VOLUME 280 NO. 2
AUGUST 1997

The Atlantic Monthly

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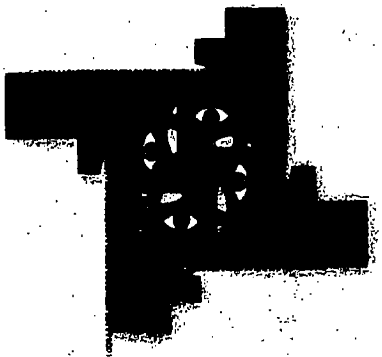

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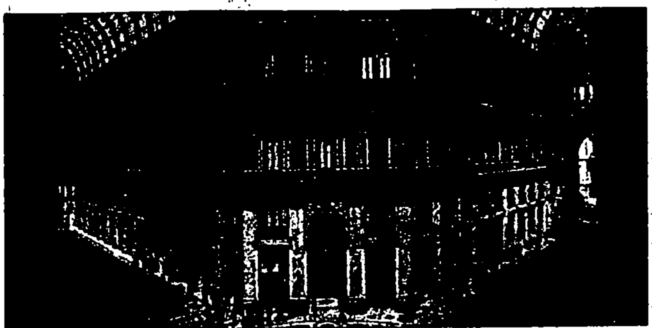

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The Atlantic Monthly (ISSN 0276-9077) is published monthly by The Atlantic Monthly Company, 77 N Washington St., Boston, MA 02114 (617-854-7700). Periodicals postage paid at Boston, MA. Toronto, Ont., and additional mailing offices. Printed in U.S.A. Advertising and Circulation: 1290 Avenue of the Americas, NY, NY 10104 (212-830-1900). Subscriptions: $17.94 for one year, $29.95 for two years, $39.95 for three years in the United States and its possessions; $8.00 additional a year in Canada, includes GST (123209926); $15.00 additional a year elsewhere. Subscription queries: Atlantic Subscription Processing Center, Box 52661, Boulder, CO 80322. Or call 800-234-2411. Back issues: send $5.00 per copy to The Atlantic, Back Issues, 200 North 12th St., Newark, NJ 07107. Vol. 280, No. 2, August 1997. Postmaster: Send address changes to The Atlantic, Box 52661, Boulder, CO 80328.

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AUGUST 1997

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THE NEW REPUBLIC
A Weekly Journal of Opinion

AUGUST 4, 1997

FOUNDED 1914
WASHINGTON, D.C.
ISSUE 4,307

Cover by Tika Buchanan for THE NEW REPUBLIC. Illustration by Anthony Russo. Articles on pages 16 and 20.

THE NEW REPUBLIC, Vol. 217, Number 5, Issue 4,307, August 7, 1997. (Printed in the U.S. on July 16, 1997.) Published weekly (except for combined issues dated Jan. 6 & 13, July 14 & 21, Aug. 11 & 18, and Sept. 8 & 15, 1997) at 1220 19th Street, NW, Washington, DC 20036. Telephone (202) 331-7494. The New Republic Advertising Sales Office (212) 702-4882. Yearly subscriptions, $69.97; foreign, $99.97; Canada, $84.97. Back issues, $3.50 (includes postage & handling). © 1997 by The New Republic, Inc. (ISSN 0028-6583). Periodicals postage paid at Washington, DC, and additional mailing offices. Indexed in Readers' Guide, Media Review Digest. Microform, Canadian Periodical Index, CD-ROM, issue and article copies are available through University Microfilms Intnl., 300 N. Zeeb Road, Ann Arbor, MI 48106. Telephone 1-800-521-0600. Internet mail address: tnr@aol.com Member, Audit Bureau of Circulations. Unsolicited manuscripts can be returned only if accompanied by a stamped, self-addressed envelope. Subscribers: Please send all remittances, changes of address, and subscription inquiries to Subscription Service Dept., The New Republic, P.O. Box 37298, Boone, IA 50037-0298. For subscription problems call 1-800-827-1289.

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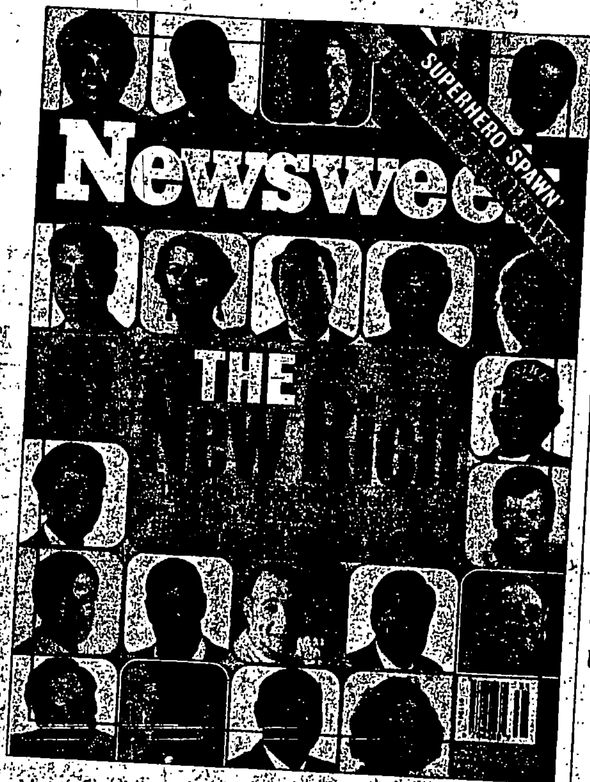

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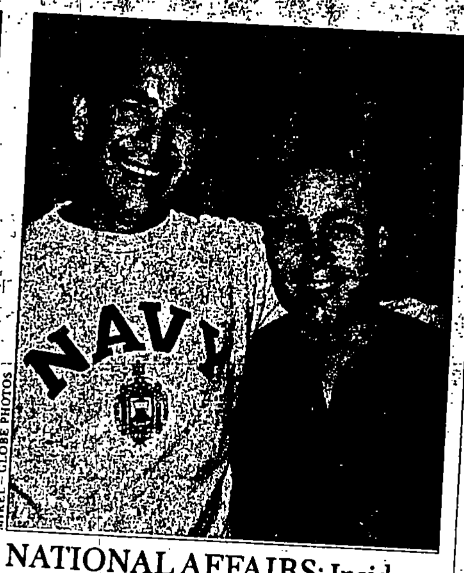

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TIME

THE WEEKLY NEWSMAGAZINE


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PAUL CHESLEY FOR TIME

Religion: The clean-cut optimism of the Mormons is increasingly in demand (*see* COVER)


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Show Business: Elvis Enterprises guards the legend (*see* THE ARTS)

COVER: *Salt Lake Temple of the Church of Jesus Christ of Latter-day Saints, chief spiritual symbol of the Mormons, Salt Lake City, Utah. Photograph by Acey Harper*

TIME (ISSN 0040-781X) is published weekly except for two issues combined into one at year-end and a special issue in May, 1997 for $59.94 per year by Time Inc. Principal Office: Time & Life Building, Rockefeller Center, New York, N.Y., 10020-1393. Reginald K. Brack Jr., Chairman; Don Logan, President, CEO; Joseph A. Ripp, Treasurer; Robert E. McCarthy, Secretary. Periodicals postage paid at New York, New York, and at additional mailing offices. POSTMASTER: Send address changes to TIME, P.O. Box 30601, Tampa, Florida 33630-0601. **For subscription queries, call Customer Service at 1-800-843-TIME**

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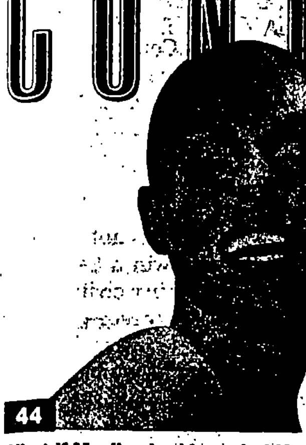

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When parents put their children in day care, they expect them to be safe. Too often, they are not.

COVER: Photograph by Michael Llewellyn for *USN&WR*

 U.S. News & World Report (ISSN 0041-5537) is published weekly, except for one combined issue mailed in August and a second combined issue mailed in December, $44.75 per year, by U.S.News & World Report Inc., 2400 N Street, N.W., Washington, DC 20037-1196. Periodicals postage paid at Washington, D.C., and at additional mailing offices. POSTMASTERS: Send address changes to U.S.News & World Report, PO Box 55929, Boulder, CO 80328-5929. *U.S. News* may allow others to use its mailing list. If you do not want your name included, please contact our Subscription Department by mail or phone. U.S.NEWS & WORLD REPORT® U.S. NEWS® WORLD REPORT® NEWS YOU CAN USE® SCANDOMETER™ WASHINGTON WHISPERS® Canadian Post International Publications Mail (Canadian Distribution) Sales Agreement No. 545643. Canadian Goods and Service Tax No. R124481334
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Printed in the U.S.A.

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PHOTO ILLUSTRATION BY DOUG STERN—*USN&WR*; PHOTOGRAPH BY DOC ALAIN PELE—RETNA

Too many parents have learned that day-care licensing and regulation, even when they exist, do not guarantee quality. Not to mention safety

BY VICTORIA POPE

Julie Fiedelholtz arrived unannounced to pick up her son, Jeremy, at day care. Jeremy was 3 months old, and it was his first day at Chrissy's Kids day-care center in Plantation, Fla. Julie had left him there two hours earlier; now she was returning to get a candid look at his new surroundings. The day-care helper greeted her reassuringly: "Oh, Jeremy is sleeping so fine. He did good." Julie relaxed and looked with pride at her baby boy. "Buddha belly," she said to herself. That was his nickname, because Jeremy was so nicely plump.

Day-care dangers

The word caught in her mind: Belly. He's lying on his *belly*. Fear drew her closer to his crib. Jeremy's tiny hands were pulled alongside his head. His head was face down against a rumpled sheet, a smear of vomit across his cheek. His skin was tinged blue. Julie gathered her baby up, but he flopped like a rag doll. She dropped to her knees and screamed his name. She tried CPR. Paramedics arrived a short time later, summoned by the helper.

At 4:17 p.m the next day, Jan. 30, 1997, Jeremy was pronounced brain dead at the hospital. When the final autopsy results were ready two months later, his parents learned that he had died of "positional asphyxia"—in layman's terms, Jeremy had suffocated while lying face down. During the minutes when he was struggling for breath, one day-care employee had been responsible for Jeremy—and 12 other children, according to official reports. This lone day-care worker was a 25-year-old woman, herself in the seventh month of pregnancy. The center's owner, Christina Schwartzberg, was not there because she had left the facility for 45 minutes to go food shopping.

While Jeremy was still lying comatose in the hospital, Roy Chandler, an investigator for the Florida Department of Children and Families, told the Fiedelholtzes that police had found serious violations when searching the Chrissy's Kids site that afternoon, Mark Fiedelholtz recalls. Later, after Jeremy's death, Broward County officials cited Schwartzberg for violation of child-adult-ratio regulations and for leaving the children with an unapproved aide who was not certified in CPR. Schwartzberg voluntarily surrendered her license. She acknowledged no wrongdoing. No charges were filed against her.

As the Fiedelholtzes sought to investigate why and how their son had died, they realized that they had been far too trusting. Before deciding on Chrissy's Kids as a suitable site for Jeremy, they had determined that it was licensed by the county. They had assumed that this ensured at least an adequate level of physical safety. Yet in Broward County, they learned, accreditation required only three hours of training for providers. They saw the county's official child-care manual; only one page was devoted to infants. It made no mention of the American Academy of Pediatrics' recommendations that babies be laid to sleep not on their bellies but on their backs. After Jeremy's death, police interviewed other parents whose children had stayed at Chrissy's Kids at the same time. The Fiedelholtzes were stunned to hear that most of the parents said they would gladly put their

Deaths of the innocent. **Clockwise, from top right: Kierra Harrison, 14 months, from head injuries in Las Vegas; Alexandra LeVasseur, 4, of heatstroke in Peters, Pa.; Jordan Ambrozewicz, 23 months, of drowning in Pasadena, Md.; Raegan McBride, 2, of head injuries in Windsor, Conn. At center: Jeremy Fiedelholtz, 3 months, of suffocation in a crib in Plantation, Fla. Such recent tragedies, experts say, underscore unanticipated hazards that can exist in day-care centers.**

PHOTO ILLUSTRATION BY DOUG STERN—*USN&WR*; (QUILT) MICHAEL LLEWELLYN FOR *USN&WR*; (ALEXANDRA, BOTTOM RIGHT) MICHAEL REDFORD children back in Schwartzberg's care.

What happened at Chrissy's Kids is an extreme illustration of what can occur when parents place their trust—and their children—in the fast-expanding but only lightly supervised American day-care system. Already, 4.6 million infants, toddlers, and preschool children from every income group, spend part of their day in licensed day care. The pressures on the system are about to increase dramatically: As new welfare reform laws take hold in coming months, some 2 million parents (mainly mothers) now on welfare will join the work force, and their children will need care outside the home. Under pressure of welfare reform, many state legislatures are now scrambling to create new facilities as quickly—and inexpensively—as possible. Within three years, 3 out of 4 American women with children under 5 will be working and need child care.

As more and more mothers have moved into the work force, the varied effects of day care have provoked bitter debate. Some cognitive scientists argue that hired attendants cannot provide the stimulation or attention children need for emotional development; others contend that the independence and socialization forced on children by day care actually help children thrive. Economists point to day care's problems as a classic case of "market failure": Large numbers of parents need the service so they can work, but they are not willing to pay the fees that would be necessary for the well-trained, highly motivated workers they would like their children to have.

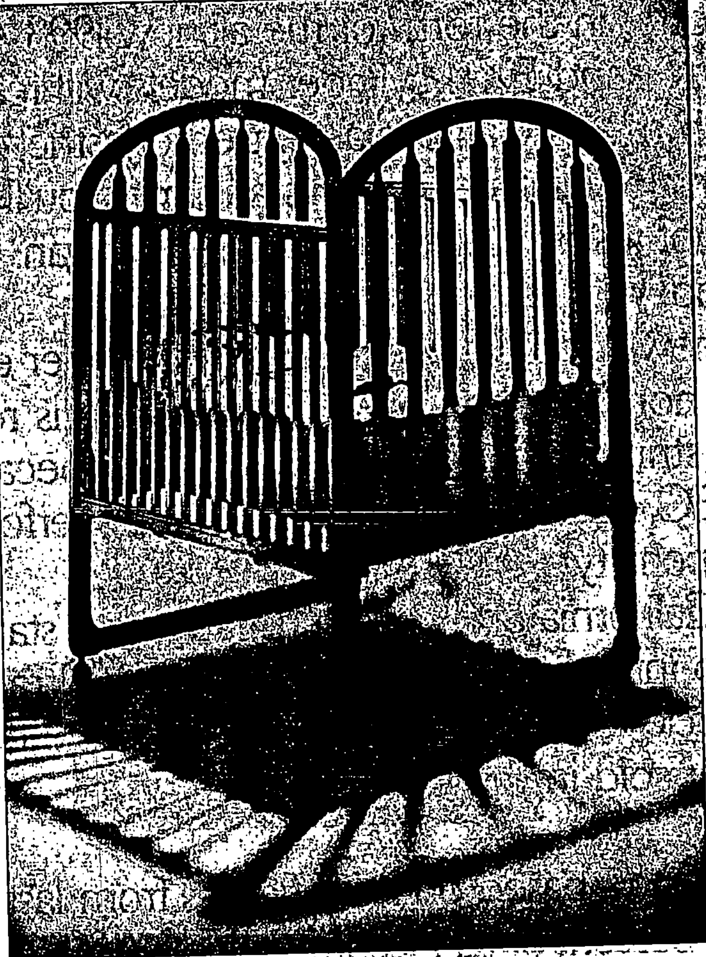
Avoiding harm. But whatever their positions in these debates, most parents take it for granted that day care will not be physically dangerous. To a larger degree than many realize, this assumption is incorrect. In a query of all 50 states and the District of Columbia concerning deaths in child-care facilities, *U.S. News* tallied 76 deaths in 1996. The causes included drownings, falls, being struck by autos, and sudden infant death syndrome—but the data are sketchy, since many states do not report the causes of these deaths. This is doubtless not the full total, since seven states as well as the District did not respond to repeated requests for information—and 16 others, including California and Ohio, said they do not track deaths in day care. Even fewer states record injuries. Figures also are difficult to obtain because so many of the nation's facilities are unregistered. In Texas, a state that has recently revamped its reporting system and does collect detailed data, 22 day-care deaths and 134 serious injuries were recorded in fiscal 1996. If the deaths recorded in Texas and Massachusetts (which also collects detailed data) were projected per capita on the national population, day-care deaths would number between 240 and 320 a year. As a comparison, in 1995, 2,260 American kids between ages 1 and 4 died in all accidents, including 825 in motor vehicle collisions.

Cursory oversight. No degree of care could prevent all deaths or accidents; but the system into which millions of Americans entrust their children is notably underregulated and poorly supervised. The great waves of safety regulation in America, from the meat-packing reforms of the muckraking era to the pesticide controls prompted by Rachel Carson's *Silent Spring*, have stemmed from concern that, without regulation, public safety will be at risk.

Worries about children's safety have led to no such day-care reforms. Typically, the required training for day-care workers is minimal, oversight is cursory, and standards are low. Complaints roll in, but punitive action is rarely taken—until it is too late. Agencies fail to share data that might have prevented injury and greater tragedy. Says Donna Overcash, director of Save the Children Child Care Support Center, an Atlanta-based advocacy group: "Zookeepers make more, and fast-food restaurants are better regulated."

Starting a day-care center is easy. *U.S. News* sent a 20-year-old male summer intern to apply for a day-care license in Washington, D.C. One of his letters of reference flatly stated he had "no professional training in child care." He filled out some forms, paid a $50 fee, and had his apartment checked out. He was told that with some first-aid training, some spot-cleaning, and a new fire extinguisher he could be licensed in a week.

In most states, the course of study for a driver's license is longer than for certification as a day-care worker. It takes about 1,500 hours of training at an accredited school to qualify as a licensed haircutter, masseur, or manicurist. Day-



When infants are laid in a crib to sleep, the American Academy of Pediatrics recommends that they be placed on their backs to help prevent SIDS. But many child centers don't heed this advice.

PHOTOGRAPHY BY MICHAEL LLEWELLYN FOR *USN&WR*

care providers, by contrast, are usually required to attend a single session devoted to a mishmash of topics from CPR techniques to food menus. In Las Vegas, Suzanne Magleby, a supervisor for Clark County social services, says her county requires six hours of training instead of the state-mandated three, which she wants to bump up to 12. "But I'm trying to go slow," she says, hinting at local resistance.

Training usually requires only passive exposure to instructional material; no tests are given. For instance, in a recent six-hour training class in Atlanta, participants sat through presentations on infectious diseases, injury prevention, and child-abuse detection. Of the 15 women there, three did not speak English. One slept through the entire video on infection control. Three women arrived an hour and a half late but were assured by the instructor that they would still be credited the full six hours to receive their certification.

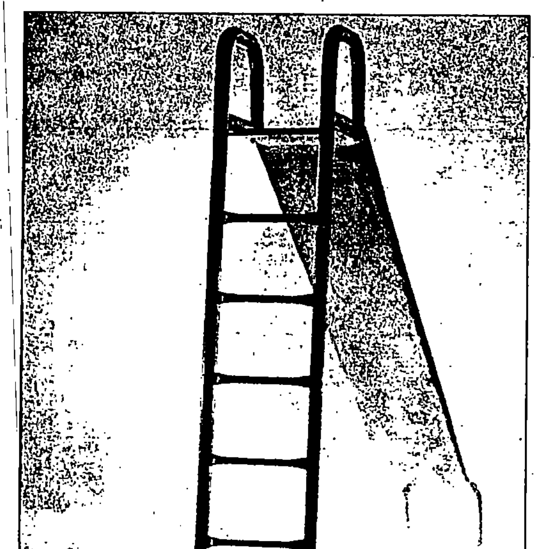
Fencing is usually required when a swimming pool is located near a day-care facility, to avoid accidents. In a day-care center in Mattapan, Mass., a drawstring caught in a playground slide apparently led to the death of a young boy. Many safety experts say that children should avoid wearing clothing with drawstrings on playground equipment.

Many states now urge former welfare recipients to be trained as day-care workers. This may be good for the recipients, since it prepares them for jobs; it could well be bad for children, since some states seem ready to lower existing standards to accept these "provisionally certified" providers.

In a just completed review of day-care standards nationwide, the New York-based Commonwealth Fund, a national foundation working with Yale University experts, assessed the quality of day care state by state, based on indicators such as child-adult ratios, programming, and caregiver qualifications. This study gave overall passing grades to only 17 states; and only Minnesota met their criteria in all categories. The study did not rate a single state as "good" or "optimal" on the size-of-group standard, which is key to preventing injuries.

While restaurants are shut down every day for even minor hygiene violations, records show that day-care centers in America are rarely closed. Frequently, licensing authorities try to keep troubled facilities open so working parents won't be left in the lurch. In a recent case in Guthrie, Okla., outside Oklahoma City, a family day-care center had accumulated a staggering 415 complaints against it but was still operating when a young boy died at the facility last November. The victim was 2-year-old Michael Robinson III—known as Trey—who attended A Child's Place day-care center. Trey, inconsolable after his mother dropped him off, walked out of the building undetected onto a highway. He was struck by a passing automobile. According to the records of Oklahoma's Department of Human Services, A Child's Place had violations against it that included children routinely left unattended, unsafe playground equipment, and in at least one instance an employee with a criminal record of child abuse. Yet the state allowed it to keep operating on six-month permits.

Run over, again. When police tried to reconstruct what happened prior to Trey's death, they turned to a 12-year-old named Anthony. By Anthony's account, written longhand on the police report, a staffer named Dale had asked him to help look for the missing boy. Anthony saw him first, lying on the busy road. "Dale told to stay there and make sure he didn't get run over again," Anthony wrote. When a speeding car approached, Anthony jumped up and down to try to get it to stop, but the little boy was again run over. The center's owners deny any neglect; no criminal charges were filed. Judy Collins, the statewide licensing coordinator for Oklahoma's Department of Human Resources, says her agency had moved to deny the facility its license before Trey's death.



In Seminole, Fla., near St. Petersburg, Beth Bennion pulled her son out of a day-care center two years ago, she says, after it let a pest-control company spray the premises while children were there. She says the center had also told the licensing board that it had fixed some dilapidated playground equipment when it hadn't. So when Bennion later heard that a gun had been found one Monday morning at the center, she expected it to be summarily shut. Instead, one of the center's owners told the licensing board that the gun might have been a toy or left by carpet cleaners over the weekend. (Later, the owner's lawyer said it was a BB or pellet gun, even though three witnesses—including the center's director—described it as a firearm, "gray, heavy, and could fit in the palm of the hand.") The center was fined $200 for keeping a weapon on the premises, but it was not closed.

Extra kids. In the Fiedelholtz case, the 13 children present at the time of Jeremy's death were nine more than the center's owner, Schwartzberg, had told Jeremy's parents would be there at one time. (While police say only one adult was present when Jeremy is thought to have suffocated, Schwartzberg's attorney, Harry Solomon, says that the children were in an area that was small enough to be supervised.)

Regulations that call for adult supervision, of course, can't guarantee it. Two-year-old Jordan Ambrozewicz drowned in an ornamental pond at his Maryland day-care center two years ago. According to Jordan's mother, three adults were on the

bling testimony may go unread. That's apparently what happened last February, when 2-year-old Raegan McBride, from the Hartford suburb of Windsor, Conn., died. According to the state medical examiner, the cause of her death was a single blow to the back of the head. The blow was allegedly delivered by the child's day-care provider, Kathy Greene, who has been charged with manslaughter in the case. She has pleaded not guilty.

After Raegan's death, investigators probed Greene's record and found multiple complaints of child abuse logged over a 14-year period. Police interviews with Greene's former charges turned up accounts of bruises, cigarette burns, dislocated arms, and vicious threats, all allegedly perpetrated by Greene. One boy told investigators that Greene had thrown him against a washing machine because he had wet his pants. After re-

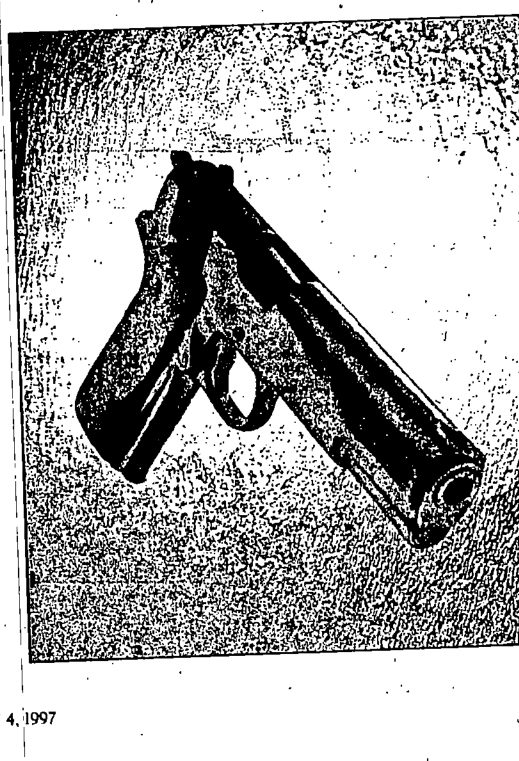
If a chin gets caught in a highchair, a child may be injured. More than once in a day-care facility, a provider has stepped out of the room during mealtime and a child has strangled in a chair. Many states have rules against keeping a gun at a day-care facility, but witnesses said they saw a firearm in a Florida center. The center was fined $200 but was not closed.

premises, and the other children had gone home. In a case that led to a tightening of state care regulations in Pennsylvania, a 4-year-old, Alexandra LeVasseur, died in August 1995 after being left in a sweltering van for nearly three hours. The day-care operator had unloaded the van during a field trip and left the girl sleeping in the front seat. No charges were filed in either case.

Similarly, parents may assume that a state license means inspectors will regularly check the facility. In most states, it does not. Typically, inspectors visit a center when it opens, for initial accreditation—and thereafter in response to complaints or after a few years pass. In Virginia, a legislative audit showed that the state had failed to make mandatory twice-a-year inspections of 722 of its 4,200 licensed facilities in 1996; 159 centers were not visited even once.

When inspectors do show up, they often concentrate on compliance with the safety rules—whether a first-aid kit is complete, for instance—but may be oblivious to larger concerns about the children's welfare. When imposing regulations, licensing boards may insist on niggling requirements—that more toilets must be available in case children have diarrhea, or that a fence be built in a completely rural area—but ignore indicators of inappropriate behavior.

Regulatory enforcement is further hampered by poor coordination between different agencies. When state agencies fail to share information, dossiers of trou-



viewing a series of complaints, a social worker wrote: "I would not place a child at Ms. Greene's again," stating that the woman was unable to control her "rage for authority and power over children." That was in 1992. Greene remained in business five more years, until Raegan's death.

Kristine Ragaglia, the child advocate for the state of Connecticut, acknowledges that faulty reporting was part of the problem. Beyond that, Ragaglia says, Greene stayed in business because the previous cases boiled down to a child's word against that of an adult—and the regulators consistently sided with the adult.

Many states refuse to share their files with other states; a bad day-care provider drummed out of business in one state can reopen in another. Most states keep day-care records at the county level. Parents can review the records, but obtaining access to the files isn't always easy. When a reporter recently requested information on 19 day-care homes in Anne Arundel County, Md., she was asked to limit herself to four requests and was told that the county could take 30 days to respond. That would discourage many busy parents.

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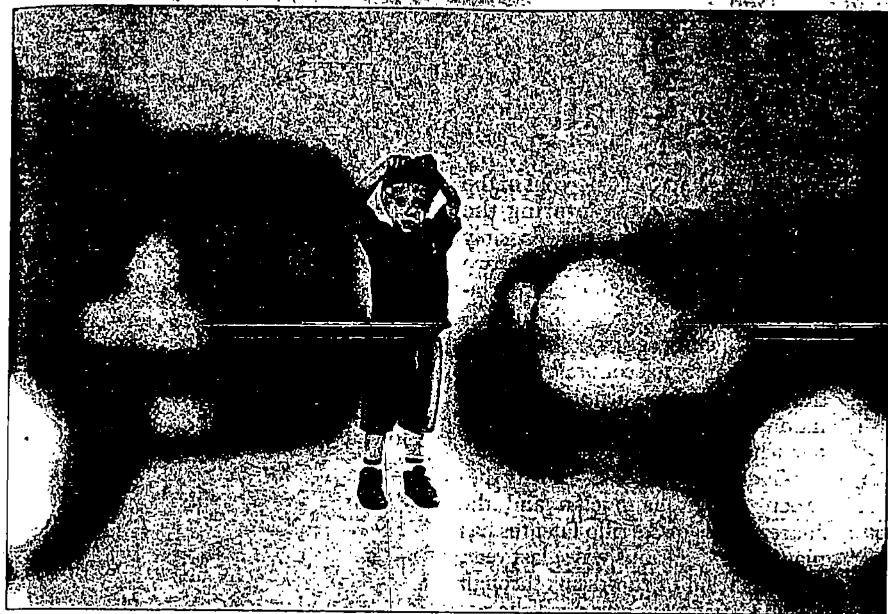
Reviewing a file is a good precaution, but not an ironclad one. When 14-month-old Kierra Harrison died in her Las Vegas day-care center last March, the cause of death was found to be a fractured skull from severe head trauma: Shards of bone were wedged in her brain. Doctors described her injury as equivalent to falling headfirst from a two-story building onto concrete. The day-care operator was charged with murder. She has pleaded not guilty. Yet when Kierra's mother, Amanda Harrison, checked with the licensing board, the day-care provider's record was clear. After the fatality, Kierra's family learned that the provider allegedly had been reported for abusing her own 3-year-old daughter, but it hadn't shown up in the files because her surname was misspelled. (A lawyer for the provider calls those child-abuse complaints against her "way out of proportion.")

The case has given Kierra's grandmother, Pam Rowse, a registered nurse, a political cause. After Kierra's death, Rowse dropped her 9-to-5 administrative position to work an emergency-room shift, so that she would have maximum free time during business hours to lobby for stronger regulation. Jeremy Fiedelholtz's parents have made the same choice. Mark Fiedelholtz, a lawyer who runs legal studies seminars, and Julie, a social worker with Catholic Charities, have lobbied Congress as well as Florida officials for national day-care reform. In the six months since his son's death, Mark has testily confronted more than one politician for failure to support greater regulation, saying: "What do you need, a body count?"

But while the families of victims lobby for higher standards and stricter rules, proprietary day care, especially the larger franchises, employs a powerful lobby in Washington to keep up opposition to increased regulation. Industry representatives contend that day care can maintain high standards without bolstering requirements, and that new regulations would drive costs up to unacceptable levels. What seems hardest for the mourning families is their abiding sense that they themselves had been naive—naive in assuming that the laws and standards governing day care had produced a system in which their children would be safe. ■

With Margaret Loftus, Jill Jordan Sieder in Atlanta, and Zachary Knight

For more information see U.S. News Online (http://www.usnews.com).



When facilities are close to busy traffic, an unlocked door may invite the sort of tragedy encountered near Oklahoma City recently. A little boy wandered out of his day-care center and onto a street where he was fatally injured by a car, police said.

FIXING DAY CARE

One state tries to do it right

From a regulatory standpoint, Colorado's mountains and wide expanses are a handicap. To check out a file on a day-care provider in a westernmost city like Durango, a resident would face an eight-hour drive to state offices in Denver. It's that isolation, however, that has spurred the state to create a new system of data collection: Starting next month, Colorado will put the records from its more than 7,000 licensed day-care centers on computer disk. Consumers will be able to quickly retrieve material through a half-dozen regional referral offices, where a specialist might urge that parents report day-care problems and scrutinize centers' records. "You, the parent, are there [dropping off children] every day. You need to put on your critical hat," says Gail Wilson, head of the private, nonprofit Colorado Office of Resource and Referral Agencies.

Such pragmatism has also powered an overhaul of day-care monitoring. Colorado has admitted to what most states will not: It wasn't doing its mandated annual day-care inspections, partly for reasons of cost. Now it has "risk based" inspections, which means resources will be used where they are most needed. Centers failing to comply in certain key areas will be tracked carefully, while facilities that have proved their faithfulness to the rules won't be visited at all.

These innovations have worked in part because the state's population has higher levels of income and education than the national average. Gov. Roy Romer's mantra—make Colorado the best place to raise a child—is attractive to the state's many newcomers. And Colorado's business community is counting on these quality-of-life seekers to support a new voluntary checkoff program that allows taxpayers to allocate a portion of their state income tax refunds to improving licensed day-care facilities.
–Victoria Pope

UNDER THE UNDERCLASS

By Dana Milbank

The PR guy couldn't have hoped for more. As reporters scribbled, the CBS News camera zoomed in on a figure in incandescent orange, a radiant poster girl for Marriott hotels' lauded welfare-to-work program. The woman, a welfare mother named Charlene who would soon join the working world, was leading a ballroom full of Marriott executives and welfare caseworkers in a defiant chant. "I AM SOMEBODY!" she shouted. "RESPECT ME!" Fellow program participants erupted in a standing ovation. The CBS cameraman liked it so much he asked everybody to stage the whole thing again.

Marriott's program, Pathways to Independence, has been hailed as the country's greatest hope of a private-sector solution to the welfare problem: 77 percent of the program's participants are still in steady jobs a year after they graduate, earning paychecks and providing for their families without government handouts. President Clinton has publicly praised Marriott's program, and his welfare adviser, Bruce Reed, has called Marriott's effort "the best program I've heard of at a major company." In October 1996, I wrote a favorable story about the program in *The Wall Street Journal*; dozens of reports followed—on ABC, CBS and CNN and in papers from *The St. Petersburg Times* to the *Times* of London. The praise was well-deserved.

But on that day when Charlene posed for the cameras, Marriott's program was attempting something much more bold and difficult than before. Until that point, Pathways to Independence had carefully restricted its efforts to the easier cases—relatively well-functioning welfare recipients who were eager to find work. Now, with this graduating class of twelve, Marriott was hoping to demonstrate that it could take even some hard-core welfare cases, many of them homeless and recent drug addicts, and bring them into the workforce in an efficient, affordable way. The effort seemed to represent the best hope of coping with the question that still haunts welfare reform—what about the truly unemployable?

Eight months later, however, all Charlene's class has demonstrated is that welfare reform as we know it isn't going to work as we'd like it. Charlene's experience in the workplace is typical. She got a job [illegible] riott, and lost it for poor attendance; she [illegible] second chance, and lost that job, too. She has re[illegible] to the man whose blows had landed her in a ba[illegible] women's shelter. Another group member [illegible] drug addiction and flunked a drug test after [illegible] offered him a job. One participant dropped [illegible] pregnant, while yet another quit her job interv[illegible] now works a few hours a week in fast food, still [illegible] her welfare check to support five children. Even some of those who kept their jobs are causing Marriott [illegible] aggravation. "Abominable," concludes Julia Gonzales of the D.C. Private Industry Council in Washington, which supplies the participants to Marriott. Late last year, the Marriott program called off the hard-case experiment and returned to its focus on the more likely successes, "balancing the program," a Marriott spokesman says, to include only a few tough cases in each class. "We bit off more than we could chew," confesses Kenneth Tully, one of the coordinators of Marriott's program. Affirms Janet Tully, the head of Marriott's program and Kenneth's mother, "There's no way we're going to go any deeper into the well. You're not going to find any company going that far down."

What is at stake in the Marriott experiment is immense. If welfare reform is to work, the private sector must make it work. A reform that shifts welfare recipients from one government check, in the form of an open dole, to another, in the form of a salary for make-work or for attending training classes, will be regarded as a failure. As Clinton has said, "only the private sector in America can prove that I was right to sign that bill." But Marriott's experience shows that even the best welfare-to-work effort in corporate America can't put the toughest welfare cases to work.

So far, the problem evident in Marriott's failure has been masked by the euphoria over figures that show the nation's welfare caseload has dropped by 24 percent over the last three years. The decline has made welfare-to-work efforts look easy—misleadingly so. Those reductions, like Marriott's earlier efforts, have come from skimming the most capable recipients off the rolls. Deeper in the pool of 4 million adults who remain on welfare, beyond those suffering temporary reversals, are the hard-core recipients: the homeless, the addicted, the

DANA MILBANK writes about welfare and social policy.

battered, the disturbed, the illiterate and the criminal. Nobody knows exactly how many of these people there are, but most experts put the number at one-third of the total caseload, and Marriott's experience suggests that figure might be even higher.

The 1996 federal welfare law requires that, by 2002, the states must subject all but 20 percent of welfare recipients to the new five-year limit for public assistance. But what will happen to the people left behind by the private sector? What will happen to the most disadvantaged among the poor?

Charlene's group, which I tracked over eight months, was a tough challenge by any standards. All sixteen participants were black residents of Washington, D.C., who lived in shelters or with relatives. None had a credit card or a checking account. One had done time for manslaughter. Another said she had worked as a prostitute to raise drug money. But, for all their problems, they had strong motivation. Theirs was the first to begin training after enactment of the welfare overhaul in August—the first participants to know they'd be kicked off of welfare if they didn't find jobs soon. Several of them told me of the pressure they felt to find work.

Placed in charge of employing this crew was Christa Richardson, a 28-year-old newcomer to Marriott. A fiercely determined spirit, she was called a benefits specialist, but her main qualification as a trainer, oddly enough, came from her love of animals. As a child she took in stray cats and wounded birds; later, she worked on a farm for rejected horses. "I don't have the ability to walk away from them," she says. Nor would she abandon her trainees, even if it meant breaking the rules. She bought them slacks and shoes, found one woman a free dentist, loaned them cash, arranged and rearranged their day care and contacted her charges daily through messages on shelter bulletin boards. She guaranteed a job to any candidate willing to show up for interviews. "I'm their only chance of survival," she said one afternoon while driving through Washington slums after visiting a trainee. "If I fail them, they may go back on drugs."

At first, there were signs of hope. On the morning of October 16, early in the training, a heavyset woman, Felicia, sat with her fellow trainees, listening intently to the day's speaker, a welfare-mom-turned-Marriott-manager. Felicia was full of questions. "How is it to get up every single day and go to work?" she wondered. Then later: "I want to be a general manager. Is that something I could ever even think of?"

The manager said, "There is nothing you can't be," and that got Felicia fired up. "I really needed to hear that," she told the woman. "I've never gotten in a program and stuck with it. I have dreams and goals also, and when I see you I know I can do it." It sounded like a big step for Felicia, 28, who had been off drugs only a short time and had been in a violent relationship. For the next two weeks, she was the teacher's pet, on time for every session, dominating the discussion and working with Christa on her résumé after class. She talked of the new car, a '97 Nissan, she planned to buy after she got a job. "I see a future for myself," she told me. "Four weeks ago, I didn't see anything."

But, two weeks after Felicia's epiphany, she confided to some classmates that she had left the shelter and returned to her husband. A few days later she found out that a job she was hoping for had been filled. In a mock job interview in class, her confidence cracked and she stopped. "I'm blowing it," she said. Felicia missed the next three days. Finally, Christa reached her at home, and Felicia, sobbing, told Christa she couldn't talk. Concerned for her safety, Christa invited Felicia to sleep at her apartment. The next night, Felicia called Christa at home after 10 p.m. to tell her the police had just left after she and her husband fought. She promised to return to class. "I want to do it," Felicia said. "I'm just feeling really suicidal right now."

Christa said she would overlook the missed time, but the next morning, a Friday, found no Felicia. Returning to her office after class, Christa played a heartbreaking message on her answering machine. "Hello, Christa, this is Felicia. I don't want you to be mad at me and put me out, but I can't come to class and let you all see my face like this." She was crying softly as she spoke. "I don't want you to put me out. That's the last thing I want. It seems I have nothing left. Y'all have to keep me in your prayers. Tell the class I love them all." A few days later, Felicia, her face bruised, came to Christa's office, and they agreed to part ways. Today, Felicia says she's taking a word-processing course. There is no more violence, she says, but things are "still rocky."

Of the sixteen trainees in Christa's group, only twelve survived six weeks to see their names in green icing on the graduation cake that November day. Of those, only seven are working today—and sometimes more because of Marriott's mercy than their own merits. The only other Marriott training group from last fall with a large number of hardship cases had similar results; it's down to six still employed. A success rate of just under 50 percent might not seem all that bad, but the rate is well below the level Marriott requires to justify the expense of training. For the run-of-the-mill welfare recipients who came through the Washington program in 1995, by contrast, Marriott had a retention rate of 78 percent after one year and 71 percent after two years.

Also, even the trainees in Christa's group, though tough by Marriott's standards, didn't come from the very bottom of the rolls. Requiring a certain amount of education and gumption, Christa accepted only twenty-one of the sixty-five who were coerced by their caseworkers to go for interviews. They had to prove strong interpersonal skills, be able to read, pass a drug test (five of the twenty-one failed) and demonstrate eagerness to work—all of which seemed to make them relatively strong candidates for job training and placement.

Yet Tamara, whose two children were in foster care, dropped out after two weeks. She told me she couldn't afford the subway fare. When I pointed out that the subway fare was paid for her, she replied, "I didn't like housekeeping anyway." A social worker at the shelter she recently left says Tamara's third child is due in October. The nonchalance of Tamara and some others irked Christa, but she didn't show it, perhaps because she was thinking less of the recalcitrant mothers than of their blameless children. Once, when handing a trainee a subway pass before the trainee started her new job, Christa told her: "This is not just your ticket, it's your kid's ticket." There were easily three dozen young children dependent on their parents' success in the program.

Some participants, inexplicably, disappeared just at the moment success was at hand. Early in the training, Sheron, who at age 21 already had a 5-year-old and two other kids, taped to her door at the shelter a warning written on a torn piece of paper: "Do not knock on my door for any reason. I have to get up real early." Indeed she did, rising at 5 a.m. to bring one of her children to day care and get herself to work, taking three buses and three subways to cover the distance. Sheron, petite and shy with a bomber jacket invariably covering her housekeeper's uniform, struggled throughout the training with child-care troubles. On graduation day, she gave Christa a card. "Thank you for not giving up on me," it said. "I won't let you down."

Within a month, Christa had landed her a Marriott housekeeping job—and within two weeks, Sheron had lost the job after a string of what Marriott calls "no-call no-shows." When I spoke with her later, she said her new apartment had been burglarized, but it was more than that, really. "It's hard to keep doing it, each room, over and over again." The next day, Sheron walked back in to resume her job. "I'm coming back," she told her supervisor. "No," he replied, "you're not."

Christa, who had been keeping a diary of her group's progress, recorded a dejected entry in January after Sheron's dismissal. "Spent last night wondering if there was something I should have done differently," she wrote. "Clearly, some people weren't ready for this." Yet what more could Christa have done? She worked days, nights and weekends, often not reporting her hours for overtime pay. "I'm doing what I need to do to make it happen," she said one afternoon in her basement office, running her hands through her red hair in exasperation. "If I didn't get more involved, I would've lost several more people."

Christa's efforts undoubtedly improved—maybe saved—the lives of the seven who are still working. One of them, Tiny, triumphantly moved her family into a new home in May, after four months on the job. She joined the credit union, opened checking and savings accounts and left welfare. A fellow trainee, Denise, is markedly more confident now that she earns $300 a week as a restaurant hostess. "I feel really good getting up every day," she says. She sent a note to Christa saying, "I can now close the books on the welfare system forever." Christa nursed another student to a job even though the woman's boyfriend had been shot to death [illegible] dle of training; she's still working. "You can[illegible] whole world," she says. "If one person mak[illegible] whole big different life for that person."

But, as a business proposition, Marriott['s] [illegible] ment with tough welfare cases was [illegible] The up-and-down case of Cynthia, who wo[illegible] the same hotel as Tiny and Denise, show[illegible] She started full of confidence, taping to her bedro[illegible] wall a motivational note titled "Key to Success." [illegible] sat in on her job interview in December, she deli[illegible] flawless performance despite a nasty cold. But then [illegible] scattered Cynthia returned. She missed several [illegible] when her teenage son got caught carrying a gun. [illegible] lateness and absences continued, and cowo[illegible] remarked on how lenient her supervisors had be[illegible] Said one supervisor, "If she were a regular new wor[illegible] she'd be fired."

Marriott has gone way out of its way to keep Cyn[illegible] working. Her supervisors gave her three informal wa[illegible] ings about absenteeism before issuing a formal one, [illegible] the company agreed to change her hours because [illegible] worried about going home late at night. "It's bee[illegible] bumpy, no question," says Lonnel Moore, who hire[illegible] Cynthia and knows she may run out of second chance[illegible] It's a bottom-line decision: if Cynthia's productivity doesn't justify her wage, Marriott loses money keeping her. And while Lonnel says "it does my heart good" [illegible] provide a little private charity, ultimately the speci[illegible] treatment will help neither Marriott's bottom line no[illegible] Cynthia's work ethic. Already, she's beginning to believe she's protected by a double standard.

Cynthia isn't the only one of the success stories who turns out to be a source of trouble. One man from the group is prone to outbursts, and a woman in the group just missed a promotion because of her absenteeism, but both get by. More troubling is Charlotte, a member of the group who turned out to be a solid housekeeper but still leaves reason to question Marriott's investment, which presumes long-term retention. Charlotte is getting impatient with her $7.50 an hour. "I work hard, and [illegible] should get more money for it," she says. "I'm going Mon[illegible] day to fill out some job applications." Where? Why, at Marriott's arch-rival, "The Grand Hyatt." Even Denise, fiercely loyal to Marriott, is disillusioned. She said in February she expected to save $100 a week, but in five months has put away only $220. And her thirty-two hours at $9 an hour isn't enough to pay the rent. "I feel if I'm not progressing, then I'm in trouble," she says during a break in the Marriott employee cafeteria. "I want to live a normal life like everyone else."

That the group members' problems continue on the job eight months later, despite Christa's efforts, is not surprising, considering where they came from. Poverty experts generally split the welfare caseload into thirds. The top third is easy, those for whom a simple job search will yield lasting employment. A middle third has some barriers to employment, but many of them can be helped by a program like Marriott's. The bottom third is where the greatest problem is; though only a few are utterly hopeless, the others in this category, though capable of work, have so many obstacles in their path that getting them to meet even the most minimal of employment standards requires far more effort than most industry supervisors or government social workers would consider worth the trouble. Those in the bottom third usually have a combination of physical or mental problems, troubles with their child's health or behavior, histories of substance abuse or domestic violence and so on. An Urban Institute study found that half of the welfare population needs more assistance than most welfare-to-work programs provide, and a quarter of the caseload is so troubled that even the more extensive programs won't help.

But the distinction between levels of difficulty is a murky one, and what's relevant is not how social scientists view the caseload but how employers do. In this regard, the news of Marriott's failure is even more depressing than it might seem on first sight. Although most, if not all, of the group members were capable of work, their problems—drug abuse, domestic violence, troubled children, health problems, unstable housing and transportation—eventually surfaced to bring them down, despite Christa's intensive coaching. And the only reason more didn't fail, most likely, is because Marriott tried to avoid the hardest of the hard cases.

Clearly, from the private sector's position, a work exemption of only 20 percent of the caseload just won't do it. The question is becoming more pressing because state employment efforts, as they leave the top third of recipients and push for the second third, are already meeting resistance. A June 23 report in *The Hartford Courant*, for example, reported that job placements in 1997 are running at only one-quarter the 1996 rate. "You're hearing from most states that they're realizing it's a lot harder than they anticipated," says LaDonna Pavetti, co-author of the Urban Institute study.

Granted, some states, particularly those with low unemployment, will have less trouble moving hard-core cases: Wisconsin will come out much better than West Virginia. But the 20 percent figure is based on current caseloads, so, as the rolls shrink, states will find themselves with fewer exemptions because the proportion of tough cases rises; in other words, states may become victims of their own success. The Department of Health and Human Services will clarify the regulation this summer, but it's unlikely to change. "That's why we're encouraging them not to do only the easy cases first," says an HHS spokesman. A recession, meanwhile, would make the 20 percent completely inadequate. In a high-unemployment environment even the easiest cases will have trouble finding jobs. The bottom half, much less the bottom third, won't even be worth an effort.

Theoretically, Marriott could run a program that would put hard-core welfare cases to work and keep them working. But the cost, already at $5,000 per participant, would become prohibitive. Regardless, Marriott seems reluctant to do it at any price. Working with the worst cases would require Marriott to run a social-service agency that delivers child care, transportation and housing assistance, plus counseling and daily hand-holding. "It's not something we can do; it's not something we will do; it's not something we should do," Janet Tully says. The private sector, for practical purposes, is out of the game when it comes to the lower half of the caseload.

But government shirks these cases, too: President Clinton insists welfare reform must be a "private-sector show." In truth, the government *can* provide help with such problems as domestic violence, depression, health problems and life-skills training. Yet such efforts require labor-intensive, small-group counseling for some twenty hours a week over two to three years before the participants can even contemplate work. Also, these programs are much more expensive than simply sending out checks—hardly the right recipe when welfare reform is still an excuse for budget cutting in Congress.

A few states have made small efforts in this direction. Michigan's Project Zero, an experimental program on which I've reported, offers extra help with child care, transportation and mentoring to see if the welfare roll can be brought to zero. Oregon and Utah now offer mental-health and substance-abuse assistance through the welfare office. Done right, these ideas could eventually raise the toughest cases to the point where they could succeed in a program like Marriott's. But none of these state efforts, nor any that has yet been contemplated, comes close to what it would take to make the toughest cases viable in the private sector. "It took ten years to get where they were," Janet Tully says of the hard-core cases. "If you think you're going to kiss them off in three months or six months, you're wrong." And while the booming economy has now given states unexpected surpluses, it won't be enough to engineer these transitions—particularly since the states are unlikely to use all of the money for welfare reform.

The latest effort by Congress and the Clinton administration to fix the problem at the bottom of the rolls isn't going to do much good, either. The $3 billion in additional block grants Congress now contemplates for assisting states in welfare-to-work transitions would be wasted if states and cities use it, as the legislation intends, for providing the wage subsidies, on-the-job training and job placement that are useful for the middle tier but of no use to the bottom. Though some of the money could be spent on support services, which could help the worst cases, two versions of the legislation now in conference exclude child-care spending. Tax breaks, similarly, offer companies a marginal incentive for marginal welfare cases, but no incentive to work with the tough ones. Says Clifford Johnson, a senior fellow at the Center on Budget and Policy Priorities, "the tax credits and wage incentives and subsidy schemes that are so much in vogue are dangled by the administration, but the message from the business community is if people don't have the skill and work readiness, no amount of incentive is going to get us to hire them."

If neither government nor industry can put the hard cases to work, it's possible the states would simply dump them from the rolls—which, according to at least some evidence, wouldn't be as cruel as it sounds. A study of those dropped from the rolls in Iowa, one of the first states to drop large numbers of recipients, found that, while 47 percent had no job after losing benefits and 49 percent saw their incomes fall, there was "little systematic evidence of extreme deprivation," in part because many people sought and received help from family and friends. Then again, that period without benefits was limited to six months, and the state was dealing only with an "able-bodied" population. Also, the Iowa economy is booming. In a downturn, the options for those dropped from the rolls would be far fewer—many of the toughest cases could wind up hungry. Federal welfare funding is now fixed at $16.5 billion a year, or about 60 percent of the total bill, and won't rise with the caseload. Even well-intentioned states could find, in the depths of a new recession, that they simply can't pay to keep the tough cases on the rolls indefinitely.

Of course, the law would probably change before Americans went hungry. States could get around federal time limits without an increase in spending by transferring the tough cases to programs that are exclusively state-funded while keeping the easy cases in the federal program. States could also loosen rules to make the toughest cases eligible for other programs that don't have time limits. The states could even give recipients public-service jobs in exchange for their benefits: such make-work jobs would certainly be preferable to unconditional checks. But they wouldn't be real jobs in the sense that workers' productivity would be justifying their wages—it would be just another [illegible] "The rhetoric is we're really going [illegible] pendency," says Rebecca Blank, [illegible] directs the University of Chicago/North[illegible] sity Joint Center for Poverty Research. [illegible] going to happen for the most disadvantaged [illegible]

That is unfortunate for people like [illegible] the star of the graduation. A tough [illegible] with bleached orange hair, big hoop [illegible] and a street-fighter's demeanor, [illegible] she'd been beaten by her boyfriend for [illegible] entering a battered-women's shelter. She was [illegible] of her chances from the start. "I've been through [illegible] many programs," she said one afternoon while [illegible] ing hotel rooms. In late October, when the class [illegible] bers were compiling "Value of Me" lists, a confidence [illegible] builder, she burst into tears. "I'm a failure because I'm [illegible] afraid to go back and face this guy," she told the group.

Charlene missed the next couple of days, then returned with some shocking news. Her violent boyfriend from New York had tracked her down at the shelter. The street fighter was quiet through that day's lesson; four days later, Charlene was openly sobbing in class. Looking through the workbooks after class, Christa found Charlene had written her a note: "It was nice knowing you. I'll see you some other time in life." Another page in the book said, simply, "I'm ugly."

Christa resolved to make Charlene her priority, and saw her through to graduation day. But, to Christa's amazement, Charlene's abuser was in the audience. Things were patched up, Charlene said. In December, Christa arranged a job interview for Charlene at a Marriott in Bethesda, Maryland; afterward, Charlene called excitedly from the subway station to say she expected t[illegible] be hired, and she was. But it didn't last. In January, she stopped going to work, giving no explanation or warn[illegible] ing and leaving baffled supervisors to complain t[illegible] Christa. Charlene said later that her daughter ha[illegible] chicken pox.

After Charlene walked off the job, Christa still persisted and, in March, found her a new job at a Marriott in Virginia. Charlene didn't show; she called to say he[illegible] daughter's babysitter couldn't make it. The hotel gav[illegible] her a second chance, a week later. This time Charlen[illegible] worked the day, only to announce to her new boss tha[illegible] she could only work weekends. She did some part-tim[illegible] work during the week, she explained. "See you next Sat[illegible]urday," she told her stunned boss. He told her not t[illegible] bother.

"I went way past the line for her," a sadder but wise[illegible] Christa wrote in the diary. Still, Christa doesn't regr[illegible] the effort, and she hopes Marriott—or somebody else—will spend the extra money to rescue people like Charlene. "If you're going to reach this population, you nee[illegible] a lot more involvement," she said. "But you need to d[illegible] it. If they sell out on this, it'll go the way of a millio[illegible] other programs." She's right, of course. But try tellin[illegible] that to the accountants. •

CONGRESSIONAL QUARTERLY

JULY 26, 1997

ECONOMICS & FINANCE/COVER STORY

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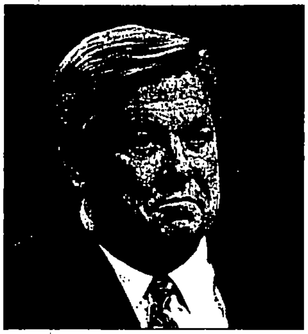

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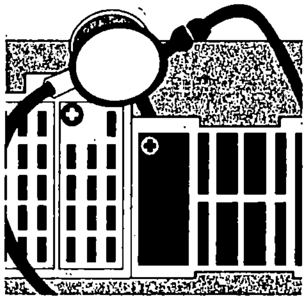

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DEFENSE & FOREIGN POLICY

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The Congressional Quarterly Weekly Report (ISSN 0010-5910) is published weekly, except the last Saturday in August and December. Annual subscription rate for businesses and organizations, $1,496; for government, $1,148. Additional rates are furnished on request. Periodicals postage paid at Washington, D.C. and additional mailing offices. (USPS 081-620) POSTMASTER: Send address changes to Congressional Quarterly Weekly Report, 1414 22nd Street N.W., Washington, D.C. 20037

COVER STORY

GOP Weighs 'Impure' Budget Deal As Clinton Holds High Ground

Eager to quiet party turmoil and leave town with a balanced budget, most Republicans seek silver lining in likely compromise

SCOTT J. FERRELL

As negotiation deadlines near, decisions on when to deal and run and when to hold the GOP line will increasingly fall to Gingrich and Lott.

With a comprehensive budget deal already taking shape in talks between President Clinton and the Republicans in Congress, perhaps the toughest question yet to be resolved is: Who will be able to claim credit for balancing the budget by 2002 and for the first major tax cut in 15 years?

Time is on Clinton's side as Congress rushes toward the August recess, so he clearly has the upper hand. Democrats, confident of the president's position, are poised to seize whatever political advantage is available to them for spearheading the enactment of education tax credits, initiatives for children's health and other popular domestic spending items.

But the GOP can still walk off with a big victory of its own. Any tax bill signed by Clinton will surely include the two marquee items on the Republican agenda: a cut in the capital gains tax rate and a $500-per-child tax credit.

"If we can say we balanced the budget, cut spending, got Medicare and Medicaid under control for 10 years or better and delivered the first major tax cut in [almost] 20 years . . . that's a pretty impressive win," observed Rep. David L. Hobson, R-Ohio.

In order to be a winner, however, the GOP must quell its intramural squabbling long enough for party leaders to step forward and accept the laurels awaiting them. This is by no means as easy as it seems, given the history of partisan rancor over taxes and spending that has caused Republicans to be wary of the nimble-footed Democratic president. Some conservative Republicans will have to be restrained from walking away from what they see as an impure deal.

By Andrew Taylor

"We're not politically mature enough to accept half a loaf," said a House GOP moderate.

While Clinton is riding a crest of popularity, House Republicans must shift public attention away from the turmoil stemming from a plot to topple Speaker Newt Gingrich, R-Ga. It seems clear that the GOP will have to make considerable movement toward Clinton to get the twin budget bills (HR 2014, HR 2015) signed into law.

INSIDE

Serious negotiations with the White House over the outstanding issues in the companion bills began July 24 and intensified over the weekend of July 26-27. Congressional leaders still spoke of a sprint to pass the bills by the beginning of the planned August recess.

White House strategists initially said they saw no need to rush. "We've said all along what we want is a good deal," said White House Chief of Staff Erskine Bowles. "That good deal could take one day or 30 days."

But Republicans across the spectrum were eager to move beyond their recent embarrassments and bring tax cuts and a balanced budget to their constituents.

"You will see members support the compromise enthusiastically, given the fact that the overall agreement is 4-to-1 favorable-to-unfavorable to the American people at a time where our conference needs to show that we can move the ball down the field," said GOP Rep. Zach Wamp of Tennessee. "If some people have to hold their nose and vote yes with a smile on their face, that's what they'll do."

Compared with the big picture win that Republicans can present to the voters — a $500-per-child tax credit for middle-class working families, a cut from 28 to 20 percent in the top individual rate on capital gains (profits from the sale of stocks and other assets), and the first balanced budget in nearly three decades — the concessions they will have to make are fairly modest.

Clinton's team insisted that he would have to prevail on the education tax credits he promised in his re-election campaign and on providing the child tax credit to more working parents who are subject to payroll taxes but not income taxes because their wages are too low.

But those concessions are hard for some Republicans to swallow, and early frustration was evident.

"We're stuck. We're nowheresville. It's egos. It's everything," House Budget Committee Chairman John R. Kasich of Ohio told a reporter after the face-to-face talks with unmoving White House officials reopened.

But reports of the first significant breakthroughs on spending items emerged the next day.

Tough Opening Stances

After finally agreeing on a unified House-Senate position, Republicans entered the final stage of negotiations taking an initially hard line that flew in the face of their weakened position. On the tax bill (HR 2014), for example, they backed a House proposal to "index" capital gains against inflation — even though the idea was among the few provisions to draw an explicit veto promise from Clinton, who said it would increase the deficit too much.

Republicans also staked out a hard line on some items in the spending bill (HR 2015), which combines savings in programs such as Medicare and Medicaid with new spending on Clinton priorities such as providing health care to uninsured children. For example, Democrats charged that the GOP proposal to sharply limit Supplemental Security Income benefits for disabled legal immigrants did not live up to the May 2 budget agreement; among the first GOP concessions was an expansion of eligibility.

Once serious talks started July 24, the Clinton administration showed no signs of backing down. Even Democrats who had been nervous that Clinton might cut a deal prematurely said they were more assured than they had been that he will play his cards well.

"The president has a tremendous amount of leverage right now," said Sen. John D. Rockefeller IV, D-W.Va., one of a group of Democrats who huddled with Clinton at the White House on July 23. "He should feel very good about his position and exert his position."

Even the timing seemed to work in Clinton's favor: The goal of completing the talks and enacting the bills in early August is very important to rank-and-file Republicans.

"I think a lot of people would like to go home and tout this stuff. I really do," said Rep. Ray LaHood, R-Ill. "I'd like to be able to go home and brag about the fact that we have a balanced budget and we cut taxes. I'd like to be able to tell my farmers that — particularly on the estate tax stuff and on the capital gains stuff."

But House Republican leaders told their members that they were willing to wait out the White House.

"There was an explicit statement in there that, 'Look, if we don't get the bill that we're comfortable with by August, we'll just keep negotiating through August,' " said James M. Talent, R-Mo., as he exited a July 23 meeting of the House GOP conference.

That was just fine with most Democrats, who felt that Clinton's leverage would only increase with time.

"The president's last words to me were: 'I'm not going anywhere,' " said a pleased Senate Minority Leader Tom Daschle, D-S.D., on July 24, the day after the White House meeting.

In a July 25 letter to Clinton, a united bloc of Senate Finance Committee Democrats urged the president not to bend to GOP demands. "At a time when our economy is outperforming all expectations and the federal budget is nearing balance for the first time in three decades, we believe it is incumbent upon the administration and Democrats in Congress to stand firm for our

Deficit Hawks Shot Down

They got their vote, but they failed to get their way. Nor did a bipartisan group of House deficit hawks seeking to pass a bill that would enforce the budget agreement win any favors from either Republican or Democratic leaders.

Instead, the bill (HR 2003) went down in flames, under attack from all sides. The House voted 81-347 against it on July 23. *(Vote 301, p. 1814)*

BOXSCORE

Bill: HR 2003 — Budget enforcement mechanism.

Latest action: House rejected, 81-347, on July 23.

Next likely action: None.

Reference: Weekly Report, p. 1494.

The bill would have written the revenue and spending targets of the budget resolution (H Con Res 84) into law and set up a complicated process to try to enforce them. In essence, if budget reconciliation bills had failed to fulfill balanced-budget goals, Congress and the president would have been required to try to fix the problem, and, if they ultimately failed to agree, the president would have had to either pare back entitlement programs or delay tax cuts. Under the bill, Congress would have had a Nov. 1 to Dec. 15 window each year to make up any shortfalls in projected revenues or curb any entitlement program that grew beyond expectations. *(Weekly Report, p. 1494)*

The idea of putting teeth into the agreement has an intrinsic appeal, especially given the failure of every recent balanced-budget pronouncement to come true. But along the way, supporters of the idea — led by Joe L. Barton, R-Texas, and a band of moderate Democrats — ran into entrenched opposition, offended committee chairmen and wound up with little to show for their efforts.

Not helping the effort was the way the measure reached the floor: by threat. Barton assembled enough votes last month to defeat the rule required to bring the twin spending and tax budget bills (HR 2015, HR 2014) to the floor. He backed off in exchange for a pledge for a stand-alone vote on his bill.

So House GOP leaders were anything but sympathetic when the rebels appeared before the Rules Committee on July 22. The panel issued a closed rule (H Res 192) that denied Barton and his allies any chance to make improvements to their bill, such as inoculating it against criticism that it had the potential to threaten Social Security cost of living adjustments.

The short-circuiting of the committee process did not go over well and was another major element of the defeat. In addition, many Republicans disliked the plan because of its potential to slow down implementation of tax cuts. Democrats and Republicans alike worried about forced entitlement cuts.

—*Andrew Taylor*

priorities and craft this legislation with great care," they wrote.

"There's a lot of things they want that they're not going to get," a top Senate Democratic aide said of Republicans. "If they sit down and say to themselves, 'We're going to take what's gettable, and we're going to run with it,' they can win."

Republicans hastened to point out that Clinton also had incentive to close the deal. He also wants to declare victory in the battle against the deficit.

Under his administration the deficit has plummeted. The budget deficit for fiscal 1992 was $290 billion; for the first nine months of the current fiscal year, it was only $11 billion, although due to normal fluctuations of tax collections, that figure is expected to rise to perhaps $45 billion by the Oct. 1 start of fiscal 1998. Many economists describe that as negligible, especially compared with the size of the economy.

"From an economic standpoint, whether you have a $50 billion deficit or a balanced budget is immaterial," said former Congressional Budget Office Director Robert D. Reischauer, now a budget analyst with the Brookings Institution.

In fact, both Clinton and congressional Democrats are annoyed that they are not getting much credit for the improving economy since their politically difficult 1993 deficit reduction effort, which passed without any GOP help.

From his first budget, Clinton has said he wanted to combine "investments" in areas such as health care and education with deficit reduction. With the additional spending he would obtain from the agreement, at least part of that goal can be fulfilled.

GOP Unity Warm-Up

Before opening up the real negotiations with the administration, House and Senate Republicans first spent several days hashing out their own differences. Starting July 18 and finishing July 23, the purpose of the intraparty talks was to develop a unified position to take into the final negotiations with the White House.

The GOP-only talks were a necessary exercise, but in some instances, the negotiators seemed to be working with an eye to staking out positions further from Clinton so as to satisfy conservative House Republicans.

For example, on the children's health care initiative, GOP negotiators veered from the Senate's bipartisan $24 billion proposal that would require states to offer a uniform package of children's health benefits in favor of a $16 billion proposal that relied heavily on so-called block grants to states. The cost had to be trimmed because the House GOP insisted that a Senate-approved increase in tobacco taxes be dropped.

On taxes, Republicans moved little toward Clinton's position on the $35 billion in education tax credits promised under the budget agreement.

"What we've seen so far is very discouraging because it does move farther and farther to the right and away from the middle, where we hoped to be by the beginning of these negotiations," Daschle said.

"We've said all along what we want is a good deal. That good deal could take one day or 30 days."

—White House Chief of Staff Erskine Bowles

After Republicans agreed on their position July 23, they broke into subgroups to present it to the administration and congressional Democrats. When those talks began in earnest, the pace of activity in the Capitol quickened. Lawmakers, administration officials and key staff aides hurried from meeting to meeting, frequently tailed by rugby scrums of anxious reporters. Lobbyists and staff aides traded gossip and rumors outside numerous closed doors.

But all along, it was clear that real progress would only come once the number of negotiators shrank and the recess deadline drew closer.

Negotiators on the spending bill — chiefly Kasich and Senate Budget Committee Chairman Pete V. Domenici of New Mexico for the Republicans, and Bowles, Office of Management and Budget Director Franklin D. Raines and White House congressional liaison John Hilley for the administration — made good progress by July 25, according to both sides.

"This thing could go into warp speed like that," said a Democratic aide, with a snap of his fingers.

"It's beginning to appear that the tax bill is having some major problems," said a Senate GOP budget aide July 25. "We could kick out this spending bill Monday [July 28] if we wanted to."

Little early movement was reported on the tax bill. The administration's point man was Treasury Secretary Robert E. Rubin, who staked out a tough line against the GOP-drafted bill. For Republicans, House Ways and Means Chairman Bill Archer was equally stubborn. The usually implacable Texan stormed out of a July 24 meeting with Rubin looking visibly angry. Archer later denied being angry and said the talks were making good progress, but, in fact, many following the process believed that the final deal on taxes could be cut only if Archer and Rubin were not in the room.

Gingrich: How Strong?

The final stage of the negotiations began as House Republicans were still reeling from the aborted attempt by conservative dissidents, encouraged by at least one member of the House leadership, to topple Gingrich. *(Story, p. 1751)*

Opinions were split as to whether the coup attempt would make it easier for Gingrich to help close out the compromise and sell it to restive Republicans. Several House Republicans said in interviews that Gingrich's hand had been strengthened in the short term, even though his problems stemmed largely from criticism that he had been too willing to yield to Clinton.

The contrary view held that Gingrich would have to hang tough to the House hard line, especially on taxes. By all accounts, Archer has proved a tough bargainer in the negotiations, first with the Senate and then with the White House. As negotiations were kicked up to Gingrich and Senate Majority Leader Trent Lott, R-Miss., Gingrich's performance faced close scrutiny.

Given the alternative — a legislative agenda virtually free of other GOP wins — even the most conservative Republicans may have little choice but to accept the end product. "It is more of a win than a loss for those of us who came here to cut taxes and at least turn down the spigot on spending," said Rep. Robert L. Ehrlich Jr., R-Md.

The goal of the weekend talks was to reach the catalytic moment at which negotiations move from impasse to handshake.

"At some point . . . Newt, Lott and the president will sit down and say, 'OK, where are we?' " said Hobson. "And they say, 'Boys, what do we want to do? . . . Do we want to hold this to August and continue to fight about this, or do we walk out of here together?' " ■

COVER STORY

Tax Negotiators Seek New Tack After Clinton, GOP Dig In

On the verge of achieving the grand tax cut they have called the crown jewel of their agenda, congressional Republicans are making moves to ensure that the prize does not slip through their fingers.

After they hardened their respective positions in the last full week in July, President Clinton and the GOP majority in Congress began a final push to get what both want before the August recess: a deal.

Clinton publicly laid out a series of changes he wanted to see in the $85 billion net tax cut over five years. But as of July 25, the Republican conferees seemed to be moving away from the White House demands and embracing the very elements of the House tax bill that Clinton has labeled unacceptable.

The brinkmanship was complicated by recent turmoil within the House Republican leadership and by the tactics of some House and Senate Democrats who would be delighted to see the tax bill draw a presidential veto.

Late on July 26, top congressional GOP leaders and top White House officials including Chief of Staff Erskine Bowles were working to narrow thier differences.

For most of the previous week, however, both parties stood their ground in a style more typical of a negotiation in its early stages than at its endgame.

For instance, Republican conferees agreed that the new $500 per child tax credit should not be refundable to low-income families earning too little to owe income taxes. At the same time, they insisted on indexing capital gains — exempting from tax that portion of investors' gains attributable to inflation — while also cutting the capital gains tax rate from 28 percent to 20 percent.

Clinton sent a letter July 19 to Senate Majority Leader Trent Lott of Mississippi that laid out his tax priorities. He said he would not allow the indexing of capital gains because it would cost too much after the initial years. He also demanded that the $500 credit be refundable to low-income families. And Clinton wanted most of the Republicans' education proposals replaced with his own, which he said were aimed at middle income families. *(Weekly Report, p. 1682)*

By Alissa J. Rubin

SCOTT J. FERRELL

Archer, at microphones, with Boehner, left, and Kasich at news conference July 23.

There was still time for a deal, and GOP leaders still said they expected one. But White House officials appeared to be waiting for the GOP to make concessions.

"Everybody has a sense of what an agreement will look like," said Speaker Newt Gingrich, R-Ga., as he emerged from an evening meeting July 24 with White House officials and House and Senate budget negotiators.

Not at all, replied John Hilley, the chief White House negotiator. "I don't think anyone has an idea of what the final bill will look like," he said.

The difficulty in getting to a deal was, as always, that negotiators want to hold their cards for as long as possible on each issue before giving in.

But in this case, the White House holds two aces. The first is that polls have encouraged Clinton to think he can win the argument on directing tax cuts to the middle-income workers. That means that he runs little risk in standing firm against Republican plans to allow tax-deferred Individual Retirement Accounts (IRAs) for even the wealthiest Americans and to index capital gains while denying the child tax credit to those who pay only payroll taxes.

Second, House Republicans were tarred by the ugly and embarassing battle within their ranks about whether to oust Speaker Newt Gingrich, R-Ga. They need a trophy to take home and talk to constituents about, lest they be caught up in rehashing their family quarrel. *(Story, p. 1751)*

Nothing would fill this need better than a tax cut, which is so central to the Republican Party's identity.

"A lot of people campaigned on balancing the budget, cutting taxes and fixing Medicare," said Rep. Ray LaHood, R-Ill., who is one of the lawmakers leading the effort to bring the party back together. "The vast majority of us would like to go home and say we did it, and people like to talk about a bipartisan agreement with this president because if he's as popular as everybody says, then it makes us feel like we're all working together."

While some conservative lawmakers worried about the specifics of the tax provisions, LaHood and others warned of missing the forest for the trees. "Specifics don't matter, people at home don't care about the minutiae," said LaHood.

Indeed the Republicans' strong reluctance to make big concessions to Clinton so far has left some White House officials gaping in wonder. Why, they ask, would the Republicans not be willing to give up indexing — dear as it is to Ways and Means Committee Chairman Bill Archer of Texas — when they could still point to a lower rate on capital gains, the child tax credit and a cut in estate taxes (all proposals from the House GOP's Contract With America)?

"The crown jewel is within their reach and they don't know how to grab it," said a senior White House official.

The White House view is that Clinton

Comparison of Key Tax Bill Provisions

Issue	House Bill	Senate Bill	"Unified" GOP Plan
Child tax credits	$400 tax credit per child up to age 17 starting in 1998, rising to $500 in 1999. Full credit available to single taxpayers with adjusted gross annual incomes up to $75,000, couples with incomes up to $110,000. Taxpayers eligible for earned-income tax credit (generally, those with incomes up to $30,000 a year) would be required to apply that credit to tax liability before claiming child tax credit.	$250 credit per child up to age 13 in 1997, increasing to $500 per child up to age 17 in 1998 and then to age 18 in 2003, with same income limits as House bill. For children age 13 or older, taxpayers would be required to deposit credit in an education savings account. Those eligible for earned-income tax credit could claim half that credit after they took per-child credit.	Phase in credit for children under 17 — $200 in 1997, $400 in 1998, $500 in 1999 — with same income limits. House rule on "stacking" of earned-income tax credit. Education deposit requirement open to negotiation.
Individual Retirement Accounts	Up to $2,000 after-tax could be saved each year. Penalty-free withdrawals up to $10,000 permitted for first-time home purchases; no limit on withdrawals if money remained in account for at least five years, saver reached age 59 and a half or became disabled. The $2,000 contribution limit would be indexed for inflation after 1998.	Tax-deferred IRAs expanded by raising income limits on taxpayers eligible to use them, from current $35,000 a year for singles to $60,000 in 2004. Penalty-free withdrawals of up to $10,000 would be permitted for first-time home purchase, long-term unemployment, post-disaster repairs or child adoption costs.	Income limits increase by $5,000 in 1998 for single taxpayers and by $1,000 per year thereafter. Eliminate penalty-free withdrawals except for education expenses and first-time home purchases.
Capital gains	Reduce from 28 to 20 percent the top tax rate on individuals' profits from sale of stocks or other investments; individuals with adjusted gross annual incomes of up to $40,100 would see their rate drop from 15 to 10 percent. Top rate on artwork and other "collectibles" would remain 28 percent. Gains would be indexed for inflation starting in 2001. Exemption for gain on personal residence; top rate on most other real estate profits would go to 26 percent. Corporate rate on property held more than eight years would drop from 35 to 32 percent in 1998, 31 percent in 1999 and 30 percent thereafter.	Same as House with three key exceptions: no indexing for inflation, no reduction in corporate rates and real estate recapture rate — that portion of the gain that reflects depreciation — would go to 24 percent rather than the House's 26 percent.	House-Senate top rate reductions with House provision for indexing for inflation of five-year holdings. Maximum real estate recapture rate of 25 percent.
Estate and gift taxes	Gradually increase the unified estate and gift tax credit (effectively increasing portion of estate exempt from tax) from current $600,000 to $1 million in 2007, starting with a bump to $650,000 in 1998.	Increase unified credit from $600,000 to $1 million in 2006, starting with a bump to $625,000 in 1998. Family-owned businesses and farms would get a $1 million exemption starting in 1998.	Increase unified credit from $600,000 to $1.2 million in 2007, starting with a bump to $625,000 in 1998. Exemption for family-owned businesses and farms increases to $1.2 million in 1998.

SOURCE: Joint Committee on Taxation

Another Front in the Air War

Republicans may have settled the issue of airline taxes for the moment, but the continuing dispute between major airlines and discount carriers could set the stage for years of debate over financing the air traffic control system.

As part of the omnibus tax bill (HR 2014), House and Senate GOP lawmakers agreed among themselves to boost airline taxes from about $30 billion to $33 billion over the next five years. Neither congressional Democrats nor the Clinton administration has made the issue a priority, meaning that the GOP position will likely stand if negotiators are able to complete work on the larger package of tax cuts.

Under the agreement, the 10 percent tax on domestic tickets would gradually be phased down, dropping to 9 percent in fiscal 1998, 8 percent in fiscal 1999 and 7.5 percent in fiscal 2000. But a new per-passenger tax would be created, which would increase from $1 to $3 through 2002, and increase thereafter according to the Consumer Price Index.

Also, passengers would have to pay a $24 levy on international round-trip flights, up from the current $6. And for the first time, the government would tax frequent-flier miles accumulated through credit card promotions and similar programs.

Such an approach, which would hew closely to the House version, represents at least a partial victory for major airlines such as Delta and Northwest. They lobbied Congress hard to move away from the traditional 10 percent tax, arguing that passengers who use the air traffic control system should pay the same amount of money to support it, regardless of the price of their tickets.

But discount carriers, such as Southwest, contended that the 10 percent tax was fairer because passengers who paid lower prices also paid lower taxes.

Gingrich vs. Lott

The issue provoked a split among top GOP leaders: House Speaker Newt Gingrich, R-Ga., took the side of the major carriers, in part because many employees of Atlanta-based Delta Air Lines live in his district. But Senate Majority Leader Trent Lott, R-Miss., leaned toward Southwest, which is launching low-cost service to Jackson, Miss., next month after repeated complaints by Lott that major airlines were underserving his state.

"Both positions, strongly held and fairly come to, are reflective of their experiences with airlines in their districts and states," said Todd Hauptli, a neutral aviation lobbyist, during the negotiations.

At least initially, the taxes would have a relatively minor impact on domestic passengers. A passenger buying a $75 Southwest ticket, for example, would pay about $1.12 more in taxes once the package was fully phased in. A passenger who bought a $300 ticket on a major airline would save about $4.50 on a direct flight or $1.50 on a hub-and-spoke route.

But the major carriers want to eventually end the ticket tax altogether, replacing it with a system of per-passenger, per-mileage levies that could save them considerable money while costing discount carriers as much as several hundred million dollars a year. The big airlines contend it is a necessary first step toward revamping or even privatizing the air traffic control system, which has come under fire for mismanagement and inefficiency.

"It's badly in need of reform, and we believe that financial reform is a good place to start," said Dennis Mollura, a spokesman for Northwest Airlines. The GOP tax plan "is really a very small step."

But the discount carriers contend that a switch toward user fees may presage efforts by the biggest airlines to dominate the air traffic control system, especially if congressional oversight is reduced. "A pure user-fee system, which could bypass congressional processes currently used as a part of the check and balance system and set up autonomous boards or review commissioners, or whatever governance you want to call it, would be dominated because of proportionality of size by large carriers who could exercise undue influence on any system," said C.A. Howlett, a spokesman for America West Airlines.

The domestic taxes aside, major airlines are concerned that the proposed quadrupling of international taxes could cost them business by discouraging foreigners from visiting the United States. "The $24 is going to have a negative impact on tourism in this country," said Mollura.

—David Hosansky

wins whichever way the Republicans go. If the eventual deal includes most of Clinton's requests, Clinton benefits. But if Republicans are held back from a compromise by conservatives in their ranks and go home without a tax cut bill, the GOP suffers more than does the president.

"If they don't have a tax cut, they have no message," said a White House official, adding that there is the potential for chaos in the GOP if they go home without a tax bill. The official conceded that some House Democrats would welcome such a scenario, believing that it puts them in a better position to gain seats in the House in 1998.

For Clinton, however, there is a distinct and immediate downside to losing a deal. Without a tax deal, the Republicans will refuse to make a deal on spending. Clinton has much at stake in that side of the fiscal package, including an expansion of health care for children, more spending for education and far-reaching revisions to last year's welfare system overhaul. *(Story, p. 1763)*

The GOP leadership's assessment of what it can sell to its rank and file may be the key to the fate of the tax bill. There is little problem in the Senate, which passed its version of the tax bill with a strong bipartisan vote. The uncertainty is in the House, where conservatives' mid-July coup was foiled. While Gingrich remains in power, he is clearly aware that the rebellion stemmed in part from perceptions that he lacks commitment to rock-ribbed conservative positions.

The House leadership faces two immediate problems. First, they need to prove to the conservative wing that they have fought hard for the House version of the tax bill, which includes such hot-button provisions as an easing of rules by which businesses classify employees as independent contractors (a measure hated by labor unions).

Second, they must hold or replace a bloc of votes they could lose if the bill contains a substantial tax increase on tobacco. The House GOP conference includes 15 to 20 lawmakers from tobacco growing states. The Senate version of the bill has a 20-cent-a-pack cigarette tax increase, and Gingrich has privately told lawmakers that he would like to see it drop to 15 cents.

Many conservatives oppose the tobacco tax in principle simply because they want the bill to be free of tax increases of any kind.

"We're not for tax hikes," said Rep. John T. Doolittle, R-Calif., a leader of the Conservative Action Team (CAT), a group of about 70 lawmakers. But Doolittle said he did not know how many CAT members would ultimately vote against the overall tax cut on the basis of the tobacco tax increase. Asked about his own plans, he called it "a tough question," adding "I want a tax bill, but I won't do anything to get it."

How Many on Board?

Assessing Doolittle's intentions, and those of other hardliners, poses yet another problem for House Republican leaders. Because the leadership troubles have involved the majority whip, Tom DeLay, R-Texas, no member of the leadership has been presenting the competing options to lawmakers systematically. That means no one has been able to count votes for each version of the tax bill.

As a practical matter, of course, many lawmakers say it would be virtually impossible for Republicans to vote against the first net tax cut in 16 years once it actually came to the test on the floor. "There is no political mileage for any Republican in voting against a tax cut bill," says LaHood.

Indeed, even conservatives such as Doolittle feel passionately that it would be a mistake for the GOP to go home without a tax bill. "It's very important to go home with that [a tax cut]. It's a good way to take a year with some very mixed results and end it on a very high note," said Doolittle.

That may have been one reason why, with the threat of conservative criticism looming, the first move in the tax negotiations was a clear win for the conservatives and for Archer of Ways and Means. He pushed the Republican

SCOTT J. FERRELL

Domenici and Kasich, right, meet with Hilley, at head of table, Franklin Raines and Gene Sperling on July 23.

conferees July 22 to adopt a unified House-Senate position that on most high-profile items moved closer to the House position.

At one level, this was strategically necessary, because Republicans knew they would have to move toward Clinton in a final deal. But it also made it harder for Archer to turn on a dime and, in the course of a week, cede back much of the same ground to Clinton.

"This is Archer's big test," said Rep. Robert T. Matsui, D-Calif., a senior member of the Ways and Means Committee. "Some people looking at the situation say this bill isn't going to come together, but Archer may be holding out until he knows he's got the last drop . . . It has to be the last scene of the last act."

The key items in the Republican offer that moved toward the House included provisions that would:

- Index capital gains for inflation, which means that capital gains would be taxed only after reducing the gain for the amount that is attributable to inflation.
- Deny the $500-per-child tax credit to workers who earn too little to owe income taxes — roughly those who have incomes of less than $25,000 a year and thus pay payroll taxes only. The Republican offer made one gesture toward the White House, by adding a provision that would allow taxpayers to carry forward the credit for up to three years. However, it would mean that low income workers would have to keep records of whether they had used the credit or a portion of it from year to year.
- Sharply reduce the alternative minimum tax for big businesses.
- Allow businesses to reclassify some workers as independent contractors, which can make it easier to deny benefits to some workers.

Minority Objections

Democrats, for their part, began to back away from a deal, denouncing the GOP position, and publicly questioning the need to rush into a deal before the August recess. Early in the week, Senate Minority leader Tom Daschle of South Dakota, said he did not see how the bill could be done before the August recess.

Senate Finance Committee Democrats, who backed most of the Senate version of the tax bill, voiced their disappointment with the direction the conference was taking.

A July 25 letter signed by all the panel's Democrats warned that: "A false sense of urgency brought on by the coming August recess could lead to hasty compromises on issues of importance . . . "

Further complicating matters were several provisions requested by specific members. One was a tax benefit for Amtrak, added at the behest of Senate Finance Committee Chairman William V. Roth Jr., R-Del., which would give the financially troubled commuter railway about $2.3 billion for taxes paid by the railroads that consolidated passenger operations into Amtrak in the 1970s.

Republicans have also decided to transfer 3.8 cents from the 4.3-cent gas tax (enacted to help reduce the deficit in 1993) to the highway trust fund to increase spending on transportation. The full 4.3 cents will be devoted to transportation starting in 2001.

The proposal could force a reduction in domestic spending in other areas such as health care, housing and environment, which now receive some of their funding from the gas tax. ■

CULTURAL AGENCIES

Panel Votes To Save Arts Agency, But House, Senate Still at Odds

Compromise plan to reshuffle the distribution of money to states does not satisfy those who want government out of arts funding

Even as a Senate committee approved legislation to revamp arts funding, congressional negotiators appeared far from a deal to end a House-Senate face-off over whether the agency that administers federal arts programs should live or die.

On July 23, the Senate Labor and Human Resources Committee easily approved, 14-4, a bill (S 1020) that would provide four-year reauthorizations for the National Endowment for the Arts (NEA) and its less-controversial sister agency, the National Endowment for the Humanities (NEH).

But the committee's approval of S 1020 appeared to do little to resolve the conflict over funding for the arts endowment in the fiscal 1998 Interior appropriations bill (HR 2107), which already has provoked a veto threat from President Clinton and could tie a House-Senate conference in knots this September.

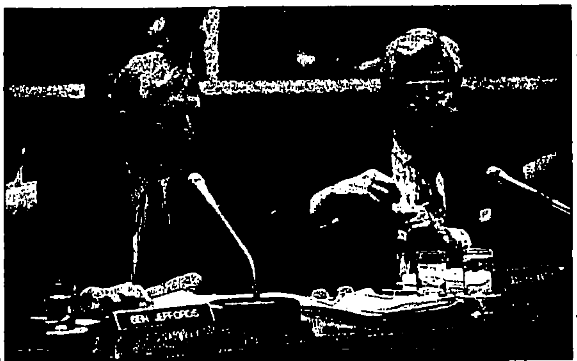
The version of that spending bill passed by the House on July 15 would zero out the agency — as promised in 1995 by the House Republican leadership to a coalition of conservative NEA opponents.

But the version of HR 2107 approved on July 22 by the Senate Appropriations Committee would preserve the NEA and would provide it with $100 million, about equal to its appropriation for fiscal 1997.

Appropriations Committee Chairman Ted Stevens, R-Alaska, and other key senators are discussing possible compromises that would help ease the way for the spending bill to be considered on the Senate floor and then avoid the now-likely sand trap in the ensuing House-Senate conference.

Any such compromise will be difficult to achieve. The strongest opponents of the NEA, most of whom are in the House, insist they are not willing to

By Allan Freedman



SCOTT J. FERRELL

Jeffords, left, and Kennedy during the Labor and Human Resources Committee markup July 23. The committee's plan would authorize the NEA for four years.

BOXSCORE

Bill: S 1020 — reauthorize the National Endowment for the Arts and the National Endowment for the Humanities for four years.

Latest action: Senate Labor and Human Resources Committee approved S 1020, 14-4, on July 23.

Reference: NEA provisions on Senate Interior spending bill, p. 1773; House Interior spending bill, Weekly Report, p. 1691; background, p. 624.

embrace anything short of termination of the agency, which they say wastes taxpayers' money and funds objectionable arts projects.

But the Labor and Human Resources Committee's approval of S 1020 is an indication that a bipartisan group of NEA supporters is just as determined to protect the agency.

The bill would authorize fiscal 1998 spending of $105 million for the NEA and $175 million for the NEH, merge some of the agencies' administrative functions and establish four grant programs, including a category for arts education programs and "underserved communities."

An issue that surfaced at the markup was the frustration, expressed even by some of the agency's supporters, that the agency sends a disproportionate share of money to select states, such as New York and California, while shortchanging others. These practices are becoming a primary focus of the compromise talks. *(Chart, p. 1772)*

"Nothing has solidified," said Sen. Larry E. Craig, R-Idaho, who is participating in the talks. "I think the general consensus is that [finding a compromise] would be very difficult to deal with."

A New Approach

In opening remarks at the July 23 markup, Senate Labor and Human Resources Chairman James M. Jeffords, R-Vt., said S 1020 "strikes a good balance between leadership at the state level and leadership at the federal level."

The bill would restructure how millions of dollars in grants are dispensed annually by the arts agency. Under the bill, 40 percent of the agency's funds would be sent directly to the states, as opposed to 35 percent currently, according to the agency.

The remaining money would go to the NEA-controlled "national grants" and would be divided into three new categories. Forty percent would go to "grants of national significance," such as metropolitan opera companies or ballets. Ten percent would be awarded as direct grants to arts groups; the remaining 10 percent would go to arts education programs and underserved communities.

Reflecting the position of some Republican senators that the national grants programs are skewed to select states, Judd Gregg, R-N.H., proposed an amendment that would have increased the state formula grants to 60 percent

Distribution of NEA Money

Following are the allotments to states and territories of the $81.1 million in grants distributed by the National Endowment for the Arts (NEA) under funding formulas so far in fiscal 1997, which began Oct. 1 and ends Sept. 30. These figures make up most of the money that the agency will distribute for the entire fiscal year. The figures do not include the states' shares of the $2.7 million in discretionary grants distributed by the NEA under its "Leadership Initiatives" program.

State	Grant Funds	Percent of Total	State	Grant Funds	Percent of Total
Alabama	$ 757,000	0.93	Missouri	$1,855,950	2.29
Alaska	617,400	0.76	Montana	593,691	0.73
American Samoa	267,400	0.33	Nebraska	501,200	0.62
Arizona	981,000	1.21	Nevada	459,500	0.57
Arkansas	410,200	0.51	New Hampshire	602,840	0.74
California	8,045,731	9.92	New Jersey	1,038,200	1.28
Colorado	1,447,700	1.79	New Mexico	852,800	1.05
Connecticut	1,265,300	1.56	New York	17,196,091	21.20
Delaware	543,225	0.67	North Carolina	1,224,400	1.51
District of Columbia	2,558,100	3.15	North Dakota	500,200	0.62
Florida	1,132,400	1.40	N. Marianas	261,600	0.32
Georgia	1,871,300	2.31	Ohio	1,526,700	1.88
Guam	247,600	0.31	Oklahoma	526,900	0.65
Hawaii	689,100	0.85	Oregon	836,200	1.03
Idaho	422,200	0.52	Pennsylvania	3,138,480	3.87
Illinois	2,721,867	3.36	Puerto Rico	443,100	0.55
Indiana	608,905	0.75	Rhode Island	645,400	0.80
Iowa	593,400	0.73	South Carolina	669,900	0.83
Kansas	525,600	0.65	South Dakota	595,000	0.73
Kentucky	934,100	1.15	Tennessee	688,900	0.85
Louisiana	876,000	1.08	Texas	2,737,900	3.38
Maine	668,500	0.82	Utah	757,600	0.93
Maryland	2,000,700	2.47	Vermont	567,800	0.70
Massachusetts	3,061,600	3.78	Virgin Islands	268,800	0.33
Michigan	1,011,420	1.25	Virginia	1,188,900	1.47
Minnesota	2,698,300	3.33	Washington	1,756,640	2.17
Mississippi	500,800	0.62	West Virginia	474,700	0.59
			Wisconsin	1,158,690	1.43
			Wyoming	528,100	0.65

SOURCE: National Endowment for the Arts

of all NEA funding and decreased national significance grants to 25 percent.

But his amendment was defeated, 9-9, with Jeffords joining a solid Democratic bloc in opposition.

"The goal here is to get more dollars into the state," Gregg argued during debate on his amendment.

Tim Hutchinson of Arkansas, one of the four Republicans who voted against the bill, said the NEA shortchanges his home state, sending the message that Arkansas does not have artists who are worthy of support. "I think they're not only elitist, they're condescending and arrogant," Hutchinson said of the NEA.

Edward M. Kennedy of Massachusetts, the committee's ranking Democrat, countered that national grants are awarded to groups such as opera companies that may be based in big cities, but often travel across the nation, bringing arts to local communities.

"There are many grants that have great benefits to the states that are not going [directly] to the states," Kennedy said.

The committee approved a handful of amendments aimed at changing the agencies' management practices, including one by John W. Warner, R-Va., approved by voice vote, that would cap administrative expenses for both the NEA and the NEH at 12 percent of total funding.

Also approved by voice vote was a Warner amendment to reduce the authorization for NEA to $105 million, down from $175 million in the bill's original draft. "Let me tell you this," said Warner, defending his amendment against some Democratic opposition. "We're not going to get a nickel more than this. So I suggest we just get on with it."

Even its advocates say the outlook for S 1020 is not promising. Jeffords said the most likely course would be to fold parts of the bill into the Interior spending measure. "We are going to try to work with Sen. Stevens," he said.

But elements in the bill are likely to get a chilly reception from conservative opponents of the agency in the House, including those who say the federal government has no role in funding the arts.

Philip M. Crane, R-Ill., a longtime opponent of the agency, said he is not interested in rejiggering funding formulas or sending more money to the states. "That's totally unacceptable to me," he said. "My objection is that the federal government has no responsibility being in this area." ■

APPROPRIATIONS

Senate Panel Sets New Hurdles For Interior Spending Bill

With NEA funding out of the way, appropriators add provisions on mining law, endangered species

The $13 billion fiscal 1998 Interior appropriations bill barely survived a dustup in the House over federal arts funding. Now Senate appropriators have attached provisions on American Indians, mining law and endangered species that place new obstacles in the bill's path.

The Senate Appropriations Committee on July 22 approved, 28-0, its version of the Interior spending bill (HR 2107). Although the committee actually acted on few controversial amendments, deferring them to Senate floor action, the mark-up highlighted the bill's flashpoints.

With several issues to resolve, Appropriations Committee Chairman Ted Stevens, R-Alaska, said that floor consideration of the bill could be deferred until September.

So far, much of the focus has been over funding the National Endowment for the Arts (NEA) and millions of dollars for "priority" land acquisitions. The House version of HR 2107 zeroed out the arts agency, and did not include any of the $700 million for purchase of environmentally sensitive properties requested by the White House and agreed to by congressional leaders as part of the overall federal budget deal.

In contrast, the Senate included $100 million for the arts agency, about equal to current year spending, and the entire $700 million to buy the lands. *(NEA, p. 1771)*

Those subjects threaten to slow or even sink the bill. President Clinton is warning of a veto if the bill would kill the NEA, and he objects to a provision that would make the part of the $700 million in land money that is designated to buy the New World Mine in Montana and the Headwaters forest in California subject to legislative authorization.

And now divisions have appeared in the Senate over other parts of the bill. Environmental groups object to an amendment by Larry E. Craig, R-Idaho, and Conrad Burns, R-Mont., approved by the full committee by voice vote, that would bar placing grizzly bears in Idaho and Montana. The grizzly bear is listed as a threatened species under the Endangered Species Act.

By Allan Freedman

FY 98 INTERIOR

BOXSCORE

Bill: HR 2107 (H Rept 105-163; S Rept 105-56) — fiscal 1998 Interior appropriations.

Latest action: Senate Appropriations Committee approved HR 2107, 28-0, on July 22.

Next likely action: Senate floor action, possibly not until after the August recess.

Reference: House passage and Senate subcommittee approval, Weekly Report, p. 1691.

Dale Bumpers, D-Ark., flagged problems with a provision, sponsored by fellow Democrat Harry Reid of Nevada, that he contends is aimed at blocking the Interior Department from issuing new rules for mining on federal land. Bumpers predicted the provision would draw a veto.

And Interior Appropriations Subcommittee Chairman Slade Gorton, R-Wash., is pushing two provisions affecting American Indian tribes that have sparked opposition in the Senate and provoked the ire of the White House.

Reflecting on the prospects for consideration of the bill before the August recess, Stevens said, "It's obvious we can't get this bill up [on the floor] unless we have all these issues resolved."

Indian Provisions

Gorton has been a longtime critic of the Bureau of Indian Affairs' management practices, and advocates for tribal governments consider him one of their most persistent foes. The two provisions he tucked into HR 2107 touched off plenty of opposition.

The first provision could open tribes to a rash of federal lawsuits. Under current laws, tribes are for the most part immune from civil suits in federal courts. Gorton's provision would lift tribal immunity, allowing litigants to file civil suits, including property rights claims, against Indian tribes.

Gorton contends the issue is one of fairness, and that litigants who have a legitimate claim against tribes should not be denied access to federal courts. "It's a genuine waiver of sovereign immunity," Gorton said.

But there is strong opposition to the provision. A July 22 letter to the Appropriations Committee from the Office of Management and Budget said that the provision would open tribes to costly litigation, thus depleting their financial resources. The letter states: "The proposed categorical waiver . . . would undermine the ability of tribes to perform government functions and jeopardize their solvency."

The provision is opposed by Senate Indian Affairs Committee Chairman Ben Nighthorse Campbell, R-Colo., who also serves on the Appropriations Committee. Campbell argued that the provision would allow litigants to "prey on the most vulnerable tribes" by filing costly lawsuits.

Another Gorton provision is considered a big first step toward mandating means testing for the funds sent to tribal governments.

The provision would direct the Bureau of Indian Affairs to develop recommendations for allocating federal aid to tribal governments on an "as needed" basis and direct the bureau to collect business income statements from the tribes to help in developing the recommendations. The bureau would have to submit its recommendations for needs-based funding formulas to Congress before Jan. 1, 1998.

Gorton supports means testing because he contends that some tribes are better off than others and should not receive as much money. But in its July 22 letter, the administration issued a veto threat, contending means testing is "contrary to U.S trust and treaty obligations and tribal sovereignty"

Campbell also objected to the provision. He contended that both provisions "are broad policy matters" best considered by authorizing committees.

Lode of Trouble

The Reid provision, the source of another brewing battle, would bar the In-

A Backlash in Juneau

Ted Stevens, the fifth-term Republican senator from Alaska, has seldom been reluctant to obtain money for popular projects back home.

Since becoming chairman of the Senate Appropriations Committee this year, Stevens is better positioned than ever. He included plenty of nuggets in the pending fiscal 1998 Interior spending bill, such as $100,000 for the 1998 Alaska Gold Rush Centennial.

But one provision Stevens inserted is not likely to get him invited to a local ribbon cutting. Instead, it is prompting accusations that he is engaging in a political payback.

In the report for the Interior bill, a provision directs the Forest Service to move its Alaska regional office from the state capital of Juneau to Ketchikan, 250 miles south, an action that would affect 196 full-time employees. The provision would also consolidate other Forest Service operations in Alaska, including eliminating the forest supervisor's office in Petersburg.

DOUGLAS GRAHAM

Stevens, shown in May, included a provision in the Interior bill that would switch jobs from Juneau.

Stevens contends that the move would help Ketchikan cope with reduced logging in the nearby Tongass National Forest and move the Forest Service's workers closer to the communities most frequently affected by their decisions.

The Forest Service is focused increasingly on recreation rather than logging, said Stevens. "That's why it should go" to Ketchikan, the "gateway city" to Tongass. "It is no longer entitled to be viewed as a part of the development structure of this state that has a relationship to the state Legislature and the governor [in Juneau]," he said.

Frank H. Murkowski, R-Alaska, chairman of the Senate Energy and Natural Resources Committee, said the Forest Service plans to reduce personnel in Alaska because of the decline of timber harvesting, and the congressional delegation is seeking to take the lead on agency consolidations.

But there appears to be no shortage of hurt feelings and anger at Stevens for proposing the move. Many Juneau residents are indignant, voicing their opposition on local talk radio shows, in calls to the delegation and on editorial pages.

Stevens finds himself accused of the kind of Washington power play on Alaska issues that he routinely rails against. The Juneau Empire newspaper said in a July 22 open letter to the delegation: "Juneau cannot stand by and silently watch itself being dismantled by the very representatives chosen to protect us in Washington, D.C."

On July 21 the Juneau city council adopted a resolution saying, "This news arrived without warning, explanation or rationale for an action that could devastate Juneau, divide Southeast, and subject Alaska to yet another arbitrary and crushing exercise of federal power."

Juneau Mayor Dennis Egan said he wonders if his city is being punished because the local Forest Service office prepared the federal government's controversial land management plan for the Tongass, which will go into effect July 27.

The Alaska delegation has criticized the Clinton administration and its land management plan for not allowing more timber cutting in the 17 million-acre Tongass temperate rainforest. The delegation says the permitted harvest would not be enough to open shuttered sawmills in southeast Alaska. In fact, Stevens said the Forest Service move is intended to make up for some of the jobs lost at the Ketchikan Pulp Co.'s mill, which shut down in March.

The Juneau Economic Development Council reported that the closure of the Forest Service office would result in lost wages for city residents of $10 million annually — an amount nearly equal to that caused in Ketchikan by the loss of the pulp mill.

"It does appear to be an extraordinary level of micromanagement," said Eric Jorgensen, managing attorney for the Sierra Club Legal Defense Fund in Juneau, of the decision. "It pits one community in southeast Alaska against another community in southeast Alaska."

— Allan Freedman

terior Department from revising regulations concerning hardrock mining on federal land until a committee composed of governors from states affected by the regulations issued a report on a list of land management issues.

The report would have to include "consensus recommendations" on the "appropriate relationship of state and federal land management agencies in environmental, land management and regulation of activities to surface mining regulations."

Reid said the provision is aimed at ensuring that the Interior Department is responsive to local and state concerns. But Bumpers described it as a thinly veiled effort to block the administration from rewriting mining regulations by setting up bureaucratic obstacles. "If I ever saw veto bait, this is it," he said.

Craig said his amendment on barring introduction of the grizzly bear to his home state and its eastern neighbor is based on his contention that the bears would face problems adjusting to their new habitat and would cause troubles for ranchers and other local residents.

Environmental groups counter that Craig, whom they usually regard as an adversary, is seeking to undermine an agreement on bear reintroduction worked out by the timber industry, labor groups and local citizens.

"This is just the latest attack on the Endangered Species Act," said Rodger Schlickeisen, president of Defenders of Wildlife, an environmental group. ■

Fiscal 1998 Interior Spending

HR 2107, as passed by the House July 15 and as approved by the Senate Appropriations Committee on July 22.
(In thousands of dollars of new budget authority)

	Fiscal 1997 Appropriation	Fiscal 1998 Clinton Request	House Bill	Senate Bill
Interior Department				
Bureau of Land Management				
Management of lands & resources	$ 575,664	$ 587,495	$ 581,591	$578,851
Wildland fire management	352,042	280,103	280,103	282,728
Payments in lieu of taxes	113,500	101,500	113,500	120,000
Other	154,442	152,441	153,344	153,544
Subtotal	**$ 1,195,648**	**$ 1,121,539**	**$ 1,128,538**	**$ 1,135,123**
Fish and Wildlife Service				
Resource management	526,047	561,614	591,042	585,064
Construction	59,256	35,921	40,256	43,053
Land acquisition	44,479	44,560	53,000	57,292
Other	40,814	45,828	40,828	44,307
Subtotal	**$ 670,596**	**$ 687,923**	**$ 725,126**	**$ 729,716**
National Park Service				
Operations	1,154,611	1,220,325	1,232,325	1,249,409
Construction	182,744	150,000	148,391	167,894
Land acquisition, state aid	53,915	70,900	129,000	125,690
Other	44,588	157,675	54,346	55,096
Subtotal	**$ 1,435,858**	**$ 1,598,900**	**$ 1,564,062**	**$ 1,598,089**
Bureau of Indian Affairs				
Indian programs	1,443,502	1,542,305	1,526,815	1,527,024
Construction	100,531	125,118	110,751	125,051
Claim settlements, payments to Indians	69,241	59,352	41,352	43,352
Other	5,000	5,004	5,000	5,000
Subtotal	**$ 1,618,274**	**$ 1,731,779**	**$ 1,683,918**	**$ 1,700,427**
Department offices	240,020	246,225	239,953	242,677
Geological Survey	740,051	745,388	755,795	758,160
Minerals Management Service	163,395	164,040	145,739	141,840
Surface Mining Reclamation	271,757	271,057	275,061	275,061
TOTAL, Interior Department	**$ 6,335,599**	**$ 6,566,851**	**$ 6,518,192**	**$ 6,581,093**
Forest Service (Agriculture Department)				
National forest system	1,278,176	1,325,672	1,364,480	1,346,215
Wildland fire management	1,080,016	514,311	591,715	582,715
Forest and rangeland research	179,786	179,781	187,644	188,644
Reconstruction and construction	180,184	146,084	154,522	160,269
State and private forestry	155,461	156,408	157,922	162,668
Other	45,941	46,339	178,282	54,458
TOTAL, Forest Service	**$ 2,919,564**	**$ 2,368,595**	**$ 2,634,565**	**$ 2,494,969**
Energy Department				
Energy conservation	569,762	707,700	644,766	627,357
Fossil energy research and development	364,704	346,408	313,153	363,969
Naval Petroleum Reserve	143,786	117,000	115,000	107,000
Clean-coal technology (rescissions/deferrals)	-140,000	-286,000	-101,000	-101,000
Other	53,845	273,025	68,025	64,025
TOTAL, Energy Department	**$ 992,097**	**$ 1,158,133**	**$ 1,039,944**	**$ 1,061,351**
Other Related Agencies				
Indian Health Service	2,054,000	2,122,000	2,086,318	2,126,736
Indian education	61,000	0	0	0
Smithsonian Institution	371,342	428,407	388,407	402,558
National Endowment for the Humanities	110,000	136,000	110,000	110,700
National Endowment for the Arts	99,494	136,000	0	100,060
Other agencies	184,747	183,960	175,403	178,883
Emergency Appropriations (PL 105-18)	386,592	0	0	0
Priority land acquisitions	0	700,000	0	700,000
GRAND TOTAL	**$ 13,514,435**	**$ 13,799,946**	**$ 12,952,829**	**$ 13,756,350**

SOURCE: Senate Appropriations Committee

APPROPRIATIONS

Agriculture Spending Bills Pass With Few Substantive Changes

House and Senate turn away efforts to add amendments on tobacco, sugar programs

After a week of partisan squabbling over a procedural dispute unrelated to the bill itself, the House passed a fiscal 1998 spending measure July 24 for agriculture, rural development and nutrition programs.

The House finally gave its nod, by a 392-32 vote, to its $49.6 billion spending bill (HR 2160), after beginning floor debate during the week of July 14. *(Vote 321, p. 1818)*

Unencumbered by the extraneous issues that bogged down the House bill, the Senate passed its $50.7 billion version of the agriculture spending measure (S 1033), 99-0, also on July 24. *(Vote 201, p. 1809)*

Agriculture spending bills generally enjoy wide bipartisan support, and this year was not expected to be any different. House appropriators were so confident that the bill would not generate major controversy that they did not seek a rule restricting debate before sending the bill to the House floor.

But that provided an opening for many Democrats to vent their anger about House Republican actions that had nothing to do with the agriculture spending bill.

These Democrats were upset about a provision in the rule for debate on unrelated legislation — the Foreign Operations spending bill (HR 2159) — and took out their frustration by jamming up work on the agriculture bill with numerous demands for votes on procedural motions. *(Issues behind the delays, p. 1756)*

"We were the instrument" for Democratic protests, said Joe Skeen, R-N.M., chairman of the House Agriculture Appropriations Subcommittee.

Republicans responded to the protest by passing a rule for the agriculture spending bill limiting the number of procedural motions that could be offered and the time for debate on amendments to the bill — a move that sparked further complaints by House Democrats that the rule was too restrictive.

By Juliana Gruenwald

FY 98 AGRICULTURE

BOXSCORE

Bill: HR 2160 (H Rept 105-178); S 1033 (S Rept 105-51) — fiscal 1998 agriculture appropriations.

Latest action: House passed HR 2160, 392-32, on July 24; Senate passed S 1033, 99-0, on July 24.

Next likely action: House-Senate conference, probably after the August congressional recess.

Reference: Senate Appropriations Committee markup, Weekly Report, p. 1695; House Appropriations Committee markup, p. 1621.

"It apparently is not enough that they are cannibalizing themselves in their own caucus," said David R. Obey of Wisconsin, the ranking Democrat on the Appropriations Committee, referring to the recent turmoil over leadership within House Republican ranks. "Apparently the legislative process itself is to be cannibalized." *(GOP turmoil, p. 1751)*

Once the dust settled, few changes were made to the substance of either the House or Senate versions of the agriculture bill. Appropriators in both chambers managed to rebuff attempts to add controversial amendments on issues such as tobacco.

As a result, there will be only a few issues to be resolved in a House-Senate conference on the bill, which will likely occur after the August congressional recess.

Aside from establishing a final overall spending amount for discretionary programs, conferees will have to settle differences in funding levels for the Food and Drug Administration's initiative to curb underage tobacco use and for the commissions paid to agents and insurance companies that administer crop insurance policies.

Tobacco Cuts Blocked

Tobacco proved to be the most contentious issue in both chambers' versions. In their latest attempt to ban federal support for crop insurance and non-insured crop disaster assistance for tobacco farmers, opponents of those programs hoped to seize momentum from the recently announced $368.5 billion legal settlement between state attorneys general and the tobacco industry.

However, the tobacco industry foes in the House not only saw their amendment to end those programs defeated, 209-216, but also lost ground from last year, when a similar amendment fell just two votes short. *(Vote 310, p. 1816)*

Tobacco industry opponents argued that it makes no sense for the federal government to spend money to warn Americans about the health problems associated with tobacco use while supporting production of tobacco.

"I beg you to go home and look at your priorities and then justify to your constituents why you would vote to subsidize tobacco," said Linda Smith, R-Wash., who cosponsored the amendment with a bipartisan coalition.

The amendment failed to garner as many votes as in 1996 in part because 20 lawmakers who voted in favor of the amendment in 1996 opposed this year's effort.

In the Senate, Richard J. Durbin, D-Ill., fought a similar battle, but his amendment to end federal support for tobacco crop insurance was tabled (killed), 53-47. It was Durbin who, as a House member in 1996, had proposed the tobacco crop insurance amendment that came so close to passing. *(Vote 196, p. 1808)*

Democrat Wendell H. Ford of Kentucky and other tobacco state lawmakers said Durbin's amendment would do little to curb tobacco use and would only hurt small tobacco farmers, who would have a difficult time obtaining crop insurance from private sector companies without the federal subsidies.

"The Durbin amendment does not hit the tobacco companies," Ford said. "What it will do is ensure that tobacco farmers will slowly but surely go out of business."

Ford offered a second-degree amendment, which was tabled along with Durbin's, that would have made broad changes to the crop insurance program by prohibiting farmers with more than

400 acres of farmable land from receiving crop insurance support.

Meanwhile, tobacco industry foes were defeated in both chambers on a second front — an effort to increase spending for the Food and Drug Administration's initiative to reduce underage tobacco use through measures such as increased enforcement of laws banning the sale of tobacco products to minors.

The Clinton administration requested $34 million for fiscal 1998 for the FDA initiative, but the bill as approved by the Senate Appropriations Committee provided only $4.9 million.

Tom Harkin, D-Iowa, proposed an amendment during Senate floor action to provide the additional money requested by the administration, but it was tabled by a 52-48 vote. *(Vote 198, p. 1809)*

Harkin's amendment would have boosted funding by increasing to 2.1 percent the marketing assessment on the sale of tobacco to be paid by tobacco companies. The current assessment of 1 percent is paid by both tobacco companies and farmers.

North Carolina Republican Jesse Helms countered by offering an amendment to increase the tax on ethanol, a corn-based product that is key to Iowa farmers, by 3 cents a gallon. He proposed using the money to establish a trust fund for anti-smoking efforts. The Senate tabled Helms' amendment, 76-24, before voting to kill Harkin's amendment. *(Vote 197, p. 1809)*

The House bill did provide more money than the Senate for the FDA's tobacco initiative.

But at $24 million, the House bill's level still falls short of the president's request. Martin T. Meehan, D-Mass., attempted to boost this level by $10 million, offsetting this with a $14 million cut in the bill's $188 million allotment for crop insurance commissions. His amendment was rejected, 177-248. *(Vote 309, p. 1814)*

Lawmakers also were blocked in attempts to cut funding for the Market Access Program, which provides grants to U.S. businesses to advertise their agricultural products overseas.

In the House, Steve Chabot, R-Ohio, and Charles E. Schumer, D-N.Y., proposed an amendment to eliminate funding for the program that was rejected, 150-277. *(Vote 316, p. 1816)*

In the Senate, Richard H. Bryan, D-Nev., revived an amendment he offered in 1996 to reduce funding from $90 million to $70 million and prohibit foreign companies from participating in the program, but it was tabled, 59-40. *(Vote 199, p. 1809)*

"I believe this is corporate welfare in its worst form," Bryan said in support of his amendment.

But backers of the marketing program countered that it has already been reformed and is still necessary to help companies compete against foreign competitors who receive government subsidies.

House and Senate lawmakers did agree to add funding for efforts to combat discrimination in agriculture programs by re-establishing an investigative unit within the Agriculture Department.

"Do members think for an instant if they kill the sugar program that Coca-Cola is going to cost us any less?"

— Rep. Neil Abercrombie, D-Hawaii

Supporting Price Supports

The latest round in the annual fights in the House over price-support programs for peanuts and sugar went in favor of the programs' supporters.

Schumer and Dan Miller, R-Fla., offered an amendment, which was rejected 175-253, to eliminate the non-recourse loan program for sugar. *(Vote 312, p. 1816)*

Non-recourse loans allow growers who cannot sell their sugar at the price established by the federal government to pay off their loans by forfeiting their sugar crop to the Agriculture Department.

Miller said that the federal government restricts the import of sugar and keeps the price high so it will not lose money on the program, which he claimed artificially inflates the price of sugar and forces consumers to pay higher prices for sugar or products made with it.

But opponents disputed the assertion that consumers pay more. They also argue that there is no guarantee that sugar companies or manufacturers who use the sugar in other products would pass on price reductions to consumers.

"Do members think for an instant if they kill the sugar program that Coca-Cola is going to cost us any less?" said Democrat Neil Abercrombie of Hawaii, which is home to many sugar cane growers. Abercrombie held up a can of Coca-Cola as he made his statement. But Miller fired back, saying that the Coca-Cola Co. now uses corn syrup instead of sugar in its soda because sugar costs too much.

Similar arguments were made on an amendment aimed at the peanut price-support program.

Mark W. Neumann, R-Wis., and Paul E. Kanjorski, D-Pa., proposed an amendment, which was rejected 185-242, to prohibit funding in the bill to operate the peanut price-support program at a loan level greater than $550 per ton for the 1998 crop of peanuts grown under the government's quota system, a reduction of $60 a ton from the current minimum price. *(Vote 314, p. 1816)*

Meanwhile, efforts to increase funding for nutrition programs by cutting the commissions paid to insurance agents and companies also failed.

Obey sought to boost spending in HR 2160 for the Women, Infants and Children (WIC) nutrition program by $23.7 million over the $3.9 billion funding in the bill. He proposed to pay for the extra funding by cutting spending for crop insurance commissions from $188 million to $152 million. But his amendment was defeated, 195-230. *(Vote 308, p. 1814)*

Obey argued that the extra money is needed to ensure that the WIC program has the necessary carry-over funding to cover reimbursements that it will have to pay after the end of fiscal year 1998. At the same time, he also said that the crop insurance program is being funded at a level much higher than the Agriculture Department says it will need.

Skeen and others argued, however, that WIC is already receiving a $118 million increase in the bill over fiscal 1997, an amount that will allow the program to maintain its current caseload.

In the Senate, Paul Wellstone, D-Minn., also focused on crop insurance commissions in his effort to find $5 million to restore funding for school breakfast outreach efforts and startup grants. The program was eliminated by the 1996 welfare overhaul law, Wellstone said.

"Clearly, this amendment speaks to priorities," Wellstone said. "Surely, we can find $5 million."

But his amendment, which would have reduced crop insurance commission money in the bill from $202 million to $197 million, was tabled, 54-45. *(Vote 200, p. 1809)* ■

Fiscal 1998 Agriculture Spending

HR 2160, as approved by the House Appropriations Committee on July 9, and S 1033, as approved by the Senate Appropriations Committee on July 17

(In thousands of dollars of new budget authority)

	Fiscal 1997 Appropriation	Fiscal 1998 Clinton Request	House Bill	Senate Bill
Agriculture Programs				
Crop insurance	$1,785,013	$1,584,135	$1,584,135	$1,584,135
Agricultural Research Service	785,926	786,097	784,059	807,100
Commodity Credit Corporation	1,500,000	783,507	783,507	783,507
Farm Service Agency	748,540	746,889	704,553	703,209
Food safety and inspection	574,000	591,209	589,263	590,614
Cooperative State Research				
Extension Service	426,273	417,811	415,110	423,322
Research and education	421,504	422,342	420,723	427,526
Buildings and facilities	61,591	0	0	0
Animal and plant inspection	438,109	431,691	427,444	441,383
Other	977,058	1,179,970	1,139,139	1,160,535
Loan authorizations	*3,080,724*	*2,831,828*	*2,852,114*	*2,940,653*
Subtotal	**$7,718,014**	**$6,943,651**	**$6,847,933**	**$6,921,331**
Conservation Programs				
Conservation operations	619,742	722,268	610,000	729,880
Watershed and flood prevention	101,036	40,000	101,036	40,000
Other	49,776	59,727	84,395	57,718
Subtotal	**$770,554**	**$821,995**	**$795,431**	**$827,598**
Rural Economic and Community Development Programs				
Rural Housing Service	1,217,481	1,304,840	1,241,589	1,252,535
Rural Utilities Service	680,853	125,701	698,541	117,035
Other	105,422	750,018	101,038	709,285
Loan authorizations	*5,280,263*	*5,869,832*	*5,854,827*	*5,295,153*
Subtotal	**$2,003,756**	**$2,180,559**	**$2,041,168**	**$2,078,855**
Domestic Food Programs				
Food stamp program	27,618,029	27,551,479	25,140,479	26,051,479
Child nutrition programs	8,653,297	7,782,766	7,766,966	7,769,066
Women, Infants and Children	3,805,807	4,108,000	3,924,000	3,927,600
Other	413,832	380,725	386,747	397,938
Subtotal	**$40,490,965**	**$39,822,970**	**$37,218,192**	**$38,146,083**
Foreign Assistance and Related Programs				
PL 480 — Food for Progress	1,067,774	967,000	1,056,768	1,066,107
Program level	*1,107,305*	*990,149*	*1,105,048*	*1,114,530*
CCC export loan program	394,125	531,521	531,366	531,366
Loan guarantees	*5,500,000*	*5,500,000*	*5,500,000*	*5,500,000*
Foreign Agricultural Service	131,295	146,549	131,295	132,367
Subtotal	**$1,593,194**	**$1,645,070**	**$1,719,429**	**$1,729,840**
Related Agencies				
Food and Drug Administration				
Appropriations	887,615	820,116	925,615	913,165
New proposed user fees	*0*	*131,643*	*0*	*0*
Other	65,391	67,829	64,829	67,829
Subtotal	**$953,006**	**$887,945**	**$990,444**	**$980,994**
Emergency Appropriations				
PL 105-18	272,000	0	0	0
Others	88,000	0	0	0
Subtotal	**$360,000**	**$0**	**$0**	**$0**
GRAND TOTAL				
New budget authority	**$ 53,889,489**	**$ 52,302,190**	**$ 49,603,597**	**$ 50,684,701**
Loan authorizations	*13,860,987*	*14,201,660*	*14,206,941*	*13,735,806*

SOURCE: House and Senate Appropriations committees

APPROPRIATIONS

House Energy-Water Bill Passes by Wide Margin

After shucking off three amendments, the House on July 25 quickly approved a $20.4 billion fiscal 1998 energy and water development spending bill that would end federal support for the Tennessee Valley Authority and shift much of the Energy Department's environmental cleanup effort to the military.

Armed with a 418-7 vote to pass the bill (HR 2203), House negotiators now must confront a formidable array of senators who will bring in very different priorities when the measure goes to conference.

The Senate approved its energy and water bill (S 1004), 99-0, on July 16. Both versions lay out fiscal 1998 spending plans for the Energy Department's nuclear weapons, science and energy research programs, as well as for water projects built and operated by the Army Corps of Engineers and Bureau of Reclamation.

While the House bill emphasizes flood control and navigation projects popular with its members, the Senate's $21.2 billion version spends more money on nuclear weapons research, production and cleanup programs.

In all, the Senate would spend $808 million more than the House on nuclear weapons programs, while the House would spend $407 million more than the Senate on water projects.

Night Owl Debate

In a late-night debate that began July 24 and went past midnight, House members replayed the issues that have dogged the spending bill for the past three years. The few significant policy changes drew scattered expressions of concern on the House floor but no amendments to alter them.

Six decades after its Depression-era founding, the once-sacrosanct Tennessee Valley Authority, a giant federal power agency in the Southeast, would lose its subsidy for non-power functions such as flood control, economic development and environmental programs. The Clinton administration had requested $106 million for such functions. But only Edward Whitfield, R-Ky., bothered to show up to the House debate to express his concern.

By Jonathan Weisman

ENERGY AND WATER

BOXSCORE

Bill: HR 2203 (H Rept 105-190); S 1004 (S Rept 105-44) — fiscal 1998 energy and water development appropriations.

Latest action: House passed HR 2203, 418-7, on July 25.

Next likely action: House-Senate conference, probably after the August congressional recess.

Reference: Senate passage, Weekly Report, p. 1698.

The Senate bill would provide $86 million in fiscal 1998 for the TVA.

The House bill also would transfer most of the Energy Department's nondefense environmental cleanup responsibilities to the Army Corps of Engineers, a provision strongly opposed by the Clinton administration.

James M. Talent, R-Mo., echoed the White House's concern when he questioned whether cleanups of Cold War-era wastes that are finally showing progress could be set back by the transfer. But Talent did not challenge the policy change, which was pushed by Joseph M. McDade, R-Pa., chairman of the House Energy and Water Development Appropriations Subcommittee.

Familiar Fights

What amendments there were followed a familiar path. House Appropriations subcommittee members beat back another of the perennial efforts to cut funding for roads in Appalachia, a water project in southwestern Colorado and an Energy Department science project designed to reduce the volume and toxicity of nuclear waste.

Scott L. Klug, R-Wis., again mounted what he called his "sometimes valiant and quixotic fight" against the Appalachian Regional Commission, proposing to strike $90 million from the agency's funding, thus eliminating its road-building program. Klug displayed an assortment of alleged misuses of commission money, from the $750,000 he said went to the Carolina Panthers' football stadium in Charlotte, N.C., to the $1.2 million he said helped establish the National Track and Field Hall of Fame, which is now in Indianapolis but was founded in Charlestown, W.Va.

But a bipartisan contingent from the Appalachian region routed Klug, appealing to colleagues to maintain support for one of the poorest regions of the country. The House rejected the amendment July 25, 97-328.

Edward J. Markey, D-Mass., an opponent of nuclear power, tried to eliminate $33 million for an obscure Energy Department program known as pyroprocessing. The project, conducted at the agency's Argonne National Laboratory in Illinois and Idaho, aims to separate the plutonium and uranium from spent nuclear fuel.

Markey said the project is wasteful and dangerous and could spread technology that would help rogue nations and terrorists obtain atomic weapons. "Then we would reap the whirlwind," he said in an impassioned, late night speech to a virtually empty chamber.

But a bipartisan coalition from the energy and water subcommittee, Illinois and Idaho said the program poses no risk of nuclear proliferation and is vital to solving the nation's nuclear waste disposal problem. The pyroprocessing proponents prevailed, 134-290.

Finally, an effort to restrict funding for a controversial water project in Colorado was defeated.

The House bill provides no funding for the Animas-La Plata project, a water delivery system designed in part to fulfill treaty obligations to the Ute Indians. *(Background, Weekly Report, p. 1699)*

But $8.2 million of unspent money remains in the program's accounts. Tom Petri, R-Wis., and Peter A. DeFazio, D-Ore., who oppose the project on budgetary and environmental grounds, offered an amendment to prohibit use of those funds for buying land or beginning construction until Congress authorizes a proposed compromise to scale back the project.

In a parliamentary maneuver that caught Petri off guard, Vic Fazio of California, the ranking Democrat on the Energy and Water Development Subcommittee, amended the Petri-DeFazio amendment to allow spending on any activity related to a 1988 congressional settlement with the Utes. Fazio's amendment passed, 223-201. ■

Energy-Water Development Spending

HR 2203, as approved by the House Appropriations Committee July 17, and S 1004, as passed by the Senate July 16.

(In thousands of dollars of new budget authority)

	Fiscal 1997 Appropriation	Fiscal 1998 Clinton Request	House Bill	Senate Bill
Army Corps of Engineers (Defense Department)				
General construction	$ 1,081,942	$ 1,062,470	$ 1,475,892	$ 1,284,266
Operation and maintenance	1,866,015*	1,618,000	1,726,955	1,661,203
Mississippi River flood control	330,374*	266,000	285,450	289,000
Flood control and coastal emergencies	425,000*	14,000	14,000	10,000
Other	403,872	410,000	527,260	418,065
TOTAL, Defense Department	**$ 4,107,203***	**$ 3,370,470**	**$ 4,029,557**	**$ 3,662,534**
Interior Department				
Bureau of Reclamation				
Construction	394,056	0	0	0
Operation and maintenance	275,231*	0	0	0
Water and related resources	0	651,552	651,931	688,379
California Bay-Delta ecosystem restoration	0	143,300	120,000	50,000
Other	113,461	97,213	97,213	91,113
Subtotal, Bureau of Reclamation	**$ 782,748***	**$ 892,065**	**$ 869,144**	**$ 829,492**
Central Utah project completion	43,627	41,153	41,153	41,153
TOTAL, Interior Department	**$ 826,375***	**$ 933,218**	**$ 910,297**	**$ 870,645**
Energy Department				
Energy supply, research and development	2,699,728	2,999,497	880,730	953,915
Atomic energy defense				
Weapons activities	3,911,198	3,576,255	3,943,442	4,302,450
Defense environmental cleanup	5,459,304	5,052,499	5,263,270	5,311,974
Defense nuclear waste disposal	200,000	190,000	190,000	190,000
Defense environmental privatization	160,000	1,006,000	0	343,000
Other defense activities	1,605,733	1,605,981	1,580,504	1,637,981
Defense asset acquisition	0	2,166,859	0	0
Subtotal, atomic energy defense	**$11,336,235**	**$13,597,594**	**$10,977,216**	**$11,785,405**
Uranium supply and enrichment (net)	1,000	0	0	000
Decontamination and decommissioning	200,200	248,788	220,200	230,000
General science and other research	996,000	875,910	2,207,632	2,084,567
Civilian nuclear waste disposal	182,000	190,000	160,000	160,000
Departmental administration	89,633	101,274	83,393	89,517
Power Marketing Administration	228,769	237,121	228,445	243,621
Other	23,853	183,331	525,119	843,719
TOTAL, Energy Department	**$15,757,418**	**$18,433,515**	**$15,282,735**	**$16,390,744**
Independent Agencies				
Appalachian Regional Commission	160,000	165,000	160,000	160,000
Nuclear Regulatory Commission	471,800	476,500	462,700	476,500
Revenues	-457,300	-457,500	-446,700	-457,500
Tennessee Valley Authority	106,000	106,000	0	86,000
Other	18,531	20,700	18,400	20,700
TOTAL, Independent Agencies	**$ 299,031**	**$ 310,700**	**$ 194,400**	**$ 285,700**
GRAND TOTAL	**$20,990,027***	**$23,047,903**	**$20,416,989**	**$21,209,623**

* *Includes emergency appropriations*

SOURCE: House and Senate Appropriations committees

APPROPRIATIONS

Bill Would Have White House Prepay for Political Events

House Republicans, long concerned about President Clinton's use of the White House for political activities, are turning to the appropriations process to ensure that tax dollars do not subsidize political events, including contributors' stays in the Lincoln bedroom.

A draft bill, approved by the Treasury, Postal Service and General Government Subcommittee on July 22 by voice vote, would require political organizations to pay in advance when they stage events at the White House. It would also require the White House to develop a system for defining an event as political or non-political and set up a new appropriations account for executive mansion events.

"These are reasonable requirements for the executive residence to adhere to," said Jim Kolbe, R-Ariz., the subcommittee chairman.

Kolbe said he was proposing the new rules for White House spending because Democratic organizations were taking eight months or longer to reimburse the treasury after using federal dollars for political events at the White House, and administration officials had failed to answer questions on the issue.

The bill would set up a $25,000 revolving fund, capitalized by the president's political party, to help cover "spontaneous" political events.

Should any government money be used for a political event, the White House would have to repay it within 90 days or face interest and penalties.

Subcommittee Democrats accepted the provisions, and the administration had no immediate comment. "I don't think the White House is pleased with it, but I think it is one that can work," said Steny H. Hoyer of Maryland, the subcommittee's ranking Democrat.

The subcommittee rejected, 5-5, an amendment by Ernest Istook, R-Okla., that would have barred White House employees from receiving salary supplements from a political party.

The House bill generally meets the administration's request for White House funding levels.

The Senate passed its version of the fiscal 1998 spending bill (S 1023) on July 22, 99-0, without the White House restrictions. *(Vote 191, p. 1809)*

By David Hosansky

FY 98
TREASURY, POSTAL

BOXSCORE

Bill: Unnumbered House draft, S 1023 (S Rept 105-49) — Fiscal 1998 Treasury-Postal Service-General Government appropriations.

Latest action: House subcommittee approved by voice vote July 22, just hours after Senate passage of its version, 99-0.

Next likely action: House Appropriations Committee marks up July 28.

References: Weekly Report, pp. 1700, 1623, 1425, 1364, 1264.

Both the House and Senate versions would continue the prohibition on health insurance policies for federal employees covering abortions except in cases of rape or incest or to protect the life of the woman.

The Senate version would freeze pay raises for members of Congress. The House version would let an automatic cost of living increase take effect, although some lawmakers, such as Jon Christensen, R-Neb., are expected to offer a floor amendment to freeze it. *(Weekly Report, p. 1700)*

Overall, the House bill would appropriate $25.4 billion, including $12.5 billion in discretionary spending. The discretionary amount, a 5.7 percent increase over the fiscal 1997 level, is close to $34 million less than the Senate version and $85 million less than the administration's request.

The House would appropriate $60 million more than the Senate for a new anti-drug media campaign. Like the Senate, it would impose a one-year moratorium on the construction of new federal buildings, due to a shortfall in the General Services Administration's building account.

Istook was also rebuffed when he proposed an amendment requiring the Office of Management and Budget (OMB) to study assigning special coding numbers to nonprofit and for-profit organizations that receive federal grants. The provision was reminiscent of a 1995 attempt by Istook to impose sweeping restrictions on lobbying activities by groups that received federal grants. *(1995 Almanac, p. 10-6)*

The subcommittee rejected the amendment, 4-6, after Istook refused a request by Kolbe to amend the bill report instead. When Istook, after losing his first amendment, belatedly took Kolbe's advice and offered an amendment to put his proposal in the report, he lost again — 5-5, with an exasperated Kolbe voting against him.

The subcommittee did approve, by voice vote, an amendment by the full committee chairman, Robert L. Livingston, R-La., to continue the prohibition on federal employees' insurance policies covering abortions.

It also passed, by voice vote, an amendment by Anne M. Northup, R-Ky., that would prevent state and local governments from using federal "supply schedules" when making purchases. Lawmakers are concerned that permitting all governments to buy goods at rates available to federal agencies could hurt small companies that rely on state and local government contracts.

Senate Action

The Senate, which began debate on its version of the bill on July 17, adopted, 54-45, an amendment by Mike DeWine, R-Ohio, to continue to bar federal employee health plans from paying for abortions in most cases. *(Vote 190, p. 1809)*

This would be the third consecutive year for the prohibition.

Abortion-rights supporters such as Barbara Boxer, D-Calif., criticized the amendment, contending that it was bad policy to deny federal employees the same benefits as private-sector employees. But Majority Whip Don Nickles, R-Okla., said taxpayers should not be required to subsidize abortions.

The Senate also approved, by voice vote, an amendment by Jeff Bingaman, D-N.M., to remove language from the bill that would have restricted federal agencies from using energy conservation services, such as those offered by local utilities, on a sole-source basis. Prior to the voice vote approval, senators rejected a motion by Appropriations Committee Chairman Ted Stevens, R-Alaska, to table (kill) the amendment, 35-64. *(Vote 189, p. 1809)* ■

Fiscal 1998 Treasury-Postal Service Spending

Unnumbered draft, as approved by House subcommittee July 22, and S 1023 (S Rept 105-49), as passed by Senate on July 22
(in thousands of dollars of new budget authority)

	Fiscal 1997 Appropriation	Fiscal 1998 Clinton Request	House Draft	Senate Bill
Treasury Department				
U.S. Customs Service				
Salaries and expenses	$1,549,585	$1,566,826	$1,526,078	$1,551,028
Air and marine interdiction	83,363	92,758	97,258	92,758
Other	5,406	10,512	5,406	5,406
Subtotal, Customs	**$1,638,354**	**$1,670,096**	**$1,628,742**	**$1,649,192**
Internal Revenue Service				
Processing tax returns, assistance	1,790,288	2,943,174	2,915,100	2,943,174
Tax law enforcement	4,104,211	3,153,722	3,108,300	3,153,722
Information systems	1,323,075	1,772,487	1,618,500	1,597,487
Rescission	-174,447	—	-14,500	—
Subtotal, IRS	**$7,043,127**	**$7,869,383**	**$7,627,400**	**$7,694,383**
Bureau of Alcohol, Tobacco and Firearms	467,372	551,976	532,671	527,512
U.S. Secret Service	561,053	585,147	561,511	579,985
Bureau of the Public Debt	165,335	169,426	169,426	169,426
Financial Management Service	196,518	202,560	199,675	202,490
Other	422,737	614,397	469,050	492,813
TOTAL, Treasury Department	**$10,494,496**	**$11,662,985**	**$11,188,475**	**$11,315,801**
Postal Service				
Postal subsidies	90,463	86,274	86,274	86,274
Non-funded liabilities	35,536	34,850	34,850	34,850
TOTAL, Postal Service	**$125,999**	**$121,124**	**$121,124**	**$121,124**
Executive Office of the President				
President's compensation	250	250	250	250
White House Office	40,193	51,199	51,199	51,199
Executive residence	7,827	8,245	8,045	8,245
National Security Council	6,648	6,648	6,648	6,648
Office of Management and Budget	55,573	57,240	57,240	57,240
Office of National Drug Control Policy	35,838	36,016	43,516	36,016
Federal drug control programs	127,102	140,207	146,207	140,207
Other	149,910	216,120	245,320	185,420
TOTAL, Executive Office	**$423,341**	**$515,925**	**$558,425**	**$485,225**
Independent Agencies				
General Services Administration				
Federal Buildings Fund	400,544	84,000	—	—
Limitation on use of revenues	(5,555,544)	(4,969,934)	(4,835,934)	(4,885,934)
Construction and acquisition	(657,711)	—	—	—
Other	146,216	140,607	140,565	143,565
Subtotal, GSA	**$546,760**	**$224,607**	**$140,565**	**$143,565**
Office of Personnel Management				
Annuitants, health benefits	4,059,000	4,338,000	4,338,000	4,338,000
Annuitants, life insurance	33,000	32,000	32,000	32,000
Civil Service retirement, disability	7,989,000	8,336,000	8,336,000	8,336,000
Salaries and expenses	88,246	86,310	86,310	86,310
Subtotal, OPM	**$12,169,246**	**$12,792,310**	**$12,792,310**	**$12,792,310**
Federal Election Commission	28,165	29,300	34,550	29,000
National Archives	214,180	213,117	214,492	221,117
U.S. Tax Court	33,781	34,293	33,921	34,293
Other, scorekeeping adjustments	65,655	68,744	296,138	67,104
GRAND TOTAL	**$24,101,623**	**$25,662,405**	**$25,383,000**	**$25,206,539**

SOURCE: Senate, House Appropriations committees

APPROPRIATIONS

Transportation Bills Advance With Record Funding Levels

With increased money for infrastructure projects stoking the engines, the fiscal 1998 transportation spending bill continued its fast, smooth ride toward a House-Senate conference.

The House on July 23 passed its version of the spending bill (HR 2169), 424-5, after a brief debate. The Senate Appropriations Committee easily approved its version of the bill (S 1048), 28-0, on July 22. *(House Vote 302, p. 1816)*

The backdrop for both versions has been Congress' slow-moving effort to reauthorize the nation's main transportation law, the six-year, $157 billion Intermodal Surface Transportation Efficiency Act, which will expire Sept. 30.

The large coalition of lawmakers seeking to authorize more transportation funding is hoping to lay down a marker in the fiscal 1998 appropriations bill by increasing spending over current year levels. Both bills would provide record total amounts for transportation programs.

The House bill would provide $42.5 billion, $4.4 billion more than the fiscal 1997 total and $2.2 billion more than President Clinton's budget request. Of that total, $13.1 billion would come from the Treasury's general fund, with the rest coming from federal transportation trust funds financed by dedicated taxes on items such as gasoline and tires. *(Chart, p. 1784)*

The bill would increase spending on almost everything in its purview, including highways, airports, transportation safety and the Coast Guard. Highway funding alone would reach a record $23.2 billion.

Lacking controversial legislative "riders" to debate, House members flitted from parochial issue to parochial issue: the Union Pacific train route through Wichita, Kan., a ferry ride in New Jersey, the airport in Louisville, Ky.

"This is not a perfect bill, but it is about as perfect as we can get it. If it were perfect, it would have some of the 15 things I requested," quipped Sonny Callahan, R-Ala., a member of the House Transportation Appropriations Subcommittee.

The Senate bill, as approved by the committee, is worth $41.9 billion, $3.8 billion more than fiscal 1997 and $1.6 billion more than Clinton's request. Of the total, $12.8 billion would come from the Treasury and the rest from the transportation trust funds. The Senate bill would top the House in highway funding, providing $23.6 billion.

By Jonathan Weisman

> FY 98
> **TRANSPORTATION**
> **BOXSCORE**
>
> **Bill:** HR 2169 (H Rept 105-188); S 1048 (S Rept 105-55) — fiscal 1998 transportation appropriations.
>
> **Latest action:** House passed HR 2169, 424-5, on July 23; Senate Appropriations Committee approved S 1048, 28-0, on July 22.
>
> **Next likely action:** Senate floor action likely the week of July 28.
>
> **Reference:** Senate Appropriations Committee markup, Weekly Report, p. 1702; House Appropriations Committee markup, p. 1622.

Trains of Thought

In both chambers, what friction exists has centered on Amtrak, the nation's ailing passenger railroad.

A full-court press by Amtrak supporters during the Senate Appropriations Committee markup salvaged as much money for the railroad's operations as had been requested by Clinton.

In his original draft of S 1048, Richard C. Shelby, R-Ala., chairman of the Senate Transportation Appropriations Subcommittee, provided $190 million for Amtrak operations, well below Clinton's $344 million request. During his subcommittee's markup of the bill July 15, Shelby raised that figure to the House level of $283 million.

But that was still not enough for the administration or Amtrak supporters, particularly from the Northeast. The full committee, by voice vote, approved an amendment by Frank R. Lautenberg, D-N.J., that would provide an additional $61 million, bringing Amtrak funding to the level Clinton requested.

Meanwhile, Benjamin L. Cardin, D-Md., and other House supporters of Amtrak warned that the $283 million for the railroad's operations in HR 2169 — $81.5 million less than the current year level and $61 million less than Clinton's request — could force Amtrak to go bankrupt in 1998.

Frank R. Wolf, R-Va., the chairman of the Transportation Appropriations Subcommittee, had included in the bill a provision that he said would improve Amtrak's efficiency. The provision would have established an independent task force, patterned after the Military Base Closure and Realignment Commission, to shut down unprofitable, long-distance train routes that have been preserved by members of Congress.

But Bud Shuster, R-Pa., chairman of the House Transportation and Infrastructure Committee, struck the provision on a point of order that it amounted to legislating on an appropriations bill. He added that Amtrak needs fundamental change immediately and could not wait for a commission to do its work.

Shuster is aiming to mark up a bill during the week of July 28 to overhaul Amtrak operations more quickly. That legislation would be similar to a bill (S 738) already approved by the Senate Commerce, Science and Transportation Committee. *(Weekly Report, p. 1515)*

A similar bill flew through the House in 1995, 406-4, only to be stymied in the Senate over provisions to ease labor protections and cap Amtrak's punitive damage liability in personal injury cases. *(1995 Almanac, p. 3-65)*

Those provisions could be troublesome even in the House this time. James L. Oberstar of Minnesota, the ranking Democrat on the Transportation and Infrastructure Committee, is among the House members who say they will not support an Amtrak bill if it contains those labor and punitive damage provisions.

Shuster acknowledged that his Amtrak overhaul is now in trouble, but he said he could not go along with Wolf's idea of a task force. "The base-closure commission left a bad taste in a lot of mouths around here," he said.

Never shy to use his clout on transportation issues, Shuster left his marks all over the House bill. He raised a point of order that deterred a plan to cut $38.6 million from a program that subsidizes passenger air service to rural areas. He also ensured that more money for airport improvement would come from the Treasury instead of the federal Airport and Airway Trust Fund. ■

Fiscal 1998 Transportation Spending

HR 2169, as approved by the House Appropriations Committee on July 11, and S 1048, as approved by the Senate Appropriations Committee on July 22.

(In thousands of dollars of new budget authority)

	Fiscal 1997 Appropriation	Fiscal 1998 Clinton Request	House Bill	Senate Bill
Transportation Department				
Office of the Secretary	$193,787	$ 83,085	$ 74,783	$ 81,477
Payments to air carriers (from trust fund)	*25,900*	*0*	*0*	*000*
Coast Guard				
Operating expenses	2,319,725	2,440,000	2,408,000	2,431,700
Acquisiton, construction, improvements	374,840	370,000	370,000	403,300
Retired pay	617,284	645,696	645,696	653,196
Other	164,690	455,000	458,000	167,535
Subtotal, Coast Guard	**$ 3,476,539**	**$ 3,910,696**	**$ 3,881,696**	**$ 3,655,731**
Federal Aviation Administration				
Operations and offsetting collections	4,850,500	5,036,100	5,300,000	5,325,900
User fees appropriation	0	300,000	0	0
Facilities and equipment	1,793,500	1,875,000	1,875,000	1,889,005
Research, engineering, development	187,412	200,000	185,000	214,250
Airport and Airway Trust Fund limit	1,460,000	1,000,000	1,700,000	1,700,000
Subtotal, FAA	**$ 6,831,412**	**$ 7,411,100**	**$ 7,360,000**	**$ 7,429,155**
Federal Highway Administration				
Direct spending	150,000	250,000	0	308,000
Highway Trust Fund limit	*18,773,036*	*20,270,000*	*21,585,325*	*21,884,300*
Trust fund exempt obligations	*2,024,410*	*1,510,571*	*1,660,226*	*1,390,600*
Natonal Highway Traffic Safety Administration				
Direct spending	135,612	147,500	146,907	146,500
NHTSA Highway Trust Fund limit	*168,100*	*185,500*	*186,500*	*187,000*
Federal Railroad Administration				
Amtrak grants	587,950	789,450	543,000	283,000
Northeast Corridor improvement	175,000	0	250,000	273,450
Other	268,683	128,859	125,834	154,773
Subtotal, railroads	**$ 1,031,633**	**$ 918,309**	**$ 918,834**	**$ 711,223**
Federal Transit Administration				
Formula grants				
Direct spending	490,000	0	290,000	290,000
Trust Fund grants and limit	2,059,185	3,498,500	2,410,000	2,110,000
Discretionary grants trust fund limit	1,900,000	0	2,000,000	2,000,000
Other	332,997	338,818	337,738	284,747
Other trust fund limits /rescissions	-400,000	650,000	-200,000	-200,000
Subtotal, transit	**$ 822,997**	**$ 338,818**	**$ 627,738**	**$ 574,747**
Emergency and other spending	1,060,155	44,179	101,673	110,850
Rescissions	-1,719,033	-38,600	-38,600	-293,600
TOTAL, Transportation Department	**$ 11,983,102**	**$ 13,065,087**	**$ 13,073,031**	**$12,724,083**
Related Agencies, Commissions				
National Transportation Safety Board	42,407	47,000	47,000	50,700
Emergency spending	36,859	0	0	0
Other	5,940	3,640	4,640	3,640
Grand TOTAL	**$ 12,068,308**	**$ 13,115,727**	**$ 13,124,671**	**$ 12,778,423**
Total limitations and exempt obligations	*$ 26,010,631*	*$ 27,114,571*	*$ 29,342,051*	*$ 29,071,900*

SOURCE: House and Senate appropriations committees

ENVIRONMENT

Senate Sends Signal to Clinton On Global Warming Treaty

Reflecting worries about the effect on the U.S. economy of a possible "global warming" treaty, the Senate fired a warning shot at the Clinton administration July 25 over negotiations to reduce "greenhouse gases."

A non-binding resolution (S Res 98) that the Senate passed, 95-0, on July 25 requests the administration to sign an agreement that imposes legally binding limits on greenhouse gas emissions by industrial countries only if a commitment also is made by economically developing countries to reduce their emissions.

Negotiators from many nations, including the United States, are scheduled to meet in Kyoto, Japan, in December to finalize a binding treaty to reduce emissions of gases such as carbon dioxide. The gases are believed to contribute to warming of the earth's atmosphere, known as "the greenhouse effect."

Negotiations are being closely watched in Congress because any treaty would have to be ratified by the Senate, and because new limits on greenhouse gases could force restrictions on emissions from such sources as automobiles, coal-fired electric power plants and factories.

Under the so-called "Berlin Mandate," signed by the U.S. and European nations in 1995, developing countries such as Mexico, China and India do not have to commit in Kyoto to legally binding limits on greenhouse gas emissions. The Berlin agreement is aimed at providing the poorer developing nations greater flexibility in reducing greenhouse gases.

In pushing the Senate resolution, Robert C. Byrd, D-W.Va., said developing countries should have to live by the same rules as everyone else. He noted that Third World nations produce an abundance of greenhouse gases and might gain a competitive advantage if they did not have to impose costly pollution controls.

"I am not out to kill the treaty," Byrd said on the Senate floor. But, he said, if the Kyoto treaty leaves out developing countries, "count me in, in the assassination of the treaty."

The resolution had initially drawn fire from environmental groups. They feared the resolution was a thinly veiled attempt by Byrd, who is worried that emissions restrictions would hurt coal-producing states such as West Virginia, to undermine treaty negotiations by pushing the administration to abandon the Berlin accord.

Before the debate, Democrat John Kerry of Massachusetts expressed concern that the resolution might undermine the Clinton administration's negotiating position in Kyoto. But Kerry said on the Senate floor that a closer reading of the resolution had convinced him that it would not tie the hands of the administration's treaty negotiators.

Daniel Lashof, a senior scientist at the Natural Resources Defense Council, an environmental group, said the resolution could be read as a "treaty killer" and that many of its more ardent supporters oppose any effort to reduce greenhouse gas emissions.

But he added that the resolution is vague. "It's so flexible as to mean very little," Lashof said. "That's why 95 people voted for it, and nobody voted against it." ■

By Allan Freedman

ENVIRONMENT

Senate Reaches Compromise On Dolphin Protections

Senate negotiators reached an agreement that clears the way for consideration, scheduled for July 29, of legislation (S 39) to alter the way dolphins are protected from tuna fishing nets.

The compromise, announced July 25, broke a logjam that had threatened to stall the measure in a protracted filibuster.

A companion bill on the issue (HR 408) sailed through the House on May 21. The Senate Commerce, Science and Transportation Committee followed up June 26, approving S 39 by voice vote. *(House action, Weekly Report, p. 1192; Senate committee vote, p. 1518)*

As approved by Senate Commerce, S 39 would lift the current U.S. embargo imposed on tuna from Mexico, Venezuela and other Latin American nations that want access to the $1.4 billion a year U.S. canned tuna market. The embargo was imposed because those nations' fishermen caught tuna with encircling nets that snagged and killed dolphins.

The bill also would ease the definition of "dolphin safe," the label attached to tuna cans. But the compromise, while lifting the embargo, would maintain the current definition of "dolphin safe," which is, in short, that the tuna was caught without encircling nets.

The compromise proposal would mandate a three-year study on the effects of "intentional encirclement on dolphins and dolphin populations." If the Commerce Secretary finds that encircling nets are depleting dolphin populations, then the definition for the dolphin safe label would not change. However, the Commerce secretary could make an interim decision to change the label in March 1999.

While the White House strongly supports S 39, the bill has divided environmental groups. Some environmentalists considered it a model for implementing an international agreement to protect fisheries. Opponents say the administration bent over backwards to satisfy international trading partners.

Similar legislation was passed by the House easily in 1996 but was killed by the threat of a filibuster by Democratic Sens. Barbara Boxer of California and Joseph R. Biden Jr. of Delaware. Both senators have raised objections to S 39. *(Background, 1996 Almanac, p. 4-25)*

But Boxer said in a floor statement July 25 that she supports the compromise, calling it "a victory for American consumers." ■

By Allan Freedman

COMMERCE

Panel Approves Move To Ease Encryption Export Rules

By Juliana Gruenwald

A bill to ease export restrictions on encryption products cleared another hurdle July 22, as the House International Relations Committee approved it after rebuffing a key amendment aimed at weakening the legislation.

The bill (HR 695), approved by voice vote, deals with encryption technology, which uses mathematical formulas to scramble information to prevent unauthorized access to electronic communications. HR 695 would relax current policies to allow for the export of encryption software or hardware with encryption capabilities that is generally available overseas.

The Clinton administration and some lawmakers, however, have expressed concern that liberalizing encryption exports would result in increased use of powerful encryption products and could impede law enforcement and intelligence-gathering.

This concern spurred an amendment at the International Relations markup, offered by committee Chairman Benjamin A. Gilman, R-N.Y., and rejected 13-22, to allow the president to block the export of encryption software or hardware with encryption capabilities if he determined the products would adversely affect national security.

The Clinton administration now generally allows the export of encryption products up to 40 bits in strength; companies also may export products of up to 56 bits for two years, but only if they agree to develop a "key recovery" mechanism to allow authorities, when warranted, to gain access to the electronic "key" needed to decode encrypted communications. (A bit is a single digit in a binary system; the longer the bit string the greater number of possible keys).

But HR 695's supporters complain that U.S. software companies are being put at a competitive disadvantage because other countries allow the export of encryption products that are much stronger than those allowed for export by the United States and do not include key recovery.

Sam Gejdenson, D-Conn., said during the July 22 markup that while national security and law enforcement officials argue that "we will see the end of Western civilization as we know it" if HR 695 is enacted, powerful encryption products already are widely available around the world and in the United States.

"You're fooling yourselves if you think you are giving the president the ability" to stop the use of powerful encryption, he said during debate on Gilman's proposed amendment.

Although HR 695 also was approved by the House Judiciary Committee on May 14, it probably will face further hurdles before it can reach the House floor. The National Security Committee has scheduled a hearing on the bill for July 30. Intelligence Committee Chairman Porter J. Goss, R-Fla., already has expressed some of the same concerns as the administration about the bill's potential impact on national security. ■

BOXSCORE

Bill: HR 695; S 909 — ease export restrictions on communications encryption technology.

Latest action: House International Relations Committee approved HR 695 by voice vote July 22.

Next likely action: Hearing by the House National Security Committee scheduled for July 30.

Reference: Senate Commerce Committee markup, p. 1440; House Judiciary Committee markup, p. 1129.

COMMERCE

White House Raises Concerns About Spectrum Compromise

By Juliana Gruenwald

The Clinton administration has raised concerns about a compromise hammered out by House and Senate negotiators the week of July 21 on spectrum auction provisions in the pending budget-reconciliation legislation.

It was unclear how close the compromise spectrum package would get to producing the $26 billion target set in the fiscal 1998 budget resolution (H Con Res 84). The original spectrum provisions approved by each chamber were estimated to raise much less.

The spectrum conferees aimed to raise more money by auctioning some spectrum now used for electronic news gathering and by delaying payment to the Universal Service Fund, which subsidizes local phone service.

The deal also would modify a requirement that broadcasters, by 2006, return to the government the spectrum they are using to change from analog to digital television. The compromise would give broadcasters an extension to hold on to the analog spectrum beyond 2006 under some conditions. The White House wants a firmer date for the spectrum return.

The administration also expressed concern about delaying the Universal Service Fund payment, and about a provision that would allow the Federal Communications Commission to waive its "duopoly" and "cross-ownership" rules, which ban a broadcaster from owning two TV stations in the same market and a newspaper from owning a TV station in the market in which it circulates. The compromise would allow newspapers and broadcasters in markets of more than 400,000 people to bid on the returned spectrum.

House Commerce Telecommunications Subcommittee Chairman W.J. "Billy" Tauzin, R-La., does not favor changing the plan, said spokesman Ken Johnson. ■

CORRECTION

Clean Air Rules. Weekly Report, p. 1689, second column, third paragraph. Regulators are still writing implementing language for new clean air rules. They can take effect without legislation. ■

MEDICARE

Bipartisan Consensus Hampered By Means-Testing Battle

Eligibility age and co-payment also sticking points as conferees continue negotiations

"If the political issue gets solved, we will find a way to deal with the premium."

— Sen. Connie Mack, R-Fla.

"You could be the victim of an attack ad very easily."

—Robert D. Reischauer, Brookings Institution

House Republicans' hesitancy to force wealthier seniors to pay more for Medicare — and President Clinton's inability to resolve their concerns — may amount to a missed opportunity amid historic change to the 32-year-old federal health insurance program for the elderly and the disabled.

A bipartisan consensus has emerged in favor of making major structural changes in Medicare, such as incorporating more managed care plans and permitting eligible seniors to opt for tax-exempt medical savings accounts.

But that consensus has broken down over whether wealthier seniors should pay more in premiums for Medicare Part B, which covers doctors' bills and other outpatient expenses. The battle is one of many in the ongoing conference negotiations over health care provisions in the budget spending bill (HR 2015), one of two reconciliation bills aimed at balancing the budget. Republicans, Democrats and the White House also are skirmishing over how to trim spending on Medicaid, the federal-state health insurance program for the poor, and how to provide health coverage for uninsured children. Negotiators did settle a major welfare issue: In a victory for President Clinton, they agreed to provide Supplemental Security Income (SSI) benefits to legal immigrants who would have been ineligible for them under last year's welfare law (PL 104-193). SSI provides cash income for the low-income aged or disabled. *(Weekly Report, pp. 1707, 1530)*

Politics and policy play their part in the conflict over the proposed increase in premiums for wealthier beneficiaries, known as means testing. Republicans are still smarting over attacks from Democrats during the 104th Congress, accusing them of trying to dismantle Medicare. They are not eager to embrace any change that could later be viewed as a tax increase — which they fear because Clinton wants the means-testing program administered by the Treasury Department. Republicans would prefer the Department of Health and Human Services (HHS).

Republicans also fear the plan would be viewed as an infringement on the long-held view that Medicare is an entitlement program that does not distinguish rich from poor. They cringe at the idea of their constituents wondering: Once means testing begins, where will it end? Will premiums go up for the wealthy today and for the middle class tomorrow?

"You could be the victim of an attack ad very easily," said Robert D. Reischauer, former director of the Congressional Budget Office and now a senior fellow at the Brookings Institution.

But those fears should not stop legislators from backing means testing, argues Martha Phillips, executive director of The Concord Coalition, a non-partisan group advocating deficit reduction. She said: "I think you can answer those ads," by responding that now is "a great time to do a little something for the long-term solvency of Medicare." *(Story, p. 1788)*

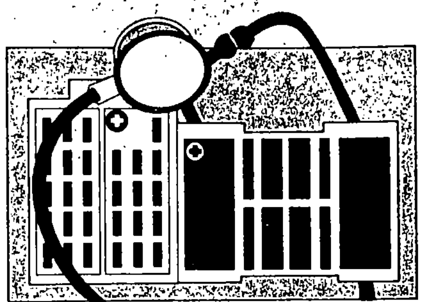
Senate Republican Conference Chairman Connie Mack, R-Fla., said it was up to Clinton to remove politics from the picture. "He's got to make his case to the Republicans in the House," Mack said, adding that incorporating means testing in Medicare "takes it off the table for 1998. So far, they haven't heard enough. If the political issue gets solved, then we will find a way to deal with the premium." Mack's comments reflect those of Speaker Newt Gingrich, R-Ga., and other House GOP leaders, who have repeatedly asked Clinton for "leadership" on the means-testing issue.

Office of Management and Budget Director Franklin D. Raines said Clinton also is interested in avoiding political pitfalls. Clinton says he is willing to work with legislators who favor the means-testing idea but oppose his plan to have the Treasury Department, which oversees the Internal Revenue Service (IRS), administer it. "We hope people can get beyond the politics of it, join hands and support it," he said.

There is also opposition from federal agencies that do not want the burden of administering a means-testing program. Already under pressure to contain operating budgets, neither the Treasury Department nor HHS is eager to embrace new responsibilities.

By Mary Agnes Carey

Means Testing Around Since Beginning



Even in 1965, when Congress grappled over the bill that would create the Medicare health insurance program for the elderly, lawmakers floated the idea of "means testing," or linking the cost of premiums to the incomes of eligible senior citizens.

But according to Marilyn Moon, author of "Medicare Now and in the Future" and a senior fellow at the Urban Institute, the assumption three decades ago was that almost anyone old enough to qualify for Medicare was not making enough money to justify rating premiums on a sliding scale.

Moon says the authors of the legislation "knew the political value of a program that would be viewed as a 'middle class' entitlement" as opposed to a " 'welfare'-based program." By packaging it as a program with benefits for all senior citizens and not only the poor, the deal would be palatable to a broader spectrum of politicians.

Means testing has garnered significant attention on Capitol Hill and in the national media because of the problems Medicare faces over the next 30 years. The immediate problem is that the trust fund that pays for inpatient hospital care, which is financed by a payroll tax, is expected to run dry in 2001. "The closer you get to D-Day, the more you get people's attention," said a Democratic staff member close to negotiations on how to cut Medicare spending.

Expenses began exceeding revenues in 1995, when there were 3.9 taxpaying workers per beneficiary. By 2030, there will only be 2.2 workers per beneficiary, and that, combined with the amount Medicare will have to pay out to support the retirement of the Baby Boom generation beginning about 2010, makes the program unsustainable without a structural overhaul.

The means-testing proposal, sponsored by Sens. John H. Chafee, R-R.I., and Bob Kerrey, D-Neb., would affect Part B, the voluntary portion of Medicare that pays for doctor bills and related services after the beneficiary meets a $100 deductible. Enrollees pay a monthly premium ($43.80 in 1997), which covers 25 percent of costs. The rest is federally subsidized from general revenues.

History of Means Testing

● **Catastrophic care.** The first major congressional debate on means testing took place in 1988, when the House and Senate debated the Medicare catastrophic care bill. It was enacted (PL 100-360), but repealed within a year. The law mandated Congress' most significant extension of Medicare, expanding coverage to include prescription drugs and providing better coverage of nursing home, home health, and hospice care. It was repealed in 1989, after seniors' groups expressed their anger at having to shoulder the high costs of new benefits. *(1989 Almanac, p. 149)*

The catastrophic care law would have made seniors who were affluent enough to be liable for more than $150 in federal income taxes a year – about 40 percent of seniors in 1988 – pay an income surtax of up to $800 per person in 1989, climbing to $1,050 in 1993. Congress also raised the monthly Part B premium ($24.80 in 1988) by $4 in 1989, rising to $10.20 in 1993. The elderly were not pleased. Former Rep. Dan Rostenkowski, D-Ill., an author of the 1988 law, had to flee a meeting with disgruntled constituents at a Chicago senior center after passage of the surtax. The angry group, some calling for his impeachment, gave chase and trapped his car, forcing him to escape on foot.

● **Clinton's overhaul plan.** The delicate subject of means testing was not brought up again until 1993, when President Clinton included it in his health care package, which ultimately failed. Clinton's plan would have required seniors who earned more than $90,000 and couples earning more than $115,000 to pay higher Part B premiums. *(1993 Almanac, p. 335)*

● **Republican efforts.** In 1995, congressional Republicans included higher Part B premiums for wealthier seniors in the deficit-reducing budget reconciliation bill, which Clinton vetoed Dec. 6. The bill, mired in partisan bickering from the outset, sought to cut an unprecedented $270 billion from Medicare spending over seven years.

Under the GOP plan, Part B premiums were to rise gradually for individuals earning at least $60,000 a year and couples earning $90,000. *(1995 Almanac, p. 2-44)*

Current Situation

The current bipartisan proposal to apply means testing to Medicare has the conditional support of the administration and of politicians whose views span the political spectrum.

It would increase Part B premiums for individuals earning at least $50,000 a year and couples earning $75,000 – about 6 percent of the elderly population. Individuals earning $100,000 or more and couples earning $125,000 would pay the entire Part B premium.

Some think means testing is an idea whose time has come, but others believe the risk may be too great. Many House Republicans, for example, wince at the idea that linking incomes to premiums may be interpreted as a tax increase. Seniors groups, such as the National Committee to Preserve Social Security and Medicare, say wealthier Part B beneficiaries would opt out of the program, leaving less money in the system for poorer, sicker seniors. "People are going to drop out," said Max Richtman, the organization's executive vice president.

But other groups, such as the New York-based Third Millennium, a youth advocacy group that supports changes in entitlement programs, say basing benefits on income is only fair. "As long as bellhops at hotels around the country continue to subsidize Leona Helmsley's Medicare, the senior lobby's defense of the status quo remains untenable," said Third Millennium Executive Director Richard D. Thau.

A survey conducted June 18-22 by the Pew Research Center for the People and the Press found that 60 percent of 1,000 adults questioned favored means testing for more affluent seniors. Even 56 percent of seniors earning more than $50,000 a year said they favored the proposal.

—Elana Mintz

The President's Plan

At a July 22 news conference, Clinton gave his strongest endorsement so far to the concept of asking some wealthier seniors to pay more for their Part B premiums. He unveiled a new plan to collect the money, a proposal he said would address Republicans' concerns that a higher premium not look like a tax. The president even offered a bit of political cover. "I would be happy to defend the vote of any member of Congress, Democrat or Republican, who votes for this," Clinton said.

The president's announcement injected some enthusiasm into the issue, but momentum slowed once details arrived on Capitol Hill. Problems included the plan's proposed collection method and its requirement that the wealthiest beneficiaries pay no more than 75 percent of their premium, not the 100 percent that Republicans wanted. (Beneficiaries now pay 25 percent.) Ways and Means Committee Chairman Bill Archer, R-Texas, said Clinton's insistence on not phasing out the federal subsidy entirely was a "problem" for Republicans.

Clinton's proposal would have taxpayers who qualify for the higher Part B premiums send a check every April 15 with their tax return to the Treasury Department. The check would be written out to the "Medicare Trust Fund," with the money directed there as well. But Republican tax opponents such as Sen. Phil Gramm of Texas said the structure sounded just like a tax raise. "We've got to divorce this whole thing from the IRS and April 15," Gramm said. "It looks and smells too much like a tax increase."

Senate Budget Chairman Pete V. Domenici, R-N.M., said that any link whatsoever to the IRS was sure to sink Clinton's plan. "If it has the IRS in it but you've covered it up, it would never sell."

House Ways and Means Health Subcommittee Chairman Bill Thomas, R-Calif., said Republicans were looking for "slightly more movement" than Clinton's offer, which he called "a non-starter."

Differences in Medicare

Besides differences over means testing, legislators remained at odds over two other major proposals in the GOP's Medicare overhaul: gradually raising Medicare's eligibility age to 67 from 65 and requiring a $5 co-payment on some home health services.

Negotiators were unwilling to officially declare any of the three proposals dead, but they hinted that their importance had slipped dramatically.

"I'm not spending any of the money generated by any of those proposals," Thomas said after a July 23 negotiating session with Democrats and the administration. Emerging from the same meeting, Raines said Republicans indicated that they had taken the age increase and the home health co-payment off the table. The administration has long opposed both provisions.

But Senate Majority Leader Trent Lott, R-Miss., insisted July 24 that the three proposals were still very much in play. Asked if the issues were "dead," Lott replied, "They absolutely are not."

"I would be happy to defend the vote of any member of Congress, Democrat or Republican, who votes for this."

— President Clinton

Agreements

Republicans, Democrats and the White House reached several agreements and dropped some provisions during closed-door talks the week of July 21.

Negotiators agreed to several changes aimed at encouraging more managed care providers to set up business in rural areas. For example, Medicare managed care companies would be guaranteed a minimum $367 payment per month per beneficiary. Current payments are as low as $223 per month.

Another change calls for a gradual blending of local and national reimbursement rates, a departure from the current fixed-payment, county-based system, in which urban rates often are much higher than rural rates.

Budget conferees also agreed that Medicare managed care providers are to receive at least a 2 percent payment increase annually, guaranteeing that health maintenance organizations (HMOs) now doing business in higher-cost areas will get some increase in reimbursements.

Negotiators also removed from the talks a controversial House provision that would have capped non-economic damages in medical malpractice cases at $250,000.

Officials agreed that state governments would have 90 days to decide if provider sponsored organizations (PSOs) — managed care plans run by doctors and hospitals — would be eligible to participate in the Medicare program. After 90 days, a PSO could appeal to federal authorities if the application was not acted upon.

At the end of the week, several disagreements remained unresolved. The administration wants a much smaller demonstration project for medical savings accounts — tax-exempt accounts that can be used to pay for qualified medical expenses — than conferees have agreed upon. Republicans want to allow 500,000 seniors to set up the accounts; the White House prefers a group of 100,000 or fewer. *(Weekly Report, p. 1580)*

Other top issues for the administration include removing any provision allowing unrestricted fee-for-service health plans as an option for Medicare enrollees. Such plans are not bound by the same fee restrictions as traditional fee-for-service plans.

Medicaid, SSI

On July 24, Clinton said that any health package budget conferees craft for uninsured children should mandate coverage for prescription drugs, vision and hearing services. The plans also should provide the same level of coverage for mental health illnesses as for physical ailments.

Clinton encouraged House Republicans to agree that the Senate-passed 20 cents-per-pack cigarette tax be used to boost the final package to $24 billion, up from the $16 billion agreed to in the budget deal (H Con Res 84).

Republicans, however, favor a proposal that would give governors maximum flexibility to design health insurance programs for children. They do not want to mandate benefits. The GOP proposal would allow governors to provide several options.

Regarding changes in Medicaid, negotiators were embroiled in a classic formula fight: Those from larger urban areas battled for a large share of shrinking dollars, as others worked to trim spending on disproportionate share funds, which help states pay for medical care for the poor or the uninsured.

Regarding Supplemental Security Income benefits, negotiators adopted the Senate position, which would make legal immigrants who were in the United States on Aug. 22, 1996, when Clinton signed the welfare bill, eligible for SSI no matter when they became disabled. They also agreed with House Republicans to ensure that immigrants who were on SSI last August because they were elderly would remain eligible. ■

APPROPRIATIONS

Budget Allocation Quiets Rancor As Labor Bills Move to Floor

A bipartisan consensus helped House and Senate appropriators forge separate fiscal 1998 spending bills for the departments of Labor, Health and Human Services (HHS), and Education.

Both chambers may complete floor action the week of July 28, setting up a House-Senate conference when Congress reconvenes in September. The goal, which eluded appropriators throughout the 104th Congress, is to enact a freestanding Labor-HHS spending bill before the fiscal year begins Oct. 1.

The usual partisan wrangling has been held in check by the bipartisan budget agreement (H Con Res 84), as well as a relatively generous funding allocation. Still, the consensus could unravel.

One hurdle was cleared when the House Appropriations Committee gave voice vote approval July 22 to $80 billion in discretionary spending for the draft measure. That is nearly $5.3 billion more than in fiscal 1997 but $110 million less than the Clinton administration requested.

The Senate Appropriations Committee then approved S 1061, 28-0, on July 24. The Senate version, which contains about $79.7 billion in discretionary spending, was approved by voice vote by the Labor-HHS Appropriations Subcommittee on July 22.

The legislation, which contains programs that Democrats consider vital and conservative House Republicans spent two years trying unsuccessfully to cut, is the largest source of domestic spending. Overall, it would provide at least $269 billion in fiscal 1998, much of which goes to mandatory programs such as Medicaid, Medicare and welfare.

Although the Clinton administration was disappointed that the measures did not follow all details of the budget agreement, congressional Democrats generally seemed satisfied with the result. The administration sought significant increases in several education programs, but Congress heaped money on key health programs.

Even so, the challenge of keeping a majority of members behind the bill was graphically illustrated during the House full committee markup. A heated debate ensued over an amendment to prohibit minors from using federally funded family planning services without parental consent.

By Jeffrey L. Katz

FY 98

LABOR, HHS, EDUCATION

BOXSCORE

Bills: Unnumbered House draft; S 1061 (S Rept 105-58) — fiscal 1998 Labor-HHS appropriations.

Latest action: Senate Appropriations Committee approved S 1061, 28-0, July 24, after Labor-HHS Subcommittee approved it by voice vote July 22. House Appropriations Committee approved its bill by voice vote July 22.

Next likely action: House and Senate floor debates.

Reference: House subcommittee, Weekly Report, p. 1714; background, pp. 1634, 1260.

Chairman Robert L. Livingston, R-La., warned that attaching such controversial policy items to the bill could destroy its bipartisan support. Without this support, he said, the bill would not pass and another funding crisis could arise. The attempt to limit family planning services was eventually quelled, although conservatives promised to try again on the House floor.

The Senate panel was more harmonious, though committee Chairman Ted Stevens, R-Alaska, vented his frustration with the bipartisan budget deal agreed to by the White House and congressional leaders, saying it had hamstrung appropriators.

House Abortion Fight

The biggest controversy among House appropriators concerned an amendment by Ernest Istook, R-Okla., to require parental consent before minors could receive family planning services from federally funded clinics. Istook argued that it was morally wrong for minors to receive such sensitive aid as birth control and family planning assistance without parental involvement.

The heated debate focused in part on a recent case in Crystal Lake, Ill., in which a school teacher allegedly had sex with an underage teenager for 18 months, and drove her to the county health department for birth control injections without her parents knowing.

Rep. John Edward Porter, R-Ill., chairman of the Labor-HHS Subcommittee, described the issue as a "very complex matter" that should not be decided by appropriators.

"Confidential access to family planning services is critical," said Porter, who has often clashed with anti-abortion activists in his own party. Requiring parental consent would cause some teenagers to delay or avoid necessary family planning services, he added, resulting in more pregnancies and more sexually transmitted diseases.

David R. Obey of Wisconsin, ranking Democrat on the full committee and Labor-HHS Subcommittee, warned that adding controversial amendments such as Istook's would prompt Democratic opposition to the bill and a veto.

That led to an admonishment from Livingston. "Without bipartisan support, this bill will not pass," he said, enunciating each word for emphasis and alluding to the prospect of repeating the partial government shutdown that occurred in the winter of 1995-96.

But conservatives refused to give up.

"There are certain things that we must stand and fight for," responded Mark W. Neumann, R-Wis., "even if it means a bill is not going to pass or a bill might be vetoed, and it means that we would have to wind up in some sort of a — quote — 'government shutdown.' "

Porter sought to trump Istook's amendment with a substitute that would require clinics to encourage family participation, essentially reflecting current law. It also would require clinics to counsel minors to resist attempts to engage them in sexual activities.

His substitute was approved, 30-27, effectively killing Istook's amendment. Eight Republicans joined a majority of Democrats in supporting Porter's substitute; three Democrats joined most Republicans in opposing it.

Afterward, Istook said he was disappointed that Livingston's warning about the amendment had more influence than the fact that Livingston ultimately voted against Porter's substitute.

"I can appreciate the chairman's concerns about getting the votes to pass this bill," Istook said. "But I think we need to make more effort to permit conservatives to make necessary changes on the bills and have the chance to win their votes on the floor."

Istook said he planned to offer his amendment again during floor consideration. A similar effort failed last year. *(1996 Almanac, p. 10-63)*

Besides Istook's amendment on family planning, members also may deal on the House floor with a proposal directly tied to federal policy on abortion.

Frank R. Wolf, R-Va., offered an amendment in committee to extend the traditional prohibitions against federally funded abortions to managed care plans offered under Medicaid. The existing prohibition — named after its author, Rep. Henry J. Hyde, R-Ill. — permits federal funding of abortion only in cases of rape or incest or to save the woman's life.

Wolf said about 40 percent of Medicaid beneficiaries now receive their health care coverage through managed care systems. And because the federal government pays a portion of the premiums for these benefit packages, rather than reimbursing providers for specific medical services, the existing prohibition may be hard to enforce.

Wolf offered his amendment at Hyde's request. But Porter and others objected that the amendment could be interpreted to restrict abortion services funded by states, local governments or private entities.

Wolf eventually withdrew the amendment. He and Hyde were promised that they could offer the amendment on the floor if a compromise could not be reached beforehand.

Little Senate Discussion

The Senate bill engendered relatively little discussion during subcommittee and full committee action.

The subcommittee approved, by voice vote, an amendment by Judd Gregg, R-N.H., to prevent the Occupational Safety and Health Administration for one year from issuing mandatory regulations to protect workers from repetitive-motion injuries. The House bill includes a similar provision.

In the full committee, appropriators gave voice vote approval to an omnibus amendment by subcommittee Chairman Arlen Specter, R-Pa., that made several small funding changes.

Although Chairman Stevens praised the spending bill, he decried the budget agreement for not giving appropriators enough flexibility. He said he would oppose future agreements that contained increases for specific programs.

"You can protect them at the budget level from the previous year," Stevens said, but no funding increases ought to be dictated by a budget agreement.

SCOTT J. FERRELL

Wolf offered an amendment to extend abortion funding prohibitions under Medicaid to managed care plans.

Budget Committee Chairman Pete V. Domenici, R-N.M., reminded Stevens that Stevens had wanted all 13 appropriations bills to be enacted before the end of the fiscal year on Sept. 30, and that the budget agreement had enhanced the prospects of doing so.

How it Adds Up

Variances from the administration's request and from the budget agreement prompted mixed reviews from Franklin D. Raines, director of the Office of Management and Budget. But congressional Democrats did not feel bound by the details of the budget agreement any more than did Republicans.

"If there's going to be a bipartisan approach on this bill," Obey said, "everyone's priorities are not going to be fully funded."

On many health-related programs, House and Senate appropriators opted for more money than the administration requested. Among them:

- The National Institutes of Health would receive $952 million more under the Senate bill and $764 million more under the House bill. The administration sought a $337 million increase to the current $12.7 billion appropriation.
- The Centers for Disease Control and Prevention would receive nearly $2.4 billion under both measures, at least $66 million more than in 1997. The administration would have left it relatively unchanged.
- The Ryan White AIDS program, which helps fund AIDS treatment, would receive $172 million more under the House bill and $81 million more under the Senate version. The administration would have left the program largely unchanged at $1 billion.

Both the House and Senate agreed to the administration's request for a $324 million increase in Head Start, which provides low-income preschoolers with early education and related services. It would receive $4.3 billion.

But neither bill would provide the $21 million the administration sought to promote adoptions.

Appropriators fell short of the administration's request for many education programs. Among them:

- Goals 2000, which helps states strengthen education standards, would receive a $16 million cut in the House bill and a $39 million increase from the Senate. The administration sought to increase the current $491 million appropriation by $129 million.
- The individual ceiling on Pell Grants, which help pay college tuition, would go up $300 to $3,000 under both committee bills. But neither bill would expand eligibility to students who do not depend on their parents for aid, as the administration requested.
- Neither bill would provide the $260 million the administration sought to start a literacy initiative until fiscal 1999 — and only then if authorizing legislation is enacted by April 1, 1998.

One education program likely to get more than the $175 million increase sought by the administration is special education for children with disabilities. The House bill would increase those programs by $313 million. The Senate bill would add $922 million, for a total of nearly $5 billion.

On labor programs, neither bill would appropriate the $250 million Clinton sought for a new training program geared to youths in high poverty areas. Appropriators would instead create a demonstration program along those lines and set aside additional money in fiscal 1999 only if the program is authorized. ■

APPROPRIATIONS

Veterans, Housing Measure Gets Strong Senate Vote

Despite bipartisan backing in both chambers, Senate 'Section 8' provision may be issue

The Senate gave overwhelming approval to a $90.4 billion fiscal 1998 spending bill for veterans, housing, space and science programs that incorporates a controversial provision aimed at heading off a major crisis in federally subsidized housing.

The Senate passed the bill (HR 2158), which funds the departments of Veterans Affairs (VA), Housing and Urban Development (HUD) and 17 independent agencies, by a vote of 99-1 on July 22. *(Vote 194, p. 1809)*

Casting the dissenting vote was Jon Kyl, R-Ariz., who opposed the legislation because of its overall spending increase of about $4.5 billion over this year's level, the significant jump in HUD funding from $16.3 billion to $24.8 billion without offsetting reductions, and the $424 million allocated to President Clinton's National Service program, which several Republicans say is a waste of taxpayers' money.

The relatively rapid Senate passage of the bill — only a handful of amendments were offered in less than a day of debate — comes on the heels of a similarly lopsided House vote of 397-31 on July 16 for a similar version of the bill. But the strong bipartisan support belies a potential dispute between the Senate and House.

The Senate bill includes a provision, originally in the budget bill (HR 2015) that seeks to reconcile deficit reduction goals with spending policy, that would reduce rental subsidies for so-called Section 8 housing to bring them in line with prevailing market levels for non-subsidized housing in any given area. The Congressional Budget Office estimates that this process, known as "mark-to-market" or "portfolio re-engineering," would save about $241 million through 2002 and $4.6 billion over 10 years. *(Budget, p. 1763)*

House and Senate conferees on the budget spending bill were unable to reach agreement on the provision the week of July 14. They dropped the proposal, but members of the Senate Banking, Housing and Urban Affairs Committee got the Appropriations panel to agree to include it in the VA-HUD spending bill. *(Weekly Report, p. 1681)*

By Donna Cassata

FY 98

VA-HUD

BOXSCORE

Bill: HR 2158 (H Rept 105-175), formerly S 1034 (S Rept 105-53) — Fiscal 1998 VA-HUD spending.

Latest action: Senate passed HR 2158, 99-1, on July 22.

Next likely action: House-Senate conference in September.

Reference: House passage and Senate committee approval, Weekly Report, p. 1709; House committee, p. 1631; subcommittee, p. 1531.

The Senate provision has the support of the chairman of the VA-HUD Appropriations Subcommittee, Christopher S. Bond, R-Mo., and the strong backing of the Senate Banking panel.

House members recognize the need to address the Section 8 problem but have reservations about including authorization language in a spending bill, which would pre-empt the work of the housing subcommittees on the Banking panels in writing housing overhaul legislation. The House passed a housing authorization bill (HR 2 — H Rept 105-76) in May; the Senate may not act on its bill (S 462) until September. *(Weekly Report, p. 1139)*

Senators were pessimistic about the mark-to-market provision's prospects in House-Senate negotiations on the VA-HUD spending bill, also expected to take place in September.

Asked whether the provision was going to survive in conference, Alfonse M. D'Amato, R-N.Y., chairman of the Senate Banking panel, said: "Right now, it's not. Maybe the leadership will decide on a way to deal with the problem."

Sen. Connie Mack, R-Fla., chairman of the Banking Subcommittee on Housing Opportunity and Community Development, said there were "no hopeful signs" from the House, even though the provision has the support of the Senate, the administration, building owners, tenants and advocacy groups. "They're all in agreement," he said.

Section 8 Housing

The Nixon administration-era Section 8 program provides rental assistance to more than 20,000 properties that contain about 3 million units and provide housing for more than 4 million low-income families, elderly and disabled people. *(Weekly Report, p. 539)*

The original contracts provide landlords up to 130 percent of the actual market value of their properties, and the federal government has no interest in renewing the agreements at the those high rates, especially with almost 3 million Section 8 contracts due to expire over the next five years. If HUD renewed at those rates, the cost would rise from $3.6 billion in fiscal 1997 to $22.4 billion in fiscal 2006.

"It's a major problem facing HUD and also the owners and tenants," Mack said.

Under the Senate provision, rents would be reduced to comparable rates in the area for non-subsidized housing or to 90 percent of fair market rents if comparable properties did not exist. Comparable rates would be the rents charged in a neighborhood; fair market rents would be the average for a specific area. State and local housing finance agencies, rather than HUD, would restructure the contracts.

The provision also calls for restructuring Section 8 mortgage debt insured by the Federal Housing Administration to reduce the number of expected defaults.

Bumpers and NASA

As he has in past years, Sen. Dale Bumpers, D-Ark., sought to kill NASA's proposed space station, arguing that the program has been beset by cost overruns, forcing NASA to take money away from more worthy accounts.

Bumpers cited newly released information from the General Accounting Office, which found that since April 1996, cost overruns have more than tripled and the schedule slippage has increased by nearly 50 percent.

The project, estimated in 1984 to cost $8 billion, likely will be complet-

VA-HUD-Independent Agencies Spending

HR 2158, as passed July 16 by the House and July 22 by the Senate
(in thousands of dollars of new budget authority)

	Fiscal 1997 Appropriation	Fiscal 1998 Clinton Request	House Bill	Senate Bill
Veterans Affairs				
Veterans benefits	$ 21,327,936	$ 21,704,389	$ 21,704,389	$21,704,389
Compensation and pensions	*19,599,259*	*19,932,997*	*19,932,997*	*19,932,997*
Veterans Health Administration	17,336,654	17,253,380	17,359,006	17,354,000
Construction projects	425,858	245,800	336,100	259,100
Other	996,045	1,012,581	1,048,081	991,581
TOTAL, Veterans Affairs	**$ 40,086,493**	**$40,216,150**	**$40,447,576**	**$40,309,070**
Housing and Urban Development				
HOME program	1,400,000	1,309,000	1,500,000	1,400,000
Housing preservation	5,750,000	0	0	0
Public housing capital fund	0	2,500,000	2,500,000	2,500,000
Public housing operating fund	0	2,900,000	2,900,000	2,900,000
Section 8 subsidized housing	4,640,000	10,676,000	10,393,000	10,119,000
Severely distressed public housing	550,000	524,000	524,000	550,000
Federal Housing Administration	185,470	196,305	196,305	196,305
Limitation on guaranteed loans	*127,400,000*	*127,400,000*	*127,400,000*	*127,400,000*
Ginnie Mae (receipts)	–218,000	–204,000	–204,000	–204,000
Limitation on guaranteed loans	*110,000,000*	*130,000,000*	*130,000,000*	*130,000,000*
Homeless assistance	823,000	823,000	823,000	823,000
Community development grants	4,850,000	4,600,000	4,600,000	4,600,000
Other HUD accounts, including rescissions	–1,676,661	1,248,950	1,890,950	1,936,950
TOTAL, HUD	**$ 16,303,809**	**$ 24,573,255**	**$ 25,123,255**	**$24,821,255**
NASA				
Human space flight	5,362,900	5,326,500	5,426,500	5,326,500
Science, aeronautics and technology	5,767,100	5,642,000	5,690,000	5,642,000
Mission support, other	2,579,200	2,531,500	2,531,500	2,521,500
TOTAL, NASA	**$ 13,709,200**	**$ 13,500,000**	**$ 13,648,000**	**$13,490,000**
Environmental Protection Agency				
Abatement, control, programs, facilities	2,540,941	2,809,388	2,724,837	2,575,561
Superfund	1,348,245	2,042,848	1,454,058	1,353,359
State and tribal assistance grants	2,910,207	2,793,257	3,026,182	3,047,000
TOTAL, EPA	**$ 6,799,393**	**$ 7,645,493**	**$ 7,205,077**	**$6,975,920**
Selected Independent Agencies				
Federal Emergency Management Agency	5,103,556	788,558	1,028,058	793,558
Disaster relief	*4,600,000*	*320,000*	*500,000*	*320,000*
Food and shelter program	*100,000*	*100,000*	*100,000*	*100,000*
National Science Foundation	3,270,000	3,367,000	3,487,000	3,377,000
Research	*2,432,000*	*2,514,700*	*2,537,700*	*2,524,700*
Education	*619,000*	*625,500*	*632,500*	*625,500*
Consumer Product Safety Commission	42,500	45,000	44,000	45,000
Selective Service System	22,930	23,919	23,413	23,413
Corporation for National Service	402,500	549,000	202,500	423,500
GRAND TOTAL	**$ 85,895,503**	**$90,990,338**	**$91,461,767**	**$90,367,535**

SOURCE: House and Senate Appropriations Committees

ed in 2002 at a price of more than $94 billion. "I've stood on this floor for six long years and said, 'Show me, tell me what are the achievements . . . I've been met with a deafening roar of silence," Bumpers said.

But with photographs of the successful Mars mission beamed back to the United States on an almost daily basis, Bumpers had little chance of persuading his colleagues to terminate the space station, which would be an orbiting international laboratory involving the United States and Russia. Bumpers wanted to cut the account from $5.3 billion to $3.8 billion. He said the cost of closing down the project would be $600 million.

"This is not the time to abort the mission," Bond said.

Bumpers, who has announced that he will retire after four terms in the Senate, earned praise from his colleagues for his quixotic effort. "I pay tribute to his tenacity and integrity," said Sen. Robert F. Bennett, R-Utah.

The Senate tabled, or killed, the amendment, 69-31. A similar measure by Bumpers last year failed, 61-36. *(Vote 193, p. 1809; 1996 Almanac, p. 10-85)*

Community Development

The Senate bill would provide no funds for Community Development Financial Institutions, a Treasury Department project aimed at increasing lending to small businesses and other organizations in low-income rural and urban areas through grants and loans to community development banks, credit unions and other lending institutions.

The administration had sought $125 million for the program — which President Clinton touted in his 1992 campaign — and the White House and Congress had agreed to that amount in the budget spending bill. The House, despite reservations about the program, included the money in its version of the VA-HUD bill.

The Senate expressed serious concerns about the program's "track record of accountability" with existing funds and said until safeguards are in place, no more money will be provided.

Sen. Barbara A. Mikulski of Maryland, the ranking Democrat on the VA-HUD subcommittee, said she will work in conference to restore the funds, following through on a promise she made to Treasury Secretary Robert E. Rubin. She did not pursue the issue on the Senate floor because no offsetting reductions were available.

Mikulski did win voice vote approval for an amendment that would trim spending for veterans and housing and would provide an additional $25 million for empowerment zones, economically strapped areas that would receive help for job creation and training; an additional $20 million for the America Reads literacy program, which would support 1,300 tutors to help children learn to read; and $5 million for a pre-disaster mitigation program, which would allow the Federal Emergency Management Agency to assist disaster-prone communities in shoring up before an earthquake or hurricane. ■

EDUCATION

Vocational Programs Win Passage in House

After narrowly defeating an effort to designate spending for training programs targeted at women, the House overwhelmingly passed legislation July 22 to reauthorize and revamp vocational and technical education programs.

The bill (HR 1853) would authorize $1.3 billion in fiscal 1998 and unspecified sums through fiscal 2002 for secondary and postsecondary school programs.

The vote was 414-12, a lopsided outcome made possible by bipartisan negotiations before floor debate. Republicans and Democrats had resolved the major source of disagreement, a new funding formula for states and localities. By 2002, the formula for distributing money from states to localities will be based 40 percent on the population of young people aged 15-19, and 60 percent on the population in that age group living in poverty. *(Vote 289, p. 1812)*

The bill faced another challenge when the measure came to the floor July 17 and again when the House resumed debate July 22.

Patsy T. Mink, D-Hawaii, several other Democratic women and Constance A. Morella, R-Md., doggedly pushed an amendment to require localities with training programs for displaced homemakers, single parents and pregnant women to continue funding them at current levels. The chamber defeated the amendment 207-214, reaffirming its vote several minutes later when it defeated, 207-220, a Democratic attempt sponsored by Mink to send the bill back to the Education and the Workforce Committee with instructions to attach the Mink language to it. *(Votes 286 and 288, p. 1812)*

Democrats said the Mink amendment would have guaranteed existing services to the women. The underlying bill would abolish laws requiring states to set aside 10.5 percent of their funding to ensure that women have equal access to job training and to run special programs to train displaced homemakers, single parents and single, pregnant women for jobs. Delegate Eleanor Holmes Norton, D-D.C., said it was in the government's interest to train these women. "These are the women most likely to cost the government the most," she said.

But Education Chairman Bill Goodling, R-Pa., and other panel Republicans said the amendment would interfere with the bill's effort to give states and local governments wider latitude in spending their education money. "It is not a welfare program. It is an education bill," Goodling said.

The House also defeated, 189-230, an amendment by Joseph P. Kennedy II, D-Mass., to allow school districts to hire employees to coordinate vocational programs with the needs of local employers. Goodling said the bill would already allow such hiring, without specifically mentioning work force coordinators. He said such specifics could have cost the bill votes. *(Vote 287, p. 1812)*

The Senate Labor and Human Resources Committee is expected to consider a companion bill in September and may link it to job training legislation. ■

By Lori Nitschke

BOXSCORE

Bill: HR 1853 (H Rept 105-177) — Vocational education.

Latest action: House passed the bill, 414-12, on July 22.

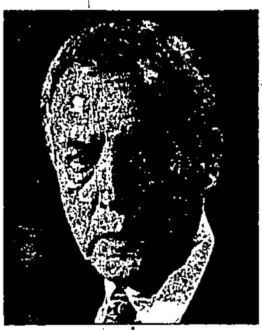
Next likely action: A companion bill is introduced in the Senate in September.

Reference: House debate, Weekly Report, p. 1708; committee, p. 1532, 1455; subcommittee, p. 1378.

LAW/JUDICIARY

'Get Tough' Juvenile Crime Bill Approved by Senate Panel

Gun safety lock requirement among several issues to be revisited when measure reaches floor


Hatch


Biden

BOXSCORE

Bills: S 10, HR 3 (H Rept 105-86), HR 1818 (H Rept 105-155) — Curbing juvenile crime.

Latest action: Senate Judiciary Committee approved S 10, 12-6, on July 24.

Next likely action: Senate floor debate on S 10 in the fall.

Reference: Weekly Report, pp. 1711, 1628, 1455, 1380, 1077.

After eight sessions spanning almost two months, the Senate Judiciary Committee concluded work July 24 on a bill that attempts to clamp down on juvenile crime by prosecuting the most violent offenders as if they were adults. The measure was approved 12-6.

Work on the bill (S 10) was delayed repeatedly for lack of a quorum. Chairman Orrin G. Hatch, R-Utah, spent several hours over the eight sessions waiting — sometimes alone — for enough colleagues to show up. His pleas for staff members to round up their bosses were a constant refrain.

But for all the time spent on the bill, the panel left as many issues unresolved as resolved. To end the seemingly interminable markup, several senators from both parties agreed to withhold amendments until the bill reaches the floor in the fall — when several issues dealt with in committee will be revisited.

One contentious issue is whether to require gun dealers to sell safety locks with guns — a priority for Democrats and the Clinton administration. The panel rejected the provision, 8-9, on July 15.

Also likely to come up on the floor is a "juvenile Brady" provision that would extend the ban on firearms ownership to adults who committed crimes as juveniles that would have been felonies had they been adults. It is named, like the handgun waiting period law (PL 103-159), after James S. Brady, who was wounded in the 1981 assassination attempt on President Ronald Reagan.

Senators also are likely to debate whether to designate proposed federal grant money for crime prevention programs. An amendment to do so, by Sen. Arlen Specter, R-Pa., was defeated, 8-9, and he vowed to bring it back.

The question of whether and how to house juvenile inmates with adults will be contentious, as will measures dealing with the division of power between states and the federal government. The bill would greatly expand the federal government's role in crime fighting, much to the consternation of many senators. They will reconsider whether the bill places too many demands on states in return for federal grant money, and whether the federal government's role in prosecuting minor crimes would be excessive.

By Dan Carney

Hatch had hoped the bill would be approved with bipartisan support, considering that juvenile crime is an issue of concern to both parties. He made a point of letting panel members speak at length and never tried to rush the bill through committee. In the end, though, he won over just two Democrats, Dianne Feinstein of California and Robert G. Torricelli of New Jersey.

Hatch hailed his own effort, saying it would "make a heck of a difference" combating the sky-high youth crime rate.

But Sen. Joseph R. Biden Jr., D-Del., called the measure "extremely hollow." And President Clinton's plan would leave the matter of trying juveniles as adults up to judges.

Most Violent Offenders

The bill's main goals are to turn over the most violent youth offenders to adult courts, loosen restrictions on incarcerating juveniles with adults and expand the records kept on juvenile offenders.

The measure would provide $2.5 billion in incentive grants over five years to states that try youths as adults and maintain and share juvenile crime records. Such record-keeping varies now from state to state: some states do not collect records, some keep them sealed and some expunge them when the offender turns 18.

Under S 10, the federal government would be required to do what states are encouraged to do through the grants: try violent youth offenders as adults. Most violent crimes — murder, forcible rape, armed robbery and aggravated assault — fall under state jurisdiction, but this bill, like other recent crime bills, would expand federal jurisdiction. A disproportionate number of federal youth crimes occur on Indian reservations.

The Senate measure differs in several respects from its House counterpart (HR 3), which passed May 5. It would expand the role of the federal government in prosecuting gangs and, unlike the House, would specify how states could spend the $2.5 billion, with 60 percent designated for three areas: construction of juvenile detention facilities (35 percent), drug testing (15 percent) and compliance with the bill's mandates (10 percent).

The Senate bill also includes provisions corresponding to another House bill, HR 1818, which deals with federal crime prevention programs. The Senate bill would combine prevention programs under the Office of Juvenile Justice and Delinquency Prevention and the Bureau of Justice Assistance into a new agency, and reauthorize their programs at $750 million over five years.

It would provide $50 million for a federal evaluation of which crime prevention programs — such as after-school projects, anti-truancy laws, and vocational education — work best. The bill also would allocate $100 million in grants to Boys and Girls Clubs, a Hatch priority. Hatch said he would rather give money to volunteers than to Washington bureaucrats.

The bill aims to deal with juvenile crime rates that spiked up in the mid-1980s when crack cocaine hit the streets of major urban areas. The juvenile arrest rate for violent crimes rose 69 percent between 1985 and 1995, when police arrested about 2.7 million juveniles, 19 percent of them for violent crimes. Juvenile crime rates have come down slightly in the past two years, but not as much as adult rates. *(Weekly Report, p. 846.)*

Some Reservations

Judiciary Committee members agree that something needs to be done, but they do not agree on what. Nearly every member expressed some reservations about the bill — either on specific provisions or its philosophical underpinnings.

Democrats complained that in the effort to get tough on the most violent youths, the legislation was overly harsh on those youths who were not beyond rehabilitation. They pointed to provisions requiring that criminal records be kept on youth offenders for non-violent crimes. They also complained about the loosened restrictions on housing youths with adults.

"I truly believe this is overkill," Biden said of the overall bill.

"It's a sledgehammer for a gnat," said Patrick J. Leahy of Vermont, the panel's ranking Democrat.

Senators from both parties complained that the federal government was overextending itself into crime matters, an area normally left to local officials. Sen. Fred Thompson, R-Tenn., said he had "great reluctance" to go down this path. Illinois Democrat Richard J. Durbin said: "It could be we are missing the boat entirely."

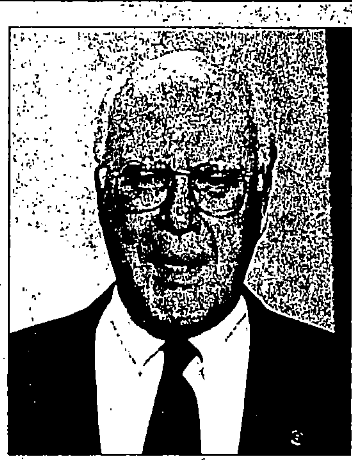
Among the most frequent complaints were that the bill would give federal prosecutors more power to prosecute minor crimes, even so-called status offenses such as violating a curfew, which is not a crime for adults. Lawmakers also complained about what states would have to do to get grant money. Most states would have to pass new laws on juvenile crime records if they want any piece of the $2.5 billion.

Status Reports

The committee openly debated some of the more contentious issues, such as gun locks and prevention funding. But most sessions were devoted to status reports on behind-the-scenes talks, and ultimately to ratifying the products of those talks. The markup concluded when Hatch agreed to take 27 amendments en bloc if the remaining four dozen would be delayed until floor debate.

Lawmakers made major changes to the bill July 23-24, all by voice vote, including amendments:

- By Biden, specifying that no money from the grants could be used to build prisons for adults, although it could be used to modify or add to an adult facility to create juvenile wings.
- By Biden to retain some existing restrictions on the housing of juveniles and adults in federal detention centers. Current law requires that adults and juveniles not be close enough to see each other or hear each other. The bill's provisions, which would allow some incidental physical contact during the first 72 hours of incarceration, and visual contact thereafter, would still apply to state facilities.
- By Biden, to incorporate some of the enhanced federal penalties for gun crimes that President Clinton included in his juvenile crime proposal. Penalties would be increased for crimes such as selling or purchasing a gun with an obliterated serial number, and selling a weapon with the knowledge that it will be used in a violent drug-trafficking crime. Members approved the amendment after deleting a section allowing for forfeiture of weapons used in such crimes.
- By Charles E Grassley, R-Iowa, to require testing for sexually transmitted diseases of juveniles convicted of sex crimes.
- By Hatch, to exempt states with a crime rate in the bottom 5 percent among states for five years from having to meet the federal grant requirements. It would exempt Vermont and West Virginia. Hatch offered it in an effort to win Leahy's support, but Leahy voted against the bill anyway.



Sen. Patrick J. Leahy of Vermont, ranking Democrat on the Judiciary Committee, described the thrust of the overall bill as "a sledgehammer for a gnat."

The committee rejected several other major amendments.

Specter offered one to require that at least 50 percent of the incentive grants be spent on crime prevention programs, particularly those geared toward helping people who are released from prison. Other Republicans argued that the federal government already has plenty of prevention programs, many of which do not work. The amendment was quashed, 8-9.

Biden offered an amendment that would have placed new safety requirements on how gun dealers store their firearms, with a civil penalty of up to $10,000 for failure to comply. Biden argued that the penalties would give authorities greater flexibility in punishing gun dealers. He said they currently have no intermediate powers — all they can do is revoke a dealer's license. He also compared the requirements and fines to those imposed on pharmacies.

Republicans joined by two Democrats rejected the amendment, 6-12, saying it would place too big a burden on dealers. "There are some potentially severe dislocations of firearms dealers," said John Ashcroft, R-Mo.

Leahy offered an amendment that would have reduced record-keeping requirements on states seeking the grant money. Although Vermont would be exempt, Leahy vigorously criticized the bill for placing unrealistic burdens on states.

The Senate plans to debate the bill after the August recess; enactment, however, appears to be a long way off.

Clinton has yet to have his say. The administration was close to cutting a deal on some elements in the House bill, but it fell through.

The president wants to designate funding for specific crime prevention programs, give states and local judges greater flexibility in trying youths as adults and include a provision requiring gun locks on firearms. ■

APPROPRIATIONS

Panel Backs Reimbursement Of Lawmakers' Legal Fees

Effort to divide 9th Circuit in West dominates Senate floor debate

The House Appropriations Committee took the unusual step July 22 of proposing that all members of Congress and their staffs receive full reimbursement for lawyers' fees should they be unsuccessfully prosecuted by the Department of Justice. Committee members said they were essentially asserting "the independence of Congress" and hoping to address what a former Speaker once called the "cannibalistic" culture of Washington.

The move came on an amendment by Rep. John P. Murtha, D-Pa., to the $31.7 billion draft spending bill for the departments of Commerce, Justice and State and the federal judiciary, which was approved by voice vote.

Later in the week, the Senate took up its version of the spending bill in floor debate dominated by the issue of whether to split the mammoth 9th Judicial Circuit, which includes California and eight other Western states. A provision to do so had been added during committee consideration. An amendment to remove the language was defeated on a straight party-line vote of 45-55. *(Senate vote 204, p. 1809)*

The primary focus of both the bills is on crime fighting, drug interdiction and apprehension of illegal immigrants — none of which has been controversial. The FBI and the Immigration and Naturalization Service would get hefty increases under the bills, even though Congress has taken them to task for management problems.

Murtha Amendment

The Murtha amendment was the House panel's most significant change to the bill. A Democratic effort to modify controversial language dealing with the upcoming 2000 census was defeated along party lines.

Murtha's language was motivated by the prosecution of his GOP colleague from Pennsylvania, Joseph M. McDade, who spent eight years and a legal defense fund of $950,000 defending himself against bribery charges. He was acquitted last year. *(1996 Almanac, p. 1-35)*

The measure would cover any member of Congress or employee paid by the House or Senate. It would apply to all Justice Department prosecutions pertaining to a member or employee's official duties. Reimbursement would be provided if charges were dropped, if the individual were acquitted or if a conviction were reversed on appeal.

Though the measure would not be retroactive to include McDade, a member of the Appropriations panel, McDade argued that it was necessary because without it the Justice Department can mount open-ended, even politically motivated prosecutions with few consequences. After a speech on the issue, McDade received a standing ovation, followed by unanimous voice vote support for the Murtha amendment.

Murtha said his amendment was not so much about McDade as about "the independence of Congress." He said he wanted to reaffirm constitutional separation of powers. "I'm trying to show that the House can set its own rules," he said. "The House of Representatives is a separate entity, and the Justice Department can't interpret the rules to suit themselves."

Special Privileges

Behind the rousing support is a thorny question: How can Congress provide such protection for itself and its staff while not providing the same for other government employees? Such a move would open Congress to criticism that it was creating its own special privileges, said Rep. David R. Obey of Wisconsin, the committee's ranking Democrat, who nevertheless supported the measure. It was just two years ago that a new Republican Congress made a point of applying to itself those labor laws that it imposes on others. *(1995 Almanac, p. 1-31)*

Democrats pointed out that Clinton administration officials have had to spend enormous amounts of money on legal fees. Throughout the government there are federal employees being sued who might wonder why they cannot get the same financial help that Congress would get. "If this principle is important enough to apply to ourselves, it is important enough to apply it to everyone who works for us," Obey said.

Harold Rogers, R-Ky., chairman of the Commerce, Justice, State Appropriations Subcommittee, said he would review the language before the measure reaches the floor. In the end, an effort to respond to what some considered an unjust prosecution of one committee member might lead to a reexamination of widespread prosecutions of high government officials. "This opens up a whole can of worms," said Rep. Vic Fazio, D-Calif. "And it's about time."

Census Sampling

Other than the Murtha amendment, the House spending bill emerged from the full committee largely as it arrived after the subcommittee approved it July 10.

Democrats made an effort to allow statistical sampling in the upcoming 2000 census, but were defeated along partisan lines. The bill would provide $382 million for the census, with $100 million available immediately and the rest when Congress enacts an authorization bill setting

By Dan Carney

FY 98
COMMERCE, JUSTICE, STATE

BOXSCORE

Bills: Unnumbered House draft; S 1022 (S Rept 105-48) — Fiscal 1998 Commerce, Justice, State appropriations.

Latest action: Senate debated S 1022 on July 24; House Appropriations Committee approved its draft bill by voice vote July 22.

Next likely action: Senate floor debate continues and House debate begins the week of July 28.

Background: The bills provide funding for the departments of Commerce, Justice and State and the federal judiciary and related agencies.

Reference: Senate committee, Weekly Report, p. 1712; subcommittees, p. 1633; background, p. 1254.

out the methodology for the census.

Republicans oppose census sampling, a form of counting in which some regions are counted house by house, and those results are used to estimate the population in other areas. Democrats say that sampling will yield a more accurate count because many people avoid census takers.

Behind the practical issue are political considerations. Those most likely to be missed in an attempt to physically contact everyone are African-Americans, Hispanics, and American Indians, who tend to live in Democratic districts.

Some Republicans say they might be willing to experiment with sampling if they did not fear that the administration would use sampling for its own benefit — as they maintain it used a 1996 naturalization campaign to register new voters who presumably would support Democrats.

Rep. Alan B. Mollohan of West Virginia, the subcommittee's ranking Democrat, offered an amendment that would have allowed the entire $382 million census allocation to be spent in fiscal 1998, on the understanding that nothing was to be spent on "irreversible" plans for sampling. Sampling would not be banned in the ensuing years, under Mollohan's plan, and a three-member board would oversee sampling to make sure it was not manipulated. The amendment was defeated, 25-33.

Ninth Circuit

On the Senate floor, meanwhile, Republicans defeated an attempt to remove the most controversial element of their $31.6 billion bill — a provision to split the 9th judicial circuit, which covers California, Nevada, Arizona, Oregon, Washington, Montana, Idaho, Alaska, Hawaii, Guam and the Northern Mariana Islands.

The bill would sever California, Nevada and the two Pacific territories from the other states. The amendment, offered by Sen. Dianne Feinstein, D-Calif., would have replaced the proposed split with a measure commissioning a study of the configuration of the 11 regional circuits.

Feinstein called the proposed split "arbitrary, political, and gerrymandered." She argued that the measure would short-circuit the legislative process because it had not gone through an authorization process under the Judiciary Committee, and it had never been the subject of hearings. She also said that most judges and bar associations in the affected areas oppose the split, but that had not been taken into consideration.

> **"This opens up a whole can of worms ... and it's about time."**
>
> 
>
> —Rep. Vic Fazio, D-Calif.

"If you're going to split the 9th Circuit, do [it with] due diligence, consult the judges, do the studies," she said.

Republicans, particularly those from the states that would constitute a new 12th Circuit, said the split had been under study since 1973, and that several bills making the split had been debated since then . The legislation has been stymied for several reasons, including opposition from the California delegation and from 9th Circuit judges. *(1996 Weekly Report, p. 805)*

"We have studied this matter to death," said Sen. Ted Stevens, R-Alaska, chairman of Appropriations Committee. "Every year we hear the same thing from the largest delegation in the House and the two senators from California."

Stevens argued that the size of the 9th Circuit — more than twice the average size of the 10 other regional circuits — made it unwieldy.

Behind the debate over practicality is a political fight over the makeup of the court. Mountain state Republicans do not feel the current Ninth Circuit represents their resource-rich states' interests. Democrats, in contrast, are leery of putting much of the nation's timbering and mining interests under the jurisdiction of a new conservative circuit.

Initially, both of Hawaii's Democratic senators, Daniel K. Akaka and Daniel K. Inouye, crossed party lines to support the proposed split (and oppose the amendment to remove it from the bill). No Hawaiian has been appointed an appellate judge in 13 years. The language in the bill would guarantee that each state in a circuit would have at least one sitting appellate judge. But both later changed their votes.

After the vote on the Ninth Circuit, the Senate put off further votes on the bill until the week of July 28. ■

LAW/JUDICIARY

House Panel OKs Witness Bill

The House Judiciary Committee approved a bill July 23 aimed at curtailing the intimidation of witnesses, particularly in gang-related cases.

McCollum

The bill (HR 2181), approved 20-4, would make it a federal offense to cross state lines or international borders with the intent to influence the testimony of a witness in a state criminal proceeding.

The measure would define "intimidation" as the use of bribery, force or a threat to prompt a witness to alter or conceal evidence of a crime.

Violators could be fined and sentenced to 10 years in prison. They could be sentenced to 20 years for harming a witness, and to the death penalty for killing a witness.

The bill also would increase penalties for obstruction of justice offenses involving victims, witnesses or informants.

Bill sponsor Bill McCollum, R-Fla., chairman of the Judiciary Subcommittee on Crime, said prosecutors often are unable to prosecute gang- and drug-related cases successfully because key witnesses refuse to testify for fear of retaliation from defendants.

The committee rejected, 7-17, an amendment by Democrat Jerrold Nadler of New York that would have eliminated the provision in the bill that calls for the death penalty for killings related to witness intimidation. Democrats said they would not support the measure if that provision is retained.

The committee's ranking Democrat, John Conyers Jr. of Michigan, urged Judiciary Chairman Henry J. Hyde, R-Ill., to hold a meeting on that topic, which Hyde agreed to do. ■

MEMORANDUM

TO: TOM FREEDMAN, MARY L. SMITH

FROM: DREW HANSEN

RE: ISSUES FROM WEEKLY AND MONTHLY MAGAZINES

DATE: JULY 22, 1997

MAGAZINES CONSULTED: *Business Week* (July 21), *The Economist* (July 19), *Forbes* (July 28), *Fortune* (August 4), *The Nation* (July 28/August 4), *The New Yorker* (July 14), *Newsweek* (July 28), *Time* (July 28), *U.S. News & World Report* (July 28).

ATTACHMENTS: tables of contents for all of the above; "Too Poor to Treat?," *Newsweek,* July 28, p. 60; "Living the Lessons of Civil Rights," *U.S. News & World Report,* p. 14, "Corporate Welfare in the Sky," *U.S. News & World Report,* p. 49.

ENVIRONMENT

"An Animal Superhighway?," *Newsweek,* July 28, pp. 58–59.

- Environmental groups are proposing the creation of a 1,800mi. corridor from Yellowstone to the Yukon Territory to facilitate the migration of wolves and grizzlies so that there will be more genetic diversity in wildlife populations.

- Some problems: 1.) no estimate of the cost, 2.) property–rights groups are concerned about where and how the trail will be built, 3.) scientific uncertainty about the effects of isolation on the survival of species.

HEALTH CARE

"Medicare's New Hemorrhages," *U.S. News & World Report,* July 28, p. 36.

- Two events last week highlighted Medicare fraud problems: 1.) the discovery by Federal auditors of $23.2 billion in overpayments, and 2.) a federal probe into Columbia/HCA Healthcare Corp. (the world's largest private health care provider) that focused on possible Medicare fraud.

"Too Poor to Treat?," *Newsweek,* July 28, 1997, p. 60. ***article attached.**

- Mississippi recently evicted 657 low–income HIV sufferers from expensive yet effective drug treatment programs because federal funding had run out.

- 35 of the 52 state-administered AIDS programs have made emergency moves in the past year such as curbing access to new drugs or limiting enrollment.

- The results: estimated future costs of $150,000 per terminal AIDS victim for hospital stays, almost 13 times the annual price of drug treatment.

IMMIGRATION

"The Melting-Pot Myth," *The New Yorker,* July 14, pp. 40-43.

- Against older studies that had argued that the effects of immigration on local wages were minimal, several recent studies (from George Borjas, Richard Freeman, and Larry Katz from Harvard) have argued that immigration depresses wages throughout the country because native workers respond to immigration either by moving out of high-immigration areas or by not moving into them.

- Immigration has little effect on the wages of high school graduates, but a significant effect on the wages of those who have not finished high school. Borjas, Freeman, and Katz estimate that between 44% and 60% of the drop in wages among high school dropouts between 1979 and 1995 (from $12.22 in 1979 to $8.92 in 1995, in constant 1995 dollars) can be attributed to immigration.

- The wealthy benefit most from immigration, as they employ immigrants as domestic labor (cooks, housekeepers, and gardeners).

- The average native-born California household pays an additional $1,178 in state and local taxes to finance a net transfer to immigrants of $3,463 per immigrant household.

- On the national level, each native household pays between $166 and $226 in additional taxes because of immigration. Even accounting for economic gains of immigration at $112.36 per household, there is still a net cost of $50.

- Possible reasons for the extra cost: 1.) immigrants have more children than native families, 2.) immigrants receive more government benefits than native families, and 3.) immigrants pay less in taxes than native families (because they are generally poorer)

- Berkeley economist Richard Lee has estimated that immigrants and their children are a long-term economic gain for the country, having paid $80,000 more in taxes than they received in government services by the time the children die. But there are several problems with this analysis: 1.) without including the children, the average immigrant does not produce a net gain in government revenue, 2.) even including children's payments, immigrants are a fiscal burden for 22 years, 3.) this effect varies with education level and age of arrival (a 40-year-old immigrant who has not finished high school will cost native taxpayers $150,000), and 4.) the study assumes a sharp tax hike in 2016.

- Possible demographic consequences: either assimilation or "white flight" from high-immigration areas.

- Possible gains: certain industries (avocado farming in California) benefit disproportionately from immigration, revitalization of depressed areas (downtown Los Angeles), yet most of the economic gains might benefit immigrants themselves, not native-born taxpayers.

RACE

"After Preferences," *The Economist,* July 19, pp. 27-28.

- The end of racial preferences in University of California schools has led to a drop in minority enrollment, especially in professional schools: UC/Berkeley law school had only one black applicant (20 last year), similar results at UCLA law school and UCSF medical school.

- University of Texas law reports a similar drop after ending its preference policies: 3 blacks and 20 Latinos in this year's entering class (31 blacks and 42 Latinos last year).

- A recently released regent's report, compiled by a consortium of academics and business leaders, argued for a system of "partnering" to address deficiencies in minority education at the elementary and high school levels. Campuses would work with local schools to improve elementary teaching, create mentoring and tutoring programs, educate parents on the importance of college, and "market" college to the entire community. Estimated cost: $60 million per year.

"The New Black Power": set of cover stories in *Fortune,* August 4.

"The New Black Power," *Fortune,* August 4, pp. 46-47

- Black-owned businesses growing: Black Enterprise reported that the 100 largest black-owned businesses were worth $14.1 billion in 1996 (up from $473,400 in 1973), black-owned businesses increased 46% between 1987 and 992 (versus a 26% increase overall)

- Yet black-owned businesses are still a relatively small part of the economy: a compilation of all black-owned businesses would rank 83rd in the Fortune 500.

"Taking it to the Street," *Fortune,* August 4, pp. 48-51.

- A new generation of black entrepreneurs, trained at elite schools and firms, are rising to positions of power.

- Minority-owned firms are diversifying their interests from their 1970s and 1980s portfolio of municipal bonds.

"'There is Opportunity and There is Action': A Conversation with Hugh Price of the National Urban League," *Fortune,* August 4, pp. 67-68.

- The Urban League's August 4 conference will focus on "Economic Power: The Next Civil Rights Frontier."

- Price predicts demographic changes will lead firms to recruit more minority managers.

- Many black-owned businesses succeed by partnering with large corporations.

- Price is ambivalent on affirmative action, holding that "the legal foundation for the old tool is probably dead." Calls for the black community to rise to the challenge of competing in a competitive bidding environment.

"In Praise of Black Family Reunions," *U.S. News & World Report,* July 28, p. 10.

- Growing movement of black family reunions now emphasize scholarships and credit unions to leverage family economic power. The entrepreneurial turn of black family reunions has attracted the attention of Coca-Cola and Coors.

"Living the Lessons of Civil Rights," *U.S. News & World Report,* July 28, p. 14. ***article attached.**

- Operation Understanding D.C., a non-profit founded in 1995 to battle racism, has programs in San Diego, Charleston, S.C., and Norfolk, Virginia. The program aims to "re-energize" the black-Jewish alliance through visits to churches, synagogues, and mosques, potluck soul food-Shabbat dinners, and talks from community leaders.

"Second Thoughts About Integration," *U.S. News & World Report,* July 28, p. 32.

- Dispute about the effectiveness of busing: Prince George's County, formerly mostly white, is now 73% black; and busing programs often bus black kids to other majority-black schools.

- In Yonkers, NY and Seattle, busing programs have not boosted test scores, and therefore are being attacked by local politicians.

VALUES

"Fairness? Promises, Promises," John Leo, *U.S. News & World Report,* July 28, p. 18.

- Promise Keepers, an evangelical Christian men's movement, has recently been drawing fire from the "cultural left," with critical articles published in the *Village Voice, GQ,* and *Ms.,* and a critical editorial by Frank Rich in the *New York Times.*

- The reason for the liberal dislike of Promise Keepers is generally that it encourages male domination in a benevolent guise. But the author of the editorial (John Leo) argues for an "adult and nuanced" understanding of the group, which seeks to respond to the alienation of men from evangelical churches and the physical or emotional absence of men from their families.

OTHER

"Corporate Welfare in the Sky," *U.S. News & World Report,* July 28, p. 49. ***article attached.**

- Private planes (40% of which are corporate jets) use over 20% of Air Traffic Control (ATC) resources, yet pay only 3% in expenses through a tax on aviation fuel.

- A tax of $225 per flight on business jets would cover the costs of such travel to the ATC ($300 million per year).

- Also, could reform the ATC and make it a private, non-profit cooperative with safety oversight provided by the government, as Canada has done. A sale of the ATC could net $3 billion.