POLITICAL AND ECONOMIC ISSUES

BRIEFING BOOK

FOR

THE TRIP OF THE PRESIDENT

TO

SAN FRANCISCO

AND

LOS ANGELES, CALIFORNIA

November 20 - 21, 1993

Staff Copy

CALIFORNIA POLITICAL AND ECONOMIC ISSUES

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Paul Deegan
National Economic Council

SUBJECT: Background Information on the California Economy

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

I. PRESSING ISSUES IN CALIFORNIA

- *NAFTA* -- California's exports to Mexico and Canada reached $13.9 billion in 1992, and supported 190,000 jobs. (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	430,000	1,500,000	250%
Industrial Machinery & Computers	385,000	1,035,000	170%
Transportation Equipment	80,000	390,000	380%
Fabricated Metal Products	130,000	345,000	160%

- *Erosion of the Manufacturing Base* -- According to DoC, employment in manufacturing fell from 2,259,000 in 1989 to 1,974,000 in 1992 -- a net loss of 285,000 jobs.

Net decline in total employment in manufacturing (California, 1989-1992):

- transportation equipment, excl. motor vehicles (-67,000 jobs)
- electronic equipment, excl. computer equipment (-52,000 jobs)
- instruments and related products (-38,000 jobs)
- fabricated metal products (-26,000 jobs)

- *Hughes Aircraft Exporting to Mexico* -- In 1991, the Mexican government signed a $200 million contract with Hughes Aircraft to build two communications satellites (to be used for voice, data, TV, facsimile transmission, etc.). Roughly 1,000 jobs in Southern California are tied directly or indirectly to the program. The first launch is scheduled for November. (Sources: USTR & Hughes Aircraft)

- *Relations With the High-Tech Community* -- Our relations with the high-tech community have improved as a result of actions to liberalize export controls on computers. In early November, 25 senior Administration officials attended a high-tech summit in San Francisco (see attached executive summary of our progress report). The response from industry was positive. John Young and Regis McKenna have been asked to organize follow-up activities.

  FYI: High-tech companies argue that the independent Financial Accounting Standards Board's (FASB) proposal to include stock options as a compensation charge on corporate income statements will either (a) reduce their earnings per share by 50%; or (b) force them to give up stock options. Secretary Brown has indicated a willingness to work with the high-tech community on this issue. However, this is sensitive because of concerns about maintaining the independence of FASB.

- *Revitalizing Shipyards* -- On October 1, you submitted a 5-part plan to help U.S. shipyards make the transition from military to commercial shipbuilding. The plan proposed $320 million in new funding over the next 5 years -- $220 million for MARITECH, an ARPA program to improve the use of technology, and $100 million for loan guarantees to support ship sales. Defense conferees have modified these provisions, and increased funding levels for this year. They have also opened up MARITECH (but not loan guarantees) to public shipyards like Mare Island in San Francisco.

- *Barclays Case* -- On November 1, the Supreme Court granted certiorari in the Barclays case. An Administration brief is due in mid-December or mid-January, depending upon the position adopted. The NEC is currently preparing a decision memorandum on this matter. Given the sensitivity of these issues, it may be best to avoid making any statement on this pending litigation.

- *Southern Pacific Promoting High-Speed Rail* -- SP's vice chairman recently told reporters the company is putting together a plan to build a high-speed rail link from Los Angeles to San Francisco. Some critics have argued that SP's line is not well-suited for such a project. (Source: Journal of Commerce, 9/28/93)

III. ADMINISTRATION PROGRAMS THAT WILL 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;
- $1.3 billion investment in technology (including defense conversion);
- $2.3 billion in tax incentives for business investment; and
- $3.7 billion in tax credits for the working poor (Expanded EITC, fully-phased).

Rep.	EITC Benefits	$ (millions)	% Families	Higher Taxes
Beilenson	23,300 families	40.1	15.7	12,700 families
Fazio	54,200 families	93.5	36.5	1,800 families
Lantos	21,100 families	36.4	14.8	5,900 families
Matsui	60,200 families	103.8	42.8	2,246 families
Pelosi	61,500 families	106.0	56.7	1,600 families
Waters	60,800 families	104.8	48.4	600 families
Waxman	59,500 families	102.6	49.5	23,000 families
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.

Executive Summary

Since unveiling its technology policy on February 22, the Clinton-Gore Administration has followed up with concrete actions designed to create jobs, strengthen America's technological and industrial leadership, and boost our standard of living—today and tomorrow. In the first 9 months, the Administration has:

- **Provided incentives for private-sector research and development and new business formation** by extending the R&D tax credit and reducing the capital gains tax for investments in small businesses;
- **Developed a National Export Strategy,** including the elimination of export controls on computers and telecommunications that will free up $35 billion in high-tech exports;
- **Aggressively pursued bilateral and multilateral trade agreements** (NAFTA, U.S.-Japan, Uruguay Round) that will expand access to foreign markets for America's high-tech companies;
- **Shifted Federal R&D priorities toward civilian technology,** with dramatic expansion of initiatives such as the Advanced Technology Program, manufacturing extension, the Small Business Innovation Research program, and NASA's new Technology Investments Package;
- **Promoted defense conversion** through the highly successful Technology Reinvestment Project and comprehensive procurement reform;
- **Invested in worker skills** required for the high-performance workplace of the 21st century and developed an aggressive program for investing in education and training technologies;
- **Developed an action plan for the National Information Infrastructure** and ordered the transfer of 200 MHz of spectrum from the Federal Government to the private sector to jump-start new wireless technologies;
- **Forged industry partnerships** in sectors such as electronics, autos (Clean Car), energy and environment, and advanced transportation;
- **Expanded Federal investments in basic research** through agencies such as the National Science Foundation; and

■ **Made better use of information technology a cornerstone of its efforts to "reinvent government,"** by, for example, moving toward electronic procurement.

Collectively, these initiatives will lead to economic growth, the creation of high-wage jobs, a cleaner environment, and a continuation of America's leadership in basic science—goals established in the Administration's February 22 statement on technology policy. As noted in that document, the Administration believes strongly that:

■ **Technology is the engine of economic growth,** accounting for over half of America's long-run productivity.

■ **Leadership in the use and deployment of technology is also essential for the achievement of other national goals,** including sustainable development, energy efficiency, an industrial base capable of meeting our national security requirements, and a government that works better and costs less.

■ **The United States must establish a world-class environment for private-sector investment,** given the mobility of capital and technology in today's global economy. For that reason, tax, trade, macroeconomic, regulatory, and human resource policies are all key to making the United States second to none in the commercialization of new technologies.

■ **The Administration's technology policy will not be successful without the establishment of a genuine partnership with industry, labor, and academia.** Given the rapid pace of technological change, government programs will not be successful unless they are tightly coupled to industry requirements.

This document outlines the Administration's accomplishments and indicates its plans for the future. The President's technology policy is very much a "work in progress"—and the Administration welcomes suggestions for enhancing and accelerating these initiatives.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KIMBERLY O'NEILL Kimberly O'Neill

SUBJECT: California Economic Facts

In October 1993, the unemployment rate in California was 9.8 percent, compared to 6.8 percent in the Nation. Living standards in California are well above the national average, and the State ranks 11th in the Nation in per capita income.

The California economy is the largest State economy in the Union, and among the 10 largest economies in the world. After prospering throughout the 1970s and 1980s, California entered recession in 1990, a recession much steeper than the one that affected the Nation as a whole. Southern California and the aerospace (both commercial aircraft and defense) and construction industries have been hit particularly hard.

- Job growth was strong in California from 1970 to 1990, averaging 3.1 percent per year compared with 2.2 percent in the Nation as a whole (Chart 1). **From 1990 to 1992, however, nonfarm payroll employment in California fell 5.4 percent, over 4 times the drop in U.S. employment.**

- Similarly, unemployment in California closely tracked the national average throughout the 1980s (Chart 2). **In 1992, however, the unemployment rate in California climbed to 10.0 percent, and remained at 9.8 percent in October 1993.** The national unemployment rate was 6.8 percent in October 1993.

- **Living standards in California are above the national average.** Per capita personal income in California ($21,472 in 1992), was 7 percent above the U.S. average, ranking 11th in the country (Chart 3).

- Key sectors in the California economy include high-tech manufacturing, professional services, agriculture, real estate, tourism, and entertainment. The State ranked 8th in the Nation in the value of defense contracts per capita.

  - Over 20 percent of U.S. employment in three high-tech industries: aerospace equipment (airplanes, missiles, and space vehicles), computer equipment, and scientific instruments is located in California.

- Other important manufactures include electronic equipment, apparel, and petroleum products.

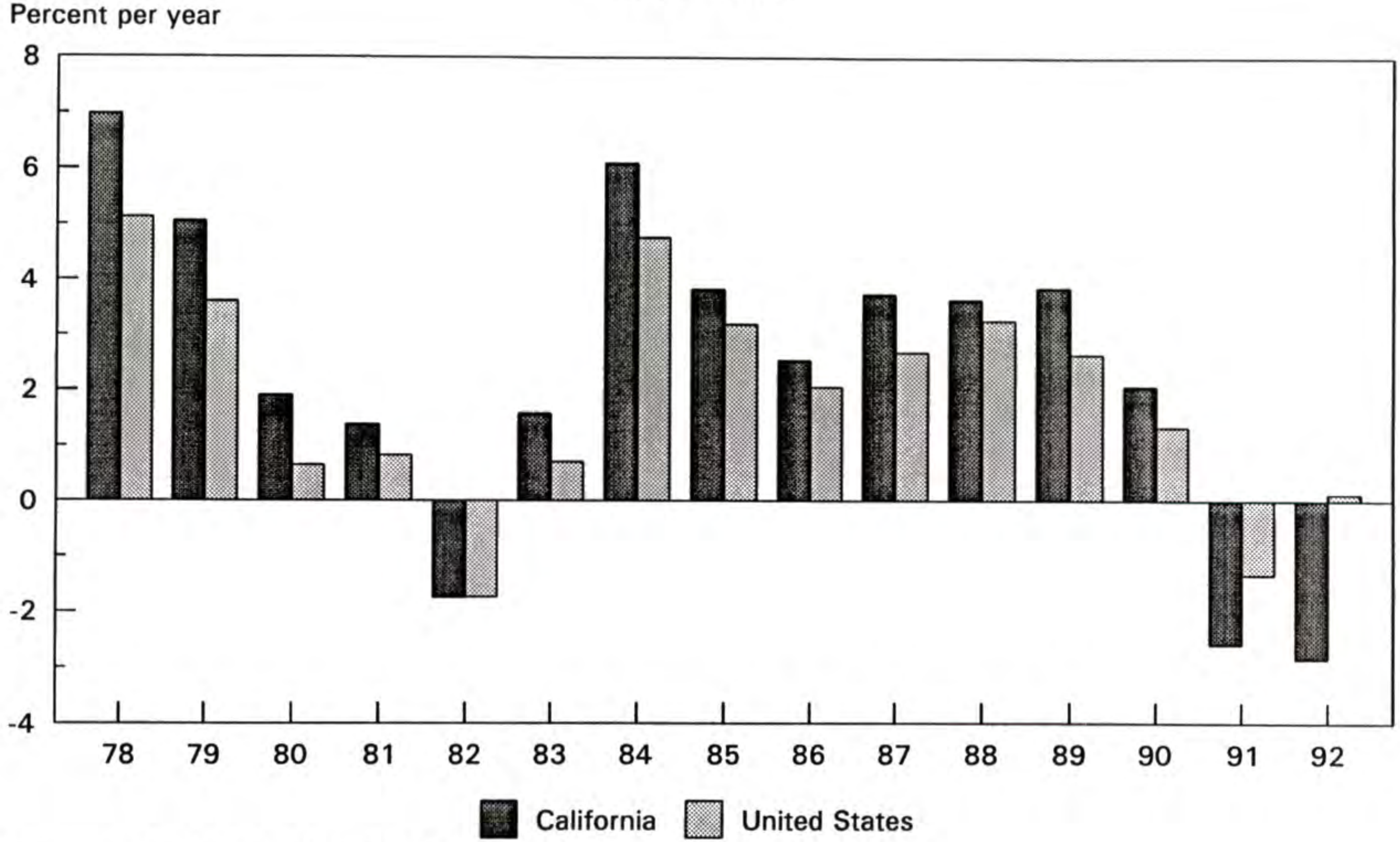
- Major farm products include fruits and vegetables (grapes, lettuce, tomatoes), dairy and beef cattle, cotton, and hay.

o Unemployment rates in 1992 in major California cities were: Sacramento (9.4), San Francisco (5.9 percent), Los Angeles (9.6 percent) and San Diego (7.4 percent).

Attachments

California and the United States

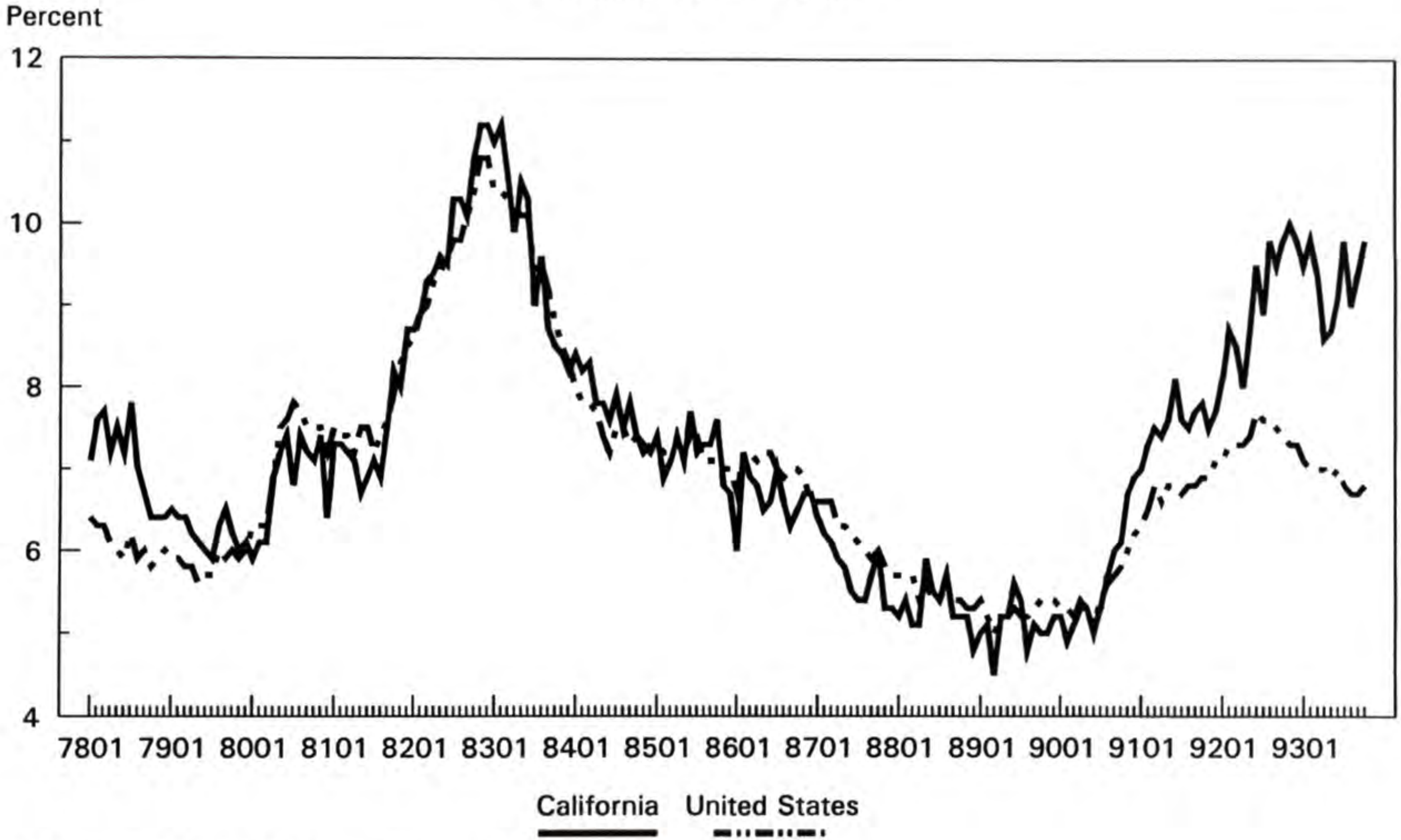
Growth in Nonfarm Payroll Employment
1978 - 1992



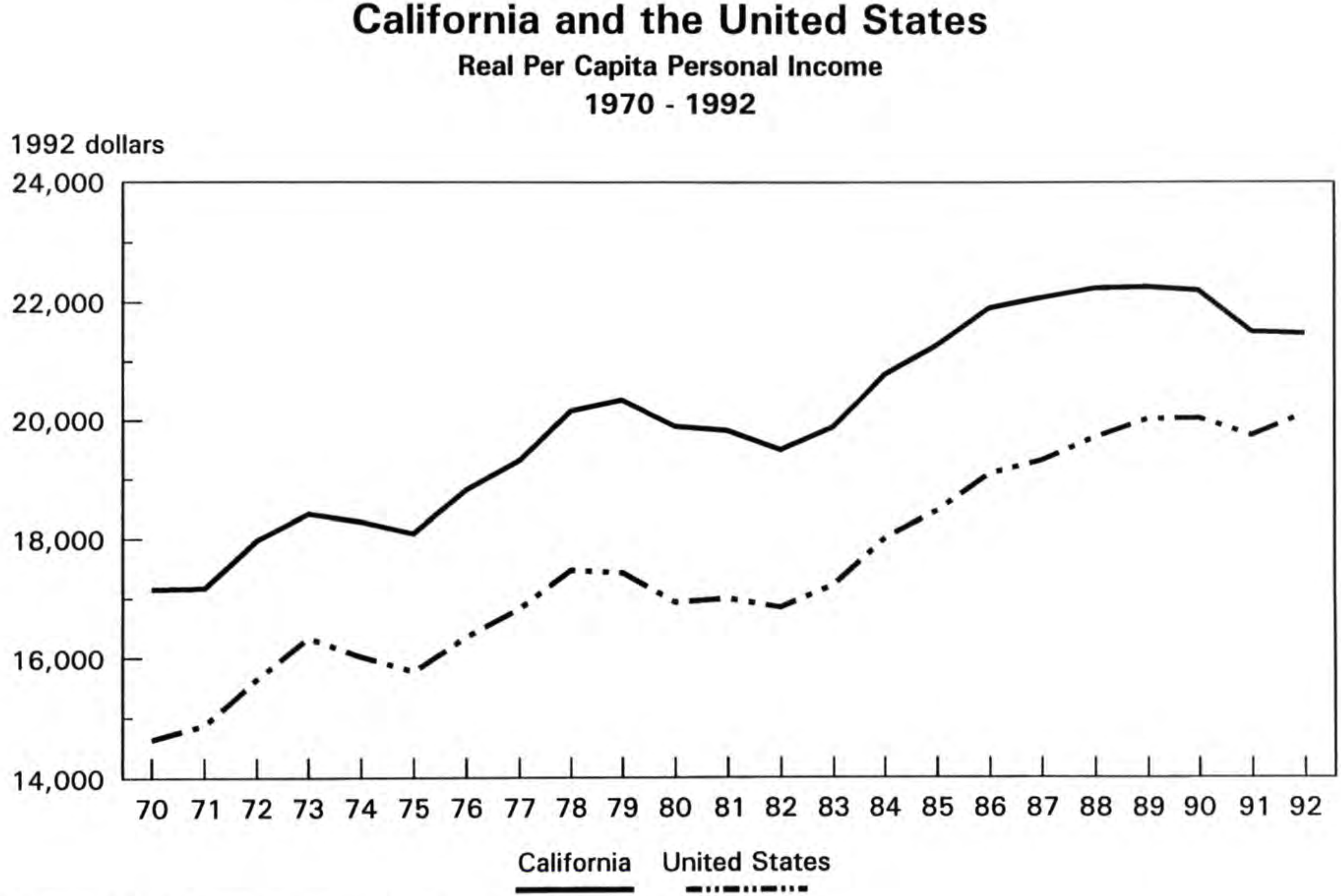
Produced by the Council of Economic Advisers.
Source: Department of Labor.

California and the United States

Unemployment Rates
Monthly, 1978 - 1993



Produced by the Council of Economic Advisers.
Source: Department of Labor.



Produced by the Council of Economic Advisers.
Sources: Dept. of Commerce and Dept. of Labor.
Note: Both series deflated by CPI-U for all U.S.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: MARSHA SCOTT

SUBJECT: CALIFORNIA SPECIFIC INITIATIVES

The Clinton Administration is committed to helping California regain its economic vitality. Many initiatives have been undertaken in the last ten months which have major implications for California.

Jobs and the Economy

- The Clinton economic plan is projected to create 1.9 million jobs in California from 1993-96.

- The FY94 budget includes tax incentives for business investment worth over $2.3 billion in California.

- The firm commitment to deficit reduction has kept long-term interest rates at their lowest level in decades, freeing billions of mortgage dollars from California's high-priced real estate market.

- In order to boost the export of high value American products, President Clinton has eliminated cumbersome export licensing requirements that restricted the export of computers, telecommunications equipment and other electronic goods.

  - Barriers have been eliminated on as much as $37 billion in technology exports, 1/3 of which are manufactured in California.

  - This is especially crucial for California as one out of ten jobs depends on exports and over 1/4 of all manufacturing jobs are within the electronics sector.

- Nearly $2 billion in federal assistance dollars have been delivered to California.

  - Almost $1.5 bill of this is for the extension of the Red Line of the LA subway system.

- The Federal government is funding new research institutions that will support California's strong scientific base.

  - Last month President Clinton announced that the Stanford Linear Accelerator (SLAC) is the preferred site for the location of a new high energy physics accelerator: the B-Factory

  - $ 230 million will be spent over a five year period on this project

  - This project will create hundreds of high wage jobs and is essential the future scientific primacy of California

- The Technology Reinvestment Program will allocate $500 million annually to firms to aid them in finding commercial applications for their defense technologies

  - Last month the President announced the first 41 projects to be funded under this program.

  - California was the biggest winner receiving 10 projects worth over $180 million in public and private investment.

- The Commerce Department in the coming months will be conducting seminars and programs throughout the state of California to help defense dependent small and medium size businesses find new opportunities.

- The Clinton Administration is expediting the transfer of military facilities to localities so that these bases can be developed for the economic benefit of surrounding communities.

  - The President has directed the Navy to transfer land from the Alameda Naval Air Station for the expansion of the Port of Oakland.

- The Clinton Administration is coordinating disparate job training programs to create a streamlined re-employment system which will help California's talented displaced work force find new opportunities.

  - The Administration is creating one-stop-shopping centers for dislocated workers

  - The President's economic plan doubles funding for the Comprehensive Dislocated Workers Program.

  - The Administration has extended the trade adjustment programs to provide training and income to workers who have lost jobs due to imports

Health Care and Education

- California's overburdened health care system is receiving support in treating uninsured patients through eased restrictions on Medicaid spending for disproportionate share hospitals.

  - Hospitals have been slated to receive $500 million for the care of indigent and uninsured patients.

  - This is vital to California because the state has the largest share of citizens without health coverage and 1/2 of all undocumented people living in the U.S.

- A new education funding formula provide tens of millions of additional dollars annually to states with high percentages of low-income students. The means $20-40 million per year for California.

Crime

- Congress has agreed to the broad goals of the Clinton Administration crime initiative. This plan would put more police on the streets, restrict the sale of assault weapons, and provide for a waiting period prior to the purchase of a handgun.

These are some of the initiatives of the domestic recovery program which President Clinton is pursuing. Are we done? Hardly. Have miracles occurred? No. Are we making progress? Definitely.

THE WHITE HOUSE

WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
ROBERT E. RUBIN

SUBJECT: California and Export Controls

You requested a memorandum providing more information on your recent export control initiative, particularly as it relates to California. As you recall, the reforms were announced earlier this week as part of the National Export Strategy released by the Trade Promotion Coordinating Committee (TPCC). We believe there are several points you could make:

Exports are key to California's economy:

- California exports approximately $70 billion annually.
- One out of ten jobs in California depends on exports.

The high-tech sector is particularly important to California's exports:

- High-tech exports make up roughly one-third to one-half of total California exports.
- Over 500,000 Californians -- or one quarter of all manufacturing employees -- are employed in the electronics industry. (NOTE: This includes not only computers, but also radio/tv, navigation and other electronic equipment.)
- About 20% of all computer-related jobs in the country are in California.

Your export control reforms will have a direct and significant impact on California:

- They will immediately free up $24 billion in computer exports nationwide from export control licensing requirements. Over one quarter ($6.7 billion) of those exports will come from California.
- When fully implemented, they will free up a total of $30 billion of computer exports from export controls. Again, over 25% of these exports ($8.4 billion) will come from California.

cc: Vice President
Chief of Staff

- For some companies, this means that 90% of their computer exports will no longer have to go through the export control system. (The computer industry estimates that these steps will free up 67-90% of all computer exports from the export control system.)

- In addition, the reforms will free up $5 billion of supercomputer exports from expensive "safeguard" requirements (e.g., 24-hour guards), bringing the total impact of these measures on computer exports to $35 billion. (There is no good estimate at this time of the specific impact on California of the supercomputer reforms.)

- This is good news for the over 250,000 Californians employed in the manufacture of computers and computer-related products. Their products now will be more competitive in the international marketplace. (An estimated 83,500 Californians manufacture computers; 64,500 software; 54,500 computer-related equipment; and 61,800 semiconductors.)

These reforms complement our efforts to combat the proliferation of weapons of mass destruction and ballistic missiles:

- We will continue to control exports to countries against which the U.S. has an embargo or which present a significant threat of terrorism or proliferation. For example, computer exports to Iraq, Iran, Syria, Libya, North Korea, Vietnam and Cuba will remain subject to the strictest licensing requirements.

- Reducing controls on items that are widely available worldwide improves our ability to persuade other suppliers to maintain effective controls on items of nonproliferation concern.

At Tab A is a fact sheet which gives a more detailed description of the export control reforms and the other elements of the National Export Strategy.

Attachment
Tab A Fact Sheet on National Export Strategy

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 29, 1993

FACT SHEET

TOWARD A NATIONAL EXPORT STRATEGY: A REPORT OF THE TRADE PROMOTION COORDINATING COMMITTEE

Exports and Jobs

The United States' future depends on our ability to compete successfully in the international marketplace. Between 1988 and 1992, almost 60% of real growth in the U.S. economy came from export expansion. Every $1 billion in U.S. exports creates about 20,000 good American jobs -- jobs that pay about 17% more than the average wage.

Right now, the U.S. exports $700 billion per year. Our goal is to increase U.S. exports to $1 trillion by the end of the decade. If we succeed, that will mean millions of new high-wage jobs. The driving force behind export growth is the competitive U.S. industry and workforce. But the Federal Government must do what it can do to make this goal a reality.

In 1992, Congress established the 19-agency Trade Promotion Coordinating Committee (TPCC) and mandated it to prepare a National Export Strategy. Today, with the release of its first annual report, the TPCC takes a major step in that direction by setting forth over 60 concrete actions and specific recommendations to improve Federal export promotion programs and clear away unnecessary obstacles to U.S. exports. Some of the report's highlights include the following:

Export Controls

The report contains a number of far-reaching changes to current U.S. export controls. These reforms remove cumbersome and expensive licensing burdens from some of our most competitive industries. This action is an important step in streamlining U.S. nonproliferation export controls and making our system more responsive and efficient. It will not inhibit legitimate exports that play a key role in America's economic strength, but it will prevent exports that would make a material contribution to the proliferation of weapons of mass destruction and ballistic missiles. The reforms include the following:

(more)

- Propose an increase in the threshold for exports of computers to most destinations from 12.5 MTOPS to 500 MTOPS. (MTOPS stands for "Million Theoretical Operations per Second," the accepted measure of the speed of a computer.) **As a first step, we will immediately liberalize computer controls for most destinations up to 194 MTOPS, which will decontrol $24 billion of computer exports.** In addition, we will immediately propose to the Japanese under our bilateral supercomputer agreement that we decontrol exports up to 500 MTOPS. Once complete, this reform will free an estimated $30 billion of computer exports currently subject to controls from licensing requirements.

- Propose an increase in the definition of supercomputers from 195 MTOPS to 2000 MTOPS. Redefining supercomputers will free about $5 billion of supercomputer exports from expensive "safeguard" requirements (e.g., 24-hour security guards).

- Remove prior licensing requirements for the majority of telecommunications exports to most destinations. **This will immediately free $2 billion in telecommunications exports to most destinations.** We are prepared to move further, but any additional action needs to be worked out in negotiations with our COCOM allies. We are already engaged in those negotiations.

We will continue to control exports to countries against which the U.S. has an embargo or which present a significant threat of terrorism or proliferation. For example, computer exports to Iraq, Iran, Syria, Libya, North Korea, Vietnam and Cuba will remain subject to the strictest licensing requirements.

This is an important step towards bringing our export control system in line with the national security and technological reality. It complements the President's commitment to reform COCOM, which seeks to enlist the support of our former adversaries to combat new strategic threats, while improving their access to the technologies that will enhance their democratic and economic renewal.

Decontrolling computers and other items that are readily available from other countries is consistent with this Administration's strong commitment to combat the proliferation of weapons of mass destruction and ballistic missiles. Reducing control levels on items that are widely available worldwide improves our ability to persuade other suppliers to maintain effective controls on items of proliferation concern. Export control reform complements our nonproliferation efforts.

One-Stop Shops

Currently, 19 agencies provide export promotion services, and exporters must weave through a maze of offices to get help. The

TPCC report recommends the creation of four pilot "one-stop shops" in Miami, Los Angeles, Chicago and Baltimore to provide information and assistance on all Federal export promotion and trade finance programs. These shops also will seek to integrate Federal programs with local, state and private sector services.

Unified Export Promotion Budget

The U.S. Government needs to do a better job of determining how its export promotion dollars are spent, by region, country or product. The report pledges to create a unified export promotion budget for FY 95 and beyond, which will help the government set priorities and allocate resources accordingly. This report establishes a process, involving the National Economic Council (NEC), Office of Management and Budget (OMB) and TPCC, to develop such a budget.

Strategic Country Plans

The U.S. Government has been criticized in the past for not thinking strategically regarding key foreign markets. The TPCC recommends that a comprehensive commercial plan be developed for each foreign country with significant market potential. This plan would coordinate the export promotion efforts of the Departments of State, Commerce and Agriculture and would ensure that embassies play a central role in supporting U.S. commercial interests.

Government Advocacy

High-ranking officials in many countries play an important role in securing deals for their countries' companies. There is a need for higher-level and coordinated U.S. Government advocacy for major export sales. The TPCC report establishes an "Advocacy Network" to collect information on overseas deals and to coordinate these efforts.

Reinventing Export Promotion

This Administration is committed to making the Federal Government work better and cost less. We are determined to make each dollar of Federal investment go further towards the goal of economic growth. Nowhere is that more the case than it is in the area of export promotion. The TPCC report marks the first step in a continued campaign to improve the efforts of the Federal Government to support increased exports and job creation.

# # #

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: DAVID LANE

SUBJECT: DEFENSE CONVERSION IN CALIFORNIA

Defense Conversion continues to be a major issue in California. Your initiatives to assist communities, firms, and workers affected by defense downsizing are beginning to have an impact.

Technology Reinvestment Project

The Technology Reinvestment Project (TRP) evaluation process is nearing completion; the awards have been eagerly awaited in California. In total, $475 million in matching grants will be announced. On October 22, you announced a number of early TRP award selections (accounting for approximately $100 million of the total). The remainder of the winning projects will be announced by early December. Lead participants from California in the first wave of winning projects include:

Participant	City	Focus Area	Project Size*
GM Hughes	Newport Beach	Electronics	$40m
High-Shear Tech.	Torrance	Vehicle Rescue	$1.6m
Magnavox	Torrance	Vehicles	$17.7m
Power-One	Camarillo	Advanced Battery	$1.9m
U.C. at SD	La Jolla	Materials/Bridge	$21m
TRW Space	Redondo Beach	Mechanical Design	$33.8m
CA Mfg. Tech Ctr.	Hawthorne	Dual-Use	$1.5m
Cal. State	Long Beach	Mfg. Engineering	$8m
Cal. State	Fullerton	Envmntl. Training	$1.1m

* Federal share to be negotiated. Lead participants have smaller partners.

Base Closure and Reuse

As a result of the Defense Base Closure and Realignment Commission's 1993 recommendations, California will lose 15,500 military jobs and 14,100 civilian jobs, most of them in the Bay Area. On August 13 you went to the Alameda Naval Air Station to discuss your 5-point plan to speed economic revitalization in base closure communities. A reminder of the points:

1) **Jobs-centered property disposal** that puts economic

redevelopment first.

2) **Fast-track cleanup** that removes needless delays while protecting human health and the environment.
3) **Easy access to transition and redevelopment help** for workers and communities.
4) **Transition coordinators** at major bases slated for closure.
5) **Larger economic adjustment planning grants** to base closure communities.

Since your visit to Alameda, substantial progress has been made on all five points. Following are key recent developments:

Property Disposal (1) -- In the area of "job-centered property disposal," you promised to reform federal property disposal law to make possible free or discounted transfers of base property to local communities in order to create jobs. The DOD Authorization Conference Report includes language that would amend the Base Closure Act to give the Secretary of Defense discretion to do this. You should be able to sign this bill shortly.

On a matter of Bay Area interest, you directed the Navy to transfer 200 acres of Navy property to the Port of Oakland "for the functional equivalent of $1 a year" to enable the port to expand. The Navy is doing this, to the delight of the Port.

You also directed the Office of Environmental Policy to work with the federal agencies involved to speed up dredging of the Oakland Harbor. Since that time the OEP has convened meetings of the Corps of Engineers, EPA, NOAA, and the U.S. Fish and Wildlife Service, and worked with them to resolve differences and accelerate the dredging project, which will be critical for expansion of the Port of Oakland. When you visited the area the likely date for completing required environmental studies and beginning dredging was **August, 1995**. Since then, efforts have been underway to meet a **new target of December, 1994**, which would mark substantial progress and satisfy Port officials.

Easy access to transition help (3) -- As part of an effort to bring assistance to workers and communities, a **Federal Government SWAT Team** led by the Department of Labor visited the bases at Alameda and Mare Island on November 1-2, El Toro near Los Angeles on November 4-5, and the San Diego Naval Training Center on November 8. The SWAT teams worked with local officials to establish Transition Assistance Centers for base and neighboring workers and provided information to help workers plan for new employment opportunities. The visits were a big success (one Mare Island meeting attracted 5,000 workers).

In addition, the Secretary of the Navy hosted a Western Regional Base Closure Conference in Oakland on October 26-27 to help communities kick off their reuse planning efforts.

Your administration has also moved ahead with implementation of the **Boxer Bill**, which created an **Office of Economic Conversion Information** (OECI) in the Department of Commerce. After passage of Sen. Boxer's amendment in September, OMB, DoD, Commerce, and the NEC worked closely with her staff to establish this "one stop shop" for defense conversion information. The OECI opened for business on November 15, and Secretary Ron Brown will introduce it to the public at a press conference on November 23.

Planning grants up to $3.5 million for hard-hit areas (5) -- You identified both Mare Island (in Valejo) and the Oakland/Alameda area as deserving of the maximum amount, which they should receive over the next few years. DoD's Office of Economic Adjustment (OEA) is about to award the first grant to the Mare Island area -- a grant of $596,000. In the East Bay Area, the local reuse group has begun hiring staff, using a $69,918 OEA grant made on the eve of your visit (August 12). They will soon receive a far larger grant ($664,867) to begin a base reuse study. You will be notified when these larger grants are ready to be announced.

(note: These sums are for **planning** purposes only; the communities will be eligible for **far larger sums** from Commerce (EDA) and Labor, among other departments, based on the needs identified in their reuse plans. Also, OEA is not only awarding larger grants under your leadership, **they are acting much quicker than in the past, a full nine months ahead of 1991.**)

Miscellaneous Issues

Reuse Planning at Norton AFB in San Bernardino -- While in Los Angeles you may hear about community frustration over a recent roadblock to planned reuse of Norton. After four years of planning for conversion to a civilian airport, a homeless advocacy group has staked a claim to establish a huge homeless aid center on the base, utilizing all the facilities and land.

Provisions of the McKinney Act stipulate that organizations aiding the homeless have first priority for federal facilities that become surplus. NEC staff have been working to keep this requirement from undermining the efforts of reuse authorities to plan for economic development and create jobs. Changes included in the DoD Authorization Conference Report should effectively streamline the current process and prevent "eleventh hour" claims on base property, while still permitting homeless organizations to utilize appropriate base properties to help the homeless.

THE WHITE HOUSE

WASHINGTON

November 18, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
PHIL CAPLAN

SUBJECT: California Fires

I. SUMMARY

On October 28, 1993, following a request from Governor Pete Wilson, you declared a major disaster in Southern California for a six-county area. Beginning on October 26, seventeen fires broke out; a second wave of four fires broke out on November 3. The fires were contained by November 7, and controlled on November 10 . On this trip to California, you will expand the disaster to include areas affected by the post-fire mudslides.

II. DISCUSSION

Costs:

- o Total public and private costs for the fires are estimated at $1 billion. According to FEMA, roughly 85% of that amount will be covered by private insurance.
- o There were 162 injuries (mostly firefighters) and 3 fatalities.
- o Over 193,000 acres of land were affected of which 30,049 acres were federal land.
- o FEMA and the Red Cross report 1,241 structures destroyed by the fire; 637 residences were either destroyed or suffered major damage.

Wild fires are prevalent in the West at this time of the year. There is an effective interagency firefighting organization permanently in place that was activated for this disaster. Coordinated from the Boise (Idaho) Interagency Fire Center and a branch office in Pasadena, California, federal agencies were well coordinated with state, county and local officials. Federal agencies involved in the firefighting and cleanup include:

- o Forest Service (Agriculture)
- o National Park Service (Interior)
- o Bureau of Land Management (Interior)

- Bureau of Indian Affairs (Interior)
- National Weather Service (Commerce)
- Coast Guard (Transportation)
- Department of Defense
- Small Business Administration
- Federal Emergency Management Agency

James Lee Witt was on site for several days to coordinate the firefighting and cleanup efforts. Secretary Espy (and Assistant Secretary Jim Lyons), Secretary Babbitt, Secretary Brown and Administrator Roger Johnson all visited the area. Roger Johnson's house was in danger of burning at one time, but was not harmed.

Arson

Arson caused several of the fires. A homeless man was charged with setting the Altadena fire; four fires are known to have been arson, and three others are suspected. Governor Wilson has offered a reward for information leading to the arrest and conviction of suspects in other fires. Treasury's Bureau of Alcohol, Tobacco and Firearms is spearheading a task force of federal, state and local law enforcement and fire-related agencies to apprehend the arsonists.

Recovery and Disaster Assistance

FEMA opened six Disaster Application Centers (DAC) in the area. Three remain open as of November 16, 1993. The DACs have taken in 1,989 applications. As of November 15, FEMA obligated $48 million and disbursed $24.5 million. FEMA estimates that $70-80 million will be charged to the Disaster Relief Fund. As of November 17, the Small Business Administration has issued 141 loans for $9.5 million (115 home loans for $6.7 million and 26 business loans for $2.7 million).

The Administration has undertaken several other initiatives designed to ease the financial burdens of the fires:

- You released $15 million in FEMA funds to the California Office of Emergency Services to help pay for state and local firefighting costs.

- For the first time ever in a disaster situation, James Lee Witt and FEMA arranged to have insurance company representatives stationed in the DACs to provide "one-stop shopping."

- The Bureau of Public Debt at the Department of the Treasury is expediting the payment and replacement of U.S. Savings Bonds lost or destroyed in the fires.

- The IRS is expediting requests for tax refunds drawn from taxes paid in previous years. Amended returns can be filed at the DACs. In the event that a person has lost access to financial data, the IRS will provide the data to the applicant.

CALIFORNIA AND NAFTA

California exports more than any other state in the Union. Last year, California exported close to $69 billion dollars worth of goods. As a result, California--more than most other states--stands to gain from expanded markets and expanded trade.

California exports to Mexico tripled from 1987 to 1992, rising from $2.3 billion to $6.6 billion.

The California Congressional Delegation supported NAFTA by a 29-23 margin. Both Senator Feinstein and Senator Boxer oppose NAFTA.

Attached is a vote breakdown and fact sheets on California-Mexico trade.

Lname	Fname	State_loc	Party	WH
Condit	Gary	CA	D	N
Dellums	Ronald V.	CA	D	N
Dixon	Julian C.	CA	D	N
Edwards	Don	CA	D	N
Filner	Bob	CA	D	N
Hamburg	Dan	CA	D	N
Harman	Jane	CA	D	N
Lantos	Tom	CA	D	N
Martinez	Matthew G.	CA	D	N
Miller	George	CA	D	N
Schenk	Lynn	CA	D	N
Stark	Fortney H.	CA	D	N
Tucker	Walter	CA	D	N
Waters	Maxine	CA	D	N
Waxman	Henry A.	CA	D	N
Woolsey	Lynn	CA	D	N
Baker	William	CA	R	N
Doolittle	John	CA	R	N
Gallegly	Elton	CA	R	N
Herger	Wally	CA	R	N
Hunter	Duncan	CA	R	N
Pombo	Richard W.	CA	R	N
Royce	Ed	CA	R	N
Becerra	Xavier	CA	D	Y
Beilenson	Anthony C.	CA	D	Y
Berman	Howard L.	CA	D	Y
Brown	George E.	CA	D	Y
Dooley	Cal	CA	D	Y
Eshoo	Anna	CA	D	Y
Farr	Sam	CA	D	Y
Fazio	Vic	CA	D	Y
Lehman	Richard H.	CA	D	Y
Matsui	Robert T.	CA	D	Y
Mineta	Norman Y.	CA	D	Y
Pelosi	Nancy	CA	D	Y
Roybal-Allard	Lucille	CA	D	Y
Torres	Esteban Edward	CA	D	Y
Calvert	Ken	CA	R	Y
Cox	C. Christopher	CA	R	Y
Cunningham	Randy	CA	R	Y
Dornan	Robert K.	CA	R	Y
Dreier	David	CA	R	Y
Horn	Steve	CA	R	Y
Huffington	Mike	CA	R	Y
Kim	Jay	CA	R	Y
Lewis	Jerry	CA	R	Y
McCandless	Alfred A.	CA	R	Y
McKeon	Howard	CA	R	Y
Moorhead	Carlos J.	CA	R	Y
Packard	Ron	CA	R	Y
Rohrabacher	Dana	CA	R	Y
Thomas	William M.	CA	R	Y

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).

CALIFORNIA'S EXPORTS TO MEXICO, BY INDUSTRY SECTOR

(Percent & Thousand $)

	1987	1992	% CHANGE	$ CHANGE
CA'S EXPORTS TO MEXICO	$2,257,263	$6,556,924	190.5%	$4,299,661
AGRICULTURE, FORESTRY & FISHERIES	$36,928	$123,066	233.3%	$86,138
Agriculture – crops	34,040	76,702	125.3%	42,662
Agriculture – livestock	2,239	34,281	1430.9%	32,042
Forestry	607	4,133	581.2%	3,527
Fishing, Hunting	42	7,949	18925.1%	7,908
MINING	48	20,080	41865.9%	20,032
Metal Mining	4	201	5525.3%	198
Coal Mining	17	195	1074.4%	178
Oil & Gas	24	13,379	55757.8%	13,355
Non–Metallic Minerals	4	6,305	168565.8%	6,301
MANUFACTURING	2,147,661	6,356,491	196.0%	4,208,830
Food Products	53,462	315,040	489.3%	261,578
Tobacco Products	0	4	--	4
Textile Mill Products	13,504	62,266	361.1%	48,763
Apparel	29,210	189,329	548.2%	160,119
Lumber & Wood Products	90,595	288,417	218.4%	197,822
Furniture & Fixtures	18,569	88,573	377.0%	70,004
Paper Products	68,878	215,762	213.3%	146,884
Printing & Publishing	9,541	36,769	285.4%	27,227
Chemical Products	90,604	312,029	244.4%	221,425
Refined Petroleum Products	349,879	276,501	–21.0%	–73,378
Rubber & Plastic Products	111,698	296,213	165.2%	184,515
Leather Products	6,496	31,583	386.2%	25,087
Stone, Clay & Glass Prod.	33,466	87,729	162.1%	54,264
Primary Metal Industries	100,603	340,344	238.3%	239,742
Fabricated Metal Products	131,943	344,658	161.2%	212,715
Indus. Mach. & Computers	385,123	1,035,918	169.0%	650,795
Electric & Electronic Equip.	430,761	1,497,660	247.7%	1,066,899
Transportation Equipment	80,858	389,629	381.9%	308,771
Scientific & Measuring Instr.	78,868	278,587	253.2%	199,719
Miscellaneous Manufactures	63,603	269,479	323.7%	205,876
OTHER	72,627	57,287	–21.1%	–15,340
Scrap & Waste	18,813	17,772	–5.5%	–1,041
Second Hand Goods	8,863	4,127	–53.4%	–4,736
Military Equipment	44,951	35,388	–21.3%	–9,563
CA'S EXPORTS TO MEXICO	$2,257,263	$6,556,924	190.5%	$4,299,661

CALIFORNIA'S EXPORTS TO CANADA, BY INDUSTRY SECTOR

(Percent and Thousand $)

	1987	1991	1992	% CHANGE 1987–92	$ CHANGE 1987–92
AGRICULTURE, FORESTRY & FISHING	**$312,283**	**$746,456**	**$732,400**	**134.5%**	**$420,117**
Agriculture – crops	297,692	719,847	703,835	136.4%	406,143
Agriculture – livestock	10,073	4,468	3,879	–61.5%	–6,195
Forestry	3,801	1,628	2,125	–44.1%	–1,675
Fishing & Hunting	717	20,513	22,561	*	21,844
MINING	**15,954**	**16,160**	**13,030**	**–18.3%**	**–2,924**
Metal Mining	81	25	11	–86.4%	–70
Coal Mining	0	0	0	––	––
Oil & Gas	0	54	66	––	66
Non–Metallic Minerals	15,873	16,081	12,953	–18.4%	–2,920
MANUFACTURING	**3,011,609**	**5,619,420**	**6,383,046**	**111.9%**	**3,371,438**
Food Products	183,823	477,262	528,931	187.7%	345,108
Tobacco Products	37	40	63	70.7%	26
Textile Mill Products	5,798	20,307	23,319	302.2%	17,521
Apparel	10,577	42,643	52,498	396.3%	41,921
Lumber & Wood Products	31,253	56,555	53,691	71.8%	22,438
Furniture & Fixtures	9,724	40,696	46,946	382.8%	37,222
Paper Products	14,648	40,149	40,523	176.6%	25,875
Printing & Publishing	42,754	111,757	116,850	173.3%	74,096
Chemical Products	109,297	170,139	206,939	89.3%	97,642
Refined Petroleum Products	23,244	46,850	31,472	35.4%	8,229
Rubber & Plastic Products	56,408	110,875	121,660	115.7%	65,252
Leather Products	2,922	18,333	20,002	584.6%	17,080
Stone, Clay & Glass Products	30,406	41,199	48,270	58.8%	17,864
Primary Metal Industries	58,889	122,695	137,415	133.3%	78,526
Fabricated Metal Products	97,926	329,533	253,357	158.7%	155,432
Industrial Machinery & Computers	976,799	1,650,340	1,921,751	96.7%	944,952
Electric & Electronic Equipment	536,757	1,150,656	1,389,176	158.8%	852,419
Transportation Equipment	462,622	617,677	778,276	68.2%	315,654
Scientific & Measuring Instruments	317,927	435,436	447,163	40.6%	129,236
Miscellaneous Manufactures	39,799	136,277	164,746	313.9%	124,946
OTHER	**64,302**	**128,050**	**180,501**	**180.7%**	**116,199**
Scrap & Waste	1,216	20,709	25,403	1989.1%	24,187
Second Hand Goods	4,928	8,906	15,976	224.2%	11,048
Goods Returned to Canada	0	61,420	80,823	––	80,823
Military & Other Misc. Items	58,158	37,015	58,300	0.2%	141
CA'S EXPORTS TO CANADA	**$3,404,148**	**$6,510,086**	**$7,308,978**	**114.7%**	**$3,904,830**

* Indicates percent changes of 1000% or more.

STATE EXPORTS TO MEXICO & TO THE WORLD: 1987 & 1992

(Percent & Thousand $)

	EXPORTS TO MEXICO 1987	EXPORTS TO MEXICO 1992	1987–92 % CHANGE	1987–92 $ CHANGE	1992 EXPORTS TO WORLD
ALABAMA	$80,551	$263,818	227.5%	$183,267	$4,059,721
ALASKA	5,293	6,048	14.3%	755	3,719,564
ARIZONA	644,677	1,845,148	186.2%	1,200,470	6,601,212
ARKANSAS	37,710	118,275	213.6%	80,565	1,541,976
CALIFORNIA	2,257,263	6,556,924	190.5%	4,299,661	68,905,873
COLORADO	69,290	151,328	118.4%	82,038	2,980,882
CONNECTICUT	115,378	280,121	142.8%	164,743	5,710,688
DELAWARE	28,033	157,785	462.8%	129,751	1,808,019
DIST. OF COLUMBIA	4,932	7,090	43.8%	2,158	476,577
FLORIDA	218,998	663,799	203.1%	444,800	18,746,264
GEORGIA	108,097	463,503	328.8%	355,406	9,001,425
HAWAII	61	43,245	71357.7%	43,184	317,288
IDAHO	11,238	35,399	215.0%	24,161	1,161,677
ILLINOIS	278,373	1,349,283	384.7%	1,070,910	17,622,000
INDIANA	270,929	359,206	32.6%	88,277	6,837,056
IOWA	66,084	199,977	202.6%	133,893	2,813,835
KANSAS	124,979	312,966	150.4%	187,987	2,761,214
KENTUCKY	43,266	197,629	356.8%	154,363	4,070,180
LOUISIANA	377,426	753,254	99.6%	375,828	16,976,742
MAINE	2,685	23,471	774.3%	20,786	1,026,724
MARYLAND	17,044	59,241	247.6%	42,197	4,923,096
MASSACHUSETTS	100,117	263,984	163.7%	163,867	12,157,614
MICHIGAN	1,077,870	1,420,639	31.8%	342,770	22,513,146
MINNESOTA	89,975	261,420	190.5%	171,445	7,154,043
MISSISSIPPI	52,510	102,866	95.9%	50,356	2,149,793
MISSOURI	198,713	338,603	70.4%	139,890	4,025,705
MONTANA	1,219	4,024	230.1%	2,805	291,308
NEBRASKA	44,546	100,073	124.6%	55,527	1,423,018
NEVADA	2,706	47,037	1638.3%	44,332	547,421
NEW HAMPSHIRE	9,790	33,591	243.1%	23,801	1,049,169
NEW JERSEY	189,208	483,254	155.4%	294,046	11,127,289
NEW MEXICO	9,058	31,650	249.4%	22,592	377,995
NEW YORK	512,368	934,155	82.3%	421,787	29,396,854
NORTH CAROLINA	94,670	440,076	364.9%	345,406	11,929,359
NORTH DAKOTA	39,886	14,777	−63.0%	−25,109	389,140
OHIO	245,232	707,855	188.6%	462,623	18,339,030
OKLAHOMA	44,248	126,557	186.0%	82,309	2,256,132
OREGON	19,477	107,471	451.8%	87,994	5,639,557
PENNSYLVANIA	181,126	742,376	309.9%	561,250	12,071,095
RHODE ISLAND	14,664	41,326	181.8%	26,663	1,003,998
SOUTH CAROLINA	32,350	127,868	295.3%	95,519	4,795,862
SOUTH DAKOTA	5,358	7,492	39.8%	2,133	252,047
TENNESSEE	100,938	413,950	310.1%	313,012	5,792,394
TEXAS	6,465,123	18,839,148	191.4%	12,374,025	49,900,849
UTAH	37,088	26,610	−28.3%	−10,478	2,897,459
VERMONT	2,570	21,153	723.2%	18,584	2,819,047
VIRGINIA	41,056	158,445	285.9%	117,388	10,652,968
WASHINGTON	83,382	564,919	577.5%	481,537	30,614,232
WEST VIRGINIA	43,988	48,561	10.4%	4,572	1,859,510
WISCONSIN	77,322	250,000	223.3%	172,678	6,949,701
WYOMING	3,374	4,879	44.6%	1,505	376,103
PUERTO RICO	--	82,367	--	82,367	4,527,243
VIRGIN ISLANDS	--	2,815	--	2,815	129,930
U.S. TOTAL	$14,582,239	$40,597,451	178.4%	$26,015,212	$447,471,024

Prepared by: Office of Trade & Economic Analysis, U.S. Dept. of Commerce.
For Media Inquiries, call (202) 482–3808.

Source: Bureau of the Census, Massachusetts Institute of Social & Economic Research.

THE WHITE HOUSE

WASHINGTON

November 18, 1993

11:42

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
JOSE CERDA III

SUBJECT: CALIFORNIA CRIME NOTES

The Senate is scheduled to complete action on S. 1607, the Violent Crime and Law Enforcement Act of 1993, sometime today, and we will send you an update at that time. You will, however, have an opportunity to highlight some of the Senate bill major components while in California.

Policing

Los Angeles may be the most underpoliced city in the country, with about half as many cops per capita as New York or Chicago, less than one patrolling officer per square mile, and more than 9 violent crimes per sworn officer -- 2 - 3 times the national average. The city has been trying desperately to put more police on the streets. In 1992, a ballot proposition to earmark new taxes for new police received 62% of the vote, but fell short of the two-thirds vote required for a tax increase. The city has also turned to the Department of Defense to recruit outgoing military personnel and gone up to Capitol Hill to testify in favor of your community policing initiative. Some have even argued that the city should use surplus funds for Los Angeles International Airport. Recently, Mayor Riordan announced a plan called Project Safety L.A. to reorganize and expand the police force by 3,000 over the next four years, but he is likely to need federal funds.

Los Angeles Police Chief Willie Williams, who was a community policing pioneer in Philadelphia, has made great strides in Los Angeles and been an advocate for more police and community policing. The weekend of the King verdicts, Chief Williams increased police presence by 600 officers -- which not only helped keep the peace, but reduced violent crime by 12% across the city.

The Senate crime bill authorizes a total of $8.995 billion over the next five years to hire 100,000 new police officers and expand community policing. With the exception of the authorization levels, the policing title remains largely unchanged from your original.

Assault Weapons

As you know, the movement to ban assault weapons took hold after Patrick Purdy opened fire with an AK-47 on a group of schoolchildren in Stockton, California -- and probably reached its high-point this year with the shootings at the Pettit & Martin law firm in San Francisco and the passage of an assault weapons ban last night by a vote of 56-43. The amendment attached to the crime bill represents a compromise reached between Senators Feinstein, DeConcini and Metzenbaum and includes elements from all of their bills. Specifically, the amendment would: (1) ban 19 specific weapons; (2) define additional weapons prospectively restricted by means of an objective test based on physical features; (3) double the penalty for the violation of firearms laws from 5 to 10 years for violations involving assault weapons; (4) expressly exempt more than 650 legitimate (manual and semi-automatic) hunting and sporting firearms; and (5) ban large capacity ammunition clips with more than 10 rounds.

On a separate note: while, as of this morning, federal firearms licensing (FFL) reforms had not been attached to the crime bill, FFLs are a big issue in Los Angeles County. More than 3,000 (of the 270,000) FFL dealers reside in LA County -- that's more than in any other county in the country.

Last year, the LA Times ran a series on FFL abuses, conducting a random survey of more than 100 local dealerships. Among the many oddities discovered by the LA Times was a man by the name of Charles "Big Chuck" McDonald, who was sentenced to 46 months in prison for illegally selling guns. Despite a questionable past that included serving time in military prison and a dishonorable discharge, Big Chuck was awarded an FFL to sell guns out of his hotel room under the name Chuck's Guns, and he proceeded to sell guns to anyone who "didn't look like a cop." The FFL directive you signed in August calls for ATF to toughen its background checks so that people like Big Chuck don't get FFLs in the first place.

Gangs

Street gangs have long plagued California cities such as Los Angeles and San Francisco. In Los Angeles alone there are more than 1,030 distinct gangs with over 150,000 gang members, and, in 1992, there were 803 gang-related homicides in Los Angeles county alone. Despite the "truce" reported last year violent gang activity continues, and LA street gangs have expanded, reaching nearby cities such as Denver and Kansas City.

The crime bill includes several programs that attempt to deal with the gang problem. First, it includes bootcamps and alternative punishments for young offenders, which can be coupled with drug treatment and testing ($1.2 billion). Second, it bans juvenile possession of handguns and authorizes $500 million to build facilities to house violent juveniles. And third, the bill includes a $100 million in gang prevention grants that are designed to provide alternatives activities to youths immersed in the gang culture.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: **John Hart, Deputy Assistant to the President for Intergovernmental Affairs**

DATE: **November 17, 1993**

SUBJECT: **California Health Care Reform and The Health Security Plan**

I. Overview

A. Background

California is on the cutting edge of health care reform but politically divided about the best reform program for the state. Progressive in its adoption of a purchasing pool system for public employees and small businesses, the legislature has not yet considered a universal access initiative. Concern regarding undocumented workers and small businesses stand in the way of more broad-based reforms in the state.

During the 1980s, California was the fastest growing state in the nation, swelling to more than 30 million residents. With 6.1 million uninsured residents -- 19% of the state's total population -- California has one of the highest uninsured rates in the nation. Between 1980 and 1992, enrollment in Medi-Cal, the State's publicly financed health care system for the poor, climbed 79% -- from 2.96 million to 5.2 million beneficiaries.

Undocumenteds
The size of California's uninsured population is due in part to the large number of undocumented, seasonal, and part-time workers in the state. California is home to 1.5 to 2 million undocumented individuals, approximately half of the national total, and 300-400,000 seasonal and part-time workers, a majority of whom are uninsured. The State of California receives $1 billion in federal funds each year for emergency room services for the undocumented; $159 million of this money goes to undocumenteds in Los Angeles County alone.

Managed Care
Both market forces and state programs are encouraging the consolidation of health providers into managed care networks. As much as 70% of California's population may be enrolled in managed care, as compared to 50% nationwide. This movement toward managed care has been encouraged by Governor Wilson's MediCal managed care initiative (see below) and by the state's existing health purchasing pools. Safety net providers throughout the state are concerned that they will be marginalized by large managed care networks.

Small Business
Small business concerns play a large part in the California health care debate. Approximately 40% of California's workforce is employed by small business, and California is heavily dependent on small business for job growth. Over 40% of small businesses insure at least some employees. Many small businesses offer coverage at a cost of 12% of payroll; they stand to benefit from the 3.5% payroll cap introduced by the Health Security Act. California's new small business purchasing pool attempts to expand small business access to health coverage. (See below.)

B. Health Reform Efforts

Despite a lack of consensus regarding the future of health care reform in California, the California legislature has introduced innovative reforms over the last decade. These reforms include two approaches to managed competition which include many of the components of our plan, and a single-payor plan fashioned by Insurance Commissioner John Garamendi that failed.

1. Managed Competition: Purchasing Pools
The only state in the nation with operating health care alliances, California provides a promising example of the future success of the Health Security Plan. The states' two purchasing pools, the California Public Employees Retirement System (CalPERS) and the Health Insurance Plan of California (HIPC), have successfully held down premium increases while maintaining consumer choice. Significantly, these programs differ from those proposed by the Health Security Act in that both limit membership to specific pools of people, and membership is entirely VOLUNTARY.

Both CalPERS and the HIPC are community rated, with standardized benefits, and offer a wide variety of choice. Between 1986 and 1994 CalPERS membership grew 46%; it currently covers 887,000 lives and collects $1.4 billion annually in premiums. Premium increases for CalPERS were below 1.5% in 1993. California HIPC, created in 1992, is a government run, voluntary pool for small employers. Premium bids by competing health plans are well below average premiums in California. Governor Wilson assumes credit for the creation of HIPC, and believes that the success of this voluntary pool is evidence that there may not be a need for national reform. However, the HIPC's market share will remain limited and will not solve the security problem.

2. Small Group Reforms

In 1992 the California legislature adopted a small group reform proposal that includes a restriction on pre-existing condition exemptions, portability, guaranteed renewal, limits on rate increases, and modified community rating. The reform does not address costs.

3. Medicaid Managed Care

The state is in the process of extending Medicaid managed care statewide (MediCal.)

* Costs for Medi-Cal in 1993-4 are expected to be $14.9 billion, including matched donated funds and DSH funding.

* For 1992-3 the state of California spent on Medi-Cal $5.5 billion, with an additional $1.2 billion from intergovernmental transfers. Medi-Cal accounts for approximately 18% of all state expenditures.

* The cost of undocumented persons in terms of Medi-Cal expenditures is believed to be at least $900 million for 1993-4. This is just the IRCA/OBRA total.

Governor Wilson's plan for a modified managed care Medi-Cal program will establish a dual Medi-Cal system, in which both the state and the county offer plans to Medi-Cal recipients, who can then choose the program they prefer. Large counties, such as Los Angeles, would prefer a unified system in which the county is the only entity bidding for Medi-Cal plans. HCFA is still considering waivers for managed care Medi-Cal programs in San Francisco and Los Angeles.

II. San Francisco: Overview

A. Background

HIV/AIDS patients, Medi-Cal recipients, community providers, and the City's single-payor supporters are populations of note with regard to health care reform in San Francisco. With over 10 different hospitals serving a population of just under 800,000 the City is overbedded; out-patient care is favored by the 10 different County run community based clinics which receive 10-15,000 visits a year. Many San Franciscans are favor a single-payor option approach to reform, and the City's saftey net providers are troubled by the increasing consolidation of health care delivery services into managed care networks.

HIV/AIDs
San Francisco has the highest prevalence of HIV/AIDs patients of any city or county in the nation. Of the City's approximately 800,000 residents, 28,000 are HIV infected individuals and 6391 are people with AIDS. Unlike cities such as New York and Newark, much of San Francisco's HIV/AIDs community is insured, and does not receive care from public sources. Known as the "San Francisco Model" the City's HIV/AIDS treatment programs offer not only sophisticated medical services, but legal, therapeutic, housing security, and emotional support services as well. The HIV/AIDS treatment community is concerned about the fate of non-medical services currently available to HIV/AIDS patients, under the Health Security Act.

Medi-Cal Managed Care
San Francisco is in the process of moving its Medi-Cal population into managed care programs. As of 1992, 108,242 San Franciscans -- or 14% of the total population -- were enrolled in Medi-Cal. Unlike Los Angeles County, San Francisco is supportive of the Governor's dual plan program, which introduces a statewide health maintenance organization (the "mainstream plan") that will operate in addition to locally-developed Medi-Cal managed care plans ("local initiatives").

III. Los Angeles

A. Background

Uninsured
With over 80 cities, a population greater than 9 million people, and 1 in 7 residents living in poverty, health care security and access are significant concerns in Los Angeles County (Los Angeles City's population is 3.5 million). Los Angeles has the second highest uninsured rate of any major metropolitan area in the nation, and a higher uninsured rate for children and employed individuals or their dependents than the national average. In total, 2.6 million Angelinos are uninsured, 784,000 of whom are children, and another 30% are employed persons or their dependents. An additional **1.5 million** individuals are undocumented, uninsured residents; this population accounts for **HALf of the nation's** total population of undocumented workers. Another 1.3-1.4 million Angelinos have access problems; in total, 3 million Los Angeles residents are either under served or uninsured.

Providers
The County is home to approximately 26,000 doctors, 180 hospitals -- 10 County hospitals -- and 70 community clinics serving the uninsured and MediCal populations. As well, three major medical schools are located in this region: UCLA, USC, and the Charles Drew Post Graduate Medical School located in South Central Los Angeles. Up to 75% of the County's doctors are specialists.

Medi-Cal
The Medi-Cal population in Los Angeles is as large as that of some small states. Of the 1.65 million Medicaid eligibles in the City, 1/3 are enrolled in managed care programs. Although Los Angeles County wishes to move all Medi-Cal recipients into managed care, the County Board of Supervisors and the County Health Department wish to establish a unified managed care program to be administered by the County in place of the two-plan model Medi-Cal managed care program proposed by Governor Wilson.

The County is awaiting a response from HCFA regarding a waiver request for their managed care Medi-Cal program, and is lobbying key Congresspeople to assist in this process. The County has expressed an interest in developing a federally funded model managed care Medicaid program, and has spoken with Congressman Waxman's staff about this notion. Orange County has already developed a model public private entity to oversee Medicaid, but this region lacks the diversity and population that is unique to Los Angeles County.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM DONSIA STRONG
Domestic Policy Council Staff

SUBJECT Immigration Issues

I. Governor Wilson's Immigration Proposals

Governor Wilson has proposed that your Administration take three specific actions to combat illegal immigration; amend the Constitution to deny citizenship to children born in the U.S. to illegal immigrant parents; deny education and other social services to illegal immigrants; and institute a tamper-resistant identification card.

In an interview with the Los Angeles Times, you stated that you did not believe that we should change the Constitution to deny citizenship to children born here to parents who are in the country illegally. You disagreed with the Governor's suggestion to shut off emergency medical treatment noting that it is in the public interest to treat people who have communicable diseases.

You spoke about the Administration's ongoing examination of the feasibility of creating a tamper-proof national identity card aimed, in part, at preventing illegal immigrants from taking advantage of government benefit programs.

You asserted that, in the long run, NAFTA will reduce immigration pressure both by improving the standard of living in Mexico and by evening up development within Mexico so that people would not feel compelled to migrate north to the maquiladora zone near the U.S. border.

You further argued that the only way to avoid having the immigration debate damage the social fabric of the country would be for the government to begin demonstrating to citizens that it is taking action to enforce the immigration laws.

II. Administration 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.

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 counter terrorism specifically. The centerpiece of the initiatives is a legislative proposal which 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 session. In addition, the INS will complete its regulatory review and make its recommendation to further streamline the asylum process.

On September 19, the Border Patrol began Operation Blockade. In doing so, it deployed 400 – 450 agents along the 20 mile stretch between El Paso, TX and Ciudad Juarez, Mexico and all but stopped human traffic crossings which had been over 10,000 people per day.

At a cost of $400,000 in overtime and per diem, the blockade reduced illegal traffic, increased border patrol arrests from 600 per day to 140 per day, and increased fraudulent document interdiction by 500%. In contrast, South El Paso businesses, especially discount, food and clothing stores, experienced a substantial decrease in revenues. The costs to personnel in terms of exhaustion and moral were significant. The agents are working 6 day weeks on 8 to 10 hour shifts.

DOJ has reviewed the blockade to determine the feasibility of its use in targeting the San Diego border and has developed a plan which is being reviewed further. Initial thoughts are that a blockade on the southwest border would require substantially more agents with much greater attending costs due to the differences in terrain. In addition, the aliens are thought to be more volatile and would engage in greater instances of rock throwing.

III. State Legalization and Impact Grants (SLIAG)

There is a split within the California congressional delegation and the state delegation regarding SLIAG funding. Originally authorized under the Immigration Reform and Control Act (IRCA), SLIAG grants were designed to reimburse state and locally-funded services for the five-year period during which eligible legalized persons were barred from receiving federally-funded services. The grants also enabled states to provide classes such as English, American history and citizenship to 3 million immigrants granted amnesty under IRCA waiting the six and one half years to become eligible for citizenship. The grants were authorized for only five years, however, and dried up on October 1, 1993, thus depriving immigrants of the classes just as they are becoming eligible for citizenship. Legislation being endorsed by the Congressional Hispanic Caucus and immigrant advocates would extend SLIAG grants to fund citizenship education services.

Governor Wilson and Los Angeles county have requested that SLIAG grants be used to reimburse the state for the high costs it has incurred providing health care for illegal immigrants. Health care costs have risen dramatically while education costs have decreased. The Administration has taken no position on whether the grants should be extended or for what purposes the grants should be used.

IV. Return of criminal aliens to their native countries

California State Treasurer Kathleen Brown sent you a letter in which she proposed to send illegal aliens convicted of U.S. crimes back to their own countries because of the economic burden which they impose on states' criminal justice systems. Treasurer Brown proposed that every time the United States signs a treaty with another country, the treaty include prisoner transfer provisions. Brown indicated that NAFTA should include such a provision.

Associate Attorney General Hubbell is currently working with Mexico on a small pilot project to return certain offenders to Mexico to complete sentences or to undergo rehabilitation. DOJ has a working group attempting to define criteria for prisoner eligibility. Such criteria might include age, type of offense, time left to serve and potential effectiveness of rehabilitation. Thus far, five thousand federal potential transferees have been identified.

The Administration is continuing to attempt to broaden the scope and depth of criminal alien return.

V. Legislative Proposals in California

There are currently two ballot initiatives in California which seek to restrict benefits to illegal immigrants. The Nelson–Ezell plan would bar children who are in the United States illegally from attending public school and would require teachers and social service workers to report suspected illegal immigrants to the state attorney general. The Schabarum measure would cut publicly financed emergency medical care to immigrants and would require Californians to carry identity cards as proof of their legal residence. The sponsors of the measures hope to collect enough signatures by June, 1994 to get the measures on the November, 1994 ballots.

The State legislature recently approved a bill which requires those applying for a California driver's license to prove that they are citizens or legal residents. Driver's licenses would also state that licenses should not be used to establish eligibility for employment, voter registration or welfare in an attempt to limit an employer's ability to accept the license as proof of citizenship.

The state Republican party recently drafted legislation which will deny health care benefits to illegal immigrants and will prohibit their children from attending public schools. Governor Wilson will introduce this legislation in January, 1994.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE McGINTY

SUBJECT: **WASHINGTON AND CALIFORNIA ENVIRONMENTAL ISSUES**

Outlined here are the major environmental issues in Washington and California about which you may be questioned.

WARD VALLEY:

The Department of Interior may transfer land to the State of California for the construction of a low-level radioactive waste disposal site. The LA environmental community is trying to block it, but the hospitals, bio-tech industry, and University Community support the transfer. DOI is currently negotiating with the state on the conduct of formal public hearings on the land transfer. At the same time we are discussing internally the best process for moving ahead that is both politically and substantively sound. (i.e., the administration is not blamed for issues for which Governor Wilson and the State of California are primarily responsible. FYI, Time magazine will run a piece on this next week.)

OAKLAND BAY DREDGING:

OEP organized a four agency memorandum of agreement to direct their regional representatives to develop a schedule and work plan for completing the permitting for the Port of Oakland by the end of next year -- to honor your commitment with Rep. Dellums earlier this year. Progress is proceeding well, and we expect an agreement in two weeks between the agencies. Dellums' office is pleased with the follow-up and is suggesting an event with you in December.

SAN FRANCISCO BAY-DELTA ESTUARY

The issues surrounding the San Francisco Bay-Delta Estuary are extremely complicated and are interacting among many ecosystems. We have Clean Water Act/Water Quality issues, Endangered Species Act/Salmon issues, and the issue of major water allocation to both agricultural users and urban drinking water facilities. The parallel goals of our water policy are to ensure water quality standards that both protect the health of the Bay-Delta environment, and achieve reliable supplies for water users, equitably allocated among the urban and agricultural communities. The White House is working with the various federal agencies involved in water quality, reclamation, and endangered species management to ensure they work more closely and cooperatively than under prior administrations. The administration is also working with the agencies to ensure that federal water policies are closely integrated with the needs of the local communities, the State, Clean Water Act, the Endangered Species Act in a manner that is predictable, comprehensive and understandable.

FOREST MANAGEMENT PLAN UPDATE:

Implementation:

The forest management component of your plan was released in draft form as required by the National Environmental Policy Act in July. More than 100,000 comments were received by the end of the public comment period on October 28th. To legitimately incorporate this overwhelming number of comments, Judge Dwyer granted a three month extension for completing the Forest Plan, now due on March 30th. In the meantime, a regional interagency team has been established to ensure the six agencies involved in this effort are all moving in the same direction. This team has:

- Established 18 working groups to develop guidance on watershed analysis, funding, adaptive management processes, watershed restoration, monitoring, and research among others;

- Briefed employees throughout the region.

"4(d) Rule":

The Fish and Wildlife Service is developing a rule under Section 4(d) of the Endangered Species Act to lift some of the timber harvest restrictions currently in place on **private land** as a result of the protection strategy on federal lands. We are currently in the process of running this proposal by the states and industry to get their perspective. However the rule is ***not public*** at this date.

Worker and Community Assistance:

Payments to counties have been successfully guaranteed at 85% of the 1986-90 average for the next five years in the budget reconciliation bill. This payment will decrease at 3% annually. The agencies' regional offices have been working with the states and local communities to develop implementation plans. These efforts should be completed by the end of the year and we expect to move aggressively to distribute FY 1994 funding.

"2.2 Billion Board Feet This Year":

When you released the forest plan, Secretary Babbitt was widely quoted as stating that we could move 2.2 billion feet this year. Many perceived this as a commitment to move 2.2 billion board feet (bbf) of **new timber**, timber that had not yet been awarded for sale.

You may receive follow up questions about our ability to actually meet these goals. **THE ANSWER IS YES,** through a combination of what is already in the pipeline, and what timber can be released consistent with your plan and the endangered species act.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ELGIE HOLSTEIN, NEC
MIKE SCHMIDT, DPC

SUBJECT: INDEPENDENT TRUCKERS STRIKE, DIESEL FUEL PRICES AND SUPPLIES

Background

Some independent truckers, upset about the steep rise in low-sulfur diesel fuel prices in some parts of the midwest and west, began a one-week strike on November 11th. The price increases occurred during October and coincided with a new EPA regulation mandating low-sulfur fuel use for transportation use, and a new California regulation requiring low-sulfur fuel for both off- and on-road diesel uses. Low-sulfur diesel fuel shortages occurred primarily because of flood-related supply interruptions. As a result, diesel fuel prices did rise significantly, adding 15-30 cents on top of the new 4.3-cent federal fuel tax. Supplies are now improving and prices have begun to fall. No identifiable organization of truck drivers or companies is supporting the strike, which is scheduled to end today.

Striking truck drivers have raised a number of other concerns, including reduced deductibility for meals, the impacts of NAFTA on the trucking industry, low freight rates, and tougher state and federal enforcement of safety regulations.

Effects of the Strike on the Los Angeles Area

Nationwide, the effects of the strike have been minimal -- independent truckers represent less than 5% of all truck drivers nationwide. However, the ports of Los Angeles and Long Beach have been particularly vulnerable, because they rely on independent truckers to shuttle cargo between the waterfront and the inland railyards. Trucking traffic is down by as much as 50% at some area railyards, and today's USA Today reported in a front page story that produce wholesalers and shippers in the Los Angeles area are feeling the effects of the strike.

Addressing NAFTA Concerns

In terms of the trucker's NAFTA concerns, the American Trucking Association "fully and vigorously" supports NAFTA. NAFTA is in fact good for the American trucking industry. It immediately gives U.S. truckers parity with their Mexican counterparts by permitting U.S. trucks to do business in border areas of Mexico. Mexican truckers already have that right in border areas of the U.S. Over time, NAFTA phases out the geographic limitations on trucking in both countries. Finally, NAFTA will ensure the availability in Mexico of low-sulfur diesel fuel, which is now required in U.S. trucks.

Action

The Federal Government has already taken a number of steps to ease the burden of this temporary fuel price spike on the trucking industry. EPA, the Interstate Commerce Commission, and the California Air Resources Board have all granted various forms of short-term regulatory relief, which have helped the situation. Most important, additional supplies of low-sulfur fuel are now finding their way to the markets where shortages occurred. As a result, prices are falling, but in many areas they are still 10-15 cents above high-sulfur prices.

Working with DOT, EPA, and DOE, we are closely monitoring nationwide low-sulfur diesel fuel prices out of concern for the health of the trucking industry as a whole. We see no reason why prices should not keep falling, and it is expected that the low/high-sulfur price differential should fall to the range of 3-5 cents by the end of the year.

THE WHITE HOUSE

WASHINGTON

November 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Ann F. Walker

SUBJECT: Local Issues Briefing: California

NAFTA
On November 15, the Los Angeles Times predicted that NAFTA's affect on the California economy "will probably be more symbolic than significant." The paper claims the best projections show a net increase of 9,600 to 34,330 new jobs as a result of NAFTA. Such figures "are barely enough to dent the recession that has cost the State well more than half a million jobs since 1990." Governor Wilson predicted Tuesday that NAFTA would create 40,000 new jobs in California.

TECHNOLOGY
On November 11, Pacific Bell announced plans to spend $16 billion to connect much of California in a high-speed, fiber optic network by the end of the decade. The move will make the State the first large region to receive video and interactive services from phone lines. The company's investment is also expected to produce several thousand new jobs. By 1996, 1.5 million homes in San Francisco, Orange County and San Diego will be connected to the system. Acknowledging that the video sevices will violate the 1984 Cable Act, PacBell said it will file suit based on a Virginia court decision allowing Bell Atlantic to deliver video sevices.

San Francisco:

DEFENSE CONVERSION
Mare Island Naval Shipyard is under consideration for a Defense Department accounting center which would provide up to 3,000 new jobs. Fifteen hundred shipyard workers stand to lose their jobs when Mare Island closes in 1998. Earlier this month, Senators Boxer and Feinstein and Representatives Miller and Hamburg met with Defense representatives about the project.

Los Angeles:

LAX LANDING FEES

On November 15, Justice Sandra Day O'Connor denied the airline industry's emergency request to block the City of Los Angeles from banning 76 airlines from using LAX if they refuse to pay higher landing fees. On Tuesday, the LAX Airport Commission announced that it would not immediately revoke the airlines' landing rights, instead declaring a cooling-off period until December 6, when a Federal District Judge will announce his final ruling. Earlier this year, the City tripled the landing fees.

JOB LAYOFFS

On November 15, Rockwell International's Rocketdyne division announced plans to cut an additional 1,000 workers in the San Fernando Valley. Rocketdyne has already laid off 2,500 workers since 1989. On November 9, Von's, southern California's largest grocery chain, announced its plans to close 11 stores in the area. In addition, AST Research, the nation's fourth largest computer manufacturer, announced that it will lay off 650 workers in Orange County.