getting it wrong, shouldn't a system be created in which lenders bid to the government or to students to provide loans at low interest rates? Competition could drive banks toward the break-even point far better than regulation, despite treasury's admirable efforts.

The only real worry that I am able to conjure is a "cream skimming". Lenders might try to only loan to good repayment risks (economizing on debt collection costs and the two percent of the loan that isn't guaranteed). Presumably, this could be regulated easily. Lenders could be required to lend to all eligible borrowers. This wouldn't fully solve the problem, because lenders would try to only amortized to good risks. This problem is also probably controllable, however. Lenders could be required to provide an 800 number, and the department of education or college financial aid officers could provide a list of lenders phone numbers to each eligible student.

-- Aaron

****
Email composed using speech recognition software.
Misrecognized words are common.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 3-NOV-1997 11:02:16.00

SUBJECT: Follow-up Student Loan Interest Rate Mtg.

TO: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Bob Shireman would like you to join him on the aboved mentioned meeting
this Friday, Nov. 7th at 11:00 a.m. in room 231. This is a follow-up from
Oct. 17th. Please RSVP your attendance by E-mail or by dialing 65351.
Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 3-NOV-1997 11:03:46.00

SUBJECT: Follow-up Student Loan Interest Rate Mtg.

TO: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
Aaron,
I think this refer to the meeting you attended. If not, please let me know.
Sandy
---------------------- Forwarded by Sanders D. Korenman/CEA/EOP on 11/03/97 11:03 AM ---------------------------

Sonyia Matthews
11/03/97 11:02:12 AM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Follow-up Student Loan Interest Rate Mtg.

Bob Shireman would like you to join him on the aboved mentioned meeting this Friday, Nov. 7th at 11:00 a.m. in room 231. This is a follow-up from Oct. 17th. Please RSVP your attendance by E-mail or by dialing 65351. Thank you.

Message Sent
To:____
Peter R. Orszag/OPD/EOP
Wayne Upshaw/OMB/EOP
Sanders D. Korenman/CEA/EOP
Christopher D. Carroll/CEA/EOP
G. E. DeSeve/OMB/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 6-NOV-1997 11:06:31.00

SUBJECT: Follow-up Student Loan Interest Rate Mtg.

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christopher D. Carroll (CN=Christopher D. Carroll/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
THIS MEETING HAS BEEN CANCELLED UNTIL FURTHER NOTICE. THANKS.

Bob Shireman would like you to join him on the aboved mentioned meeting
this Friday, Nov. 7th at 11:00 a.m. in room 231. This is a follow-up from
Oct. 17th. Please RSVP your attendance by E-mail or by dialing 65351.
Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME: 7-NOV-1997 09:36:22.00

SUBJECT: Re: Follow-up Student Loan Interest Rate Mtg.

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
thanks for the warning. I was going.
****
Email composed using speech recognition software.
Misrecognized words are common.
****

Sanders D. Korenman
11/07/97 08:50:35 AM
Record Type: Record

To: Aaron S. Edlin/CEA/EOP
cc:
Subject: Follow-up Student Loan Interest Rate Mtg.

---------------------- Forwarded by Sanders D. Korenman/CEA/EOP on
11/07/97 08:49 AM ---------------------------

Sonyia Matthews
11/06/97 11:06:23 AM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Follow-up Student Loan Interest Rate Mtg.

THIS MEETING HAS BEEN CANCELLED UNTIL FURTHER NOTICE. THANKS.

Bob Shireman would like you to join him on the aboved mentioned meeting
this Friday, Nov. 7th at 11:00 a.m. in room 231. This is a follow-up from
Oct. 17th. Please RSVP your attendance by E-mail or by dialing 65351.
Thank you.

Message Sent
To:
Kathryn B. Stack/OMB/EOP
Peter R. Orszag/OPD/EOP
Wayne Upshaw/OMB/EOP
Sanders D. Korenman/CEA/EOP
Christopher D. Carroll/CEA/EOP
G. E. DeSeve/OMB/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 6-MAR-1998 14:05:40.00

SUBJECT: Input, please

TO: don_feuerstein (don_feuerstein @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Barbara Chow (CN=Barbara Chow/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: pauline_abernathy (pauline_abernathy @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: David_Longanecker (David_Longanecker @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: william_graham (william_graham @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: Maureen_McLaughlin (Maureen_McLaughlin @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: jonathan.gruber (jonathan.gruber @ MS01.do.treas.sprint.com @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
DRAFT March 6, 1998

MEMORANDUM FOR [PRINCIPALS]

FROM: Bob Shireman

SUBJECT: Student Loan Interest Rate & Structural Reforms

For more than 30 years, the Federal Government has been grappling with the question of how to get loans to all of the college students who need them, without providing lenders and intermediaries with excess profit at the expense of borrowers and/or taxpayers. As a result of 30 years of tinkering, we now have a jerry-rigged loan guarantee system that, in addition to setting maximum ratesWhile the government has always set the maximum rate that can be charged to borrowers, it is only in the last few years -- with competition from the Direct Loan Program -- that lenders have offered lower rates (and those programs have been modest). For the most part, lenders compete for colleges , preferences through ancillary services, wooing of financial aid officers, and sometimes sweetheart deals that cut schools in on the profits. There simply has never been strong student-based price competition. that can be charged to borrowers, requires politically-set &special allowance 8 payments that guarantee lender returns, and politically-set administrative and other fees paid to a system of so-called &guaranty agencies. 8 (The guarantee system is now called the Federal Family Education Loan Program, or FFEL).

This issue is on the front burner again because of a reduction of the interest rate, due to take effect on July 1, which is too low for the banks to earn a competitive return. So far, the Administration has made a fairly straightforward proposal that would give students the scheduled rate reduction, while adjusting the rate-setting mechanism to improve lenders , returns to the point that they are (barely) within a competitive range identified in a Treasury report.

At a House Subcommittee hearing on March 5, it was clear that Congress and even higher education groups are uneasy with the low-rate approach that the Administration has proposed: they are concerned about lender claims that access to loans will be threatened. Interestingly, there was some openness to the concept of a more market-based approach down the road. We need to decide whether to simply negotiate for as low a number as we can achieve within the context of the current program, or whether to demand structural changes in the system. This memo explores the question, What structural changes could improve competition in student loans in order to reduce student and/or taxpayer costs?

Politically, Direct Lending Cannot Be Our Answer. Five years ago, our answer to the structural problems of the guarantee system was the Direct Loan Program. Instead of trying to set a rate that will bring in sufficient capital, direct lending uses Federal capital -- which of course uses efficient Treasury auctions when needed to supplement tax revenue. To service the loans, we can use (and are making progress in actually using) competitive, performance-based contracts. This program was threatened with elimination by the new Republican Congress in 1995, and we backed away from our original proposal to eliminate the guarantee system and embraced an approach in which schools can choose either program. Changing that policy is not a viable option. Structural change that we propose, if any, must be lender-based. Below are a range of options; they are not necessarily mutually exclusive.

Should one objective be movement toward one system? The &competition 8 between direct lending and guaranteed student loans has certainly improved services and innovations in both programs. However, from a management perspective, it is far from an ideal situation. Some members of the working group would like to see structural reforms in the guarantee system that would point to a possible future alignment of both the guarantee and direct approach.

1. Guaranty Agency Reforms Already Proposed

In the context of the reauthorization of the Higher Education Act, the Administration is proposing to simplify the guarantee system, eliminating the statutorily-set fees for guaranty agencies and instead establishing a performance-based, fee-for-service model. This would provide for greater accountability and improved efficiency for both the government and lenders.

Advantages:

Addresses the most non-competitive and problem-ridden aspect of the guarantee system: the guaranty agencies.

The proposal is fairly well-developed.

Disadvantages:

Would be seen by Chairmen Goodling and Jeffords as the &same old proposal, 8 not something new

Does not address issue of lender subsidies.

2. Interest Rate-based Auction

One approach to providing students with the lowest interest rate possible would be to adopt an auction like that has been used for the past few years in the HHS Health Education Assistance Loan (HEAL) program. With that approach, lenders state an interest rate and volume of loans that they are willing to offer. The bids are ranked from the lowest to highest interest rate. The volumes are added until the total is sufficient to meet the expected demand. The rate is then set at the level that is necessary to achieve that total.

But it is not possible to directly transfer the HEAL experience. HEAL is a relatively small program with a homogeneous, high-loan balance, high-income borrower base. In the nearly $20 billion per year FFEL program, there is a wide range of loan sizes and borrower and school types. Having bid on the right to make loans, lenders would then have a strong incentive to seek out the high-balance borrowers and avoid the low-balance and higher-risk ones. Some type of system would need to be enforced in which lenders are forced to make the loans to any eligible borrower.

Advantages:

There is experience with this type of auction in the HEAL program.

The benefits of the lowest possible interest rate accrue to students.

Students continue to have some choice of lender.

Disadvantages:

Maximum would need to be set fairly high, since it is not possible to predict what rate would result from early auctions. Also, the

rate and the winning lenders would vary from auction to auction.
May be difficult to ensure universal access to loans.

Advantage/Disadvantage:
Lenders would continue to have reason to offer lower rates to better risks/schools.

3. Federal Subsidy-based Auction

Another approach is to continue to set all the terms and conditions of the loans, including the interest rate, and to use the auction to determine the Federal subsidy. Loan funds could be provided directly or through a syndicate of some sort, to all eligible students. The capital would remain pooled (or direct) until the repayment period, at which point whole portfolios could be auctioned -- much as banks sell portfolios to secondary markets today. Since all students are assured of receiving loans, certain attributes of the system -- such as the level of guarantee and special allowance payments -- could be adjusted without risking loan access. Instead, purchasers would simply take the changes into consideration in their bids. One benefit of this approach could be having lenders take a greater degree of the default risk, so that back-end &due diligence 8 regulation could be reduced.

Advantages:
All students are assured of getting a loan, and all get a good rate.
Efficiencies of increased competition accrue to taxpayers.
Aspects of the model are transferable to direct lending.

Disadvantages:
Borrowers do not have a choice of lender (except perhaps through consolidation).
No current example to point to (except secondary markets).

4. &Split 8 rate

Another approach would be to use the Direct Loan interest rate to drive more price competition in FFEL. This is the approach that the college and student associations have been pursuing. Under this approach, the rate in direct lending could be set at a low rate (such as a rate equivalent to the July 1 scheduled reduction). In FFEL, the maximum would be set higher so that more lenders could offer loans (the level and differential between the two program would be subject to negotiations). In order to compete with direct lending, FFEL lenders would have to offer lower rates than the maximum. Where lenders offer other benefits to borrowers or schools, they might still be able to charge a rate higher than direct lending. (Given the lack of price competition currently, many lenders would likely be able to lend at the maximum). Given the limitations on the Direct Loan Program ,s ability to expand by this Fall, this approach would need to be phased in.

Advantages:
Provides students with access to a low rate, at least through

direct lending.
Spurs price competition by lenders.
Simple.

Disadvantages:
Could be seen as simply an attempt to expand direct lending.
Lenders would meet or beat Direct Lending only at the more prestigious schools, leaving the DL program with the more costly, more risky borrowers.

5. Promote Price Competition in FFEL

In this approach, the Federal government would play a role in undercutting the dynamics that seem to prevent effective price competition in the current FFEL program: namely, students , lack of access to information, and schools , tendency to choose &preferred 8 lenders based on criteria other than the interest rate. This could involve Internet-based consumer information, requirements that financial aid officers provide price easily-comparable price information, and other strategies.

Advantages:
Benefits of competition accrue to borrowers.

Disadvantages:
Least needy students get the best deals.
Price competition only in FFEL undercuts direct lending.

Recommendations

There are many unanswered questions about some of the options that are presented. The purpose of this memo is to get direction from principals, not necessarily an ironclad decision.

Everyone in the working group agrees that we should not propose a split rate. However, there is considerable disagreement about whether we should consider it if it is offered to us. Education representatives are convinced it will lead to a bifurcated student loan program, with good schools in FFEL and bad schools in DL. Treasury and NEC representatives argue if establishing DL as a price leader brings a better deal to everyone involved, it does not matter which program ultimately has which schools/borrowers. [OMB?]

In terms of the direction we should pursue proactively. . . [What would be your first priority?]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY (Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 8-MAR-1998 21:57:17.00

SUBJECT: Monday's Schedule and Trivia Challenge

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TEXT:
Senate Senate Senate Senate Senate Senate Senate Senate Senate Senate

The Senate will convene at 12:00 Noon with a period for morning business until 1:00 p.m. with the time equally divided between the leaders.

At 1:00 p.m., the Senate will resume consideration of S. 1173, the ISTEA legislation.

At 5:10 p.m., the Senate will consider S. 1668, the Intelligence Disclosure bill, under a 20-minute time agreement.

At 5:30 p.m., the Senate will vote on the motion to invoke cloture on the modified substitute amendment to S. 1173, the ISTEA legislation, to be followed by a vote on S. 1668, the Intelligence Disclosure bill.

Other roll call votes are possible following these votes on Monday.

Following consideratio of the ISTEA legislation, the Senate is expected to consider the Education IRA bill.

House House House House House House House House House House House

The House will convene at 2 p.m. for a pro forma session.

?????????????????????????? Trivia Challenge ???????????????????????

Courtesy of Marty Johnson: where did the first commercial flight of the Concorde take off and land?

Yesterday's Q&A: What early 1980s band authored the songline, "Can you
hear them? They talk about us, telling lies, well that's no surprise"?
Answer: The Go-Go's, "Our Lips Are Sealed." Chris Stanek notes that this song was the first to hit #1 on the pop charts by an all-women's band. Cheri Reidy adds that this tune is now played frequently on television as part of an AT&T internet services ad.

Hip budgeteers:
Lee Morris
Paul Seltman
Jill Hyland
Diana Meredit
Dan Katz
Sahand Sarshar
Phil Karsting
Jodi Grant
Hugh Brady
Deena McMullen
Mitch Warren
Paul Brown
Sammy Sherman
Chris Stanek
Nancy Desa
Abby Williams
Marty Johnson
Jeanne De Sa
Sidney Espinosa
Cheri Reidy
Kelly Wright
John Lis
Menda Fife
Abby Williams
Kip Banks
Steve Wolfe
Heather McCallum
Victor Block
Maureen O'Neill
Catherine Ivey=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.1-9 #6879)
 id <01IUFT7LHAU800OF3V@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Sun,
 8 Mar 1998 21:52:12 EST
Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #6879)
 with ESMTP id <01IUFT7JCEPC00U1ID@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Sun,
 08 Mar 1998 21:52:08 -0500 (EST)
Received: from MAILSENT.senate.gov ([198.78.181.133])
 by STORM.EOP.GOV (PMDF V5.1-7 #6879)
 with ESMTP id <01IUFT6UY5RK001821@STORM.EOP.GOV> for jolin_m@a1.eop.gov; Sun,

 08 Mar 1998 21:51:35 -0500 (EST)
Received: from mailexc2.senate.gov by MAILSENT.senate.gov; (8.8.2/SCO5)
 id VAA05129; Sun, 08 Mar 1998 21:51:30 -0500 (EST)
Received: from ccMail by mailexc2.senate.gov
 (IMA Internet Exchange 2.11 Enterprise) id 00442902; Sun,
 08 Mar 1998 21:53:13 -0500
Content-description: cc:Mail note part
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Don_Feuerstein@ed.gov (Don Feuerstein) (Don_Feuerstein@ed.gov (Don Feuerstein) [UNKNOWN])

CREATION DATE/TIME: 9-MAR-1998 13:02:14.00

SUBJECT: Re: Input, please

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Aaron S. Edlin (CN=Aaron S. Edlin/OU=CEA/O=EOP [CEA])
READ:UNKNOWN

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Barry White (CN=Barry White/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: Barbara Chow (CN=Barbara Chow/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TO: David_Longanecker@ed.gov (David Longanecker) (David_Longanecker@ed.gov (David Longanecker) [UNKNOWN])
READ:UNKNOWN

TO: Pauline_Abernathy@ed.gov (Pauline Abernathy) (Pauline_Abernathy@ed.gov (Pauline Abernathy) [UNKNOWN])
READ:UNKNOWN

TO: Mike_Smith@ed.gov (Mike Smith) (Mike_Smith@ed.gov (Mike Smith) [UNKNOWN])
READ:UNKNOWN

TO: jonathan.gruber@ms01.do.treas.sprint.com (jonathan.gruber@ms01.do.treas.sprint.com [UNKNOWN])
READ:UNKNOWN

TO: Maureen_McLaughlin@ed.gov (Maureen McLaughlin) (Maureen_McLaughlin@ed.gov (Maureen McLaughlin) [UNKNOWN])
READ:UNKNOWN

TO: William_Graham@ed.gov (William Graham) (William_Graham@ed.gov (William Graham) [UNKNOWN])
READ:UNKNOWN

TEXT:

I think that Bob has done a great job of beginning to set forth the
various alternatives on an objective basis, and Barry's and Jon's

comments would improve the memo even further. (Jon's descriptions of the possible market mechanisms may be at too great a level of detail for this purpose and, in some cases, ultimately too complicated.) Bob's introduction is currently somewhat garbled, but I assume that that will be corrected in the next draft. I am attaching a set of positives and negatives that I previously did on the competitive options, which has some alternative language. In general, however, I am leaving stylistic comments for the next draft. My specific substantive comments follow:

1. INCOME CONTINGENT REPAYMENT (ICR). Although interest rates and ICR are not inextricably tied together, it is my unverified view that ICR with a Government write-off would lower required interest rates for private capital by increasing loan balances and extending maturities. Given the overarching importance of ICR to the President, it is hard to justify a radical change to FFELP without reconsidering ED's official position that ICR would not work with private capital. Representative Andrews very much wants to do something now about ICR in FFELP.

2. LENDER ELIGIBILITY. Lender eligibility can similarly be separated logically from interest rates, but our work on the latter has forcefully shown the inefficiency of banks as capital providers, because of their artificially high capitalization levels. It would be a pity to establish an auction mechanism to minimize interest rates but exclude other asset holders able to function on lower rates. Shifting the regulatory nexus to loan managers and removing current limitations on loan ownership should be considered as part of any auction proposal.

3. GUARANTY-AGENCY REFORM. Although GA reform would reduce lenders' costs (omitted from the advantages for this alternative), I agree with Barry that it is not really a separate response to the interest-rate issue. It is hard to envision, however, how at least an auction of loans already made through some unitary system (Alternative 3) would function under the current GA system.

4. LOAN-RIGHTS AUCTIONS. The HEAL model (Alternative 2) is not the only mechanism for auctioning the right to make loans. Loan rights with a predetermined interest rate(s) could be auctioned for cash payments, which could be returned to the Government as a reduction of excess subsidy or passed through to students in the form of some other benefit (for example, funding of Pell shortfalls).

5. LOAN AUCTIONS. There is no need for the loan originator(s) to hold the loans until repayment. They could be pooled, either in balanced packages or packages of similar economics (more likely size than default risk), and auctioned off as soon as possible after origination. The possibility of reduced insurance and its relationship to ICR is a separate issue and is applicable to all alternatives. PHEAA's Keystone program is another relevant example, although the portfolio sales in that program are not limited to formal auctions.

6. DIFFERENTIAL INTEREST RATES. Split rates between FFELP and DL are just one form of differential interest rates, and we have not yet consulted with the Secretary to confirm our negative view of differential rates. Given the highly controversial and fundamental nature of the issue, however, the negatives of differential interest rates need to be elaborated in the Memorandum for Principals. They go much deeper than simply higher default rates and servicing costs (because of smaller loan size) in DL. Student loans are highly regressive, because the Federal benefits depend on how much the student spends (the flip side of a sales tax) rather than being distributed per capita. The current system of cross-subsidy for students with lower future prospects (as evidenced by the size of their educational investments) partially offsets that regressiveness. Any system that requires an explicit extra subsidy per loan dollar for small borrowers puts the extra subsidy in political jeopardy. That is true whether large and small borrowers are in separate programs, or they simply have different interest rates with mandatory-service requirements an/or explicit additional subsidies to assure loan access for small lenders. Pauline has put it quite eloquently:

> "ED staff are concerned that differential interest rates could fundamentally alter the student loan programs in that some students would pay a higher rate than other simply because of where they went to college. Schools and students would no longer be able to speak with one voice, because their interests would be divided by type of school. The Direct Loan Program would no longer be seen as a program for the nation's best schools and students, driving up its costs and default rates in comparison with FFELP and weakening its Congressional support."

8, EXPERIMENTS. Either as an addition to the three alternatives in

Barry's framing paragraph or as a supplement to the third, we should
discuss experimentation. One or more experiments could be based on
(1)
our technical-assistance draft on voluntary, flexible agreements with
GAs,
if it is enacted, (2) new LLOR agreements under existing authority or
(3)
new authority as part of any interest-rate solution.

_________________________ Reply Separator
____
Subject: Input, please
Author: Robert_M._Shireman@opd.eop.gov at Internet
Date: 3/6/1998 2:05 PM

DRAFT March 6, 1998

MEMORANDUM FOR [PRINCIPALS]

FROM: Bob Shireman

SUBJECT: Student Loan Interest Rate & Structural Reforms

For more than 30 years, the Federal Government has been grappling with the question of how to get loans to all of the college students who need them, without providing lenders and intermediaries with excess profit at the expense of borrowers and/or taxpayers. As a result of 30 years of tinkering, we now have a jerry-rigged loan guarantee system that, in addition to setting maximum ratesWhile the government has always set the maximum rate that can be charged to borrowers, it is only in the last few years -- with competition from the Direct Loan Program -- that lenders have offered lower rates (and those programs have been modest). For the most part, lenders compete for colleges? preferences through ancillary services, wooing of financial aid officers, and sometimes sweetheart deals that cut schools in on the profits. There simply has never been strong student-based price competition. that can be charged to borrowers, requires politically-set ?special allowance? payments that guarantee lender returns, and politically-set administrative and other fees paid to a system of so-called ?guaranty agencies.? (The guarantee system is now called the Federal Family Education Loan Program, or FFEL).

This issue is on the front burner again because of a reduction of the interest rate, due to take effect on July 1, which is too low for the banks to earn a competitive return. So far, the Administration has made a fairly straightforward proposal that would give students the scheduled rate reduction, while adjusting the rate-setting mechanism to improve lenders? returns to the point that they are (barely) within a competitive range identified in a Treasury report.

At a House Subcommittee hearing on March 5, it was clear that Congress and even higher education groups are uneasy with the low-rate approach that the Administration has proposed: they are concerned about lender claims that access to loans will be threatened. Interestingly, there was some openness to the concept of a more market-based approach down the road. We need to decide whether to simply negotiate for as low a number as we can achieve within the context of the current program, or whether to demand structural changes in the system. This memo explores the question, What structural changes could improve competition in student loans in order to reduce student and/or taxpayer costs?

Politically, Direct Lending Cannot Be Our Answer. Five years ago, our answer to the structural problems of the guarantee system was the Direct Loan Program. Instead of trying to set a rate that will bring in sufficient capital, direct lending uses Federal capital -- which of course uses efficient Treasury auctions when needed to supplement tax revenue. To service the loans, we can use (and are making progress in actually using) competitive, performance-based contracts. This program was threatened with elimination by the new Republican Congress in 1995, and we backed away from our original proposal to eliminate the guarantee system and embraced an approach in which schools can choose either program. Changing that policy is not a viable option. Structural change that we propose, if any, must be lender-based. Below are a range of options; they are not necessarily mutually exclusive.

Should one objective be movement toward one system? The ?competition? between direct lending and guaranteed student loans has certainly improved services and innovations in both programs. However, from a management perspective, it is far from an ideal situation. Some members of the working group would like to see structural reforms in the guarantee system that would point to a possible future alignment of both the guarantee and direct approach.

1. Guaranty Agency Reforms Already Proposed

In the context of the reauthorization of the Higher Education Act, the Administration is proposing to simplify the guarantee system, eliminating the statutorily-set fees for guaranty agencies and instead establishing a performance-based, fee-for-service model. This would provide for greater accountability and improved efficiency for both the government and lenders.

Advantages:

Addresses the most non-competitive and problem-ridden aspect of the guarantee system: the guaranty agencies.

The proposal is fairly well-developed.

Disadvantages:

Would be seen by Chairmen Goodling and Jeffords as the ?same old proposal,? not something new

Does not address issue of lender subsidies.

2. Interest Rate-based Auction

One approach to providing students with the lowest interest rate possible would be to adopt an auction like that has been used for the past few years in the HHS Health Education Assistance Loan (HEAL) program. With that approach, lenders state an interest rate and volume of loans that they are willing to offer. The bids are ranked from the lowest to highest interest rate. The volumes are added until the total is sufficient to meet the expected demand. The rate is then set at the level that is necessary to achieve that total.

But it is not possible to directly transfer the HEAL experience. HEAL is a relatively small program with a homogeneous, high-loan balance, high-income borrower base. In the nearly $20 billion per year FFEL program, there is a wide range of loan sizes and borrower and school types. Having bid on the right to make loans, lenders would then have a strong incentive to seek out the high-balance borrowers and avoid the low-balance and higher-risk ones. Some type of system would need to be enforced in which lenders are forced to make the loans to any eligible borrower.

Advantages:

There is experience with this type of auction in the HEAL program.

The benefits of the lowest possible interest rate accrue to students.

Students continue to have some choice of lender.

Disadvantages:

Maximum would need to be set fairly high, since it is not possible to predict what rate would result from early auctions. Also, the rate and the winning lenders would vary from auction to auction.

May be difficult to ensure universal access to loans.

Advantage/Disadvantage:

Lenders would continue to have reason to offer lower rates to better risks/schools.

3. Federal Subsidy-based Auction

Another approach is to continue to set all the terms and conditions of the loans, including the interest rate, and to use the auction to determine the Federal subsidy. Loan funds could be provided directly or through a syndicate of some sort, to all eligible students. The capital would remain pooled (or direct) until the repayment period, at which point whole portfolios could be auctioned -- much as banks sell portfolios to secondary markets today. Since all students are assured of receiving loans, certain attributes of the system -- such as the level of guarantee and special allowance payments -- could be adjusted without risking loan access. Instead, purchasers would simply take the changes into consideration in their bids. One benefit of this approach could be having lenders take a greater degree of the default risk, so that back-end ?due diligence? regulation could be reduced.

Advantages:

All students are assured of getting a loan, and all get a good rate.

Efficiencies of increased competition accrue to taxpayers.

Aspects of the model are transferable to direct lending.

Disadvantages:

Borrowers do not have a choice of lender (except perhaps through consolidation).

No current example to point to (except secondary markets).

4. ?Split? rate

Another approach would be to use the Direct Loan interest rate to drive more price competition in FFEL. This is the approach that the college and student associations have been pursuing. Under this approach, the rate in direct lending could be set at a low rate (such as a rate equivalent to the July 1 scheduled reduction). In FFEL, the maximum would be set higher so that more lenders could offer loans (the level and differential between the two program would be subject to negotiations). In order to compete with direct lending, FFEL lenders would have to offer lower rates than the maximum. Where lenders offer other benefits to borrowers or schools, they might still be able to charge a rate higher than direct lending. (Given the lack of price competition currently, many lenders would likely be able to lend at the maximum). Given the limitations on the Direct Loan Program?s ability to expand by this Fall, this approach would need to be phased in.

Advantages:

Provides students with access to a low rate, at least through direct lending.

Spurs price competition by lenders.

Simple.

Disadvantages:

Could be seen as simply an attempt to expand direct lending.

Lenders would meet or beat Direct Lending only at the more prestigious schools, leaving the DL program with the more costly, more risky borrowers.

5. Promote Price Competition in FFEL

In this approach, the Federal government would play a role in undercutting the dynamics that seem to prevent effective price competition in the current FFEL program: namely, students? lack of access to information, and schools? tendency to choose ?preferred? lenders based on criteria other than the interest rate. This could involve Internet-based consumer information, requirements that financial aid officers provide price easily-comparable price information, and other strategies.

Advantages:

Benefits of competition accrue to borrowers.

Disadvantages:

Least needy students get the best deals.

Price competition only in FFEL undercuts direct lending.

Recommendations

There are many unanswered questions about some of the options that are presented. The purpose of this memo is to get direction from principals, not necessarily an ironclad decision.

Everyone in the working group agrees that we should not propose a split rate. However, there is considerable disagreement about whether we should consider it if it is offered to us. Education representatives are convinced
it will lead to a bifurcated student loan program, with good schools in FFEL
and bad schools in DL. Treasury and NEC representatives argue if establishing DL as a price leader brings a better deal to everyone involved,
it does not matter which program ultimately has which schools/borrowers. [OMB?]

In terms of the direction we should pursue proactively. . . [What would be your first priority?]

- option~4.wpd

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D33]MAIL47628476Z.026 to ASCII,
The following is a HEX DUMP:

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

Draft of 3/2/98

Options for Competition in Student Loan Program(s)

I. General Considerations

Positives

(1) Better mechanism to achieve "correct" interest rates than governmental determination

Negatives

(1) Regulatory difficulties if large economies of scale in servicing (and possibly, although to a lesser extent, in funding) lead to program dependence on one or a handful of lenders

(2) Consequences of competition highly dependent on surrounding regulatory structure

(3) Actual results may differ from theory

II. Forms of Competition

A. Set Lower Maximum Rate in FFELP at Same Level as DL Rate

Positives/Negatives

(1) Has not lead to significant competition in interest rates under current maximum; less likely to do so at lower maximum

B. Set Lower Maximum Rate in FFELP and Implement Scheduled Change in DL

Positives/Negatives

(1) Need for FFELP lenders to compete with DL in interest rates likely to start significant competition among themselves, likely leading to:

(a) Differential interest rates by school/socioeconomic status of borrower
(b) Inability of DL to compete for most economically desirable loans
(c) "Redlining" by FFELP lenders
(D) Differential borrower constituencies for FFELP and DL

C. Auction Rights To Make Loans on Basis of Interest Rates

Positives/Negatives

(1) Experience of substantial rate reductions in HEAL program with no access problems (in relatively homogeneous borrower universe)

(2) Likelihood of "redlining" in highly heterogeneous borrower universe

(3) Excess subsidy passed on to students rather than eliminated

D. Auction Rights To Make Loans on Basis of Cash Payments to Government

Positives/Negatives

(1) Likelihood of "redlining" in highly heterogeneous borrower universe

(2) Excess subsidy eliminated rather than passed on to students

E. Auction Loans Made to All Eligible Borrowers at Same Interest Rate

Positives/Negatives

(1) Universal access

(2) Excess subsidy eliminated rather than passed on to students

(3) Same interest rate for all borrowers

(4) Some relevant positive experience in Keystone Program of Pennsylvania guaranty agency

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY (Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:23-MAR-1998 03:11:19.00

SUBJECT: Thursday's Schedule and Trivia Challenge

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TEXT:
!!! HAPPY BIRTHDAY TO EVAN JONES !!!

Senate Senate Senate Senate Senate Senate Senate Senate Senate Senate

The Senate will convene at 9:30 a.m. with a period for morning business until 11:30 a.m., with senators permitted to speak for up to 5 minutes each, with the following exceptions:

* Senator Coverdell or designee..........30 minutes (9:30-10:00 a.m.)
* Senator Reed...........................30 minutes (10:00-10:30 a.m.)
* Senator Hagel or designee.............30 minutes (10:30-11:30 a.m.)
* Senator Torricelli.....................10 minutes
* Senator Bryan..........................10 minutes
* Senator Graham.........................10 minutes

At 11:30 a.m., the Senate will resume consideration of NATO expansion.

At 4:45 p.m., the Senate will resume consideration of the H.R. 2646, the Education IRA bill for 30 minutes prior to a 5:15 p.m., cloture vote.

Two cloture motion were filed on H.R. 2646. If cloture is not invoked on the first vote at 5:15 p.m., a second cloture vote is expected to occur immediately.

FYI. To be considered timely filed, if cloture is invoked on H.R. 2646, all first degree amendments must be filed prior to 1:00 p.m., and all second degree amendments must be filed prior to 4:15 p.m., Thursday.

House House House House House House House House House House House

The House will convene at 10 a.m. to consider Tropical Forest Conservation Act. The House may also consider the Foreign Affairs Reform and Restructuring Act.

????????????????????????? Trivia Challenge ????????????????????????

What famous actor changed his name from Archibald Leach?

Yesterday's Q&A: In what movie did Ronald Reagan and his wife Nancy Davis appear opposite each other? Answer: Hellcats of the Navy.

Budgeteers in the know:
Adria Deasy
Victor Block
Winslow Wheeler
Bob Dove==================== ATTACHMENT 1 ====================

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.1-9 #22921)
id <01IUUJNB3G340015NJ@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Thu,
19 Mar 1998 11:00:27 EST
Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #22921)
with ESMTP id <01IUUJN3899C001H82@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Thu,
19 Mar 1998 11:00:23 -0500 (EST)
Received: from MAILSENT.senate.gov ([198.78.181.133])
by STORM.EOP.GOV (PMDF V5.1-9 #6879)
with ESMTP id <01IUUJMROLIE001D8D@STORM.EOP.GOV> for jolin_m@a1.eop.gov; Thu,

19 Mar 1998 10:59:59 -0500 (EST)
Received: from mailexc2.senate.gov by MAILSENT.senate.gov; (8.8.2/SCO5)
id KAA02719; Thu, 19 Mar 1998 10:59:38 -0500 (EST)
Received: from ccMail by mailexc2.senate.gov
(IMA Internet Exchange 2.11 Enterprise) id 00473F52; Thu,
19 Mar 1998 10:58:40 -0500
Content-description: cc:Mail note part
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Constance J. Bowers (CN=Constance J. Bowers/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:31-MAR-1998 15:49:49.00

SUBJECT: LRM CJB 194 -- ED Talking points on Student Interest Rate amendment to S. 1882 (Higher Education Amendments)

TO: Constance J. Bowers (CN=Constance J. Bowers/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Sanders D. Korenman (CN=Sanders D. Korenman/OU=CEA/O=EOP@EOP [CEA])
READ:UNKNOWN

TO: US@2=TELEMAIL@3=GOV+TREAS@5=DO@4=MS01@7=LLR@6=TREASURY@mrx@lngtwy (1=US@2=TELEMAIL@3=GOV+TREAS@5=DO@4=MS01@7=LLR@6=TREASURY@mrx@lngtwy [UNKNOWN])
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TO: Justin D. Sullivan (CN=Justin D. Sullivan/OU=OMB/O=EOP@EOP [OMB])
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TO: Winifred Y. Chang (CN=Winifred Y. Chang/OU=OMB/O=EOP@EOP [OMB])
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TO: Edward M. Rea (CN=Edward M. Rea/OU=OMB/O=EOP@EOP [OMB])
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TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP@EOP [OPD])
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TO: Wayne Upshaw (CN=Wayne Upshaw/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Robert G. Damus (CN=Robert G. Damus/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: karen.dorsey@treas.sprint.com (karen.dorsey@treas.sprint.com @ inet [UNKNOWN])
READ:UNKNOWN

TO: Janet R. Forsgren (CN=Janet R. Forsgren/OU=OMB/O=EOP@EOP [OMB])
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TO: Arthur W. Stigile (CN=Arthur W. Stigile/OU=OMB/O=EOP@EOP [OMB])
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TO: Pamula L. Simms (CN=Pamula L. Simms/OU=OMB/O=EOP@EOP [OMB])
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TO: Daniel J. Chenok (CN=Daniel J. Chenok/OU=OMB/O=EOP@EOP [OMB])
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TO: Sandra Yamin (CN=Sandra Yamin/OU=OMB/O=EOP@EOP [OMB])
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TO: Barry White (CN=Barry White/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TO: Kathryn B. Stack (CN=Kathryn B. Stack/OU=OMB/O=EOP@EOP [OMB])
READ:UNKNOWN

TEXT:
This material addresses an alternative student loan interest rate amendment that Sen. Kennedy is expected to offer during tomorrow's markup of S. 1882 (the newly-introduced Higher Education Amendments). Please review and provide any comments by 4:30 p.m. today.

(go to the end of message to access text)

Total Pages: ____

LRM ID: CJB194
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Tuesday, March 31, 1998

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT: Constance J. Bowers
PHONE: (202)395-3803 FAX: (202)395-6148
SUBJECT: EDUCATION Talking Points on S1882 Higher Education Amendments of 1998 (Kennedy Amendment on student loan interest rate change)

DEADLINE: 4:00 p.m. today Tuesday, March 31, 1998

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: These talking points address an amendment that is being prepared for Sen. Kennedy to offer at the April 1st markup of the newly introduced S. 1882. This amendment is an alternative to the student loan interest rate change provision in S. 1882.

DISTRIBUTION LIST

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Jennifer Brown
Janet R. Forsgren
LRM ID: CJB194 SUBJECT: EDUCATION Talking Points on S1882 Higher Education Amendments of 1998 (Kennedy Amendment on student loan interest rate change)

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Constance J. Bowers Phone: 395-3803 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________________ (Date)

______________________________ (Name)

_______________________________________ (Agency)

_______________________________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

______ Concur

______ No Objection

______ No Comment

______ See proposed edits on pages __________

______ Other: _____________________________

______ FAX RETURN of _____ pages, attached to this response sheet
Click on here for text of talking points:

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D32]MAIL490626987.026 to ASCII,
The following is a HEX DUMP:

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

DRAFT
3/31/98

<u>Talking Points on the Kennedy Interest Rate Amendment</u>

- o The Committee bill maintains the July 1 interest rate reduction for students but does it at the expense of taxpayers. CBO estimates that the interest rate proposal in our bill would cost taxpayers between $1.2 and $3.8 billion over the next five years.

- o I am committed to maintaining low interest rates for students but <u>not</u> at the expense of taxpayers. We know -- according to CBO, CRS and Treasury -- that lenders are now making excessive profits in the student loan program.

- o My amendment protects students and taxpayers while ensuring the availability of FFEL loans for students. The amendment also introduces competition into the determination of payments to lenders. The market place is much better equipped to set the right price for lenders than we in Congress are.

- o My amendment reduces federal costs compared with the proposal in the Committee bill. It is between $1.1 and $1.7 billion less expensive over five years.

- o Specifically my amendment:

  - Sets student interest rates at the same level as the committee bill thereby ensuring that students get the interest rate reduction scheduled to begin July 1st.

  - Provides a higher payment to lenders for two-years -- 91-day T-bill plus 1.9 while students are in school and 91-day T-bill plus 2.5 when borrowers are out of school. This level ensures that loans are profitable for lenders -- providing them a rate of return slightly above the mid-point of the Treasury range.

  - During this two year period, the Secretary of Education will conduct pilot programs to determine payments to lenders through a bidding system. The Secretary could conduct pilots for up to 10 percent of estimated FFEL lending.

  - At the end of two years, the Secretary is authorized to implement a bidding system to determine payments for <u>all</u> FFEL loans. The Secretary of Treasury must certify that the bidding system will ensure FFEL loan availability to all students at all participating institutions.

  - If the Secretary of the Treasury determines that the bidding mechanism will not ensure appropriate FFEL availability, then the yield to lenders will be reduced to equal the students' interest rate.

- o Widespread support exists for trying a market-based mechanism to determine student loan rates. The Senate Budget Committee, in its recent budget resolution, "urges Committees of jurisdiction to more seriously explore a long-term solution to the interest rate problem, namely, moving toward a student loan program where the market place, not Congress, sets the interest rate for loans." It is time we moved in this direction.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY (Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:21-APR-1998 11:34:10.00

SUBJECT: Tuesday's Schedule and Trivia Challenge

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TEXT:
Senate Senate Senate Senate Senate Senate Senate Senate Senate Senate

The Senate convenes at 9:30 a.m. At 9:40 a.m., the Senate will resume consideration of S. 414, the International Shipping bill, with 20 minutes for debate prior to a 10:00 a.m., roll call vote on or in relation to the Gorton amendment #2287, regarding non vessel-owning common carriers.

If the Gorton amendment is defeated, the substitute amendment will be adopted, and the bill will be passed. If the Gorton amendment is not defeated, the bill will be open to further amendment.

Following consideration of the Shipping bill, the Senate will resume consideration of H.R. 2646, the Education IRA bill. There will be two minutes for debate prior to a roll call vote on or in relation to the Kennedy amendment #2289, regarding an additional 100,000 teachers.

Therefore, two roll call votes will occur beginning at 10:00 a.m.

The Senate will recess from 12:30-2:15 p.m., for the weekly party conferences.

At 2:15 p.m., there will be at least two roll call votes. The first will be on or in relation to the Glenn amendment #2017 striking use of IRA's for private education. The second roll call vote will be on or in relation to the Mack/D'Amato amendment #2288, regarding teacher testing and merit pay. Both roll call votes will be preceded by two minutes of debate.

House House House House House House House House House House House

The House will convene at 12:30 p.m. for morning hour and at 2 p.m. for legislative business. No recorded votes are scheduled before 5 p.m.

The House will consider three measures under suspension of the rules: including the Care for Police and Survivors Act, the Alternative Dispute Resolution Act, and the National Highway Traffic Safety Administration Reauthorization Act.

??????????????????????????? Trivia Challenge ???????????????????????

What is the origin of the term "tip" (to mean gratuity)?

Yesterday's Q&A: What are the 8 ways a baseball player can get on base? Answer: 1. base hit 2. base on balls 3. hit by pitch 4. fielding error 5. dropped third strike 6. fielder's choice 7. catcher/umpire/runner interference 8. pinch runner. Scott Slesinger adds a ninth: an illegal pitch, e.g. a spitball.

Sporty budgeteers:
Scott Slesinger
Brian Riley
Gary Ziehe
Meredith Medley
Rick Ilgenfritz
Marc Sumerlin
Victor Block
John Lis
Sandy Davis
Rima Cohen
Keith Rabois
Adria Deasy
Mitch Warren
Winslow Wheeler
Tom Geier
Jack Conway
Jeremy Citro
Hugh Brady
Jim Jochum
Alan Lopatin
Jeff Wright
Gerard Trimarco
John Cahill=================== ATTACHMENT 1 ===================

ATT CREATION TIME/DATE: 0 00:00:00.00

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Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
id <01IW4NHP8ZLC0015Q7@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Tue,
21 Apr 1998 11:06:51 EDT
Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
with ESMTP id <01IW4NHN7KUO001Z9K@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Tue,
21 Apr 1998 11:06:48 -0400 (EDT)
Received: from MAILSENT.senate.gov ([199.95.76.9])
by STORM.EOP.GOV (PMDF V5.1-10 #22921)
with ESMTP id <01IW4NHB67OM001UTN@STORM.EOP.GOV> for jolin_m@a1.eop.gov; Tue,

21 Apr 1998 11:06:32 -0400 (EDT)

Received: from mailexc2.senate.gov by MAILSENT.senate.gov; (8.8.2/SCO5)
id LAA24594; Tue, 21 Apr 1998 11:05:23 -0400 (EDT)
Received: from ccMail by mailexc2.senate.gov
(IMA Internet Exchange 2.11 Enterprise) id 00512AA0; Tue,
21 Apr 1998 10:58:21 -0400
Content-description: cc:Mail note part
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY (Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:22-APR-1998 10:06:28.00

SUBJECT: Tuesday's Schedule and Trivia Challenge

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TEXT:
Senate Senate Senate Senate Senate Senate Senate Senate Senate Senate

The Senate will convene at 9:30 a.m. and resume consideration of H.R. 2646, the Education IRA bill.

At 9:30 a.m. the following amendments will be considered in the order listed, each with 30 minutes for debate:

* Gorton ....block grants
* Murray ....sense of the Senate on class size
* Coats ....charitable deductions

Due to the funeral of Senator Sanford, no roll call votes will occur prior to approximately 3:00 p.m., Wednesday.

In addition to the above listed amendments, the following first degree amendments remain in order to H.R. 2646, the Education IRA bill, all limited to 30 minutes of debate:

* Bingaman.............drop-out prevention
* Boxer.................after-school programs
* Bumpers...............IDEA
* Conrad................IRA income limits
* Dodd.................special education
* Landrieu.............blue-ribbon schools
* Levin................technical training

House House House House House House House House House House House

The House convene at 10 a.m. to consider the Hydrographics Services Improvement Act and an amendment to the Constitution regarding tax increases.

???????????????????????????? Trivia Challenge ????????????????????????

Who was the only President to have been Speaker of the House?

Yesterday's Q&A: What is the origin of the term "tip" (to mean
gratuity)? Answer: It is an acronym derived from the phrase, "To
Insure Prompt Service" (TIPS), which had once been written on boxes
in
which gratuities were deposited. Abby Williams remarks, "I believe
this started in Britain, where diners' tables had metal boxes into
which they could drop coins. The sound would signal waitstaff to
hurry up with the food/service."

Wise budgeteers:
Joan Huffer
Karen Kovacs
Abby Williams
Neela Agarwalla
Gary Ziehe================== ATTACHMENT 1 ==================

ATT CREATION TIME/DATE: 0 00:00:00.00

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id <01IW5ZDGXLW0001MIN@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Wed,
22 Apr 1998 09:57:50 EDT
Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
with ESMTP id <01IW5ZDCNTMO002ID6@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Wed,
22 Apr 1998 09:57:45 -0400 (EDT)
Received: from mailsys.senate.gov ([198.78.181.132])
by STORM.EOP.GOV (PMDF V5.1-10 #22921)
with ESMTP id <01IW5ZCNTVN200227P@STORM.EOP.GOV> for jolin_m@a1.eop.gov; Wed,

22 Apr 1998 09:57:10 -0400 (EDT)
Received: from mailexc2.senate.gov by mailsys.senate.gov; (8.8.5/SCO5)
id JAA17061; Wed, 22 Apr 1998 09:56:59 -0400 (EDT)
Received: from ccMail by mailexc2.senate.gov
(IMA Internet Exchange 2.11 Enterprise) id 0051B28E; Wed,
22 Apr 1998 09:42:36 -0400
Content-description: cc:Mail note part
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Brian A. Barreto (CN=Brian A. Barreto/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:23-APR-1998 18:01:52.00

SUBJECT: Weekly Memo

TO: Sarah Rosen (CN=Sarah Rosen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sally Katzen (CN=Sally Katzen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Lael Brainard (CN=Lael Brainard/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: MITSLER_E (MITSLER_E @ A1 @ CD @ LNGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Daniel D. Heath (CN=Daniel D. Heath/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Dorothy Robyn (CN=Dorothy Robyn/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Emil E. Parker (CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Cecilia E. Rouse (CN=Cecilia E. Rouse/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sherman G. Boone (CN=Sherman G. Boone/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Malcolm R. Lee (CN=Malcolm R. Lee/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: KYLE_R (KYLE_R @ A1 @ CD @ LNGTWY [UNKNOWN]) (OPD)
READ:UNKNOWN

TO: Gay L. Joshlyn (CN=Gay L. Joshlyn/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Thomas A. Kalil (CN=Thomas A. Kalil/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Reminder- weekly repots are due by the time that you leave tonight. It is 6:00pm and I have ONE (1) submission for the week. Please send me you submissions ASAP.

Thank you.
---------------------- Forwarded by Brian A. Barreto/OPD/EOP on 04/23/98 07:02 PM ---------------------------

Brian A. Barreto
04/23/98 09:51:22 AM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Weekly Memo

Reminder - Weekly Report submissions are due today COB. Please send me you weekly reports ASAP.

Below is a short list of possible submissions:

Asia finance/IMF - Lael Brainard
China/MFN - Malcolm Lee

Sanctions Deputies Meeting - Bob Kyle
Banckruptcy - Sarah Rosen
Finanicial Modernization - Sarah Rosen
Securities Litigation - Sarah Rosen
AIP - Sarah Rosen
H1-B - Ceci Rouse
GI-Bill - Ceci Rouse
Medicare Commission - Jeanne Lambrew
Children Health Plans - Jeanne Lambrew
School Construction - Bob Shireman
America Reads - Bob Shireman
Student Loan Interest Rates - Bob Shireman
Social Security and Stock Market - Peter Orszag
ISTEA - Dorothy Robyn and Chuck Marr
World Competitiveness Report - Jon Orszag
MIT Commencement - Tom Kalil

If I am missing anything please let me know.

Thank you.

Message Sent
To:
Jonathan A. Kaplan/OPD/EOP
Russell W. Horwitz/OPD/EOP
Thomas A. Kalil/OPD/EOP
Emil E. Parker/OPD/EOP
Charles R. Marr/OPD/EOP
Jonathan Orszag/OPD/EOP
Peter R. Orszag/OPD/EOP
Robert M. Shireman/OPD/EOP
Sonyia Matthews/OPD/EOP
Jake Siewert/OPD/EOP
Jeanne Lambrew/OPD/EOP
Dorothy Robyn/OPD/EOP
Gay L. Joshlyn/OPD/EOP
Daniel D. Heath/OMB/EOP
KYLE_R @ A1 @ CD @ LNGTWY
MITSLER_E @ A1 @ CD @ LNGTWY
Malcolm R. Lee/OPD/EOP
Lael Brainard/CEA/EOP
Sherman G. Boone/OPD/EOP
Sally Katzen/OPD/EOP
Cecilia E. Rouse/OPD/EOP
Peter A. Weissman/OPD/EOP
Melissa G. Green/OPD/EOP
Sarah Rosen/OPD/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY (Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:23-APR-1998 09:46:16.00

SUBJECT: Thursday's Schedule and Trivia Challenge

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TEXT:

!!! HAPPY BIRTHDAY TO CHUCK SZYMANSKI !!!

Senate Senate Senate Senate Senate Senate Senate Senate Senate Senate

The Senate will convene at 9:30 a.m. and resume consideration of H.R. 2646, the Education IRA bill.

There will be three consecutive roll call votes on or in relation to the following amendments beginning at 9:30 a.m.:

* Coats #2297 regarding charitable contributions
* Kempthorn #2302 incentive awards
* Landrieu #2301 regarding Blue-Ribbon Schools

Two minutes of debate will proceed each roll call vote.

Following these roll call votes, there will be 30 minutes for debate on the Levin second degree amendment #2303, regarding drop-out prevention to the Levin amendment #2299, as amended by the Ashcroft amendment #2300.

The Senate is expected to complete action on the Education IRA bill
on
Thursday. In addition, the following first degree amendments remain in order to the bill:

* Dodd..........special education
* Boxer.........after school programs
* Bingaman......drop out prevention

House House House House House House House House House House House

The House will convene at 10 a.m. to consider the Judicial Reform Act and any conference reports cleared for action.

??????????????????????????? Trivia Challenge ???????????????????????

What president was born Leslie Lynch King, Jr.?

Yesterday's Q&A: Who was the only President to have been Speaker of
the
House? Answer: James K. Polk.
Sagacious budgeteers:
Chris Stanek
Joe Ford
Rob Fitzpatrick
Mitchell Feuer
Gary Ziehe
Brian Riley==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
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id <01IW7C2CJDSW002Q5D@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Thu,
23 Apr 1998 09:11:30 EDT
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with ESMTP id <01IW7C28S234001UCT@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Thu,
23 Apr 1998 09:11:25 -0400 (EDT)
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with ESMTP id <01IW7C1ETX480026CZ@STORM.EOP.GOV> for jolin_m@a1.eop.gov; Thu,

23 Apr 1998 09:10:44 -0400 (EDT)
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id JAA18513; Thu, 23 Apr 1998 09:10:32 -0400 (EDT)
Received: from ccMail by mailexc2.senate.gov
(IMA Internet Exchange 2.11 Enterprise) id 00521F0F; Thu,
23 Apr 1998 09:11:00 -0400
Content-description: cc:Mail note part
================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Brian A. Barreto (CN=Brian A. Barreto/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:29-APR-1998 14:40:49.00

SUBJECT: Weekly Report

TO: Sarah Rosen (CN=Sarah Rosen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sally Katzen (CN=Sally Katzen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Lael Brainard (CN=Lael Brainard/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: MITSLER_E (MITSLER_E @ A1 @ CD @ LNGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Daniel D. Heath (CN=Daniel D. Heath/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Dorothy Robyn (CN=Dorothy Robyn/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Emil E. Parker (CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Cecilia E. Rouse (CN=Cecilia E. Rouse/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sherman G. Boone (CN=Sherman G. Boone/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Malcolm R. Lee (CN=Malcolm R. Lee/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: KYLE_R (KYLE_R @ A1 @ CD @ LNGTWY [UNKNOWN]) (OPD)
READ:UNKNOWN

TO: Gay L. Joshlyn (CN=Gay L. Joshlyn/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Sonyia Matthews (CN=Sonyia Matthews/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Thomas A. Kalil (CN=Thomas A. Kalil/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Reminder - Weekly Report submissions are due tomorrow COB. Please send me your weekly reports ASAP.

Below is a list of possible submissions:

Asia finance/IMF - Lael Brainard
China/MFN - Malcolm Lee
US-EU Meeting - Bob Kyle
OECD Meeting - Sherman Boone
Banckruptcy - Sarah Rosen
Finanicial Modernization - Sarah Rosen
Securities Litigation - Sarah Rosen
AIP - Sarah Rosen
H1-B - Ceci Rouse
GI-Bill - Ceci Rouse
Children Health Plans - Jeanne Lambrew
Medicare Trustees' Report - Jeanne Lambrew
School Construction - Bob Shireman
America Reads - Bob Shireman
Student Loan Interest Rates - Bob Shireman
ISTEA - Dorothy Robyn and Chuck Marr
IRS Hearings - Chuck Marr
MIT Commencement - Tom Kalil
ED Tech Event - Tom Kalil
GDP Growth - Jon Orszag
Employment Cost Index Release - Jon Orszag

Social Security Trustees' Report - Peter Orszag

If I am missing anything please let me know.

Thank you.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY (Jon_Rosenwasser@budget.senate.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:18-MAY-1998 10:59:50.00

SUBJECT: Monday's Schedule and Trivia Challenge

TO: Michele Jolin@EOP (Michele Jolin@EOP [CEA])
READ:UNKNOWN

TEXT:
!!! HAPPY VICTORIA DAY (Canada) !!!

Senate Senate Senate Senate Senate Senate Senate Senate Senate Senate

The Senate will convene at 11:00 a.m. with a period for morning business until 12:00 noon with senators permitted to speak for up to 5 minutes each, with the following exceptions:

* Senator Dorgan.......................15 minutes
* Senator Conrad.......................15 minutes
* Senator Hutchinson...................30 minutes

At 12:00 noon the Senate will begin consideration of S. 1723, the Skilled Worker Immigration bill. Any roll call votes ordered on the Immigration bill will occur beginning at 5:45 p.m.

Following consideration of the Immigration bill, the Senate will begin consideration of S. 1415, the Tobacco bill.

During the remainder of the week, the Senate may consider:

* Conference Report on H.R. 2400 ISTEA,
* Conference Report on H.R. 2676 IRS Reform,
* Conference Report on H.R. 2646 the Education IRA bill

House House House House House House House House House House House

The House will convene at 12 noon for pro forma session.

?????????????????????????? Trivia Challenge ???????????????????????

What was the first country to officially recognize the United States?

Friday's Q&A: Who was out of "the contest" first and why? Answer: Kramer, after he voyeurs on his neighbor. Elaine was next, after being asked out by John Kennedy, Jr.
Budgetary "masters":
Chris Stanek

Neela Agarwalla
Paul Seltman
Sahand Sarshar
Marty Johnson
Hugh Brady
Jeremy Citro
Scott Slesinger
Brian Riley
Mark Isaac
Gerard Trimarco
Marc Sumerlin
Craig Bomberger
Victor Block
Mitch Warren=================== ATTACHMENT 1 ===================

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
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 18 May 1998 10:54:49 EDT
Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
 with ESMTP id <01IX6CY0J6FK004ARW@PMDF.EOP.GOV> for jolin_m@a1.eop.gov; Mon,
 18 May 1998 10:54:45 -0400 (EDT)
Received: from MAILSENT.senate.gov ([199.95.76.9])
 by STORM.EOP.GOV (PMDF V5.1-10 #22921)
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 18 May 1998 10:54:06 -0400 (EDT)
Received: from mailexc2.senate.gov by MAILSENT.senate.gov; (8.8.2/SCO5)
 id KAA00486; Mon, 18 May 1998 10:52:18 -0400 (EDT)
Received: from ccMail by mailexc2.senate.gov
 (IMA Internet Exchange 2.11 Enterprise) id 0059342F; Mon,
 18 May 1998 10:46:16 -0400
Content-description: cc:Mail note part
================== END ATTACHMENT 1 ==================

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cordelia W. Reimers (CN=Cordelia W. Reimers/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:29-SEP-1998 19:27:58.00

SUBJECT: Re: Status of Families Report

TO: Andrew R. Feldman (CN=Andrew R. Feldman/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
Thanks for all your help, Andy. Could you work on the references next:
Check that all the references in the text have a match in the References list in the back, & vice versa,
move the references in the text into footnotes (as in the Dec 1997 report on The Economics of Child Care), and
make the footnotes a smaller font (as May 1997 report Explaining the Decline in Welfare Receipt, 1993-1996).
When you've finished all that, please email me a copy of the "clean" draft so I can fix the remaining things.
Thanks!

Andrew R. Feldman
09/29/98 02:26:36 PM
Record Type: Record

To: Cordelia W. Reimers/CEA/EOP, Rebecca M. Blank/CEA/EOP
cc:
Subject: Status of Families Report

I am leaving now for Yom Kippur activities (but I'll be here tomorrow), so I wanted to give you an update:

* I removed the strike-outs and the redlines, and checked it.

Points relating to questions in the text:

* I have asked Lisa Burnhart at ACF to calculate the percentage growth of child care subsidies to low income families since '92. Expected answer this afternoon (my voicemail code is 123456 if you wish to check it.)

* I left a voice-message w/ Jeanne Lambrew about earlier expansions in the Dependent Care Tax Credit. No answer yet. Maybe we can find another source.

* Regarding support for vocational education: Hope scholarships were

created by the Taxpayer Relief Act of 1997. The maximum Pell grants has been increased 30% since the President took office, to $3,000. So we might want to say something like "This has included the creation of Hope Scholarships and the expansion of Pell Grants."

Corky, Becky has a few more points for you in the text, such as one reference that is "not for citation", and a question about why you think the results on commuting time are surprising.

Andy

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert F. Schoeni (CN=Robert F. Schoeni/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:18-NOV-1998 11:43:47.00

SUBJECT: Lifetime Learning Tax Credit

TO: Cecilia E. Rouse (CN=Cecilia E. Rouse/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Ceci, I have a couple questions about the Lifetime Learning Tax Credit -- do you know the answers, or do you know who might? Thanks.

1. Is the amount of the tax credit equal to 20% of qualified education expenses up to $5000 (through 2002 and $10,000 thereafter)?

2. Is this a one-time credit, or can you receive the credit multiple years?

3. What is included in "qualified education expenses?"

4. When was it enacted?

Thanks for your help.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cecilia E. Rouse (CN=Cecilia E. Rouse/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-NOV-1998 18:06:08.00

SUBJECT: Re: Lifetime Learning Tax Credit

TO: Robert F. Schoeni (CN=Robert F. Schoeni/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:
I would ask either Chuck Marr or Jon Orszag.

-- Ceci

Robert F. Schoeni
11/18/98 11:41:21 AM
Record Type: Record

To: Cecilia E. Rouse/OPD/EOP
cc:
Subject: Lifetime Learning Tax Credit

Ceci, I have a couple questions about the Lifetime Learning Tax Credit -- do you know the answers, or do you know who might? Thanks.

1. Is the amount of the tax credit equal to 20% of qualified education expenses up to $5000 (through 2002 and $10,000 thereafter)?

2. Is this a one-time credit, or can you receive the credit multiple years?

3. What is included in "qualified education expenses?"

4. When was it enacted?

Thanks for your help.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-NOV-1998 18:55:50.00

SUBJECT: Re: Lifetime Learning Tax Credit

TO: Robert F. Schoeni (CN=Robert F. Schoeni/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TEXT:

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert F. Schoeni (CN=Robert F. Schoeni/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:18-NOV-1998 18:37:28.00

SUBJECT: Re: Lifetime Learning Tax Credit

TO: Cecilia E. Rouse (CN=Cecilia E. Rouse/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Thanks.

Cecilia E. Rouse
11/18/98 06:03:40 PM
Record Type: Record

To: Robert F. Schoeni/CEA/EOP
cc:
bcc:
Subject: Re: Lifetime Learning Tax Credit

I would ask either Chuck Marr or Jon Orszag.

-- Ceci

Robert F. Schoeni
11/18/98 11:41:21 AM
Record Type: Record

To: Cecilia E. Rouse/OPD/EOP
cc:
Subject: Lifetime Learning Tax Credit

Ceci, I have a couple questions about the Lifetime Learning Tax Credit --
do you know the answers, or do you know who might? Thanks.

1. Is the amount of the tax credit equal to 20% of qualified education
expenses up to $5000 (through 2002 and $10,000 thereafter)?

2. Is this a one-time credit, or can you receive the credit multiple years?

3. What is included in "qualified education expenses?"

4. When was it enacted?

Thanks for your help.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Robert F. Schoeni (CN=Robert F. Schoeni/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:18-NOV-1998 18:37:20.00

SUBJECT: Re: Lifetime Learning Tax Credit

TO: Charles R. Marr (CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Chuck, Ceci thought you might know the answer to these questions. Any help would be appreciated. Thanks.

---------------------- Forwarded by Robert F. Schoeni/CEA/EOP on 11/18/98 06:36 PM ---------------------------

Cecilia E. Rouse
11/18/98 06:03:40 PM
Record Type: Record

To: Robert F. Schoeni/CEA/EOP
cc:
bcc:
Subject: Re: Lifetime Learning Tax Credit

I would ask either Chuck Marr or Jon Orszag.

-- Ceci

Robert F. Schoeni
11/18/98 11:41:21 AM
Record Type: Record

To: Cecilia E. Rouse/OPD/EOP
cc:
Subject: Lifetime Learning Tax Credit

Ceci, I have a couple questions about the Lifetime Learning Tax Credit -- do you know the answers, or do you know who might? Thanks.

1. Is the amount of the tax credit equal to 20% of qualified education expenses up to $5000 (through 2002 and $10,000 thereafter)?

2. Is this a one-time credit, or can you receive the credit multiple years?

3. What is included in "qualified education expenses?"

4. When was it enacted?

Thanks for your help.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bert I. Huang (CN=Bert I. Huang/OU=CEA/O=EOP [CEA])

CREATION DATE/TIME:22-DEC-1998 11:14:24.00

SUBJECT: E&T highlights

TO: Joseph J. Minarik (CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Joe -- So far, I'm thinking about including the HOPE scholarship tax credit, Pell expansion, Lifetime Learning tax credit, and Youth Opportunity Grants (plus an additional mention of WIA). What would your list / your staff's lists look like?

Thanks -- Bert

Joseph J. Minarik

12/18/98 02:46:13 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc: cordelia w. reimers/cea/eop, robert f. schoeni/cea/eop
bcc:
Subject: Re: Navigating education and training

Bert: Thanks for the message. In terms of the new initiatives (in the FY 2000 budget), Larry Matlack & Co. will be the best placed to let you know about the decisions as they are made, and to provide explanations. For a perspective on the Administration's past initiatives, we will be happy to give you our opinions, which you should consider along with Larry's.

EP: Let's put together our nominations for the Education Academy Awards. I'll think about my desired ranking; please get back to me. Thanks.

Bert I. Huang 12/18/98 12:05:16 PM

Record Type: Record

To: Joseph J. Minarik/OMB/EOP@EOP
cc: Cordelia W. Reimers/CEA/EOP@EOP, Robert F. Schoeni/CEA/EOP@EOP
Subject: Navigating education and training

Dear Joe,

When you have a moment, would you or your staff mind helping us identify the state of Administration proposals in education and training, generally? We wish to include (at least for now) some language in our ERP chapters on achievements and new initiatives in E&T -- and hope to have the most updated materials for our drafts. We've also asked Larry Matlack's folks for guidance on this.

What do you think, for example, would be the 5 or so initiatives most worth mentioning -- and would someone on your staff have basic materials (or ready-made language) for them?

Thank you very much for time and help -- Bert 5-5618

FAX 395-6853

Message Sent
To:____

Bert I. Huang/CEA/EOP
Justine F. Rodriguez/OMB/EOP
Robert B. Anderson/OMB/EOP
Laurence R. Jacobson/OMB/EOP
Randolph M. Lyon/OMB/EOP
Mark A. Wasserman/OMB/EOP
menchik @ pilot.msu.edu