PR

BRIEFING BOOK
FOR
THE TRIP OF THE PRESIDENT
TO
SUNNYVALE, CALIFORNIA

September 10, 1993

Staff Copy

PR

Table of Contents -- Sunnyvale, California Trip

Friday, September 10, 1993

SCHEDULE OF THE PRESIDENT

FOR

FRIDAY, SEPTEMBER 10, 1993

FINAL

SCHEDULER:	**JOSH KING**	
	HOME:	**202-328-7531**
	OFFICE:	**202-456-7560**
	WHCA PAGER:	**4450**

PRESS DESK:	**ANNE EDWARDS**	
	HOME:	**301-565-3101**
	OFFICE:	**202-456-7560**
	WHCA PAGER:	**4208**

PRINCIPAL EVENTS:

* **Bipartisan Leadership Meeting** - White House
* **Statement** - White House
* **Brief Tour of ILC Technology, Inc.** - Sunnyvale, CA
* **Meeting with retrainees, municipal employees, and NOVA Company representatives** - Sunnyvale, CA
* **Reception** - Sunnyvale, CA

WEATHER:

Washington, DC
Variable cloudiness with showers and/or thunderstorms; minimum temperature 64 to 69; maximum temperature 74 to 79; wind southwest shifting to northwest by late afternoon at 12 to 20 knots and gusty

Sunnyvale, CA
Mostly sunny; minimum temperature 54 to 59; maximum temperature 75 to 80; wind northwest at 5 to 10 knots

as of 09/09/93 8:07pm

Sunnyvale Advance Team:

Team Member	Team Assignment	WHCA Pager	Cell #	SKYPAGE pin
Steve Bachar	Lead, President	4125	202-365-2753	883-5743
Kris VanGiesen	Lead, VP		202-494-9741	207-4695
Tom Trapasso	Site, ILC Technology			
Tom Gorman	Site, Community Center		202-494-9826	
Kevin Jefferson	Site, Community Center			
Lisa Strasberg	Press Lead		202-494-9746	
Barbara Heineback-Taylor	Press, Airport			
Julianne Greaux	Press, Community Center			
Josh Silverman	Press, Credentials			
Jennifer Aurand	Motorcade, President			
Corey Black	Motorcade, VP			
Peggy Cusack	RON (VP)			

Sunnyvale Contact Numbers:

Contact Number	Direct Dial	From White House *96+
Staff Advance Phone	408-245-0532	47220
Staff Advance Fax	408-245-2848	
Staff Hotel Phone	408-738-4888	
Press Advance Phone	408-245-3248	47224
Press Advance Fax	408-245-3536	
Signal Operator	408-245-0533	47000
Meet Me Conference	202-757-2104	

SCHEDULE OF THE PRESIDENT
FOR
FRIDAY, SEPTEMBER 10, 1993
FINAL

tba		**JOG**

NOTE:	**Staff vans will leave *promptly* at 9:30 am from West Executive Drive en route Andrews Air Force Base. Please be assembled by 9:15 am. Staff driving themselves should arrive at Andrews no later than 10:15 am.** **Baggage call is Thursday night at 12:00 am (midnight, Friday, September 10) outside of OEOB 89 1/2.** **Attire for California events: blazers & slacks**

8:30 am- 9:00 am		**BRIEFING** OVAL OFFICE Staff Contact: Tony Lake
9:00 am- 10:00 am		**BIPARTISAN LEADERSHIP MEETING** STATE DINING ROOM Staff Contact: Howard Paster **POOL SPRAY** at beginning of meeting
10:00 am- 10:10 am		**STATEMENT** SITE TBA Staff Contact: Dee Dee Myers **OPEN PRESS**
10:15 am		**THE PRESIDENT** proceeds to South Lawn and proceeds to aircraft
10:25 am		**THE PRESIDENT** departs White House via Marine 1 en route Andrews Air Force Base [flight time: 10 minutes]
10:35 am		**THE PRESIDENT** arrives Andrews Air Force Base and proceeds to aircraft
10:45 am	EDT	**THE PRESIDENT** departs Andrews Air Force Base via Air Force 1 en route Moffett Naval Air Station [flight time: 5 hours, 10 minutes] NOTE: **The President** will receive a California issues briefing en route from John Emerson, Marsha Scott, and Tom Epstein.

as of 09/09/93 8:07pm

12:55 pm	PDT	**THE PRESIDENT** arrives Moffett Naval Air Station and proceeds to motorcade **OPEN PRESS**
		NOTE: **The President**'s arrival will be open to base personnel.
1:10 pm		**THE PRESIDENT** departs Moffett Naval Air Station via motorcade en route ILC Technology, Sunnyvale, CA [drive time: 10 minutes]
1:20 pm		**THE PRESIDENT** arrives ILC Technology, Sunnyvale, CA, and proceeds to greet the Vice President who has already arrived and is waiting inside
1:30 pm- 2:00 pm		**BRIEF TOUR** of production line with employees who have successfully completed NOVA job retraining ILC TECHNOLOGY, INC. 399 W. Java Sunnyvale, CA Staff Contacts: Josh King, Lee Satterfield **POOL PRESS**
2:05 pm		**THE PRESIDENT** departs ILC Technology, Inc. via motorcade en route Sunnyvale Community Center [drive time: 10 minutes]
2:15 pm		**THE PRESIDENT** arrives Sunnyvale Community Center and proceeds to hold
2:15 pm- 2:30 pm		**BRIEFING** NEIGHBORHOOD ROOM Sunnyvale Community Center 550 E. Remington Sunnyvale, CA Staff Contact: Wendy Smith
2:30 pm- 3:30 pm		**MEETING** with retrainees, municipal employees, and NOVA Company representatives COURTYARD Sunnyvale Community Center 550 E. Remington Sunnyvale, CA Remarks: Carter Wilkie Staff Contacts: Josh King, Lee Satterfield **OPEN PRESS**

- **Mayor Patricia Castillo** welcomes audience and introduces **the President** and the Vice President into the courtyard

- **The Vice President** makes brief remarks about reinventing government and introduces **the President**

- **The President** acknowledges elected officials and makes brief remarks about reinventing government

- **The Vice President** calls on Mike Curran, Director of the North Valley Job Training Partnership, to describe the NOVA Program

- **The Vice President** calls on Sec. Reich to briefly discuss job retraining

- **The Vice President** calls on two NOVA graduates to relate their job training experiences

- **The Vice President** asks an employer of NOVA graduates to testify to the program's success

- **The President** and the Vice President moderate an open discussion, make closing remarks, and depart

3:30 pm- 3:40 pm	**BRIEFING** NEIGHBORHOOD ROOM Sunnyvale Community Center 550 E. Remington Sunnyvale, CA Staff Contact: Tom Epstein
3:40 pm- 4:40 pm	**RECEPTION** BALLROOM Sunnyvale Community Center 550 E. Remington Sunnyvale, CA Staff Contact: Tom Epstein **CLOSED PRESS**
4:45 pm- 4:50 pm	**PHOTO OP** with six local police SIDEWALK Sunnyvale Community Center
4:55 pm	**THE PRESIDENT** departs Sunnyvale Community Center, Sunnyvale, CA, via motorcade en route Moffett Naval Air Station, Mountain View, CA [drive time: 20 minutes]

5:15 pm		**THE PRESIDENT** arrives Moffett Naval Air Station, Mountain View, CA and proceeds to aircraft
5:15 pm- 5:20 pm		**PHOTO OP** with volunteer drivers TARMAC
5:20 pm- 5:30 pm		**PHOTO OP** with State Party Regional Officers TARMAC
5:35 pm	PDT	**THE PRESIDENT** departs Moffett Naval Air Station, Mountain View, CA, via Air Force 1 en route Ellington Field, Houston, TX [flight time: 3 hours, 45 minutes with interchange]

NOTE: **The President will depart Moffett Naval Air Station before the Vice President, but land at Ellington Field after the Vice President.**

11:20 pm	CDT	**THE PRESIDENT** arrives Ellington Field, Houston, TX
11:30 pm		**THE PRESIDENT** departs Ellington Field via motorcade en route Wyndham Warwick Hotel [drive time: 15 minutes]
11:45 pm		**THE PRESIDENT** arrives Wyndham Warwick Hotel 5701 Main Street Houston, TX (713) 526-1991
BC AND STAFF RON		**WYNDHAM WARWICK HOTEL HOUSTON, TX**

THE WHITE HOUSE

WASHINGTON

September 9, 1993

BRIEF TOUR OF ILC TECHNOLOGY

DATE: **September 10, 1993**
LOCATION: **ILC TECHNOLOGY, SUNNYVALE, CA**
TIME: **1:30 pm - 2:00 pm**
FROM: **Josh King**

I. PURPOSE

As part of the REGO Tour, this California Day has been designed to show how a government working more efficiently can **create** jobs. Sunnyvale, a city renowned for its innovate approaches to job retraining, will serve as the overall backdrop for your message.

To give a visual reinforcement to the Sunnyvale community meeting later in the day, you will first visit ILC Technology, a Sunnyvale success story, to meet several workers who have been retrained by the city's NOVA one-stop job-placement and retraining program.

By observing NOVA retrainees **at work**, you will be able to speak with more first-hand knowledge and will provide the press with more context for the California visit.

II. BACKGROUND

For background on NOVA, please see attachment.

ILC Technology is a maker of specialized lights and lasers for medicine, aerospace and industry.

ILC has been a participant in the NOVA Program since 1985 and has hired twenty people through the program. NOVA has the opportunity to nominate a candidate for every job opening the company posts. Currently, seven NOVA graduates have ILC jobs, ranging from glass blower to engineer.

One of the ILC employees you will meet is Tom Downing, 25, a pump station operator. After Downing dropped out of high school to help support his mother, NOVA found him a job as a machinist. When he was laid off, he returned to NOVA, which found him a job at ILC, this time in a much better role. NOVA paid half of Downing's salary for three months as an incentive to ILC to give him a try. Without NOVA, Downing would not have got the job.

III. PARTICIPANTS

Due to space restrictions inside ILC Technology, the tour will be divided into two groups, one following right behind the other.

Tour #1 THE PRESIDENT
The Vice President
Michael Cresap of ILC Technology
(Cresap will be able to provide background and answer any specific questions about ILC)
Joanne Kleinman of NOVA
(Kleinman will be able to provide background and answer any specific questions about NOVA)

Tour #2 Secretary Reich
Senator Boxer
Representative Eshoo
Representative Mineta
Representative Miller
Representative Pelosi
Representative Farr
Representative Dellums
Representative Lantos

IV. PRESS PLAN

This event is Pool Press. The Pool will be pre-positioned at three stops along the way.

V. SEQUENCE OF EVENTS

- You arrive and are met by Brian Guscott, VP and Director of Operations of ILC. You then meet the Vice President, who will have arrived shortly before.

- You and the Vice President, accompanied by the party listed above, tour ILC Technology, stopping briefly at the Flash Lamp pump area, the Quartz Lamp fabrication area, and the Daymark lamp fabrication area.

  NOTE: At each station will be a NOVA-retrained employee hard-at-work. Watch them do their jobs, and feel free to ask them questions of their NOVA retaining experiences.

- You bid farewell to the ILC staff and proceed to Sunnyvale Community Center for your community meeting.

NOTE: The workers whom you will have met at ILC will be brought to Sunnyvale Community Center for your community meeting. You can reference them in the program, and even call on them for their feedback.

VI. REMARKS

None needed.

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEETING WITH MUNICIPAL EMPLOYEES, NOVA RETRAINEES AND EMPLOYERS

DATE: **September 10, 1993**
LOCATION: **SUNNYVALE COMMUNITY CENTER, SUNNYVALE, CA**
TIME: **2:30 pm - 3:30 pm**
FROM: **Josh King**

I. PURPOSE

As the substance segment of a visual/substance combination, this community meeting provides you with a friendly audience of retrainees and municipal employees who have long known the benefits of a reinvented government.

II. BACKGROUND

The reinvented government in question is Sunnyvale, California: All America City in 1981; subject of David Osborne and Ted Gaebler's much-hailed book "Reinventing Government; star of ABC News's "American Agenda" and darling of Vice President Gore's refrain on the virtues of governmental efficiency.

For more background on Sunnyvale, please see attachment.

The municipal program in question is the North Valley Job Training Consortium, or NOVA, a public private partnership that helps people find jobs or retrain for other employment. Created ten years ago through the Federal Job Training Partnership Act (JTPA), Nova serves annually about 6,000 people. A "One-Stop Shopping" program, NOVA is one of the few government initiates that are performance-driven.

For more background on NOVA, please see attachment.

III. PARTICIPANTS

After an introductory program, this will be an open discussion with NOVA staff, NOVA retrainees, employers of

NOVA retrainees, and other municipal officials and employees of the City of Sunnyvale.

But for the first section, the participants will be as follows, in order of speaking:

The Honorable Patricia Castillo, Mayor of Sunnyvale
The Vice President
THE PRESIDENT
Mike Curran, Director of NOVA
The Honorable Robert Reich, Secretary of Labor
Ms. Willie Mae Ogilvie, a NOVA retrainee (bio attached)
Mr. Charly DeKonig, a NOVA retrainee (bio attached)
Mr. Mel Soloman, Executive Director of the Sunnyvale Chamber of Commerce and a member of the Nova Industry Council (bio attached)

The approximately 80 members of the audience are comprised of the following:

41 NOVA Clients- People in various stages of job search and employment (list and current status attached).

10 NOVA Employers- Executives representing many of the area employers who have hired NOVA retrainees (names and affiliations are attached).

17 members of the NOVA Private Industry Council, members of the private and public sectors who guide NOVA policy (names and affiliations are attached).

11 members of the NOVA staff

Also attending:

Senator Boxer
Representative Eshoo
Representative Mineta
Representative Pelosi
Representative Farr
Representative Miller

Leo McCarthy, Attorney General
March Fong Eu, Secretary of State
John Garamendi, Insurance Commissioner
Gray Davis, State Controller

IV. PRESS PLAN

This event is Open Press.

V. SEQUENCE OF EVENTS

- You arrive and are met by Mayor Patricia Castillo and proceed to hold. If you are on time, you will have 15 minutes to brief with Steve Bachar and Wendy Smith for any last minute details.

- While you and the Vice President hold offstage, Mayor Castillo welcomes the audience and introduces you.

- You and the Vice President enter the courtyard.

- The Vice President makes introductory remarks about how Sunnyvale is a model for reinventing government and how NOVA, as a program within that reinvented government, helps create jobs for California. The Vice President then introduces you.

- You make remarks that echo those of the Vice President, relating the events of the past several days, and the tour you just took, to the assembled group of NOVA retrainees and others.

- The Vice President then calls on Mike Curran, Director of Nova, for a brief overview of the NOVA Program. You should feel free to ask a follow-up question.

- The Vice President then calls on Secretary Reich for a brief overview on job retraining on a national level. You should feel free to ask a follow-up question.

- The Vice President than calls on, in succession,

  Ms. Willie Mae Ogilvie, a NOVA retrainee,
  Mr. Charly DeKonig, another NOVA retrainee, and
  Mr. Mel Soloman, Executive Director of the Sunnyvale Chamber of Commerce

  to testify to NOVA's success. You may refer to the attached sheet for background on these individuals.

- You then invite the forum to engage in a short open discussion on reinventing government, Sunnyvale's remarkable success, and job retraining.

VI. REMARKS

Opening remarks by Carter Wilkie.

September 9, 1993

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT
FROM: ELAINE KAMARCK
RE: THE CITY OF SUNNYVALE CALIFORNIA

The City of Sunnyvale California is legendary among government reinvention experts because it has successfully used performance based budgeting for its entire city budget. (See Attachment A for the section on Sunnyvale from David Osborne's book.) In conjunction with the City Council, the government of Sunnyvale establishes performance goals. As the budget year progresses it uses full cost accounting to establish the unit cost of everything it does -- from investigating rape cases (unit cost $2,367.09) to providing community canine demonstrations (unit cost $149.77) to promoting crossing guard services ($9.64.)

The City Council then budgets **not by line item** but by using unit costs to estimate what will be needed to reach a certain performance goal. The result is a budget that is not replete with line items for desks, personnel and office supplies but a budget that establishes clear cut goals and in so doing removes managers from much of the red tape and senseless constraints that make government so inefficient. Take, for instance, the mundane task of keeping records. Instead of telling the managers how many people, offices, desks and phones they will have -- the city tells them:

> *Maintain files of documents required to be in the custody of the City Clerk by state law, city charter or city ordinance consistent with records management policy in a way that they can be retrieved within 5 minutes, 85% of the time. (See Attachment B for other examples of performance objectives.)*

The most dramatic result of this system of government is that Sunnyvale is one of those governments with a proven track record of doing more with less. The most recent data on Sunnyvale, shows a 38% increase in productivity since the 1984 - 1985 fiscal year and a decrease in unit costs of 44%. (Data provided by Gail Waters, a budget analyst in Sunnyvale who participated in the work of the National Performance Review.)

The other dramatic news out of Sunnyvale is the extent to which its citizens are pleased with their government in an era when most citizens aren't. When Tom Lewcock, Sunnyvale's City manager, testified before Vice President Gore's Reinventing Summit in Philadelphia he told the group that in a recent poll of the citizens conducted by the city, 95% rated city services superior to excellent. This is especially remarkable given that during the last 5 years most California local governments have been in a state of crisis. During this time of shrinking revenues the City of Sunnyvale cut no services, raised no taxes and cut no staff.

News of Sunnyvale is slowly entering the national consciousness. ABC News devoted 6 minutes to the Sunnyvale story on December 29, 1992. (The video will be available on the plane.) When the President signed the Government Performance and Results Act of 1993, the regional press in Northern California wrote it as "Washington Takes a Tip From Sunnyvale." (See Attachment C.) The GPRA which the President signed in August was in large part the brainchild of John Mercer, an aide to Senator Roth (R. Del) who came to Washington after being Mayor of Sunnyvale determined to bring performance budgeting to Washington. (See Attachment D.)

The Federal Government is now poised, due to the work of the National Performance Review, to move towards performance budgeting. Preconditions are: 1. establishment of standard accounting procedures - discussed in the report ; 2. adoption of full cost accounting procedures - discussed in the report and called for as part of the Chief Financial Officers Act; 3. creation of performance measures -- discussed in the report and established as part of the Government Performance and Results Act. Other governments are rapidly adapting these principles as well. (See the Oregon example cited in the NPR report, Attachment E.)

Attachment A

- In Illinois's Cook County, the nation's second largest, the courts are experimenting with report cards for judges, based on ratings from jurors, witnesses, and lawyers. Several states use similar systems.
- Six states are testing performance standards for entire courts, developed by the National Center for State Courts and the U.S. Department of Justice. They use customer surveys, focus groups, analysis of case files, and other methods to measure things like how accessible the courts are, how affordable justice is, how swiftly courts handle cases, how impartial court decisions are, and how effective courts are in enforcing their orders.
- Governments are shifting the way they fund highway construction. In the past, they specified the inputs they expected from contractors: so many inches of material A, topped by so many inches of material B. Today, they increasingly specify the number of years the highway is expected to last and hold the contractor accountable if it fails. Some offer performance bonuses for contractors who beat their deadlines; a Minnesota firm earned itself an extra $1 million by completing a stretch of Interstate 94 a year early.
- Some states even sign performance agreements with utilities that operate nuclear power plants. Boston Edison pays a penalty if its Pilgrim plant operates at full capacity less than 60 percent of the year, but earns up to $15 million extra if it operates at full tilt more than 76 percent of the year.

THE PERFORMANCE LEADER: SUNNYVALE, CALIFORNIA

To see the full power of performance measurement, one has only to visit Sunnyvale, California, a city of 120,000 in the heart of the Silicon Valley. It is only fitting that Sunnyvale should lead

the performance revolution. As the home of thousands of computer jocks, Sunnyvale has a culture steeped in information technology. Few other places on earth would be so receptive to the use of performance measures. But where Sunnyvale pioneered, other cities and states have begun to follow.

Sunnyvale's managers measure the quantity, quality, and cost of every service they deliver. Because the city council has this information, it no longer votes on line items: it votes on service levels. It does not tell the Department of Public Works: "We want to spend $1 million reconstructing highway A, $500,000 repairing roads B, C, and D, and $250,000 filling potholes throughout the city." Instead it defines the results it wants. Using a classification system developed by the city, it says, "We want every road surface now at level A maintained at that level; every road surface now at level B brought up to level A within X years; and every surface at level C brought up to level A within Y years." The department tells the council exactly how much that will cost, depending on the numbers used for X and Y, and the council decides how much to spend to achieve the results it wants, and how fast.

Sunnyvale uses literally thousands of measures. In each program area, the city articulates a set of "goals," a set of "community condition indicators," a set of "objectives," and a set of "performance indicators." Goals are fairly self-explanatory: "Provide a safe and secure environment for people and property in the community"; "Control the number and severity of fires and hazardous materials incidents and provide protection for the lives, welfare and environment of people within the community."

"Community condition indicators" give the city information about the current quality of life. For example:

- the number of days in which ozone standards are exceeded;
- the number of traffic accidents per million vehicle miles;
- the number of persons receiving Aid for Dependent Children; and
- the number of persons at or below the poverty line.

"Objectives" set the specific targets for each unit of city government. In street landscaping, for instance, one objective is to "maintain trees and shrubs in a healthy state with a loss factor of no more than five percent." In public safety, one objective is to keep the city "within the lowest 25 percent of Part 1 crimes for cities of comparable size, at a cost of $74.37 per capita." And in transportation, one objective is to "achieve a ratio of 3.42 accidents per million miles traveled."

"Performance indicators" provide specific measures of service quality, which reveal how well each unit is doing in meeting its objectives. They include numbers such as:

- the percentage of trees needing replacement that are replaced within two months;
- the percentage of job trainees who get jobs, their average wage at placement, and the satisfaction level of their employers;
- the percentage of participants in a recreation program who rank it "good" or above; and
- the number of complaints about recreation facilities.

Not all of Sunnyvale's measures are equally useful. Managers constantly refine them, eliminating those judged inadequate or not worth what they cost to collect. But enough of the measures are solid that Sunnyvale's city council can predict quite accurately the results it will achieve depending on how it allocates its resources. In other words, by measuring results, Sunnyvale gives its decision makers the information they need to make intelligent decisions. They can tell success from failure. They can see where increased spending will produce the results they want. And they can predict the results of any spending cut.

"In a normal political process, most decision makers never spend much time talking about the results they want from the money they spend," says City Manager Tom Lewcock. "With this system, for the first time they understand what the money is actually buying, and they can say yes or no."

Because the council has control over outcomes, it has gladl eliminated many of the rules and budget line items that ham string most public managers. "Our council does not know ho many people work for the city, nor do they really care," say Lewcock:

> *They do not focus on line items. There is no approval process for hiring people around here; management does it. The essential thing the council does is set policy: what level of service, how many units are going to be produced, and at what unit cost. What they have done is give us freedom over the management of city affairs, in return for them getting true policy control.*
>
> *Our council feels so good that they are in fact the policy leaders that they don't feel it's a risk at all to let managers manage. To me, that's the big secret that has allowed us to be risk-takers and to do things without always having to check the political implications.*

Because Sunnyvale can measure the results of each unit' work, it can also reward managers based on whether they su ceed or fail. If a unit exceeds its service objectives for qualit and productivity, its manager is eligible for a bonus of up to 1 percent of his or her salary. "This puts them in an environmen where it is to their advantage to find productivity improve ments," says Lewcock.

This system generates tremendous productivity. The cit keeps a four-part Municipal Performance Index, which mea sures both its efficiency and its effectiveness over time. Betwee 1985 and 1990, the city's average cost per unit of service we down 20 percent, after factoring out inflation. (In other word its productivity increased by roughly 4 percent a year.) In 199 when it compared its own costs to those of similar size and typ cities, Sunnyvale found that it used 35 to 45 percent fewer pe ple to deliver most services. Its employees were paid more, b its operating budget was still near the low end of comparabl cities, and its per capita taxes were lower than those of any con parable city in its sample.

Attachment B

CITY OF SUNNYVALE, CALIFORNIA

Examples of Performance Indicators

Public Safety Support Services

Number of sustained citizen complaints received regarding front counter service

Number of citizens surveyed and percent expressing overall satisfaction with front counter service

Number of substantiated citizen complaints received concerning dispatching services

Library/Adult Services

Percent of patron requests for purchase of material successfully responded to

Number and percent of requests for information or materials successfully responded to

Percent of requests for interlibrary loan material successfully responded to

Number and percent of requests for services from visually handicapped patrons for audio materials that were handled successfully

Number and percent of book review sessions requested by community groups and schools that were provided

Library/Children Services

Number and percent of books appearing on selected professionally recommended lists which are in the children's book collection

Percent of children's collection reference requests successfully responded to

Housing Rehabilitation

Number and percent of potentially qualified clients requesting assistance to whom application assistance is provided within five working days

Number and percent of applicants who meet program eligibility criteria who receive initial inspection within 20 days of application receipt

Number and percent of qualified applicants for whom bid package and contract are prepared within sixty days of bank approval

Number and percent of qualified loan applicants for whom loan is secured within ten working days of contract preparation

Number and percent of units rehabilitated within ninety days of securing loan

Cultural Arts Services

Percent of positive responses on written class evaluations returned to the city by participants [re: creative arts classes, and re: performing arts classes]

Percentage of positive responses on participant evaluations collected by the city [re: Summer Repertory Theatre]

Number of performances held and percentage of those performances that achieved a 50% occupancy [re: Summer Repertory Theatre]

Street Maintenance

Number of complaints received concerning dirty walkways/roadside areas

Number of complaints received from citizens/staff concerning faded or obliterated traffic lanes

Percent of damaged or missing "stop" and "yield" signs that are responded to within 4 hours of receipt of report

Street Lighting

Percent of street lighting that is lit

Percent of burned out street lights that are replaced within 24 hours of notification

Recreation

Percent of participants who ranked swimming pool maintenance as good or above

Number of errors in printed recreation activities guides [yearly total]

Number and percent of participants surveyed who rank the instruction program at good or above

Examples of Objectives

Police Services

Promote the safety of the community and an atmosphere of security, primarily through the deterrence and prevention of crime and by the apprehension of offenders in order that the city remains within the lowest 25% of part 1 crimes for cities of comparable size at a cost of $74.37 per capita.

Ensure a safe and orderly flow of pedestrian, bicycle, and vehicular traffic by providing patrol and radar enforcement to achieve a ratio of 3.42 for accidents per million miles traveled.

Provide quality investigations to aid the District Attorney in the prosecution of criminal cases in order that criminal charges are filed on 90% of the cases submitted for review.

Fire Safety

Limit fire property loss to $0.1524 per $1,000 of property protected and limit the incidence of building fires to two or less per 1,000 population at a cost of $64.39 per capita.

Community Relations

Provide lobby reception and telephone general information service for an average of 8.5 hours daily to achieve less than 10 complaints per year for poor information services

Official Records

Maintain files of documents required to be in the custody of the City Clerk by state law, city charter, or city ordinance consistent with records management policy in a way that they can be retrieved within 5 minutes, 85% of the time.

Park Maintenance

Maintain 300 acres of public grounds, structures, fixtures to be safe, functional, attractive. All hazards abated within 48 hours of given notice. All vandalistic acts repaired within 3 days. Waste containers emptied and grounds cleaned at least daily; at least 80% of all other identified deficiencies corrected; at least 75% of user concerns are resolved. Semiannual inspection reveal 100% of paved right of ways are safe and functional.

Neighborhood Preservation

Systematically evaluate 100% of properties within 2 years of issuance of major/minor discretionary permits. Where violations exist, achieve compliance in 80% of cases within 180 days after initial inspection. Evaluate 100% of properties with discretionary use permits with long-term issues or needing long-term follow-up and where violations exist achieve compliance in 75% of cases within 180 days after initial inspection.

Attachment C

Washington Takes a Tip From Sunnyvale

By Dan Turner
Chronicle Correspondent

Borrowing an idea from the city of Sunnyvale, President Clinton yesterday signed a bill that gives federal agencies more flexibility — but also more accountability — in the way they spend taxpayers' money.

The Government Performance and Results Act, based on a plan developed in Sunnyvale in 1973, requires agencies to devise strategic plans, set yearly goals for every program and measure how well they actually perform.

"Without Sunnyvale, this legislation would not have existed," said John Mercer, Republican counsel to the Senate Committee on Governmental Affairs and mayor of Sunnyvale in 1984 and 1985. "When people would ask how it would work, I used examples from Sunnyvale's budget to explain it."

Even before it was lauded in David Osborne's book "Reinventing Government," the Peninsula city was winning national awards and attracting visits from representatives of cities all over the world, hoping for pointers on how to improve their own systems.

And after Osborne's book came out last year pointing to Sunnyvale as a model city, the city of 117,000 began receiving national attention, getting segments on network news shows and inspiring legislation in Oregon, Texas and Florida and now in the nation's capital.

As Clinton described at the bill-signing ceremony, the law "requires that we chart a course for every endeavor that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop the things that don't work, and never stop improving the things that we think are worth investing in."

The system of government that has been evolving in Sunnyvale since the 1970s borrows a page from private industry, rewarding city employees based on their success. Department heads are asked to come up with service level objectives and are rewarded or penalized based on their ability to meet them.

For example, the Department of Public Safety might be expected to respond to 94 percent of all 911 calls within four minutes. If it meets or exceeds the goal, the department head would get a bonus of up to 15 percent of his or her annual pay. If it fails, the supervisor's pay might be docked up to 10 percent.

City officials say the system works, and the numbers back them up.

Although the city's budget has been cut by 15 percent because of state tax restructuring, city services are as good as or better than they were five years ago, said City Manager Tom Lewcock, who added that there have been no municipal tax increases in that time.

Chronicle wire services contributed to this report.

Official Records

Maintain files of documents required to be in the custody of the City Clerk by state law, city charter, or city ordinance consistent with records management policy in a way that they can be retrieved within 5 minutes, 85% of the time.

Park Maintenance

Maintain 300 acres of public grounds, structures, fixtures to be safe, functional, attractive. All hazards abated within 48 hours of given notice. All vandalistic acts repaired within 3 days. Waste containers emptied and grounds cleaned at least daily; at least 80% of all other identified deficiencies corrected; at least 75% of user concerns are resolved. Semiannual inspection reveal 100% of paved right of ways are safe and functional.

Neighborhood Preservation

Systematically evaluate 100% of properties within 2 years of issuance of major/minor discretionary permits. Where violations exist, achieve compliance in 80% of cases within 180 days after initial inspection. Evaluate 100% of properties with discretionary use permits with long-term issues or needing long-term follow-up and where violations exist achieve compliance in 75% of cases within 180 days after initial inspection.

Attachment C

Washington Takes a Tip From Sunnyvale

By Dan Turner
Chronicle Correspondent

Borrowing an idea from the city of Sunnyvale, President Clinton yesterday signed a bill that gives federal agencies more flexibility — but also more accountability — in the way they spend taxpayers' money.

The Government Performance and Results Act, based on a plan developed in Sunnyvale in 1973, requires agencies to devise strategic plans, set yearly goals for every program and measure how well they actually perform.

"Without Sunnyvale, this legislation would not have existed," said John Mercer, Republican counsel to the Senate Committee on Governmental Affairs and mayor of Sunnyvale in 1984 and 1985. "When people would ask how it would work, I used examples from Sunnyvale's budget to explain it."

Even before it was lauded in David Osborne's book "Reinventing Government," the Peninsula city was winning national awards and attracting visits from representatives of cities all over the world, hoping for pointers on how to improve their own systems.

And after Osborne's book came out last year pointing to Sunnyvale as a model city, the city of 117,000 began receiving national attention, getting segments on network news shows and inspiring legislation in Oregon, Texas and Florida and now in the nation's capital.

As Clinton described at the bill-signing ceremony, the law "requires that we chart a course for every endeavor that we take the people's money for, see how well we are progressing, tell the public how we are doing, stop the things that don't work, and never stop improving the things that we think are worth investing in."

The system of government that has been evolving in Sunnyvale since the 1970s borrows a page from private industry, rewarding city employees based on their success. Department heads are asked to come up with service level objectives and are rewarded or penalized based on their ability to meet them.

For example, the Department of Public Safety might be expected to respond to 94 percent of all 911 calls within four minutes. If it meets or exceeds the goal, the department head would get a bonus of up to 15 percent of his or her annual pay. If it fails, the supervisor's pay might be docked up to 10 percent.

City officials say the system works, and the numbers back them up.

Although the city's budget has been cut by 15 percent because of state tax restructuring, city services are as good as or better than they were five years ago, said City Manager Tom Lewcock, who added that there have been no municipal tax increases in that time.

Chronicle wire services contributed to this report.

THURSDAY • • • C
AUGUST 5, 1993
San Jose Mercury News

Attachment D

Former official takes Sunnyvale's style of budgeting to nation


Mercer

By LELAND JOACHIM
Mercury News Staff Writer

The federal government's move to inject Sunnyvale-like accountability into its budget process may have resulted from two factors: a former city council member's persistent promotion of Sunnyvale's system and a best-selling book.

President Clinton on Tuesday signed into effect the Government Performance and Results Act, requiring 10 federal agencies to prepare five-year strategic plans and annual goals for every program, and to measure how they do in meeting those goals. Those requirements go government-wide in 1997.

Some trace the plan in part to the work of John Mercer, a Sunnyvale councilman from 1979 to 1987 who went on to work in the federal department of Housing and Urban Development and then as Republican counsel to the Senate Governmental Affairs Committee.

Mercer relentlessly plugged "performance-based budgeting" — Sunnyvale's unique contribution to government — from practically his first day in Washing-

See SUNNYVALE, Page 2B

Nation to learn ways of Sunnyvale budgeting

■ SUNNYVALE

from Page 1B

ton and helped write the new legislation, which Sen. William Roth Jr., R-Del., introduced in 1990.

Also, President Clinton read and took to heart a book by Clinton friend David Osborne and Ted Gaebler, "Reinventing Government," which touts Sunnyvale's system.

The new federal act imposes results-oriented management — which stops shy of linking any agency's performance to its funding, as Sunnyvale's system does. But the bill does contain five pilot projects linking results to the budget.

"I don't know whether the federal government could ever achieve the level of sophistication that exists in Sunnyvale," Mercer said Wednesday, but added that "this legislation heads it in that direction."

Sunnyvale's budget states thousands of goals for providing services, such as starting repair of any traffic signal problems within one hour of notification or checking park restroom cleanliness at least twice daily.

A more traditional budget allocates money for items such as hiring people or buying equipment, Community Relations Director David Vossbrink said. Under Sunnyvale's approach, he said, the city council doesn't have to worry about backhoes or desks, but instead asks "Can you accomplish this service for this cost?" Managers have a certain amount to spend, but they can choose among various ways of spending it, attempting to select the most effective.

Sunnyvale's system has evolved slowly, since the late 1970s, when City Manager Lee Ayers asked Tom Lewcock, a new assistant, to head a team looking into new ways of fiscal management.

"Messing around with it simply opened city officials' eyes to different ways of doing these things," said Lewcock, who succeeded Ayers as city manager a couple of years later and holds that position today.

"Reinventing Government" described the payoff: From 1985 to 1990, the city's cost per unit of service all across the budget dropped by 20 percent, and Sunnyvale in 1990 found its staff was leaner than similar cities by 35 to 40 percent, and employees earned more, but the budget total was smaller than most and taxes were lower.

That kind of efficiency, coupled with long-range planning, kept the city out of the red the past several years as the state's struggle with budget deficits rippled down to local government.

City officials warn against expecting overnight results at the national level.

"This thing evolved, you know," said Councilman Larry Stone, a close associate of Mercer who was on the council when the system was started. "That's why I caution people about its application to the federal government. I fear people are going to expect that you can take the Sunnyvale model, apply it to the federal government, and, zappo! overnight success. That's not going to happen."

Attachment E

Measuring Outcomes

Outcome-based management is new in the public sector. Some U.S. cities have developed it over the past two decades; some states are beginning to; and foreign countries such as Great Britain, Australia, and New Zealand are on their way.

Sunnyvale, California, a city of 120,000 in the heart of the Silicon Valley, began the experiment 20 years ago. In each policy area, the city defines sets of "goals," "community condition indicators," "objectives," and "performance indicators." "In a normal political process, most decisionmakers never spend much time talking about the results they want from the money they spend," says City Manager Tom Lewcock. "With this system, for the first time they understand what the money is actually buying, and they can say yes or no."[24]

Sunnyvale measures performance to reward successful managers. If a program exceeds its objectives for quality and productivity, its manager can receive a bonus of up to 10 percent. This generates pressure for ever-higher productivity. The result: average annual productivity increases of four percent. From 1985 to 1990, the city's average cost of service dropped 20 percent, in inflation-adjusted dollars. According to a 1990 comparison, Sunnyvale used 35 to 45 percent fewer people to deliver more services than other cities of similar size and type.

At least a half-dozen states hope to follow in Sunnyvale's footsteps. Oregon has gone farthest. In the late 1980s, Governor Neil Goldschmidt developed long term goals, with significant citizen input. He set up the Oregon Progress Board, comprising public and private leaders, to manage the process. The board developed goals and benchmarks through 12 statewide meetings and written materials from over 200 groups and organizations. "Oregon," the board stated, "will have the best chance of achieving an attractive future if Oregonians agree clearly on where we want to go and then join together to accomplish those goals."[25]

The legislature approved the board's recommended 160 benchmarks, measuring how Oregon is faring on three general goals: exceptional individuals; outstanding quality of life; and a diverse, robust economy. Seventeen measures are deemed short-term "lead" benchmarks, related to urgent problems on which the board seeks progress within 5 years. They include reducing the teen pregnancy rates, enrolling people in vocational programs, expanding access to basic health care, and cutting worker compensation costs.

Another 13 benchmarks are listed as "key"—fundamental, enduring measures of Oregon's vitality and health. These include improving basic student skills, reducing the crime rate, and raising Oregon's per capita income as a percentage of the U.S. average.

Barbara Roberts, today's governor, has translated the broad goals and benchmarks into specific objectives for each agency. This year, for the first time, objectives were integrated into the budget—giving Oregon the first performance-based budget among the states.

Great Britain has instituted performance measurement throughout its national government. In addition, the government has begun writing 3-year performance contracts, called "Framework Agreements," with about half its agencies. These agencies are run by chief executive officers, many from the private sector, who are hired in competitive searches and then negotiate agreements specifying objectives and performance measures. If they don't reach their objectives, the CEOs are told, their agencies' services may be competitively bid after the 3 years.

NORTH VALLEY (NOVA) JOB TRAINING CONSORTIUM
Sunnyvale, California

The North Valley (NOVA) Job Training Consortium is a public/private partnership that helps people find jobs or retrain for other employment. The program invests federal dollars at the local level to assist dislocated workers, employees interested in other work or retraining in different areas, and even young people in search of their first job. It involves thousands of workers and hundreds of employers in six California cities: Sunnyvale, Mountain View, Cupertino, Los Altos, Palo Alto and Santa Clara.

NOVA was created 10 years ago through the Federal Job Training Partnership Act (JTPA). The region NOVA serves is the heart of the high-technology center known as the Silicon Valley. NOVA serves annually about 6,000 people. Its programs are administered by the City of Sunnyvale -- known nationwide for its outcome-based management system where managers are rewarded for meeting goals of quality and productivity.

The NOVA program is a good example of the broad principles and specific recommendations of the National Performance Review. For example, it uses performance standards to measure success and provides services in the kind of "one-stop" center recommended in the National Performance Review report.

Very few federal government programs are performance driven. To track its performance, NOVA evaluates employment rates, reductions in welfare dependency, average wage at job placement, training-related placements, and duration of employment. This performance-based system has kept NOVA's efforts focused on continuously improving the cost effectiveness of service delivery. NOVA is able to receive additional funding if it exceeds set standards, and can be penalized if it fails to meet those standards.

NOVA has experienced tremendous success. Thousands of people each year have benefitted from NOVA's programs. One of its most successful initiatives, created four years ago to address local workforce transition needs, is NOVA's Skill Testing Assessment and Reemployment (STAR) Center, which provides outplacement services for individuals found eligible for dislocated worker status under JTPA. The NOVA STAR Center assesses individual aptitudes, interests, skills, and education. Based upon the results of that assessment, participants are assisted in developing a Job Search Plan that may include several NOVA vocational services. The NOVA centers reflect the principles and goals of the National Performance Review's recommendation for one-stop career development centers.

At the request of the Clinton administration, NOVA recently geared up a massive summer youth employment effort through its Youth Employment Office and offered the most expansive Summer Youth Employment Program in its history. The project has been forwarded for consideration for the 1993 Presidential Award because of its outstanding success.

##

The National Performance Review

Creating a Government that Works Better and Costs Less

Workforce Development for Economic Growth

Major Recommendations

Providing Skills, Information, Quality

America's continued economic growth demands a skilled workforce. If we're going to create that workforce and help every American gain the skills they need, we must create a universal, comprehensive workforce development system. Every American should have the ability to make informed choices about future careers and have access to the tools they need to achieve their goals. At every level -- federal, state, and local -- government must create a system that knits together the information and resources needed for each worker. Customers will set the standard for quality in employment training by the choices they make.

Workforce Development Today

Our changing economy has created a demand for high-quality labor market information and training and education so workers can gain new skills. To remain a high-wage country, the U.S. must be a high-skills country.

The existing federal system covers 150 separate employment and training programs in 14 different agencies. Not surprisingly, they're frequently hard to understand, hard to access, and difficult to coordinate. Some federal programs are delivered by federal agencies, some by states and localities, and some by the private sector. The different rules and regulations are confusing. For example, New York State operates 61 employment and training programs run by 16 different state agencies. The private sector invests between $30 - $44 billion annually. However, most government training programs are not coordinated with private sector efforts.

Many state and local governments are experimenting with models of "one-stop" career management centers that provide customers the information and services they need. For example, Wisconsin's job centers include multiple training programs under one roof; the city of Everett, WA, offers a wide range of government services at a local shopping mall; Michigan uses an "Opportunity Card" to make information and services more accessible to customers.

Barriers to Success

Lack of Information Very little information is available on labor market trends or the quality of different training programs. This makes it difficult for job seekers to make informed choices, even when they have their own resources to spend.

Fragmentation Even if a job-seeker finds the necessary services, bringing together the resources of several programs is virtually impossible because of different eligibility requirements, grant administration periods, and service locations.

Inadequate Scale Existing programs create opportunities for a limited number of Americans, but not on the scale to create a highly skilled workforce.

Lack of Leverage Public sector training programs aren't shaped to coordinate with and stimulate private investment in employee training, though the private sector investment in such training is enormous.

One-Stop Centers

We are proposing a network of centers in communities across the country that will provide both direct customer services and manage a labor market data system to support those services. They will be customer-driven. Every American would be a potential customer and would have access throughout their working lives. These one-stop centers are a key component of the Workforce Investment Strategy being developed by the Department of Labor. These centers would:

Offer core services at no cost. They would include local and national labor market information; a basic assessment of skills; help in career planning, job search, and placement; and information about local training and education programs, such as how well they have done placing graduates in jobs.

Offer optional services on a fee-for-service basis, exempting from fees those who are eligible for federally-funded programs. Some examples of possible services include: comprehensive testing, in-depth career counseling, outplacement services for employers, and custom-designed recruitment strategies for employers.

Benefit from competition because they would be established and managed through a competitive process with shared federal, state, and community involvement. The federal role will be to establish national chartering standards and ensure public accountability. Responsibility for making franchise awards will be delegated to state and local leaders, such as workforce investment boards. And, charters will be subject to periodic renewal.

Use public and private funds, with federal funds, such as those used to support the Employment Service's labor exchange, moved to support delivery of core services. State and local funds and user fees also could be used.

Comprehensive Help for Dislocated Workers

The federal government sponsors several programs designed to help workers who lose their jobs for specific reasons. The variety of programs offered through various agencies confuses the public and adds to overall administrative costs. Sometimes, workers from the same company qualify for different benefits. The result is an excessive focus on determining eligibility instead of delivering services.

The Secretary of Labor will develop a single worker adjustment assistance program for workers who are jobless or are expected to lose their jobs permanently. The program should disregard the specific reason for dislocation. And, it should provide opportunities for skills improvement and retraining for those employed workers whose jobs are vulnerable.

Workforce Development Council

The greatest barrier to integrating our workforce development efforts is the fragmented nature of federal grants. There are programs in place for welfare recipients, food stamp recipients, displaced homemakers, youth out of school, and so on. State and local efforts to coordinate and combine these programs are blocked because each has its own rules.

We need to build an integrated and comprehensive system that spans the boundaries of individual programs. That means developing a consistent set of program definitions, financial systems, performance measures, and reporting periods. That's exactly what the President's National Economic Council will do through a multi-agency team charged with creating and ensuring action on a government-wide workforce development strategy. And, we'd consolidate grants using the 'bottom-up' approach that encourages initiative at the state and local level. (This will require Congressional action to grant agencies the authority to allow the waiver of certain types of federal laws.)

NOTE: A copy of the report of the National Performance Review can be obtained by calling (202) 783-3238 or by visiting a GPO Bookstore.

The President of the United States
NOVA Job Training Consortium
Sunnyvale, California
September 10, 1993

[acknowledgements]

California sent us to Washington because the government is broken, and we intend to fix it.

Our people need more investment, to create jobs, increase opportunity, and bolster growth. But we can't reduce this investment deficit until we solve the government's performance deficit and the trust deficit it has generated throughout this country. If our people don't have faith that their government can change, they won't expect their job prospects to change at all.

You in California have already learned the hard way that our economy is in the midst of enormous changes. To find work in the emerging economy, tomorrow's workers will have to upgrade their skills, prepare themselves to think more and learn more on the job, and replace rigid job roles with more flexible assignments.

We have a choice: we can chart our workers through these changes or we can sit back and let them take it on the chin.

I'm tired of seeing Californians take it on the chin -- the people who have worked hard and played by the rules, in Silicon Valley, in defense industries, in aerospace, or in building construction trades.

While the nation's unemployment rate has dipped to the lowest point in two years, California's unemployment rate hovers between nine and ten percent. Almost one out of every four Americans looking for work lives here in California.

America can't have a complete economic recovery until California has a complete economic recovery. Whether you live here on the Pacific Coast, in New England, or in the South, we are all part of the American economy, and we are going up or down together.

To increase incomes, generate jobs, and encourage growth, we've got to be partners in tomorrow's economy. That's why we're going to offer you the tools to help you find new work, and we're going to change the rules so government serves you better.

Across the federal government, there are 14 separate departments and agencies that spend $24 billion a year on 150 separate employee training programs. That means a job seeker is confronted with 150 bureaucracies, 150 sets of rules and regulations, and 150 lists of eligibility criteria.

When you're searching for a job, you shouldn't have to search for job training. You shouldn't have to wander around from one agency to the next until you find the right combination of services that gives you a fit.

Government offices all across America will learn from your example: cutting red tape, saving tax dollars that should be invested elsewhere, and giving our people a sense of control over their lives.

Here are five of the specific things we intend to do:

1• Through the Department of Labor, **we want to create a network of Career Centers throughout the country based on the one we've seen today -- a single place for career information, education and training programs, skills assessment, job placement, and other re-employment services for Americans who have lost their jobs.**

2• For Americans considering changing jobs, we're going to offer states and local communities incentives to make those centers a location for one stop shopping, so workers won't have to shop from place to place. You'll be able to walk right in and let the centers find the match. **What K-Mart and Wal-Mart did to change the way Americans shop with convenience, these new, federal job-marts will change how workers shop for jobs.**

3● We're going to give our workers access to a high quality labor market information system, to improve their capacity to make decisions about their careers, education and training.

4● We're going to consolidate several of the existing programs into one, single, comprehensive program.

5• We're going to turn the unemployment insurance system into a **re-employment** system, offering people guidance on job opportunities when they come to collect their checks, along with extended assistance to carry them over when they pursue additional training.

It is just the kind of forward-looking initiative that we need here in California and Californians have already responded to it enthusiastically, submitting a quarter of all the proposals that have come in so far.

Make no mistake about it, we must sharpen the tools that will allow our people to find their way back to work. The best economic policy in this country is a good job for every American who needs one. If we expect our workers to adjust to the change, then government must lead the way by changing its old and inefficient ways of doing business by moving forward into the information age.

If this happens, we'll have the Vice President and all of you to thank for it. Help us change the way Americans feel about their government so we can change the role that government plays in our lives for the better.

Thank you all.

THE WHITE HOUSE

WASHINGTON

SEPTEMBER 10, 1993

MEETING WITH SAN FRANCISCO BAY AREA SUPPORTERS

DATE:	September 10, 1993
LOCATION:	Sunnyvale Community Center
TIME:	12:45-2:00 p.m.
FROM:	Tom Epstein

I. PURPOSE

Drop by and greet approximately 125 political supporters, state and local elected officials, and congressmembers.

II. BACKGROUND

People were invited by the DNC, the California Democratic Party, Dave Barram, the Vice President's office, and other staff sources. It's an eclectic group, including significant contributors, high-tech CEO's, local elected officials, friends and volunteers.

III. PARTICIPANTS

See attached list

IV. PRESS PLAN

No press

V. SEQUENCE OF EVENTS

President and Vice President enter the room and greet attendees individually.

VI. REMARKS

No remarks

SUNNYVALE RECEPTION INVITEES
(ATTENDANCE NOT CONFIRMED)

PARTY OFFICIALS/STAFF

Stewart Boxer
Susan Fitts
John Hess
Arlene Holt
Agar Jaicks
Susan Kennedy
Mike Liikala
David Lam
Mary Lansing
George Matthew
Liz McDavitt
Greg Mignano
Madge Overhouse
Terry Poche
Steve and Connie Preminger
Bill Press
James Rowen
Julie Sawyer
Alicia Wang
Steve Westly
Michael Yaki

ORANGE COUNTY

Judy Currieri
Anita Mangales
Robert Nelson
Harry Jeffery
John Rodgers
Katherine Thompson
Del Webber
Harriet Weiderman

SUPPORTERS

Fred Altshuler
Maria Balsuto
Fred Baron
Joan, Ted and Diane Barram
Richard Bernhardt
Brenna Bolger
Alice ~~Alvre~~ Bulos
Betsey Bryant
Jan Carey
Toni Casey
Carlos Castillo
Carlotta Castillo
Pedro Castillo
Peter Chu
Maggie Crosby
John Crosson and wife
Darrel and Karen Darling
Bill Dobert
Luke Ellis
Bob Erecca
Willy Fletcher
Paul Fong
Barry Goode
Fred and Alice Georges
Shary and Francesca Farr
Tom Hayes
Dennis Herrera
Consuelo Santos Killins
David Kwok
John Laird
Elliot Lepler
Tom McEnery
Alex Melendez
Greg Mignano
Joe McNamara
Lam Duc Nguyen
Gary Patton
William Pascoe
Gill Scaqua
Mel Solomon
Ted Stein
Carmen Stone
Gregg Stone
Randy Stone
Joel Weinstein
Susie Wilson
Martha Whetstone
Helen and Peter Yee

ELECTED OFFICIALS

Barbara Boxer
Patricia Castillo - Mayor of Sunnyvale
Rod Diridon - Santa Clara Supervisor
Anna Eshoo
Sam Farr
John Garamendi
Ron Gonzales - Santa Clara Supervisor
Susan Hammer - Mayor of San Jose
Stan Kawczynski - Sunnyvale City Council
Thomas Lewcock - Sunnyvale City Manager
Lt. Governor Leo McCarthy
Dianne McKenna - Santa Clara Supervisor
George Miller
Norman Mineta
Richard Napier - Sunnyvale City Council
Robin Parker - Sunnyvale City Council
Nancy Pelosi
Frances Rowe - Sunnyvale City Council
Lawrence Stone - Sunnyvale City Council
Barbra Waldman - Sunnyvale City Council

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Leonard Eber
Sandy and Maureen Ellenberg
Lawrence Ellison
Joan Emslie
Lenny Esquina
Bob Fisher
John Friedenrich
Louis Friedman
Ron Friedman
Les Gardner
Duane Garrett
Gene Glinnen

Jim Green
Robert Haas
Madeline Haas-Russell
Tom Hayes
Susan Henderson
Ken Hoffman
James C. Hormel
Taylor Howard
Tom Hunter
Patricia Joan Ishiyama
Evelyn Jarvis-Ferris
Steve Jobs
Debora Jones
Peter Katsoudas
Mr. and Mrs. Robert H. Kenmore
Howard Koch
Jack Koehn
Dr. Jon Koza
Arnie Laub
Bill Lerach
Walter Loewenstern, Jr.
George Marcus
Larry Mazzola
Shalish Mehta
John Menke
Stuart Moldaw
Bob Morey
Harold Morgan
Anne Moser
Gloria Ott
Joe Parisi
Lee Pearson
Carmen Policy
Joe Pon
John Pritzker
Leon Richartz
Yvonne Ryzak
Paul Sack
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Wayne Sayer
Margaret Schink
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Steve Steam
Dean Tipp

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Chuck Cosimo
Andy Grove
Sandra Kurtzig
Ed McCracken
Dianne and Regis McKenna
Scott McNealy
Becky Morgan
Jim Morgan
Gordon Moore
Lew Platt
Kirk Raab
Sandy Robertson

John Sculley
Keith Sorenson
Michael Spindler
Jimmy Treybig
John Young

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Peter Yu

SUBJECT: Q & A and Briefing Material for California

This memorandum offers possible questions and suggested answers on matters of particular concern to Californians. The attached Tabs present more detailed briefing material on selected subjects: Attachment 1--the State's economy and the Administration's economic plan; Attachment 2--California and NAFTA; Attachment 3--dislocated worker policy; and Attachment 4--California and defense spending.

ISSUE 1: THE CALIFORNIA ECONOMY

Background

The California economy--which accounts for more than one-eighth of all US output--remains very weak. Unemployment in June stood at 9.1%, and most projections call for continued job losses through the remainder of the year.

The Administration's economic plan is the object of much political and substantive debate:

- In late July, Governor Wilson's office released a report which claims that the Administration's economic plan will cost California 359,000 jobs over five years, increase the state unemployment rate by 2.6%, and reduce the gross state product by 1.5%.

- The nonpartisan Legislative Analysts Office (LAO) of the state legislature has completed--but not officially released--its own analysis of the economic plan. Although critical of some of the analysis and conclusions in the Governor's report, the LAO study concludes that the plan will have "an overall dampening effect on the economy in the short to intermediate run" and "will create around 300,000 *fewer* new jobs by the end of 1995...than would have been created under a continuation of the Bush Administration budget."

CEA has reviewed these analyses and identified a number of conceptual and technical errors. Most significant are three:

- these analyses compare the economic plan to the Bush budget and thus assume that deficit spending can be sustained indefinitely--the last four years effectively disprove this premise;

- these analyses do not fully take into account the positive effects that lower interest rates and growth elsewhere in the US economy will have on California; and

- most importantly, these analyses focus too narrowly on the federal budget. The real issue is the California economy. All of the independent forecasters surveyed by CEA project that the state economy *will fare far better* under your Administration than under the last Administration. Under the Bush Administration, California lost 112,000 jobs; independent forecasters project that, by the end of 1995, California will have *gained* 300,000 to 1 million jobs.

Taken alone, the economic plan will do much to assist California's economy. Moreover, an interagency team led by Secretary Brown is developing additional options to address the particular needs of the California economy. This "California Economic Initiative" will be the subject of an NEC meeting Tuesday. Given the incomplete state of this effort, it may be best not to raise expectations and thus not to directly mention the Secretary's effort.

Possible Questions & Suggested Answers

Q: The California economy is hurting--unemployment stands at a nine-year high and consumer confidence near an all-time low. What is your Administration doing for the California economy?

A: First of all, our economic plan has put the country, and therefore California, on the right economic course. We have reduced the federal deficit by almost $500 billion and interest rates are now at historic lows. These are prerequisites to solid economic growth throughout the country.

More specifically, I believe the California economy is undergoing a transition to a post-Cold War, truly global economy--a transition that other regions have or will have to undergo. Our Administration is addressing the most critical aspects of this transformation. Health care reform will provide both security for workers, and a better climate for business and investment. NAFTA will integrate our regional markets and encourage exports that will be an engine of economic growth. We will soon announce a comprehensive program for dislocated workers to ensure that our workforce has the skills and training to be competitive in the global economy. And our $20 billion defense conversion initiative will encourage the development of leading technologies and the transformation of military-industrial capacity.

Q: *The California Legislature is about to release a study that concludes that your economic plan will cost the State 300,000 jobs. The Governor issued a report in July reaching the same conclusion, and calling your claims about job creation "wildly optimistic." How can you claim that your economic plan will help California?*

A: What most studies show--including those by impartial economic forecasters--is that California will create one million jobs over the first four years of our plan--compared to the loss of 112,000 jobs during the last four years. Unemployment soared from about 5% to almost 10% over the last four years--and we are not going to turn that around overnight. But unlike the last Administration, we have a plan for change: for defense conversion, for investing in small businesses, for retraining workers--and I believe these plans will create jobs in California.

With regard to the particular studies, I want to emphasize one point. The study from the Governor's office focuses on how many jobs *government spending* creates and neglects the main source of economic growth--private investment. The Governor's study fails to take into account the investment and growth created by historically low interest rates, which in turn are the result of our efforts to reduce the deficit.

ISSUE 2: NAFTA AND CALIFORNIA

Last weekend, State Treasurer (and gubernatorial candidate) Kathleen Brown announced that she could not support the NAFTA agreement in its current form. She urged negotiation of stronger side agreements, an agreement for the transfer of convicted illegal aliens, and an additional side agreement between California and the federal government, guaranteeing federal support for NAFTA-related costs.

Possible Question & Suggested Answer

Q: *Kathleen Brown, once a supporter of NAFTA, came out last week against NAFTA. Several other leading Democrats are on the fence. How does the Administration plan to respond to this situation?*

A: Obviously, I am very disappointed at Kathleen's decision. Kathleen and I agree in principle: NAFTA must ensure fair trade, protect our workers, and safeguard the environment. I believe that we have put together a package that meets all of these objectives and believe that NAFTA will trigger economic growth and job creation--in the country as a whole, but particularly in California. Over the last five years, California's exports to Mexico and Canada have more than doubled; trade with those countries now directly supports 200,000 jobs in California.

Next week, we will kick-off a major effort led by Bill Daley, Secretary Bentsen, Mickey

Kantor, and many other White House officials to work with leaders from both parties to explain how NAFTA will open markets, increase exports, and fuel economic growth and job creation.

Issue 3: Defense Spending and Defense Conversion

Background

Please see attached memorandum on California and Defense Spending (Attachment 4).

Possible Question & Suggested Answer

Q: *Why does California seem to be getting hit disproportionately by defense budget cuts?*

A: California's share of the defense budget--roughly 20%--has been stable for many years. Thus, the State is not getting hit disproportionately. It is receiving cuts proportional to the cuts in the overall defense budget.

California *is* getting hit harder than other States on base closures. That's mainly because most of the closures in this round are Navy bases, many of which are located in California.

Q: *What are the implications of the recently completed "Bottom-Up Review" for California and its economy?*

A: The overall picture is well summarized by the *Los Angeles Times* headline last week: "Region's Aerospace Sector Spared Defense Review Cuts." The Bottom-Up Review will continue many essential defense programs important to California's aerospace industry and the Nation--such as the F-18, B-2, and F-22. The C-17 airlifter, while not formally part of the review, will also be continued.

The military satellite business (which employs 50,000 California workers) is unaffected by the review. The one area of reductions involves space launch systems, in which the Spacelifter was bypassed for upgrades to existing rockets.

Issue 4: The *Barclays* Matter

Background

Barclays Bank has challenged the constitutionality of California's "unitary tax" system as applied to foreign multinational corporations. In May, you decided that the Administration should *not* file an unsolicited brief in the Supreme Court, even though previous Administrations had participated in the litigation at earlier stages. Critical to your analysis were the potential retroactive liability for California and the fact that the statute being challenged has since been amended. The UK, the EC, and others have announced plans to retaliate against US-based multinationals if the situation has not improved by the end of the year.

In May, the Supreme Court asked the Administration to file a brief in this case; that brief should be filed no later than mid-September. Administration officials have been working quietly with California officials to resolve this matter. Last week, the California Senate passed a bill that would effect several changes to California's unitary tax regime and that would substantially reduce the likelihood of retaliation. The California Assembly is considering this bill. Although there has been some legislative maneuvering on this matter, when Secretary Bentsen spoke with Speaker Brown about this matter earlier this week, the Speaker was optimistic. Time is of the essence, as the legislative session ends Friday, September 10. There are indications that the Governor will sign the bill.

Given the sensitivity of this matter, it would be best to adopt a very general approach and to decline to comment on the specifics of the legislation or the brief at this time.

Possible Questions & Suggested Answers

Q: *What position will the Administration take in the current challenge in the Supreme Court to California's unitary taxation system?*

A: Because the matter is currently pending before the Supreme Court, I do not believe that it would be appropriate for me to comment on the contents of the brief at this time. However, I would emphasize that my Administration is working with officials in California, the United Kingdom, and our other major trading partners to attempt to craft a solution that is satisfactory to all parties.

Q: *Do you support the bill currently in the California legislature that would amend the unitary taxation system in California? The British and other major trading partners-- including the EC--have threatened to retaliate over this issue.*

A: The United States, California, the United Kingdom, and our other major trading partners share a common interest in developing an economic climate that stimulates investment, growth, and new jobs. We hope that retaliation can be avoided and my Administration is working with the appropriate officials in California, the UK, and our other major trading partners to resolve this issue in a manner satisfactory to all concerned.

ISSUE 5: SHIPYARDS

Background

The U.S. ship-building industry is not competitive in the global commercial market. Since 1960, U.S. shipyards have produced no commercial, ocean-going ships for non-U.S. owners. In the 1970s, they continued to produce commercial vessels for the U.S. flag fleet with the help of Construction Differential Subsidies (under which the federal government underwrote the extra cost of building ships in U.S. rather than foreign yards). With the elimination of Construction Differential Subsidies in 1981 and the rising demand for ships from the Navy, U.S. shipyards began to produce primarily for the Navy. With the decline in defense spending, naval ship-building orders will fall. Unless the industry can compete in the market for commercial vessels, many U.S. yards will go out of business. Industry estimates that approximately 70,000 shipyard jobs -- out of a total of 124,000 ship-building jobs -- will be lost by the end of the decade.

Pursuant to the FY93 National Defense Authorization Act, the Administration has set up an interagency working group on the U.S. shipbuilding industry, which must propose to Congress by October 1 a plan for shipyard revitalization.

Possible Question & Suggested Answer

Q: *What is the Administration doing to save California's shipyards?*

A: We recognize that with the decline in defense spending, many shipyards and workers face an uncertain future. To survive, many of these yards will need to shift their production toward the international commercial market.

Competing in this market is difficult, in part because other countries have been subsidizing their yards. This week, our trade negotiators have been meeting with their foreign counterparts to negotiate an end to these practices. We're hopeful that these negotiations will succeed. At the same time, we are working with Congress on legislation that will provide remedies in case these negotiations are not successful. We are also developing a plan to help shipyards make the transition from military to civilian ship construction. We plan to submit our proposal to Congress by October 1.

ISSUE 6: STOCK OPTIONS

Background

Currently, stock options are accounted for only through an increase in the number of shares outstanding (which reduces earnings per share). FASB (the Financial Accounting

Standards Board) asserts that since options constitute compensation, and therefore something of value, a charge against earnings is appropriate, and has proposed such a charge. Comments on the proposal are due at the end of December.

High-tech companies, particularly start-up companies with limited cash resources, are major grantors of stock options to a broad cross-section of employees. The FASB proposal will require them to reduce reported earnings and/or to grant fewer options. They are strongly opposed to the proposal, asserting that it will (i) reduce the ability of new businesses to attract talent; (ii) reduce employee incentives to make such businesses succeed; and (iii) reduce the ability of such businesses to raise funds through both stock issuances and borrowing. The companies also point out that the value of the options (for the purpose of making the charge) is both speculative and extremely volatile.

In early August, FASB conducted a "hearing" on the proposal in Santa Clara. Approximately 350 people showed up at 7:30 in the morning to protest the proposal. Participants have described the meeting as "extremely emotional," saying, "FASB told us they didn't care what the impact would be."

This is also a sensitive issue on Capitol Hill. Senator Levin has introduced legislation to force FASB to do what they have proposed, and Senator Lieberman (with Senators Feinstein, Boxer, and Mack) has introduced legislation directing the SEC to overrule FASB's proposal. (Senator Lieberman's bill would also create a new class of tax-advantaged broad-based stock options.) Nevertheless, the Senators are leery about legislating accounting standards, both because of the precedent involved and because of FASB's independence. Even some strong opponents of the FASB proposal do not support Senator Lieberman's bill because they are concerned that such accounting is usually less, not more, accurate and useful to shareholders.

NEC and Treasury are analyzing both the FASB proposal and Senator Lieberman's bill. If it is determined that there are indeed serious problems with the proposal, finding a way to convince FASB to modify it without being heavy-handed or raising Senator Levin's ire will be difficult. It is therefore important not to signal more than we need to now in response to any question.

Possible Question & Suggested Answer

Q: *As you may know the Financial Accounting Standards Board (FASB) has proposed requiring companies to take a charge to income for stock options. This will severely affect many start-ups and high-tech firms. Do you have a position on that proposal?*

A: I understand that many firms and individuals have raised, with FASB and others (including members of the White House staff), the concern that FASB's proposed stock options accounting rule would reduce the ability of high-tech companies to attract and retain talented management and employees, and to raise capital. The jobs and productivity of businesses in this community are very important to both California and the country, and we will be looking at the FASB proposal with those concerns in mind.

<u>ISSUE 7: EXPORT CONTROLS</u>

<u>Background</u>

Export controls are a priority matter for many high-tech and specialty firms in California.

<u>Possible Question & Suggested Answer</u>

Q: For years, the U.S. has imposed overly stringent and sometimes ineffective export controls on many of our most competitive products. By some estimates, U.S. companies lose $9 billion a year in sales due to unnecessary export controls. What is your Administration doing to relieve the burden Cold War controls impose on U.S. companies?

A: One of my goals as President is to tailor the export control system to the realities of the post-Cold War world.

- We will continue to need strong controls to combat the growing threat of proliferation and to send a strong signal to countries that support international terrorism.

- But we also need to make long overdue reforms to ensure that we do not unfairly and unnecessarily burden our important commercial interests.

By the end of this month, Secretary Brown will release a report that contains a number of specific steps to help liberalize controls on some of our most competitive exports.

- We have already taken steps to liberalize computer controls and we hope to do more in this area and in telecommunications by the end of the month.

- We are working to reduce the time the Federal government takes to process export license applications.

- We hope to expand the availability of distribution licenses so that exporters do not have to come back to the Federal government repeatedly for a license.

- And we are going to try to eliminate unnecessary unilateral controls that put our companies at a disadvantage compared with competing companies.

In addition, we are seeking a transformation of COCOM, the multilateral export control regime, which should lead to a significant liberalization of controls on computers, telecommunications, and machine tools.

Finally, we will soon complete our review of nonproliferation and export control policy, which will set guidelines for further reforms.

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

THROUGH: Sylvia Mathews

FROM: Paul Deegan
National Economic Council

SUBJECT: Background Information for Visit to California

This memorandum presents background information about current conditions and issues in California. It addresses (i) economic conditions in the state, (ii) issues of major concern in the state, and (iii) Administration programs that would help the state.

I. ECONOMIC CONDITIONS IN CALIFORNIA

- CEA expects the slow growth in California will last through the end of 1993.
- The July 1993 unemployment rate was 9.8% -- among the highest in the nation.

II. PRESSING ISSUES IN CALIFORNIA

- ***Base Closure*** -- Over 30 bases are slated to close or lose personnel. 30,000–40,000 military and civilian jobs out of 390,000 will be lost. (See "California and Defense Spending" memorandum (Attachment 4) for more information.)

Bay Area Base Closures:	Jobs Lost or Relocated
– Naval Air Station, Alameda	11,100
– Mare Island Naval Shipyard, Vallejo	7,000
– Naval Depot, Alameda	2,600
– Oakland Naval Hospital	2,100
– Naval Public Works Center, San Francisco	1,500
– Treasure Island Naval Station, San Francisco	1,500
– Defense Distribution Depot, Oakland	300
– Total	**26,100**

- *Technology Reinvestment Program (TRP)* -- The TRP, part of your $1.7 billion Defense Reinvestment and Conversion Initiative, has drawn great interest from California's industries. The TRP received 2800 proposals, requesting $9 billion (press release issued August 11). Roughly 25% of the proposals came from California.

- *Erosion of the Manufacturing Base* -- According to DoC, California lost 123,000 manufacturing jobs (net) from 1989-1991.

  Net decline in total employment in manufacturing (California, 1989-1991):
  - transportation equipment, excl. motor vehicles (-37,000 jobs)
  - electronic equipment, excl. computer equipment (-28,000 jobs)
  - instruments and related products (-19,000 jobs)
  - fabricated metal products (-19,000 jobs)

- *Aircraft Industry* -- Employment in aircraft manufacturing fell by 23,000 jobs from April 1992 to April 1993. The industry has been hurt by a decline in DoD and commercial procurement. Opportunities for growth include replacing an aging commercial fleet, noise regulations, and an increase in Pacific Rim air travel.

- *Construction Industry* -- Signs are mixed. Authorized nonresidential construction in California had increased every month from 2,000 units in January to over 4,500 units in June. The July numbers fell back to just over 4,100 units. (Source: Bureau of the Census)

- *U.S.-Flagged Fleet* -- Oakland-based American President Company, announced plans to put six new ships under foreign flags. APC has filed to re-flag. Legislation has been introduced in the House to prevent this from happening until the end of next year. The Senate is likely to oppose this. The Administration has not yet taken a position on this legislation.

- *Space Station* -- 4,700 jobs and $570 million in contracts for McDonnell Douglas, Rockwell, Lockheed and many smaller contractors are dependent on the project.

- *Iridium, Inc.* -- On August 10, Lockheed and Motorola signed a $700 million contract for the development of elements of the Iridium global telecommunications system -- a space-based, wireless personal communications network (includes voice, data, fax and paging). The work from the Lockheed contract will be performed in Sunnyvale, California and Austin, Texas.

- *NAFTA* -- From 1987-1991, California's exports to Canada have nearly doubled; exports to Mexico have grown by 145%. Sales to Canada and Mexico account for 19% of the state's total exports. (Source: USTR)

CA's Exports to Mexico, 1987-1992 -- Thousand $ (Source: DoC)

	1987	1992	% Change
Total Exports to Mexico	2,260,000	6,560,000	190%
Electric & Electronic Equipment	431,000	1,500,000	250%
Industrial Machinery & Computers	385,000	1,035,000	170%
Transportation Equipment	81,000	390,000	380%

III. ADMINISTRATION PROGRAMS THAT WOULD BENEFIT CALIFORNIA

According to Treasury estimates, based on a variety of demographic and economic data, your economic growth plan for California (1993-1998) includes the following:

- $2.6 billion investment in worker training and higher education;
- $1.8 billion investment in schools and children;
- $1.7 billion investment in housing and communities;
- $1.7 billion investment in health and AIDS research;
- $1.5 billion investment in highways, mass transit and environmental infrastructure;
- $2.3 billion in tax incentives for business investment; and
- $3.7 billion in tax credits for the working poor (EITC).

Expanded EITC (fully phased in)

Rep.	EITC Benefits	$ (millions)	% Families	Higher Taxes
Eshoo	21,500 families	37.1	15.2	10,800 families
Mineta	19,300 families	33.3	12.9	6,600 families
Stark	24,200 families	41.7	16.4	2,400 families
STATE	**2,147,000 families**	**3,702.2**	**29.7**	**218,800 families**

- ***Your Economic Growth Plan Will Create Jobs in California*** -- Treasury estimates your economic growth plan will create nearly 2,000,000 new jobs from 1993-1996 -- 900% more than were created from 1989-1992.

CALIFORNIA and the NAFTA: *EXPORTS and JOBS*

• JOBS •

CALIFORNIA Jobs Supported by Trade with MEXICO and CANADA - 189,400.

• EXPORTS •

CALIFORNIA Exports to MEXICO and CANADA Reached $13.9 billion in 1992.

- **California was one of 17 states which ranked Mexico among their top three markets.** Canada, our other NAFTA partner, ranked second among California's export markets; Mexico was third largest.

- **89,600 jobs in California in 1992 were supported by exports to Mexico.** Over 45 percent of those jobs were created in the past five years, since Mexico began liberalizing its import regime.

- **California's merchandise exports to Mexico almost tripled from 1987 to 1992,** rising from $2.3 billion to $6.6 billion.

- **California ranked second among all states in the value of 1992 exports to Mexico.**

- **During the past five years, California's exports to Mexico rose by $4.3 billion, the second largest dollar increase among the states.** Border states have been among those with the largest increases in the dollar value of exports to Mexico.

- **California's exports to Mexico grew 191 percent from 1987 to 1992,** 96 percentage points faster than the state's export growth to the rest of the world.

- **California's exports to Mexico in 1992 were broad-based.** The top export categories were: electric & electronic equipment ($1.5 billion), industrial machinery & computers ($1.0 billion), transportation equipment ($389 million), fabricated metal products ($345 million), and primary metal industries ($340 million).

- **California boosted exports of a wide range of manufactured goods to Mexico over the past five years. Eighteen of the twenty major industries that comprise manufacturing registered export growth.** Sectors with important gains included: food products (from $53 million to $315 million), apparel (from $29 million to $189 million), and chemical products (from $91 million to $312 million).

- **In 1992, California's exports to Canada totalled $7 billion.** California's exports to Canada more than doubled over the past five years, during which the U.S.-Canada Free Trade Agreement was implemented (January 1, 1989).

Compiled by USDOC/OM, August 1993.

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BONNIE DEANE, NEC

SUBJECT: A NEW ERA IN WORKFORCE RETRAINING

The Secretary of Labor is working on a host of your retraining initiatives which will transform our current *unemployment* system to a *reemployment* system. All of these retraining initiatives contribute to the re-inventing government effort by cutting red tape, improving customer service and spending federal money more effectively. In particular, the National Performance Review hailed One Stop Shopping as a way to reinvent the delivery of government employment and training services.

The urgent need for re-inventing retraining is underscored by the recent findings of the five year Congressional Study *Adult Literacy in America*. "This should be a wake up call for Americans to get an educational tune-up," Secretary Riley commented, "The vast majority of Americans do not know that they do not have the skills they need to earn a living in our increasingly technological society and international marketplace."

I. One Stop Shopping. Pending your approval, One Stop Shop will be proposed within 60 days as part of the Dislocated Worker legislation. One Stop Shop will create a network of convenient outlets that provide access to self-help job assistance as well as a clearinghouse for additional Department of Labor and private employment and training services.

Key Features:
--Maximize customer orientation for employment and training services.
--Regional Workforce Councils will bring business, education, local government and workers together so they can work out and implement a regional workforce agenda.
---Extensive flexibility for local creativity.
--Creates an information highway to: career info, training programs, financial aid, etc.
Additional Reinventing Government Recommendations:
--Workforce Development Council for coordination of federal regulation and policy on employment and training across the 14 agencies involved.
--Use the One Stop Centers for an access point to services such as Department of Education loan programs or job training for welfare families.

II. Comprehensive Dislocated Workers Program. This legislation will be unveiled within 60 days in conjunction with the NAFTA campaign. It will combine narrowly defined dislocated worker programs into a single, comprehensive assistance program for anyone who permanently loses their job. Less money will be spent on red tape and eligibility determination. Rapid response with basic assistance will be the highest priority: help with interview skills, resume prep and job search training. Workers will be helped even before their old job ends. In addition, assessment, long term training and income maintenance will be available to those that need to make more fundamental career changes.

Key Features:
-- Doubles the funding currently available for displaced workers under the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA).
--Assists workers impacted by defense downsizing, NAFTA, environmental regulation, technical change or any other reason for permanent job loss.
--*Cuts red tape and administrative overheads* by combining several programs. Currently *months* are wasted are wasted filling out paper work to determine eligibility based on why you were dislocated instead of what you need for the future.

<u>**III. Skill Standards.**</u> The GOALS 2000 Act currently under consideration in Congress provides funding and a process for the creation of voluntary, industry developed, national standards for skills in demand by employers.
--Portable, nationally recognized skill certificates.
--Improve training quality for Dislocated Workers, One Stop, and School to Work.

<u>**IV. Re-employment Insurance.**</u> The traditional Unemployment Insurance (UI) system was designed to help Americans tide themselves over during downturns. But a growing number of Americans who lose their jobs can't expect to get them back. Re-employment Insurance--designed to move workers into *new* jobs as quickly as possible--would be a better investment of employer funds. **Subject to your approval, the Labor Department proposal may include:**

--**Worker Profiling**: Using data already available in the UI system, we can zero in on the workers least likely to get their old jobs back. We can get them started on job search assistance earlier and, if they need it, retraining.

--**Flexible Benefits**: Current benefits can be used in new ways--for example, letting workers draw UI payments while in training, or use UI funds to start their own businesses. A further step--and a much bigger one--will be to extend benefits beyond the normal 26-week limit for workers who need longer term training in order to land a good job. These UI changes will be proposed either in fall as part of the Comprehensive Dislocated Worker program or separately at a later date.

<u>**V. National Service.**</u> The passage of the National Service program opens a new avenue for worker retraining. At any age, an individual can choose to earn educational awards of up to

$9,450 for two years of community service work. The scholarships can be used in community college and proprietary training programs as well as 4 year colleges.

THE WHITE HOUSE

WASHINGTON

September 9, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: Dorothy Robyn and David Lane, NEC
Steve Jones, NSC

SUBJECT: California and Defense Spending

Overview

California received an estimated $50 billion in federal defense dollars in 1993 -- about 20 percent of the national total. Three quarters of those outlays go to the state's defense industry. The remainder goes to the more than 400,000 military, civilian and reserve DoD personnel in the state.

Defense spending accounts for 6 percent of California's economy, down from 8 percent in 1988 and 14 percent in 1968. Although Southern California is the state's most defense-dependent region, Silicon Valley is also a major center of defense industry.

Total defense spending in California peaked at $60 billion in 1988 and is expected to fall by 60 percent to $37 billion in 1997. The California Commission on State Finance estimates that defense cutbacks will cost the state 125,000 direct jobs over the next four years -- 90,000 of those in industry and the balance through military base closures.

Defense Industry

California's aerospace industry (broadly defined) has lost 140,000 direct jobs since January 1988 -- more than 80 percent of them in Los Angeles, Orange and San Diego counties. This represents more than half the total expected industry job losses, even though less than half of the cuts in defense contracts have occurred. It appears that, as in the early 1970s, defense contractors are reacting to the **expectation** of cuts.

Most of the state's defense industry workers are employed by the large primes, which are highly specialized in defense systems integration. The "common wisdom" is that the primes failed at efforts to convert in the 1970s and won't make that mistake again; instead, they will downsize, liquidate and stick to their knitting. In fact, it's a more interesting and complicated knitting. In fact, it's a more interesting and complicated story: for example, Rockwell's focus is on increasing its exports in car and truck axles, factory robots, and commercial aircraft instrumentation.

That said, the real potential for conversion is with the subtier firms for two reasons: One, that's where the overlap between military and commercial technologies is greatest (e.g., in electronic components, sensors, machine tools and software). And two, many subtier firms remain involved in commercial markets and are therefore in a better position to diversify.

Bottom-Up Review

While defense cutbacks have adversely impacted the California economy, the Bottom-Up Review (BUR) that you just approved will continue many essential defense programs important to California's aerospace industry and the nation. For example, work on the F-18 upgrades (Northrop at El Segundo), B-2 (Northrop at Palmdale), and F-22 (Lockheed at Palmdale) will continue at California aerospace plants. While not formally part of the BUR, the C-17 (McDonnell at Long Beach) airlifter also continues.

The military satellite business, which employs about 50,000 people in California, remains unaffected by Bottom-Up Review decisions. The MILSTAR (Lockheed) and other TRW and Hughes military satellite programs will continue. The one area of cuts involves space launch systems, where the Spacelifter was bypassed for upgrades to existing rockets. Many follow-on BUR decisions remain to be made in formulating the FY95 defense program and budget. The overall picture, however, is summarized by a recent <u>LA Times</u> headline: "Region's Aerospace Sector Spared Defense Review Cuts."

Base Closures

Several facilities in Northern California are slated for closure under the recommendations of the 1993 Base Closure Commission (the decisions will become final on September 27). As you know, the seven bases to be closed are located in Oakland/Alameda (5), San Francisco (1), and Vallejo (1). In addition, two bases near Sunnyvale were ordered closed during the 1991 base closure round:

<u>Moffett Field Naval Air Station</u> (Mountain View) -- Although the Navy will close the station in October 1994, the airfield will continue to operate under federal government ownership. It will be transferred to NASA, which will continue to operate the Ames Research Center on part of the base. In addition, Lockheed Missile and Space Company will continue to use the airfield to support its adjacent activities (21,000 jobs retained). As a result of increased NASA and other activities, it is expected that new activity on the base will replace lost Navy jobs on a 1-for-1 basis. Though there is some local concern about

environmental cleanup of the base, the base closure process has been generally satisfactory to the community.

<u>Fort Ord</u> (Monterey County) -- This Army facility, located in Leon Panetta's former congressional district, will close in September 1996. This closure will have a significant impact on the local economy, directly costing 16,500 jobs (14,000 military and 2,500 civilian). In addition, the base has major environmental problems, and the cost of cleanup may total more than $100 million. The planning process for reuse of the facility is well underway, but because of the complexity of the issues and the shortage of state and local resources, occasional friction has surfaced between community leaders and DoD. In an effort to address unresolved issues and demonstrate DoD commitment to economic revitalization after base closure, Deputy Secretary Bill Perry will visit Fort Ord on Monday, September 13. While there, he will announce an **EDA grant of $1.5 million to support planning for an education/research complex that the state of California would like to establish at Fort Ord.**

Promising Signs

California's economic wounds are deep and they will not heal spontaneously. Nevertheless, the state is well-positioned to develop a defense conversion model for the rest of the nation. California is rich in technology and talent, and it stands ready to reinvest in itself to create a dynamic economy for the 21st century.

Two examples illustrate the potential. A Southern California consortium, CALSTART, has a showcase electric vehicle program that has brought together dozens of defense firms to supply components and subsystems. The program includes an electric bus mass transit project, and a $15 million infrastructure effort for electric vehicles that includes work on battery charging, servicing and recycling by five California utilities. Of the proposed $37 million funding for CALSTART, $23 million will come from industry participants. (CALSTART has received two federal grants and is seeking additional funds from the Technology Reinvestment Project.)

Joint Venture: Silicon Valley is an industry-led coalition aimed at restoring that region's economic vitality. The heart of JV:SV is "Smart Valley," a plan to link firms electronically to one another and to universities, schools and government agencies. (Vice President Gore is meeting with Smart Valley representatives on Thursday.) Although Silicon Valley is heavily dependent on defense dollars, the region is a virtual hothouse for the transition of defense technologies to commercial applications in communications systems, advanced computing, environmental and sensing technologies, and navigation and positioning equipment.

JV:SV is brokering partnerships with commercial firms; putting entrepreneurs in touch with financial, technical and business resources; and providing retraining and job placement for defense workers.

One Silicon Valley firm that exemplifies the potential for dual-use is Trimble Navigation. Trimble designed and produced the GPS (global positioning system) technology that served to navigate our tanks in the Gulf War. That technology is now being used to navigate ambulances, as part of an initiative called "Safe Valley."

Clinton Defense Conversion and Reinvestment Initiative

TRP. The Technology Reinvestment Project has been extremely well received in California. Nearly one-quarter of the 2800 proposals came from California, and the state itself put up $65 million in matching funds. Among other things, the TRP had a powerful catalytic effect in stimulating partnerships among technology firms. (Technology Transfer Business magazine quotes one expert as saying, "[The TRP] has forced a lot of people, at least in California, to rethink relationships. It just totally redefined the way American industry respond[s] to defense ....")

Announcement of the TRP awards will begin late this month.

As described in a separate memo from Bob Rubin, the Armed Services committees have increased the Administration's request for the TRP in FY94 by $300 million, in response to industry's enthusiasm for the program. You may want to endorse that increase while you are in California and indicate that you will fight to get full appropriations for the TRP.

Capital Availability. Despite the TRP's popularity, many firms in Southern California feel that it is a drop in the bucket. Moreover, some feel there is insufficient capital to finance production ventures that will follow from the TRP and other R&D efforts. That's a controversial topic: experts don't agree on whether there is a capital availability problem, much less what the federal government can do to solve it. The NEC will be looking in the next few months at whether a federal program (say, loan guarantees) is warranted as part of our conversion initiative.

Procurement Reform. Procurement reform is a critical piece of the Administration's defense conversion and reinvestment initiative, because it will make possible the integration of the now largely separate defense and commercial sectors: As the head of defense acquisition put it, "DoD no longer has the luxury of being able to afford its own private industry." California defense firms will benefit significantly, as the removal of Miltheir commercial and military production lines and compete more successfully in commercial markets.

Although past efforts to reform procurement have had little success, we have an extraordinary window of opportunity, and the Administration is in a position to make considerable headway: The NPR report stakes out a strong position, and DoD has drafted a bill that the Administration will introduce in the next month or so. (We are still trying to resolve inter-agency differences over socioeconomic requirements such as Davis Bacon.) DoD is also moving quickly to eliminate Mil-specs and other internal requirements wherever possible. Procurement reform will not be easy, and there will be fierce resistance from some quarters on the Hill and within the DoD bureaucracy, but the opportunity is there for major progress.

Paul

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: TOM EPSTEIN

SUBJECT: CALIFORNIA POLITICAL BRIEFING

The attached document summarizes the California political situation and addresses key issues that might be raised by reporters or others on your visit to Sunnyvale. Highlights include the following:

* **Governor Wilson** obviously feels his fortunes are inversely related to yours. A summary of his motives and recent actions is on page 2.

* The **1994 election** season has begun. A review of the brewing governor's race, Senator Feinstein's reelection, and other statewide candidacies and ballot measures (including the school voucher initiative) begins on page 3.

* The four most **volatile federal-state issues** are immigration, NAFTA, the impact of the economic plan on California, and EPA's high-stakes game of chicken with the state legislature over smog control legislation. The current status of each is described beginning on page 5.

* Over 100 Californians have been **appointed** to high administration jobs. A brief description is on page 7.

CALIFORNIA POLITICAL BRIEFING

GENERAL POLITICAL LANDSCAPE

With the state's economy in deep trouble and no end in sight, impatient Californians are growing increasingly dissatisfied with Washington's efforts to come to the rescue. As a result, some Democrats are distancing themselves from the administration's policies and Governor Wilson aggressively confronts the President on every available issue in an attempt to shift the blame to the federal government. The most recent developments illustrating this trend are Kathleen Brown's Labor Day reversal on NAFTA (she is now opposed, joining Garamendi, Boxer, and Feinstein); and an unusual Willie Brown-Pete Wilson alliance against EPA's position on smog inspection legislation (see below). In addition, Democratic State Senate President David Roberti asked the respected state legislative analyst to prepare a report intended to rebut a Wilson administration study claiming the Clinton economic plan would impair job growth. Instead, the analyst found that the state would have been better off under Bush's economic proposals. This report has not been released yet, but will undoubtedly surface sometime soon. An NEC response is imminent.

Wilson's most visible initiative--a rather extreme assault on illegal immigration--stems from his lackluster poll numbers and shallow support base. A poll taken amid all his immigration hoopla indicates it may have yielded some immediate benefit. A new Field survey showed his approval rating climbing from 15% two months ago to 22% today (in all likelihood, he merely solidified a core constituency). The new poll also showed him gaining ground but still losing matchups with either Insurance Commissioner John Garamendi or Treasurer Kathleen Brown by double-digit margins. The poll also showed Brown leading Garamendi by a 24%. During the period between the two surveys, California enacted a budget on time and passed a sweeping reform of the state's workers compensation laws. Those accomplishments represent the most successful legislative period of Wilson's 2 1/2 year tenure.

The state budget may prove to be a mixed blessing for the governor. While no new taxes were enacted, fees for all sorts of public services will skyrocket, especially at colleges and universities. In addition, county governments are enacting severe cutbacks in health and public safety services as a direct result of reductions in state reimbursements. The state's voters will have an opportunity this fall to restore some of the cuts by approving a half-cent sales tax increase dedicated to public safety.
Also on the November ballot are bond measures for school construction and mortgage assistance for first-time homebuyers.

The most controversial measure on the fall ballot, however, is a private school choice/voucher initiative. Strongly opposed by Democratic leaders and teachers' unions, the initiative would permit public funds to be expended on private and parochial schools with little in the way of credentialing requirements. The recent Field poll showed the measure trailing, a positive sign for opponents who will outspend proponents by a significant margin. One helpful news story revealed a group of witches intend to start a school if the initiative passes. Opponents are also raising the specter of a Branch Davidian school to illustrate the flaws in the measure.

STATEWIDE CANDIDATE ROUNDUP

The possible Garamendi-Brown matchup still looks like a cakewalk for Brown. Garamendi, 24 points behind in the polls, has no and little money. Brown announced her new position on NAFTA to the delight of Labor Day audiences in three cities, disarming Garamendi of his most potent primary issue against her. Brown, meanwhile, has assembled a top-notch political team and banked over $3.5 million, with many more fundraising events scheduled. Brown is visiting Washington next week to receive the State and City Magazine "State Elected Official of the Year" award. She will meet with Joan Baggett and perhaps other administration and DNC officials.

Senator Feinstein's most serious challenger still appears to be Congressman Michael Huffington, who has been travelling the state testing the waters. While he would be a difficult general election candidate, he could conceivably have trouble in a Republican primary. He is pro-choice and supported allowing gays to serve in the military. Congressmen Robert Dornan and Christopher Cox are both exploring the race. Senator Feinstein requested a Presidential appearance at a fundraiser for her in California. This invitation has been accepted, and will be scheduled in Los Angeles in early 1994.

Other California fundraisers in the works include: the Vice President in Sacramento and Los Angeles on September 27 and Orange County on September 28; the President in Los Angeles for the DCCC on October 4; and the President in Los Angeles for the DNC in early December.

Last week, former state party chair Phil Angelides abandoned a race for Lieutenant Governor, deciding instead to run for Treasurer. This leaves Controller Gray Davis as the only serious Democrat for LG. Senate President David Roberti will likely challenge Angelides for Treasurer. San Francisco District Attorney Arlo Smith and Orange County Assemblyman Tom Umberg both say they will battle for the right to challenge incumbent Republican Attorney General Dan Lungren. A variety of state legislators and others are considering races for Controller and Secretary of State assuming the incumbent, March Fong Eu, receives her coveted ambassadorship.

Finally, the State Legislature will approve this week a bill moving the 1996 Presidential Primary up to the fourth Tuesday in March. The Governor has announced he will sign the legislation.

SAN FRANCISCO BAY AREA POLITICS

Mayor Frank Jordan, a former police chief, is under assault from all quarters in militantly liberal San Francisco. With a series of botched personnel moves followed by massive budget cuts, the media, most interest groups, and nearly the entire board of supervisors are after his head. He's not up for reelection until 1995. His 1991 opponent, former Mayor Art Agnos, will soon be named the administration's Region 9 HUD director.

In Silicon Valley, some formerly supportive business leaders continue to grumble about the evolution of the administration's economic plan. The administration is working with area businesses on a one-stop export project expected to be launched this fall. Some biotech industry leaders remain concerned about the possibility of price caps on new drugs as part of the health care plan despite recent reassurances that this would not happen. They also fear delays in siting a low-level radioactive waste facility. Last month, Secretary Babbitt announced a public hearing would be required before the controversial Ward Valley property could be approved as a disposal site. While this decision was a disappointment to industry executives who wanted this project to be approved immediately, Secretary Babbitt placed significant constraints on the process that will likely result in approval for the site by the end of the year.

The biggest news to hit the San Francisco Bay area this year, of course, is the base closure decision. With seven closures, the region could suffer tens of thousands of job losses. Moffett field, this week's arrival site, was ordered closed in 1991, but has benefited from a significant NASA presence at the facility.

The budget plan included tax relief for several thousand residents of Oakland and Berkeley who lost their homes in the 1991 fire.

SILICON VALLEY FACTS

While the economy is slow, the region is doing much better than California as a whole. Exports, aerospace, and defense industries are hurting most. The credit crunch continues and commercial real estate is significantly overbuilt. Lockheed, the valley's largest employer, experienced no major layoffs in the past year. NAFTA is popular among technology businesses.

DEPARTMENT OF COMMERCE INITIATIVE

The Department is in the final stages of preparing a short and long-term strategic plan for California. A meeting is set for this Monday to put the finishing touches on a presentation Secretary Brown will make to the NEC next week. Many sources of funding for California projects have been identified and systems recommended to ensure the state receives the maximum amounts allowable and that these programs are widely and effectively communicated. This is a complicated and ambitious undertaking that will require high levels of cooperation among many different agencies and departments.
(a listing of funding already provided to California in 1993 is attached)

KEY ISSUES

NAFTA is in big trouble among California Democrats, with all the top statewide leaders now in opposition. Kathleen Brown based her flip on the failure of the side agreements to adequately protect workers and the environment. She also suggested California deserved a separate "side agreement" with the federal government to ensure the state does not bear a disproportionate burden of the implementation costs of NAFTA, which she estimated at an extraordinary $40 billion.

Immigration remains the hot button issue for 1994 in California. With Wilson adopting the most punitive positions imaginable, Democrats have scrambled to look tough without crossing the line into jingoism. Feinstein has made many public pronouncements, but has equivocated on hard issues like national identity cards and benefit prohibitions. Boxer called for National Guard troops to patrol the border. Kathleen Brown suggested negotiating a side agreement to NAFTA to evict alien criminals in mid-sentence.

Wilson's program is predicated upon the notion that illegal immigrants enter the country for the benefits. He proposes cutting off this "magnet" by prohibiting illegal immigrants from receiving medical care or public education. He also seeks a constitutional amendment denying citizenship to American-born children of illegal immigrant parents. He also supports an alien work identity card and putting pressure on the Mexican government to fight immigration on their side of the border. Finally, he charges California has been under-reimbursed for the costs of both legal and illegal immigration.

Most observers, including many newspaper editorial boards across the poltical spectrum, have chastised Wilson for his punitive and divisive approach to the issue. Cartoonists have lampooned him. Since the Wilson plan included no penalties against employers, Democratic state legislators have asked him to "put up or shut up" by introducing a bill mandating confiscation of the assets of employers who repeatedly hire illegal immigrants. While Latino advocacy groups have opposed nearly all the governor's proposals, some Hispanic state legislators have come forward with a moderate program that supports some benefit restrictions and doesn't rule out a tamper-proof identity card. Today, Wilson sent a letter to the President asking the administration to make California a pilot project for testing a tamper-proof identity card. (see DPC memo for more details)

The **California economy** is still in terrible shape, with an unemployment rate that rose to 9.8% even as the national rate declined. The Wilson administration has attempted to characterize the new budget package as detrimental to California because of the disproportionate impact of defense cuts, gas taxes, and high-bracket rates on California. Both his Department of Finance and Office of Planning and Research have released "studies" reinforcing these charges. One such study even claimed the budget would cost the state 800,000 jobs. The aforementioned state Legislative Analyst study was commissioned to defend the administration against these charges. While it strongly disputes many of the assumptions and conclusions of the Wilson report and suggests that the state will benefit over the long term from deficit reduction, the analysis does find that over 300,000 less jobs will be created as a result of the Clinton plan.

OMB Director Panetta has responded to the prior attacks on the plan with our job creation estimates, the California-specific impact of the defense conversion and technology initiatives, investment tax incentives, passive loss rules, and the disproportionately positive effect of lower interest rates on California's inflated real estate values. The NEC is preparing a response to the latest study while also seeking other economic think tanks to develop competing analyses. Despite our best efforts, the media has accepted some of the Wilson administration's claims as valid.

The EPA's tough stance on **auto emission legislation** has resulted in a confrontation with Democratic legislators and the governor as the 1993 legislative session winds to a conclusion on Friday, September 10. Under the federal Clean Air Act, states must meet EPA standards or risk losing federal highway monies. Speaker Brown recently wrote to the President asking for a more conciliatory stance and repeated that position in public remarks Tuesday. Early Clinton supporter Assemblyman Richard Katz is Brown's point person on the bill, and he is intent on ramming a bill through the legislature that EPA claims will not meet its standards. The Katz bill, which is opposed by most California environmental organizations, will be enacted unless Senator Roberti holds it up on procedural grounds (a possibility we are encouraging).

EPA is demanding separate facilities to test and repair faulty vehicles, and insists that the Katz plan protects fraud-ridden small gas station test and repair facilities. Their proposal is embodied in a bill authored by moderate Democratic Senator Robert Presley which was defeated in a Senate Committee last week. EPA insists their plan, tested successfully in several other states, will be convenient, cost consumers less, and result in more repair business (i.e., more jobs). Congressman Waxman, author of the Clean Air Act, supports EPA's position. The Governor endorsed the Katz plan and has blasted the administration for dictating unreasonable solutions from Washington. He claims the EPA model will result in long lines, the closing of thousands of small businesses, and thousands of lost jobs.

Irrespective of this week's outcome, sanctions are not necessarily imminent. The process takes at least six months, leaving the state time to develop a plan acceptable to EPA and enact it early next year. We are working behind the scenes to prevent the unacceptable bill from being enacted and hope to negotiate with Katz, Presley, and other key players during the fall to develop a consensus bill that can be enacted quickly in early 1994. We have a long way to go. Browner called Katz Wednesday to propose a truce and he skewered her. (a one-page memo from EPA on this issue is attached)

The legislature also will decide the fate this week of the **unitary tax** bill strongly favored by the Treasury Department. If the bill is enacted, the British have signaled they are unlikely to retaliate against California businesses even if we take a pro-California position in the multi-billion dollar unitary tax case now pending before the U.S. Supreme Court. Speaker Brown, Senator Roberti, and the Governor have all endorsed the concept embraced by our proposal, but the bill is embroiled in complicated legislative machinations involving other matters. We are in constant touch with Sacramento to encourage the warring parties to keep their eyes on the prize.

APPOINTMENTS

Of the 764 individuals who have been appointed to PAS or PA positions, 72 are Californians. Of the 1931 SES and Schedule C appointees, 113 are Californians. Accordingly, 185 Californians are serving in your government--more than from any other state. Appointees of interest to the Silicon Valley area include Leon Panetta, Dave Barram (Deputy Commerce Secretary designate), Ginger Lew (Commerce General Counsel), Linda Tsao Yang (Asian Development Bank), William Perry (Deputy Defense Secretary), Sidney Drell (PFIAB) and Joe Stiglitz (CEA). In addition, scores of campaign workers from Northern California are working for you, including Marsha Scott and Melinda Yee (Commerce).

THE WHITE HOUSE

WASHINGTON

September 9, 1993

MEMORANDUM FOR THE PRESIDENT

FROM DONSIA STRONG
Domestic Policy Council Staff

SUBJECT Immigration Issues

A. Governor Wilson has proposed that your Administration take three specific actions to combat illegal immigration:

1. **Amend the Constitution to deny citizenship to children born in the U.S. to illegal immigrant parents.**

This must be rejected.

♦ Every other constitutional amendment has expanded rights and broadened group protection.
♦ The U.S. has never carved out an exception to the citizenship clause of the Fourteenth Amendment for children. of foreign nationals, even if the parents were in the U.S. illegally.
♦ Takes us back to perhaps -- the most embarrassing episode in American jurisprudence -- Dred Scott.

2. **Deny education and other social services to illegal immigrants.**

The only federal benefits illegal immigrants are eligible for are:

♦ Stafford Disaster Relief Act.
Provides for federal disaster assistance during or because of a Presidential declared disaster.

May take the form of (1) temporary housing assistance;
(2) individual family grants of up to $11,000; or
(3) unemployment assistance for up to 26 weeks.
The Act prohibits discrimination based upon national origin.

♦Medicaid.
Federal financial participation available for State costs an "emergency medical condition."

Without providing emergency medical care the country may be faced with a population capable of spreading disease and without assistance for life-threatening illnesses because few alternatives to care exist.

Illegal immigrants migrate to work. Therefore, we must focus on more careful and active enforcement of employer sanctions and labor laws.

♦Education.
In the 1982 case of Plyler v. Doe, the Supreme Court prohibited states from refusing to educate illegal immigrant children.

States are not bearing the cost of educating immigrant children alone.

> The Department of Education distributes $30 million through its Emergency Immigrant Program. The money is distributed to the states who then distribute it to the districts based on the districts' eligibility for the funds (i.e. 5% of the student population or 500 students must be considered immigrants).

The unfortunate result of a policy denying education to children is membership in a permanent underclass. To deny children the opportunity to be educated is to punish an innocent child for the crimes or misdeeds of the parents.

3. **Institute a tamper-resistant identification card.**

In the short term, the immigration interagency working group is reviewing the feasibility of narrowing the number and type of documents which can be presented to prove employment eligibility. During recent congressional hearings, it was made clear that the employer sanctions program is not a deterrent to illegal immigration. Prospective employees are permitted to present a wide variety of documents to prove identity and work eligibility, increasing the opportunity for fraudulent document use. Illegal aliens come to the U.S. to work. Reducing the number of documents which may be accepted will reduce the opportunity for fraudulent document use and thereby reduce the potential for illegal alien employment and the major incentive for illegal immigration.

Some sort of secure identification card may have some merit in the employment context. Every worker, whether citizen or permanently residing under the color of law, must have a social security number. The identification card could merely be a more secure, tamper proof form of the social security card.

The Health Care Task Force is considering an identification card. Civil libertarians and Hispanic Americans will aggressively fight any move to institute a national identification card because it raises concerns about "Big Brother" and fears of abuse and discrimination. This idea is suggested often and is very controversial. The costs would be substantial.

Today, Gov. Wilson called on you to designate California as a pilot project for receiving the tamper-resistant identification card.

Suggested response: While we appreciate the governor's offer of California as a site for a pilot project, as I have stated previously, the Administration is engaged in a comprehensive examination of the identification card proposal. This is a very important policy issue which has been very hotly debated in Congress for many years.

(In 1982, Gov. Wilson stated, "the suggested method of controlling the illegal influx – a national identification card – is a lousy idea.")

B. Presidential Initiatives to Combat Illegal Immigration

On June 18, you announced a Plan of Action to combat the smuggling of aliens into the United States by organized crime syndicates. The Plan responds to a problem which has existed for almost two years. The Plan:

- Strengthens law enforcement efforts;
- Combats smuggling operations at source countries;
- Directs Coast Guard to interdict and redirect smuggling ships in transit; and
- Directs DOJ to expedite processing of entry claims and return economic migrants smuggled into the United States.

With this Plan, the United States signaled its abhorrence of the trafficking in human beings for profit and its determination to combat this illegal activity. At the same time, we affirmed our commitment to safeguarding the protection of bone fide refugees. **Since this announcement we have successfully interdicted one ship off the coast of Guatemala and no ship has entered U.S. waters.**

On July 27, you announced a series of initiatives to combat illegal immigration generally, and alien smuggling and counterterrorism specifically. The centerpiece of the initiatives is a legislative proposal allows for the expeditious removal of those who arrive at our ports of entry with fraudulent or no documentation while protecting the rights of those legally seeking asylum. The legislation also doubles prison sentences for those convicted of smuggling aliens and makes smuggling a predicate for RICO prosecutions. We expect Congress to act on the legislation by the end of the ssession. In addition, the INS will complete its regulatory review and make its recommendation to further streamline the asylum process by September 30.

The proposal also includes $172.5 million in resources to --

- Hire, train and equip up to 600 border patrol agents to improve their ability to interdict and return illegal aliens seeking to cross the border;

- Increase funding to accelerate full automation of U.S. embassies and consulates to better provide information on people who should not receive visas; and

- Work in cooperation with the international airline industry to prevent illegal immigration abroad -- prior to an alien's arrival in the U.S.

NOTE: See attachment for the California congressional delegation's views on selected immigration issues.

California Congressional Delegation's Immigration Proposals and Views on the President's Immigration Bill, the "Expedited Exclusion and Alien Smuggling Enhanced Penalties Act of 1993"

California Senators

Barbara Boxer (D) and Dianne Feinstein (D) -- Both are concerned about controlling immigration and have stated that the President's legislation is a good first step towards that end.

Boxer has endorsed use of national guards on the border. Feinstein has proposed a six-point plan that would be funded by charging anyone crossing a border into the United States (including U.S. citizens, legal immigrants and visitors) a $1 fee. Her plan would: (1) increase the number of Border Patrol agents, (2) increase penalties for alien smuggling, (3) authorize Federal trial judges to issue deportation orders against illegal aliens convicted of aggravated felonies, (4) deport illegal alien felons to serve their sentences in their country of origin, (5) overhaul the asylum process, and (6) prevent Medicaid abuse by nonresidents. (The initiatives you announced on July 27th include many of these points. Others are being considered as a part of the ongoing interagency asylum review. However, USTR advises it would not favor the imposition of a border crossing fee. Such a fee would add to border congestion, increasing environmental pollution -- which the Administration currently is addressing in NAFTA side agreements. In addition, a border fee would raise political concerns about possible retaliation by Mexico. Finally, USTR believes such a fee would affect cross-border shopping along the Canadian border.)

Congresspersons from the Southern California Delegation

Xavier Becerra (D) -- In an August 20th letter to the President, Becerra expressed the fear that the legislation would undermine due process protections. Among Becerra's specific concerns are that: (1) the standard of proof should conform to the U.N. High Commissioner for Refugees' standard (manifestly unfounded or clearly abusive), (2) there should be a right to consultation prior to and representation at the interview, and (3) habeas corpus review should be allowed on the substance of the claim.

Howard Berman (D) -- Could have concerns with the due process and access to counsel provisions of the bill, but so far hasn't expressed views.

Henry Waxman (D) -- As far as we know, he has not commented on the bill. However, he could follow Berman's lead.

Anthony Beilenson (D) -- As far as we know, he has not commented on the bill. However, we do not expect him to oppose the bill.

Duncan Hunter (R) -- Has not commented on the bill, but successfully proposed an amendment adding $60 million to Border Patrol funding to the Commerce-Justice-State appropriations bill adopted by the House. The Senate version of the bill, which the Administration supports, includes $45 million in Border Patrol funding. If we agree to an amount over $45 million, we will need additional offsets.

Congresspersons from the Northern California Delegation

Nancy Pelosi (D) and Lynn Woolsey (D) -- Both have expressed concerns with the bill and believe that women should be treated as a specially protected class.

August 11, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: GOVERNOR WILSON'S IMMIGRATION PROPOSALS

You asked me to comment on the major immigration proposals being urged by Pete Wilson, Governor of California. In short, we should reject his recommendation to fight illegal immigration by denying citizenship to children born in the United States. Certain aspects of his proposal regarding benefits and identification cards, however, may warrant review by the inter-agency working group on immigration.

I. Denying Citizenship to Children Born in the United States

Governor Wilson contends that automatic citizenship encourages illegal immigrants to have children in this country and recommends that the Constitution be amended so as to allow us to deny citizenship to children (of illegal immigrants) who are born in the United States. (As you know, the fourteenth amendment provides: "All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and the State wherein they reside.")

We must reject this idea. First, the United States has never carved out an exception to the citizenship clause of the fourteenth amendment for children of foreign nationals -- even if the parents are in the United States illegally. Second, limiting birthright citizenship because of lineage and ancestry would link us to the days before the passage of the fourteenth amendment, when this country was bound to the Dred Scott decision (the case in which the Supreme Court held that African-Americans were not "citizens" under the Constitution). Third, Governor Wilson's proposal punishes children who have done nothing to violate the laws of the United States. And finally, no evidence exists that such an amendment would actually reduce the number of children born in this country to illegal immigrant parents.

II. Denying Education and Social Services to Illegal Immigrants

Governor Wilson believes that we will reduce illegal migration if we deny illegal immigrants the right to education and other social services. This proposal is also generally unacceptable.

While there are no federal statutes that require states to provide illegal immigrants with an education, in 1982, the Supreme Court held, in Plyler v. Doe, that the equal protection clause prohibits a state from withholding education to children who are not "legally admitted" to the state. To effectuate Governor Wilson's proposal would therefore require the Supreme Court to reverse itself. In addition, to deny education to children of illegal immigrants would guarantee their membership in a permanent underclass in this country.

Illegal immigrants are also currently eligible for certain federal benefits under the Stafford Disaster Relief Act, the Medicaid laws, and a Department of Justice directive regarding public housing. The Stafford Disaster Relief Act allows an illegal immigrant to receive the following assistance during or because of a Presidential declared disaster: (1) temporary housing assistance; (2) individual family grants of up to $11,000; and (3) unemployment assistance for up to 26 weeks. (The Act explicitly prohibits discrimination based upon national origin.) No sound reason exists to tamper with this legislation, which provides assistance to individuals struck by disaster.

In addition, the 1986 Omnibus Budget Reconciliation Act amendments to the Medicaid statute make federal financial participation available for states where illegal immigrants are treated for an "emergency medical condition." The level of assistance mandated by this statute is minimal, but this aid is quite important. Without such assistance, illegal immigrants may be unable to receive treatment for serious medical problems. The Administration may nonetheless want to consider examining current practices and program guidelines so to discourage illegal immigrants from using these emergency funds for general medical assistance. I will ask the inter-agency working group to consider this issue. (The Welfare Reform Group may have already begun to consider this issue.)

Finally, in 1989, the Department of Justice found that no HUD regulation existed so as to bar illegal immigrants from public housing. (In 1988, HUD proposed a regulation restricting illegal immigrants' access to public housing; however, this regulation was never finalized because then-Secretary Kemp believed that such a regulation would add to the homeless population.) This Administration has proposed a final rule similar to HUD's 1988 proposed regulation -- i.e., the proposed regulation would prohibit illegal immigrants from renting public housing. This proposed regulation is currently under review at HUD and may be forwarded to OMB as early as September 1993.

In sum, while some evidence exists to support Governor Wilson's claim that federal benefits create an incentive for illegal migration, I believe that the Administration should focus on reviewing and enforcing employer sanctions and labor laws to deter illegal immigration. This will allow us to affect what we know to be a major incentive for illegal migration (work) without resorting to the more difficult and dangerous response of revoking federal benefits. Staff on the inter-agency working group will be working with immigrant rights groups in fashioning changes to employer sanctions and labor laws that are both acceptable and successful.

III. Identification Cards

Governor Wilson recommends that the federal government issue a national identification card to citizens and legal residents to enable the government, employers, and social service organizations to identify these individuals and to deny benefits to those without such a card -- illegal immigrants.

During the inter-agency review process on asylum reform, we discussed the concept of creating an identification card for employment. It was abandoned at that juncture for two reasons. First, the health care task force is contemplating using an identification card for health care, which may be appropriate for use in seeking employment. Second, during the 1986 and 1990 immigration reform process, the Hispanic Caucus actively fought the implementation of national identification cards. (Hispanic rights groups have assailed Governor Wilson's identification card proposal, recounting stories about Hispanic Americans who were forced to carry such cards in the 1950s and 1960s and the discrimination and police harassment that resulted.) Because this idea may have some merit in the employment context (it has been proposed, tentatively, by the Reinventing Government immigration team), I will ask the inter-agency working group to resume its review of this issue.

* * *

In sum, Governor Wilson's recommendations have nativist and xenophobic overtones and, thus, should not be endorsed. The inter-agency working group (along with other appropriate staff members) should, however, review the Medicaid provisions and the appropriateness of instituting a national identification card system.

I look forward to discussing these issues further with you.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

P7:53

September 9, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: Border Patrol Staffing and Funding

This is in response to your question, relayed through John Podesta, regarding Border Patrol staffing and funding.

As I understand it, you preferred "option 3" as outlined in the attached memorandum. However, you also asked what additional resources, above the $45 million you have requested as part of the FY 1994 Department of Justice Budget Amendment, would be required to hire the full 600 Border Patrol agents.

Department of Justice (DOJ) Decision Process

Attorney General Reno plans to meet with DOJ staff next Wednesday to discuss the various options for using the $45 million requested for the Border Patrol in FY 1994. DOJ staff is continuing to discuss alternative options. It has developed a variation of option 3 which would increase new support staff even further (in order to return Border Patrol agents from support/clerical to patrol duties). The resources to hire additional support staff would be taken from the amount currently allocated for sensors and other technological improvements in option 3. In any case, the Attorney General has indicated to DOJ staff that she wants to preserve the prerogative to choose the mix of programs.

Providing for 600 Border Patrol Agents

Nominally, option 3 provides for 443 agents and 167 support staff. However, because 100 support staff would be hired to allow 100 agents to return to patrol duty, functionally this option would strengthen the patrol force by 543 agents.

Depending on whether you look at it nominally or functionally, the additional cost would be as follows:

	NOMINAL Increase to Reach 600 Agents	FUNCTIONAL Increase to Reach 600 Agents
Current Option	443	543
Added Agents Required	+157	+57

Total Agents	600	600
FY 1994 Cost Associated with Increase*	+$11 million	+$4 million

*Includes training, uniforms, vehicles, firearms, etc.

<u>Potential Offsets for $4-11 Million</u>

If you should choose to add the $4 million to $11 million referenced above, discretionary offsets would need to be found. The National Performance Review's recommended cuts provide two opportunities:

-- $8 million from INS. Proposal to strengthen the Regional INS structure could eliminate about 100 headquarters positions in FY 1994.

-- $6 million from US Marshals Service. Proposal to professionalize the Marshals could eliminate about 100 Presidentially appointed Marshals' positions in FY 1994 by having the career Marshals perform their functions.

However, the appropriations committees are more likely to find $4 million to $11 million in offsets for the Border Patrol by cutting from State Department or Agency for International Development programs. These programs are in the same appropriations bill as Justice. Generally speaking, the committees prefer funding domestic programs.

You should also know that the pressure on DOJ to meet their FY95 planning ceiling will be severe. As OMB views the Department's predicament, the above NPR savings should be on their list of must-do cuts. Using the cuts now for Border Patrol will marginally increase the pain elsewhere.

Attachment (previous memorandum)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

September 8, 1993

MEMORANDUM FOR CAROL RASCO
DONSIA STRONG

FROM: Christopher F. Edley, Jr., Associate Director
Ken Schwartz, Deputy Associate Director

SUBJECT: The President's Question on Border Patrol Increases

The President is correct -- the response to Duncan Hunter "fuzzed" the issue of how many Border Patrol agents would be hired because no one in the Administration (Department of Justice (DOJ), Office of Management and Budget and Domestic Policy Council staff) has been particularly enthusiastic about the utility of hiring more agents. Rather, it has been our assumption that the Administration would get a bigger "bang for the buck" if improved technologies were employed on the border (see attachment for more information.)

DOJ has not made final decisions on how it would use the $45 million. DOJ is evaluating three primary options, as follows:

Increase Compared with 1994 President's Budget
(Budget Authority in millions)

	Option 1	Option 2	Option 3
Restore Border Agents that were cut pursuant to Presidential 100,000 FTE cut...............	+5.9 (+93 Positions)	+5.9 (+93 Positions)	+5.9 (+93 Positions)
Additional Border Agents.............	+31.9 (+450 Positions)	+31.9 (+450 Positions)	+24.8 (+350 Positions)
Additional Border Support Staff......	---	+2.4 (+67 Positions)	+2.4 (+67 Positions)
Additional Support Staff to Free Agents From Support Duties.......	---	---	+3.6 (+100 Positions)
Sensors and Other Technological Improvements.........	+7.3	+4.9	+8.4
Total.............	+45.0 (+543 Agents)	+45.0 (+543 Agents; +67 Support)	+45.0 (+443 Agents; +167 Support)

At this point in time, DOJ/INS seems to prefer Option 3. While that option contains the fewest additional agents of the three options under consideration, DOJ staff indicate that:

- 100 of the support staff increase will be used to release 100 Border Patrol agents from clerical duties; hence, functionally it should be perceived as an increase in "agents-on-the-border" of 543, not 443; and

- This option gives INS the largest increase of the three options in terms of new sensors and other equipment. INS believes that this is its highest Border Patrol priority.

Further, INS/DOJ are currently working on a strategy to utilize the additional resources in order to control the border. The Attorney General plans to review this strategy personally.

Finally, it should be recognized that the FY 1995 budget picture is not pretty. While DOJ's 1995 planning ceiling has fared well in comparison with those of other agencies, DOJ will still be extremely hard pressed to fund all announced Presidential priority activities (e.g., 100,000 cops, "Brady Bill" criminal records upgrades, and National Performance Review suggested consolidation of the Federal Bureau of Investigation and the Drug Enforcement Administration, which costs money in the first year).

September 8, 1993

NOTE TO DONSIA STRONG

From: Ken Schwartz and Lin Liu

Subject: Border Patrol Technology

INS seems to prefer the option which enables the Border Patrol to purchase $8.4 million worth of "improved technology" while hiring 443 agents and 167 support personnel.

The Vice President led group which crafted the July 27th Immigration Initiatives announced by the President favored an investment in technology to give the Border Patrol agents the necessary tools to effectively do their jobs and to maximize their resources. The following are some ways technology is useful in carrying out Border Patrol responsibilities:

- The Border Patrol place sensors in selected "known" areas of illegal traffic. Sensor "hits" are monitored in communications headquarters and dispatchers provide these information to Border Patrol agents who then move into the target areas to apprehend the illegal crossers. The sensors and the dispatch service are effective because they enable the agents to use the personnel more strategically and to patrol larger areas.

- Infrared devices, like sensors, assist the agents in targeting resources to areas which illegal movement is occurring. For example, the Border Patrol owns several infrared devices called the "Scope." The Scope provides video coverage of an expansive area and detects heat movements. When the agent who is manipulating the Scope sees movement on the video screen, he directs the ground agents to the areas which the illegal aliens are.

- Secured communication radios enable ground agents to report new information and solicit assistance. Border Patrol agents do not generally work in teams and radios provide the only means to keep in touch. Secured devices are important because alien smugglers also employ technology to track BP movements through radio communications.

Technology enhances the Border Patrol's ability to cover vast land areas more strategically. In many ways, items like the secured radios are not luxury goods but are basic tools for agents. More agents, complemented by technology, therefore make the Border Patrol more effective.

THE WHITE HOUSE

WASHINGTON

September 7, 1993

MEMORANDUM FOR ALEXIS HERMAN

FROM: THOMAS KALIL

SUBJECT: LUNCH WITH HIGH TECH CEOs

Tomorrow's CEO lunch will feature high-tech executives from the electronics, biotech and venture capital industries.

As you know, some progress has been made in implementing the Administration's high-tech agenda:

- The reconciliation package included a 3-year extension of the R&D credit, a targeted capital gains reduction, and a provision that would transfer radio spectrum from the federal government to the private sector.

- The Administration's FY94 budget included increases for civilian technology initiatives such as the Advanced Technology Program and high performance computing. The Department of Energy is shifting resources to lab-industry partnerships.

- The private sector response to the ARPA-led Technology Reinvestment Project has been overwhelming, with $8 billion in private sector matching funds competing for approximately $400 million in government money.

Despite these efforts, many in the high-tech community would like to see the Administration move more aggressively to promote its technology agenda (see attached *Wall Street Journal* article). Because they are in industries where new products are developed in months, they have little tolerance for the slow pace of government bureaucracy.

Below are a few of their concerns, with information about what steps the Administration is taking to address them:

- **Export controls**: Export controls still impede exports of computers, telecommunications equipment, and software. Although some reforms are underway, the industry is unhappy with the pace of change. Different agencies have different views about what controls are still necessary in the post-Cold War environment, and reaching a consensus is time-consuming.

- **R&D credit:** Industry would like the Administration to reaffirm its commitment to making the credit permanent, since this was not accomplished in reconciliation.

- **Fiscal policy:** Like most executives, high-tech CEOs would have preferred more spending cuts and fewer tax increases.

- **Private sector input:** Industry would like to be more involved in providing advice on the implementation of the Administration's technology policy. Dr. Gibbons is working to develop a Science and Technology Advisory Committee. The Commerce Department will soon establish an advisory committee on the National Information Infrastructure.

- **Price controls:** The biotech industry is concerned that the health care plan will control the introductory prices of their drugs. These concerns have been alleviated somewhat by recent reports in the press.

How can the Administration's relationship with the high-tech community be improved?:

The Administration and the high-tech community need to agree on some priority, near-term "action items." Since the high-tech community is not monolithic (more than 12 industry associations represent the electronics industry alone) -- developing this list will require cooperation from a variety of groups.

Once the Administration and industry have a common definition of what would constitute "success" over the next 6-12 months in terms of implementation of the technology policy, it will be much easier to move forward.

THE WALL STREET JOURNAL.

THURSDAY, SEPTEMBER 2, 1993

High-Tech Industry's Infatuation With Clinton Turns to Frustration Over Unkept Vows, Inaction

By ASRA Q. NOMANI
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—For many of the high-tech executives enamored of Bill Clinton during last year's campaign, the romance is over.

"There's an increasing sense of frustration for those of us who embraced the new administration and tried to give it advice," says Joseph Gorman, chairman of TRW Inc.

"There hasn't been any action," adds Edward R. McCracken, chairman of Silicon Graphics Inc., who was at Mr. Clinton's side when the president unveiled his technology plans at the company's headquarters. "They need to prove to the world and the high-technology industry they can facilitate action."

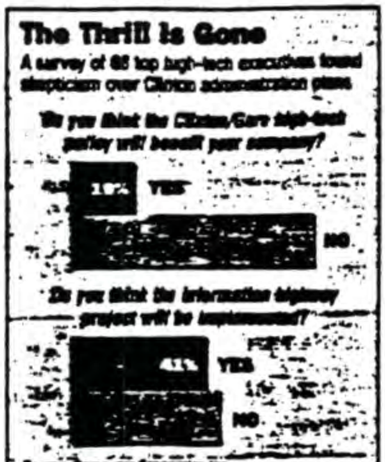
The high-tech connection was important to candidate Clinton, not just for the campaign money raised but because it lent a "New Democrat" allure to his message, countering arguments that Democrats were out of touch with the entrepreneurial spirit.

Mr. Clinton has said he's "very pleased" with the administration's record on high-tech issues, citing capital-gains tax measures for small companies and research-and-development tax credits included in his economic package. Vice President Al Gore adds that small businesses are "very happy" with administration initiatives such as increasing the amount of equipment purchases they can write off to $17,500 from $10,000.

Promises Unkept So Far

Hoping to assuage disgruntled high-tech executives, administration officials will seek to hash out troublesome issues at a technology "summit" sponsored by the University of California at Berkeley on Nov. 4 and 5 in Santa Clara, Calif. But many in the industry say that while the administration's heart may be in the right place on technology issues, there has been little effective follow-through on a string of promises.

"They have a good technology agenda, but there has to be action along with the hyperbole," says David Obershaw, director of product marketing at Mass Par Computer Corp. "They're stuck on autopilot," grouses Christopher Padilla, an American Telephone & Telegraph Corp. government affairs official. "We're reluctantly coming to the conclusion that our high hopes for the administration were unfounded."



For many executives, a key issue has been what they see as the administration's failure to make good on promises to speedily loosen Cold War-era restrictions on exports of high technology.

Many in the industry were cheered when Mr. Clinton told Russian President Boris Yeltsin in Vancouver in April that the U.S. would liberalize its technology transfer rules. But they say they have seen little progress since. The administration did recently propose to relax export rules on high-speed computers, but the move was seen as a limited one that Dick Iverson, president of the American Electronics Association, asserts "falls short."

Nor, executives complain, has the administration moved fast enough on the high-performance computing initiative, a plan to build a super-fast computer network often dubbed an "information superhighway." "Folks are saying, 'We've been snookered again,'" says Michael Erbschloe, vice president at Computer Economics Inc., a research firm. "They expected more planning and more public participation by now."

Commerce Posts Still Unfilled

Personnel is part of the problem. Key export-policy positions at the Commerce Department, including an undersecretary for export administration, have yet to be filled. James Unruh, chairman of Unisys Corp., an information technology company, met with administration officials in July to air complaints about the slowness of the export-license process. He lobbied for reform on behalf of the Computer Systems Policy Project, a trade group of big computer makers such as Apple Computer.

Moreover, the Commerce Department has hardly become the technological "powerhouse" that Secretary Ron Brown promised at his confirmation hearings. Mr. Brown's first choice for deputy secretary, former Cray Research Inc. Chief Executive Officer John Rollwagen, was widely hailed within the industry. But he withdrew from consideration in the wake of a Securities and Exchange Commission investigation into trading of the stock of a Cray spinoff. The designee for the post, David Barram, a former Apple vice president, isn't as big a name in the industry.

Mr. Brown defends the agency's record, saying Congress stalled some of the administration's high-technology initiatives when it defeated the president's stimulus package earlier this year. He cites progress with the appointments of high-technology executives to key Commerce positions and development of manufacturing centers that work with businesses in research and development ventures. "We're committed to our high-technology agenda," he says.

Some Progress Seen

The Clinton administration has begun to deliver on some promises. For instance, it has moved to develop a computer chip that protects data from being decoded while being transmitted. But industry executives are still unhappy, complaining that the work is behind schedule; that they weren't included in the chip's design, and that it is deliberately being designed so that the National Security Agency and other federal intelligence agencies will be able to intercept data, which hurts overseas sales. In a rebuke to the administration's approach, the industry has announced plans for its own data-protection system.

Many in the high-tech community also were disappointed that the president, in his economic plan, was forced to settle for only a temporary extension, through June 1995, of the research-and-development tax credit; high-tech companies say a permanent credit is needed to provide predictability in their R&D spending calculations. And some are angry at the package's tax increases aimed at corporations and affluent Americans. "There's been a lot of concern that Clinton is going back to being in a tax-and-spend mode rather than being a new Democrat," says Sandy Robertson, a San Francisco investment banker who, although a registered Republican, raised $300,000 for Mr. Clinton at a fund-raiser last fall. "There are people who feel betrayed."

But Mr. McCracken, the Silicon Graphics chief, says the fundamental reason for disappointment may go beyond any issue. He suggests that the real reason simply may be "a culture clash" between high-tech's quick pace and Washington's more cautious approach. "In Silicon Valley," he

THE WHITE HOUSE

WASHINGTON

September 10, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Ann Walker
Sabrina Comizzoli

RE: Local Issues Briefing: Sunnyvale / Silicon Valley, CA

Demographics

City Population 120,509

Ethnic Breakdown

White	64%
African American	3%
Hispanic	13%
Asian or Pacific Islander	19%

Background

As part of Silicon Valley, Sunnyvale is home to vigorous and dynamic industries, including a high-level of start-ups by emerging companies specializing in computer systems, semiconductors, electronics, guidance missiles, and space vehicles. The quality of life in Sunnyvale is high for residents and businesses. Sunnyvale boasts outstanding municipal services, a low crime rate, quality schools, and seventeen parks.

Silicon Valley Industry

The San Jose Metropolitan Area (SJMA) ranks fifth in the nation for manufacturing production due to Silicon Valley which is home to 30% of the U.S. semiconductor industry. The area's 2,000+ high-tech companies provide over 240,000 jobs.

Reemergence of the U.S. Microchip Industry:
The U.S. semiconductor industry is closing the gap with Japan. Rejuvenated by innovative product lines, protectionist trade policies, and new manufacturing techniques, American chipmakers are regaining much of the ground lost to devastating Asian competition during the 1980s. As of February 1993, America regained the top spot in the $65.6 billion global semiconductor business, claiming a 43.8% share of the market, compared to Japan's 43.1% share.

Top 10 Employers in Sunnyvale:
Lockheed Missiles & Space
Amdahl
Advanced Micro Devices
ESL, Inc. - a division of TRW
Westinghouse Electric Co. (Marine Division)
Hewlett Packard
Phillips Semiconductor
Loral Space & Range Systems
Argo Systems
Maxim Integrated Products

Technology Summit

Vice-President Al Gore is expected to lead a high-level delegation of administration officials to Santa-Clara on November 4-5 for a summit sponsored by the Berkeley Roundtable on the International Economy at U.C. Berkeley. Commerce Secretary Ron Brown and Laura D'Andrea Tyson, Chairwoman of the Council of Economic Advisors, will also attend the summit, modeled on the economic summit in Little Rock, Arkansas. Eight sessions will address topics such as a national industrial policy, trade issues, defense conversion, energy questions, software productivity and the national information infrastructure. The Berkeley Roundtable hopes to assemble Cabinet officers as well as top business and community leaders in order to explore the role of technology in creating a robust economy with ample high-paying jobs.

Lockheed Missiles and Space Co.

Iridium Satellite Communication Network:
Lockheed Corp. will build 125 satellites for the multibillion dollar global cellular communication network with Motorola and venture partner Raytheon Corp. The project would create up to 40,000 jobs worldwide and 3,000 in California. Half of the satellites will be built before 1998, when the service is due to begin. The first launch is scheduled for 1996. The Iridium project is the company's first commercial satellite venture.

Test-Rigging Allegations:
Lockheed, the prime contractor for a disputed Army anti-missile program, the precursor of "Star Wars," denies allegations made last month by the New York Times and four former Reagan administration officials that it rigged a test of the Army's Homing Overlay Experiment with tracking beacons aboard the missiles that ensured the interceptor would find the target. Lockheed admits that in the 1984 test the target missile's re-entry vehicle was artificially heated to 100 degrees Fahrenheit on the launch pad, but denies that this helped the heat-seeking infrared sensor aboard the interceptor missile to "see" its target.

Job Losses:
Lockheed expects to lose about 3,200 employees this year, about 15% of its total payroll. 2,560 of these cuts will be in the Bay Area. In 1992, Lockheed lost 3,685 jobs, including 3,368 locally. By the end of 1993, Lockheed is predicting it will have 13,840 employees locally, making it the area's second largest employer, behind Hewlett-Packard Co. with 15,000 local employees. Lockheed's largest public project, the Trident missile, employs 4,200 Sunnyvale workers, down 400 in 1992.

NASA Wind Tunnel at Moffett Field

NASA is investigating the Ames Research Center in Moffett Field as a possible site to develop the country's most advanced wind tunnels for research that could help the U.S. aviation industry keep its edge with a growing number of foreign competitors. Other sites under consideration are in Tennessee, Virginia, and Ohio. Senator Barbara Boxer is lobbying for the project because California has lost 128,000 jobs in the aerospace industry over the past several years. The wind tunnels would cost between $1.5 and $2 billion to build over a construction period of six years. The project would create 400-500 jobs during the construction period and 200 jobs for the operation of the tunnels. The tunnel's life expectancy is forty-five years. The U.S. Navy base at Moffett Field is targeted for closure by the Department of Defense, however, the Ames Research Center will remain open. The tunnel would be primarily aimed at commercial aviation.