

THE WHITE HOUSE

WASHINGTON

March 21, 1997

G.I. Bill/Skill Grants. On Friday, I participated in the second panel at the Council on Competitiveness with Governor Engler regarding the Administration's priorities to strengthen the workforce. We agreed that his staff would come to the White House next week for an informal discussion and an exchange of ideas to gain further impetus for the legislation. In the next couple of weeks -- hopefully with Alexis confirmed -- we will need to present you with options on how to proceed legislatively and strategically this year on skill grants.

Financial Services Modernization: Tuesday and Thursday, we held NEC principals' meetings on Treasury's financial services modernization proposal. The four main issues are: 1) whether to go ahead with the proposal in light of the other issues; 2) the extent to which bank and commercial industrial firms ought to be able to combine or get into one another's business; 3) how holding companies should be regulated; and, 4) what opportunities or risks may be posed for CRA in the course of the legislative process. We are quite close on the substantive questions, but both the politics and substantive considerations are quite complex. Bob Rubin and I met with John Hilley today and decided we should delay its internal announcement and our final recommendation to you -- until we further investigate the Congressional and outside politics. Treasury is delaying its intended announcement of the Administration's position (which had been scheduled for March 31), pending further discussions to gauge support. This may mean a delay beyond April 7 in Treasury's response in submitting a report by March 31 on the bank/thrift charter issues, as required by last year's BIF/SAIF bill.

Preparation for April 3rd Big 3 Automakers: Kathy Wallman, Ellen Seidman, Dorothy Robyn and I, with CEQ and OPL, met with the Washington representatives of the Big 3 automakers to prepare for the upcoming meeting of the CEOs with you, scheduled for April 3. The main issues they care about are the changing dollar/yen ratio -- which they blame on their inability to penetrate the Japanese market as well as loss of market share at home (but which we would not talk about); the PM/Ozone rulemaking, where we explained that while we could not talk about the pending rule-making, the Administration through OIRA would be reaching out to those concerned, including the auto industry (this has since been done); and climate change.

On the latter, we made clear our real interest in working with them on modeling and other analysis to try to generate informed decisions that respond to the climate problem without harm to the economy. They were skeptical but willing to try. We emphasized the need to be working together if the United States government was not to be isolated on certain issues we both care about, such as the responsibilities of developing countries. We are exploring whether there is a safety issue or NEXTEA announcement we could do with them, so that the news focus is not on the dollar or their objections on Global Climate Change. We will know more about this in the coming week.

Officially Announcing Higher Education Legislation. On Thursday, the Vice President held a “higher education roundtable” at Washington & Lee High School in Arlington, VA to announce that your higher education legislation -- the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 -- was sent to Congress that day. At the event, the White House also released a state-by-state analysis of benefits to students under the HOPE Act and a list of the more than 250 college presidents who support the President’s higher education initiatives. That same day, I opened up a briefing we hosted for higher education groups.

School Construction. There were 41 sponsors for your school construction legislation in the House and 10 sponsors in the Senate.

Utility Re-Structuring (Electricity Deregulation): This week, the NEC continued its interagency process on this issue. The NEC arranged a briefing for White House staff of the major issues and options for legislation to re-structure the \$200 billion-a-year electric utility industry. Among the major issues to be resolved will be: 1) whether the Administration should advocate a statutory requirement that all states de-regulate their retail electric markets by a specific date or, alternatively, let the states decide how and when to proceed; 2) what measures should be proposed to ensure that deregulation does not, by encouraging the generation of more low-cost, coal-fired power, dramatically worsen regional and national air quality (and climate-change) objectives; 3) how to preserve public benefits programs -- such as state low-income and weatherization assistance -- currently administered by regulated utilities; and 4) how to encourage energy efficiency and the development of alternative energy sources in a deregulated environment.

Climate Change: Dan Tarullo and Elgie Holstein participated in several interagency meetings on climate change issues. One meeting examined detailed language that the U.S. is planning to submit to the International Secretariat on Climate Change by April 1. This language simply describes in some detail previously stated U.S. positions on the draft protocol (e.g., an explanation of how compliance with agreed-upon targets would be ensured). This submission should not be viewed as a major step.

A second meeting covered the state of economic modeling of climate change policies that would impose constraints on U.S. greenhouse gas emissions. This work is proceeding slowly, but is crucial for any policy-making in the climate change area. Elgie Holstein coordinated an Assistant Secretary level meeting on the domestic policies that would support an agreed-upon international goal for limiting greenhouse gas emissions. These policies will be developed over the next few weeks. Two options focused on are: a cap on overall greenhouse gas emissions with trading of permits allowed between parties responsible for emissions; and, increased reliance on energy-efficiency enhancing technology.

Securities Litigation. As you may know, 6 Members of Congress sent you a letter urging you to work with Congress on legislation to establish a uniform litigation system for securities claims -- i.e., preempt the states. You said in California last year, against the backdrop of Prop 211, that we should consider preemption. Proponents now argue that even though 211 was defeated, and the possibility that another state may try this is remote, the benefits of last year’s federal

securities litigation reform are being undercut by plaintiffs' lawyers who are shifting their suits to state courts. The NEC is examining the evidence to see whether there is substance.

Product Liability. We are conducting, with DPC and Counsel's Office, a policy process on product liability legislation. We will be sending a memorandum to you soon that reviews the bidding and outlines the issues to be resolved in the policy process. There is interest from the Hill and from outside groups in knowing what the Administration would need to see in Legislation to support a bill, and that is what we will work through in our process, using the concerns you expressed in your veto statement of last year as a point of departure.

Education Technology: Net Day is April 19, which is designed to highlight ways in which the computer industry can make the World Wide Web more accessible for people with disabilities. We are arranging for you to issue a statement on that day. We are also preparing a possible Vice Presidential NetDay event in D.C. schools on April 4th. Another event we are planning would allow you to highlight the ways in which available software allows parents to protect their children from inappropriate materials on the Internet.

EITC: I am meeting with Treasury and OMB to discuss ways to reduce the error rate on earned income tax credit (EITC) claims. The IRS will release a study on misclaimed EITC payments in the near future and that will be the appropriate time to announce a series of steps to further reduce the error rate on these claims. An expedited policy process will be started with possible initiatives developed over the next couple of weeks.

Milk Price Policy: Secretary Glickman reasserted on Thursday his August approval of the controversial Northeast Interstate Dairy Compact, an arrangement among milk producers designed to support milk prices in New England. The USDA response to the District Court tries to address concerns about the rationale for the disputed policy by highlighting the importance of preserving small farms and emphasizing that consideration should be given to the impact on low income milk buyers who are affected by the higher, supported prices. The Secretary reasserted the authority to revoke the Compact if it does not turn out to be in the public interest, a point likely to be litigated.

The Compact, which is a new regional price floor scheme, arguably contradicts Administration and Congressional policy directions toward fewer regional differences, and more integrated national pricing, and pressure is building for a national price floor for milk. Current Administration policy opposes a floor because of its harm to consumers, especially lower-income participants in Federal food and nutrition programs like WIC, School Lunch and Food Stamps. The NEC will participate in this larger aspect of the issue.

DC Economic Development: We are now negotiating the MOU with the city. We had an initial meeting on Friday, March 21, which cleared the air some, but the MOU-- which was originally drafted before the announcement and thus was extremely general -- will need to be made much more specific and track the legislation more closely if we're to get the District to sign. There is significant concern about the extent to which the EDC might be usurping, not supplementing, the District's economic development processes. It is not, but there is some delicacy on how to draw the line. We are also moving ahead on the Challenge Committee, with the hope that the chairs

can be in place next week and the first meeting happen before April 11, so they can report by May 11.

DC Pensions: Ellen Seidman, accompanied by OMB and PBGC staff, met with the DC Retirement Board on Thursday. It was a difficult meeting, as they had many concerns that arose from the original announcement. Although many of these concerns have been answered by subsequent decisions, this was the first time the Retirement Board (and, almost more importantly, representatives of police, firefighter and teachers) had heard about the changes. Much education will be needed. OMB and PBGC are proceeding.

Outreach:

Columbia HCA: We met with Rick Scott of Columbia HCA on health issues, views of the health industry, and possible initiatives we could do together, similar to the effort to immunize one million children.

Welfare Reform: I spoke to the ACORN convention on Monday. They are highly focused on Workfare recipients, specifically, their right to organize and ensuring that the minimum wage laws will apply to all of them. They also wanted to stress that on the Welfare-to-Work challenge to CEOs, the companies should provide health benefits to people moving off welfare. I did encounter some booing over our welfare legislation, but still found an overall openness to the Administration, and particular support for the extension of health care for all children and the welfare fixes. Interestingly, the greatest applause I received from the crowd was reminding them that you had gone to the mat to provide health care for every American.

COLA's: I met with Moe Biller, head of the Postal Workers Union this week as well. Overall, he was supportive, but did feel upset because of our COLA delay for federal workers when neither the Blue Dogs nor the Republicans, at this time, have proposed such a measure.

National Association of Manufacturers: I spoke to the National Association of Manufacturers. They were please with recent progress on budget talks and assurances of the Administration's commitment to Fast Track. There was concern voiced that economic considerations were being taken into account on environmental issues and utility deregulation. I assured them that we would chair those processes cooperatively with CEQ.

Financial Modernization: I met with some community groups and Senator Sarbanes on Financial Modernization. They are obviously opposed to any bank and commerce change. The community groups are particularly concerned about CRA. Both also met with Bob Rubin this week, as well.