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U.S.Department of the Treasury

PRESS RELEASES

DEPARTMENT OF THE TREASURY

TREASURY



NEWS

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FOR IMMEDIATE RELEASE
July 19, 1994

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PIERCY TO BE SWORN IN AS WORLD BANK U.S. EXECUTIVE DIRECTOR

Jan Piercy will be sworn in as the U.S. Executive Director of the World Bank today, July 19, 1994 by Comptroller of the Currency Eugene Ludwig in Chicago. The swearing-in will take place at 6 p.m. at the South Shore Bank of Chicago, 71st and Jeffery Boulevard.

The World Bank is a multilateral institution whose purpose is to assist its member countries achieve economic and social progress. Executive Directors are responsible for the conduct of the general operations of the bank.

Shorebank Corporation, parent of the South Shore Bank of Chicago, is a privately held company that has invested over \$400 million in five inner-city Chicago neighborhoods since 1974.

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LB-952



TREASURY



NEWS

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FOR IMMEDIATE RELEASE
July 15, 1994

CONTACT: Scott Dykema
(202) 622-2960

U.S., PORTUGAL INITIAL NEW TAX TREATY

The Treasury Department said Friday the United States and Portugal have completed talks on a new income tax treaty.

Once ratified, the treaty would be the first of its kind between both nations. The treaty was initialed July 14 following two days of negotiations in Washington. Cynthia Beerbower, Treasury Deputy Assistant Secretary for tax policy and Dr. Vasco Jorge Valdez, Secretary of State for fiscal affairs at Portugal's finance ministry, initialed the new income tax convention.

Both officials pledged to move quickly to put the treaty into effect. The accord must now be formally signed by both governments and then ratified. The U.S. Senate must approve the treaty before ratification.

The text of the accord will be made public at the time of signature.

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LB-953



AUCTION
RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
July 18, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$12,445 million of 13-week bills to be issued July 21, 1994 and to mature October 20, 1994 were accepted today (CUSIP: 912794L85).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> <u>Rate</u>	<u>Investment</u> <u>Rate</u>	<u>Price</u>
Low	4.29%	4.40%	98.916
High	4.31%	4.42%	98.911
Average	4.31%	4.42%	98.911

Tenders at the high discount rate were allotted 54%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$49,703,901	\$12,445,382
Type		
Competitive	\$44,128,218	\$6,869,699
Noncompetitive	<u>1,417,007</u>	<u>1,417,007</u>
Subtotal, Public	\$45,545,225	\$8,286,706
Federal Reserve	3,172,460	3,172,460
Foreign Official		
Institutions	<u>986,216</u>	<u>986,216</u>
TOTALS	\$49,703,901	\$12,445,382

An additional \$204,684 thousand of bills will be issued to foreign official institutions for new cash.

4.30% - 98.913



PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
July 18, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$12,442 million of 26-week bills to be issued July 21, 1994 and to mature January 19, 1995 were accepted today (CUSIP: 912794P99).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> Rate	<u>Investment</u> Rate	<u>Price</u>
Low	4.70%	4.88%	97.624
High	4.71%	4.89%	97.619
Average	4.71%	4.89%	97.619

Tenders at the high discount rate were allotted 35%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$55,200,590	\$12,442,411
Type		
Competitive	\$49,502,656	\$6,744,477
Noncompetitive	<u>1,376,850</u>	<u>1,376,850</u>
Subtotal, Public	\$50,879,506	\$8,121,327
Federal Reserve	3,200,000	3,200,000
Foreign Official		
Institutions	<u>1,121,084</u>	<u>1,121,084</u>
TOTALS	\$55,200,590	\$12,442,411

An additional \$232,416 thousand of bills will be issued to foreign official institutions for new cash.

DEPARTMENT OF THE TREASURY

TREASURY



NEWS

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For Release Upon Delivery
Expected at 10:00 a.m., E.S.T.
July 19, 1994

STATEMENT OF
LESLIE B. SAMUELS
ASSISTANT SECRETARY (TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON LABOR-MANAGEMENT RELATIONS
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Committee:

I am pleased to present the views of the Treasury Department on the Retirement Protection Act of 1993 (H.R. 3396). The Treasury Department actively participated in the Administration's PBGC Task Force and the Department strongly supports this package. We believe that this legislation addresses the primary causes of the recent trend of losses for the Pension Benefit Guaranty Corporation (PBGC) and that enactment of the legislation would reverse the trend of increasing PBGC deficits in a responsible manner, before the situation becomes a crisis. This morning I will discuss the portions of the bill that amend the Internal Revenue Code.

Minimum funding requirements

The bulk of the amendments to the Internal Revenue Code in this legislation relate to the minimum funding rules that are found in section 412. These minimum funding rules are designed to ensure that employers sponsoring defined benefit plans set aside assets to secure the benefit promise made to their employees. In recognition of the long-term nature of the liabilities, the minimum funding rules permit employers to fund their commitment over a number of years.

The minimum funding rules enacted as part of the Employee Retirement Income Security Act of 1974 (ERISA) were amended in 1987. These amendments require an employer with over 100 employees that sponsors an underfunded plan to make an additional deficit reduction contribution designed to eliminate the

underfunding more rapidly. In reviewing the effectiveness of these rules, the Administration's task force determined that some employers with significantly underfunded plans had used loopholes in the statute that allowed them to avoid making these additional deficit reduction contributions.

The bill modifies the deficit reduction contribution requirements in a number of ways in order to close the statutory loopholes that employers have exploited. First, the bill improves the coordination of the deficit reduction contribution and the regular minimum funding determinations. Under current law, the impact of actuarial gains and reductions in liability due to changes in actuarial assumptions (or in the other direction, the impact of actuarial losses and increases in liability due to changes in actuarial assumptions) is recognized twice in determining the deficit reduction contribution. The bill would end this double counting and effectively require the employer to make contributions based on the greater of the regular minimum funding requirement and a free-standing deficit reduction contribution.

Secondly, the bill mandates the use of certain standard assumptions for purposes of determining the amount of a pension plan's underfunding and the amount of the resulting deficit reduction contribution. The 1987 rules required the use of an interest rate within the corridor of 90-110% of the interest rate on 30-year Treasury bonds (averaged over the past four years) for this purpose. However, the 1987 rules did not require the use of any particular mortality table for this purpose. As a result, employers with poorly funded pension plans have had an incentive to use interest rates at the high end of the permitted corridor and to assume that their employees have higher than standard mortality (i.e., lower life expectancy). The use of high interest rates and mortality assumptions minimizes the amount of the apparent pension liability, reducing the required contributions.

The Retirement Protection Act would mandate that the interest rate used for purposes of determining the deficit reduction contribution be no greater than 100% of the 30-year Treasury rates (7.26% for plan years beginning in June 1994) and would require the use of the group annuity mortality table currently adopted by the insurance commissioners of at least 26 States. This is the same mortality table specified in Internal Revenue Code Section 807(d)(5), relating to the determination of reserves for life insurance companies.

The bill would also tighten the deficit reduction contribution formula that determines the speed of funding new plan liabilities under the 1987 amendments. The new formula would require plans to fund substantially all of the increases in liability in the first 5-7 years after the amendment. Under

current law, the liability can be funded at a rate that corresponds to 12 year amortization. This change will ensure that increases in liability from benefit changes will be funded over a period that more closely tracks the five-year phase-in of PBGC's guaranty.

Finally, in developing the proposal we attempted to anticipate how employers might try to avoid making deficit reduction contributions in the future, and then we closed these potential loopholes in advance. For example, the bill provides that employers sponsoring significantly underfunded pension plans (i.e., over \$50 million of underfunding in the controlled group) would be required to obtain advance Internal Revenue Service approval of changes in actuarial assumptions that significantly decrease their current liability. Thus, while these employers will be permitted to reflect their individual situations in establishing retirement age assumptions, for example, they would need to justify to the I.R.S. any changes in those assumptions from prior assumptions. This requirement, in conjunction with the use of a specified mortality table and a lower cap on the interest rate, will help ensure that employers cannot manipulate the plan's actuarial assumptions to avoid their responsibility to fund their benefit promises.

The Administration recognized that an abrupt increase in the minimum funding requirements may be overly burdensome for employers in the short term. Consequently, the bill includes transition rules that give short-term relief to employers, while still providing for steady, gradual improvement in plan funding.

Quarterly contributions and nondeductible contributions

As part of the process of reviewing the funding rules, the task force identified two other related provisions that we believed could be improved by narrowing the scope of their application: the quarterly contribution requirements and the excise tax on nondeductible contributions. I will discuss each of these provisions in turn.

The requirement that an employer make quarterly contributions to its pension plan (modeled on the payment of estimated income tax) was added in 1987 and provides an early warning signal for the PBGC that an employer may be unable to meet the minimum funding requirements for a year. In the absence of the quarterly contribution requirement, such an employer could wait until 20 1/2 months after the beginning of the plan year before coming to grips with its financial responsibility to the plan. By requiring quarterly contributions, and notice to the PBGC and plan participants of an employer's failure to pay these installments, an employer is forced to face up to its problems earlier in the year.

The quarterly contribution rules also are beneficial in the situation where the employer's financial problems first appear later in the plan year. In this case, if the employer has been making the required quarterly installments a plan will have been at least partially funded during the portion of the year prior to the development of the financial problems.

On the other hand, the requirement that an employer contribute four times a year, together with the need to have an actuary determine the minimum installments, adds an administrative burden for an employer. If a plan currently has assets in excess of its current liability, the Task Force concluded that the administrative burden on employers outweighs the benefit of quarterly installments to the employees and the Government. This is particularly true for plans near the full funding limit, where an employer that must make a quarterly contribution before the actuarial valuation is complete may ultimately discover that the contribution is nondeductible. For these reasons, the bill would eliminate the quarterly contribution requirement for plans that had assets in excess of current liability in the previous year.

The purpose of the excise tax on nondeductible contributions is to discourage employers from making these contributions in order to transfer assets into the plan's tax-exempt trust. In the two situations described in the bill, we believe that the employer's nondeductible contributions are not motivated by a desire to obtain excessive tax shelter, but are primarily a result of non-tax considerations, and should not generate an excise tax. These situations arise where: 1) an employer with 100 or fewer employees contributes an amount to its pension plan to fund the current liability and then terminates the plan, or 2) an employer sponsoring a defined benefit plan also sponsors a section 401(k) plan with overlapping coverage that is receiving employee salary deferrals or employer matching contributions totaling less than 6 % of compensation. In the former case, a small employer may be required to make the nondeductible contributions as a condition of plan termination. The latter case deals with the anomalous situation where an employer wishes to make additional contributions in order to decrease plan underfunding, but is now discouraged from doing so because employees are electing to make salary deferrals in a 401(k) plan that count against the employer's aggregate qualified plan deduction limits.

Actuarial equivalence

The bill makes some changes to the actuarial equivalence rules used for purposes of converting annuities to nonannuity distributions, primarily lump sums, under sections 417(e) (restrictions on cash-outs) and 415(b) (maximum permitted benefits). Under current law, the actuarial equivalence that can

be used for these purposes is based on two different interest rates (one of which is tied to the PBGC interest rates used to value terminated plans, the other of which can be as low as 5%) and no specified mortality table. The bill would specify a single interest rate and mortality table for both purposes. The interest rate and mortality table are the same as those used in the funding rules, except that the interest rate is the current rate, rather than the 4 year average. Eliminating the current cross-reference to the PBGC interest rates will also enable the PBGC to adjust the interest rate it uses for other purposes in the future without also affecting the benefits of participants in all plans.

Nondiscrimination and Cross-testing

As a condition of tax-favored treatment, section 401(a)(4) requires that retirement plans demonstrate that the contributions or benefits provided under the plan do not discriminate in favor of highly compensated employees. Under current law, this demonstration can be on the basis of either contributions or benefits, without regard to whether the plan is a defined contribution plan or a defined benefit plan.

Section 408 of the bill would generally prohibit the practice known as "cross-testing" a qualified defined contribution plan. The bill would generally require defined contribution plans, and aggregations of defined contribution and defined benefit plans, to demonstrate nondiscrimination on the basis of actual plan contributions, as opposed to projected benefits at retirement.

Cross-testing a defined contribution plan is needed when plans provide different allocations, as a percentage of compensation, to different employees. If the employees receiving larger allocations are older than the other employees, the difference may be justified by looking at the equivalent benefits those allocations are projected to generate. While some argue that cross-tested defined contribution plans merely make explicit the age-bias that is implicitly found in traditional defined benefit plans, there are significant differences between these types of plans. For example, the amount of benefit an employee receives from a defined benefit plan does not depend on the investment return in the fund; and the delivery of that benefit is further guaranteed by the PBGC. However, employees in a cross-tested defined contribution plan bear investment risk. An employee will receive the hypothetical benefit that is used to satisfy the nondiscrimination rules only if the plan's investment return and the conversion of the employee's account balance into retirement income actually match the assumptions used in the projection.

Creative practitioners have recently gone further than merely mimicking the distributional aspects of defined benefit plans by relating allocations to age. They have developed aggressive plan designs that provide significantly higher contributions for one class of employees (such as the owners of a business) than for the rest of the employees. If most of the favored class is older than the other employees, as is often the case in these situations, cross-testing may be used to satisfy the nondiscrimination rules in an inappropriate way.

The potential for highly-compensated employees receiving substantial benefits in cross-tested plans has received considerable press attention. For example, discussions of cross-testing have made their way into the Wall Street Journal, Pension World and Financial Planning magazine. These articles emphasize the potential for highly-compensated employees to maximize benefits for themselves while minimizing contributions for rank-and-file workers. For example, a June 1993 Financial Planning article is headlined "Skewed retirement plans help owners at workers' expense." The Wall Street Journal article leads with the question "Is it a retirement plan, or a tax shelter?" An article in the March 1994 Journal of the American Society of CLU and ChFC contains an illustration of an employer using cross-testing to reduce the allocations for rank-and-file workers from 15% of pay to 3% of pay, while the owner continues to receive an allocation of \$30,000. I have attached copies of a small collection of these articles for the record.

The Administration is concerned that such practices and the increasing attention that they have been receiving, can

- reduce the share of tax-subsidized retirement funds that benefit rank-and-file workers
- encourage employers to abandon the defined benefit system, thus eroding the PBGC premium base
- discourage the hiring of older rank-and-file workers (to the extent that the Age Discrimination in Employment Act doesn't protect these workers), and
- generally have a detrimental impact on the public's perception of the integrity of our tax-favored retirement system.

For these reasons, the Administration continues to support restricting cross-testing.

Let me emphasize that this proposal was developed because some employers are manipulating the cross-testing rules in order to obtain a tax subsidy for retirement plans that provide excessive contributions to highly compensated employees, at the

expense of rank-and-file workers. Since the Administration proposed limiting cross-testing, we have heard from and met with a number of interested groups. The purpose of our meetings with these representatives has been to identify the types of plans that provide meaningful benefits to rank-and-file workers, in contrast to the abusive cases. We have received some useful suggestions in this regard.

We hope that we can work with the Committee in tailoring the proposal to target the troublesome cases. In this process, however, our guiding principle remains -- the abusive practices must stop.

Rounding rules for indexed values

Many of the statutory dollar thresholds and limits used in the qualified plan area are indexed to changes in the cost of living. For example, the annual limit on contributions under section 401(k) is \$9,240 in 1994 (increased from \$8,994 in 1993). The bill would change the indexing rules so that the indexed values for a year are available before the start of the year and would provide for rounding of these indexed values to the next lowest multiple of \$500 or \$5,000. The earlier determination of the indexed values and the use of rounded values would simplify administration by employers and communication with employees, because the indexed values would not necessarily change each year. The proposal also has the effect of raising revenue to offset some costs of the bill. A similar rounding rule was adopted in last year's reconciliation bill for the compensation limit of section 401(a)(17).

Conclusion

In conclusion, I would like to emphasize that now is the time to act, while the PBGC's problems are still manageable. Although the PBGC has assumed significant liabilities over the past ten years from the termination of underfunded plans, PBGC's responsibility for benefit payments under those plans is spread out over a number of years. Enactment of the Retirement Protection Act of 1993 will require employers sponsoring defined benefit plans to do a better job of living up to their commitments by adequately funding their plans, thereby reducing PBGC's potential liability.

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DEPARTMENT OF THE TREASURY

TREASURY



NEWS

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FOR RELEASE AT 2:30 P.M.
July 19, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately \$24,800 million, to be issued July 28, 1994. This offering will provide about \$625 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of \$24,181 million. In addition to the maturing 13-week and 26-week bills, there are \$15,267 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold \$10,361 million of bills for their own accounts in the three maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold \$3,962 million of the three maturing issues as agents for foreign and international monetary authorities. These may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills. For purposes of determining such additional amounts, foreign and international monetary authorities are considered to hold \$3,666 million of the original 13-week and 26-week issues.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment



**HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED JULY 28, 1994**

July 19, 1994

Offering Amount \$12,400 million \$12,400 million

Description of Offering:

Term and type of security	91-day bill	182-day bill
CUSIP number	912794 N7 5	912794 Q2 3
Auction date	July 25, 1994	July 25, 1994
Issue date	July 28, 1994	July 28, 1994
Maturity date	October 27, 1994	January 26, 1995
Original issue date	April 28, 1994	July 28, 1994
Currently outstanding	\$11,496 million	- - -
Minimum bid amount	\$10,000	\$10,000
Multiples	\$ 1,000	\$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids Accepted in full up to \$1,000,000 at the average discount rate of accepted competitive bids

Competitive bids

- (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
- (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is \$2 billion or greater.
- (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

**Maximum Recognized Bid
at a Single Yield**

35% of public offering

Maximum Award

35% of public offering

Receipt of Tenders:

Noncompetitive tenders Prior to 12:00 noon Eastern Daylight Saving time on auction day

Competitive tenders Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms

Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date

DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
July 19, 1994

Contact: Scott Dykema
(202) 622-2960

BENTSEN TO UNVEIL STUDY OF UNINSURED AMERICAN WORKERS

Treasury Secretary Lloyd Bentsen will brief reporters tomorrow, Wednesday, July 20, 1994, on a Treasury Department state-by-state study of American workers without health insurance. The briefing will be in the White House briefing room at 11 a.m.

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LB-958



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FOR IMMEDIATE RELEASE

Text as Prepared for Delivery

July 20, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
WHITE HOUSE PRESS CORPS
WASHINGTON D.C.

I'm often asked: Who are these Americans without health insurance?

We tried answering that in a study Treasury just completed. We did an analysis by states and by congressional districts estimating how many Americans have no health insurance -- and who they are. Are they young? Do they have jobs?

The bottom line: the uninsured are your middle-income working neighbors.

Let me illustrate with the congressional district that includes my neighborhood. I hope you take a look at your states and congressional districts, like I'm doing for Texas.

In the 15th District of Texas, on the Mexican border, the district I represented in Congress -- there are 173,000 uninsured, almost 82 percent of them are in working families, and 58,000 are uninsured children.

In Texas, there are 3.8 million people with no insurance, 84 percent are in working families, and 972,000 are children.

Think about that: millions of children across this country have no insurance. Children don't hire lobbyists. They don't have anyone to speak for them in this debate, but they're the ones most vulnerable. Now you know why as a Senator from Texas, I spent so much time working on improving health care coverage for children. Now we have a chance to complete the job.

There's a sense in this country that uninsured are poor, or disabled, or elderly. Not true. Most of those individuals already have coverage through Medicaid, Medicare, and other public programs.

By far, most of the uninsured are members of middle-income working families. The Treasury study shows there are 37 million uninsured and 84 percent are in working families.

And these people aren't poor. One in three is a member of a family making more than \$30,000 a year.

Most uninsured either have an employer who doesn't provide coverage, or the worker can't afford to buy it without help. And for most of the uninsured, being without insurance, is a long-term, not a short-term problem.

If you have insurance, it's easy to say: "The uninsured don't affect me. That's their problem." But it's your problem, too, because insurance costs are higher; taxes are higher because of higher federal health costs; and Americans who lose their jobs may well join the uninsured.

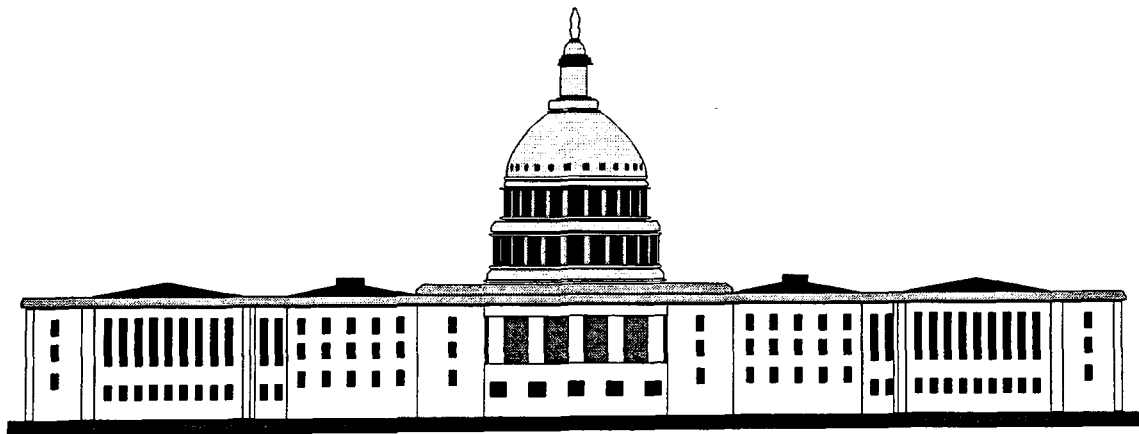
Let me conclude by saying this year we have a serious shot at achieving universal coverage. It makes sense to build on the employer-based system, since that's how most people today obtain their insurance. And we need health care to be affordable to both employers and employees.

This is important to every one of us. Every one of us can tell a story about a family member, a co-worker, a neighbor who's run into trouble with the current system. That's what we're talking about -- fixing these problems.

Texas

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	Jim Chapman	114	96	83.8	28
2	Charles Wilson	117	96	82.4	28
3	Sam Johnson	90	79	88.0	17
4	Ralph M. Hall	110	94	85.5	26
5	John Bryant	129	108	84.2	31
6	Joe Barton	94	83	87.9	18
7	Bill Archer	100	88	87.6	20
8	Jack Fields	104	90	85.9	22
9	Jack Brooks	112	95	84.7	26
10	J. J. Pickle	125	107	85.3	24
11	Chet Edwards	121	99	82.1	29
12	Pete Geren	122	104	85.1	29
13	Bill Sarpalius	130	109	83.8	33
14	Greg Laughlin	128	108	84.3	33
15	E. de la Garza	173	141	81.7	58
16	Ronald D. Coleman	164	134	82.0	49
17	Charles W. Stenholm	122	103	83.8	31
18	Craig A. Washington	137	113	82.6	32
19	Larry Combest	121	103	85.5	30
20	Henry B. Gonzalez	158	130	82.3	43
21	Lamar S. Smith	105	91	86.0	23
22	Tom DeLay	107	92	86.6	23
23	Henry Bonilla	158	130	82.8	49
24	Martin Frost	130	111	85.4	34
25	Michael A. Andrews	124	106	85.7	29
26	Dick Arney	102	90	87.9	19
27	Solomon P. Ortiz	162	134	82.5	50
28	Frank Tejeda	161	133	82.4	49
29	Gene Green	178	148	83.1	55
30	Eddie Bernice Johnson	141	118	84.0	34
<i>Total</i>		3,839	3,233	84.2	972

Estimates of the Uninsured in Working Families and Uninsured Children by Congressional District



Department of the Treasury
July 19, 1994

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- Section II. Estimation Procedures for Allocation of Uninsured Across Congressional Districts
- Section III. Uninsured, Uninsured in Working Families, and Uninsured Children by Congressional District
- Section IV. Background Data

Section I

Profile of the Uninsured: Myth vs. Reality



PROFILE OF THE UNINSURED: MYTH VS. REALITY

As health reform reaches a critical stage in Congress, fashioning the right solution requires having a clear understanding of the characteristics of the uninsured. Contrary to popular myth, the uninsured are not all poor, elderly, or otherwise vulnerable. In fact, over half of the uninsured live in families where at least one spouse is a *full-year, full-time* worker. Approximately 84 percent come from families whose head works at least part of the year. In addition, while even short exposures without insurance put people at significant financial and health risk, being uninsured is predominately a long-term problem. Finally, those who do purchase insurance, and taxpayers as a group, bear much of the burden of the uninsured -- through both "cost shifting" to private insurance premiums and increased spending on public programs.

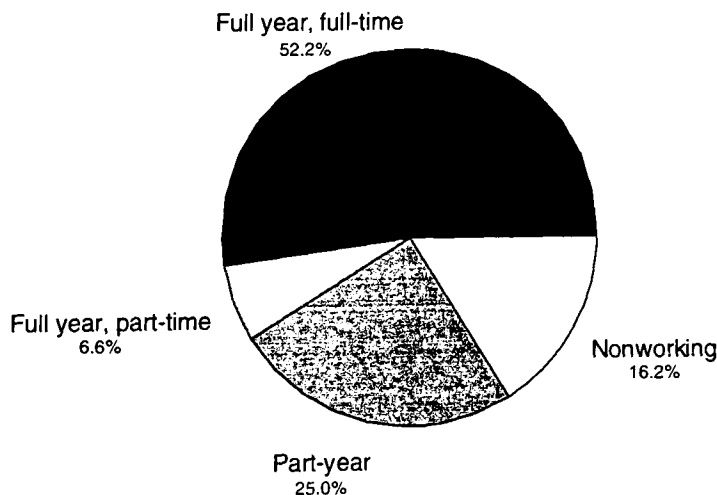
Myth #1: *The uninsured are unemployed.*

Reality: The uninsured are working Americans.

The vast majority of the uninsured -- 83.8 percent -- belong to working families. Federal programs already cover most of the non-working population. Medicare provides near-universal coverage for those over 65, and Medicaid covers 50 percent of those in poverty and 25 percent of those just above the poverty line.

As a result, large numbers of the uninsured are clustered in working families with moderate incomes, who do not qualify for Medicaid. Insurers in general charge higher rates to the self-employed and small businesses, which makes it difficult for them to obtain affordable coverage.

Job Status of the Uninsured



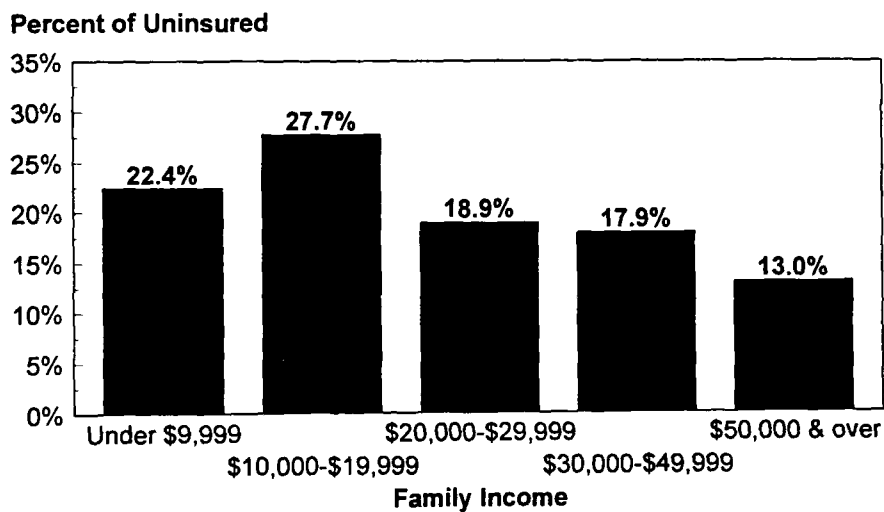
Myth #2: *The uninsured are poor.*

Reality: **The bulk of the uninsured have moderate incomes; many are middle-income.**

The vast majority of the uninsured -- 72 percent -- have incomes above the federal poverty threshold. While the average uninsured American family has a modest income, it is far from being in poverty.

The bulk of the uninsured are in hard-working families for whom health insurance is unaffordable. Because small businesses and the self-employed have difficulty obtaining affordable insurance, almost one in three of the uninsured is a member of a family making more than \$30,000 a year.

Family Income of the Uninsured

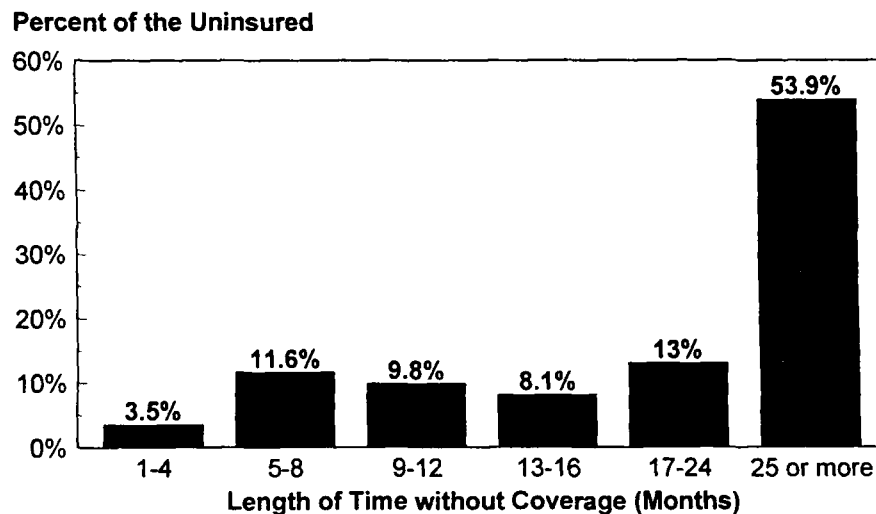


Myth #3: *For most of the uninsured, being without health insurance is a short-term, rather than a long-term, problem.*

Reality: **54 percent of those uninsured today will be uninsured for more than two years. 75 percent will be uninsured for more than a year.¹**

Some have suggested that being uninsured is a short-term problem, not a long-term condition. Even short periods of time without insurance do put people at significant financial and health risk. But being without health insurance is not a short-term problem. A recent study from the University of Missouri reports that nearly 75 percent of uninsured Americans are "chronically" uninsured, and will remain uninsured for longer than one year. Less than one in twenty out of those uninsured today will obtain health coverage before they have been uninsured for five months.

Distribution of Uninsured, by Time without Coverage

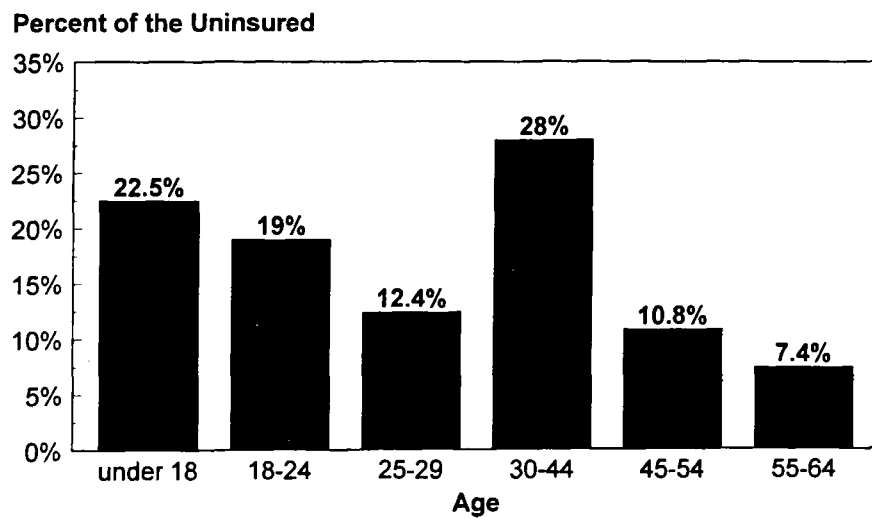


Myth #4: *The uninsured are mainly young and healthy; they choose not to buy insurance.*

Reality: **Almost one quarter of the uninsured are children. Nearly half of the uninsured are over 30. Less than 30 percent of the uninsured are between 18 and 30 years of age.**

Most of the uninsured are not young, healthy adults, but rather children and persons over 30. Nevertheless, the young are a disproportionate share of the uninsured, because, with modest incomes and poor access to affordable coverage, they cannot pay for insurance.

Age of the Uninsured



Myth #5: *I have health insurance--the uninsured do not affect me.*

Reality:

- Americans who lose their jobs may well become uninsured.
- Private insurance costs are high because of the uninsured.
- Taxes are higher because of high Federal health costs.

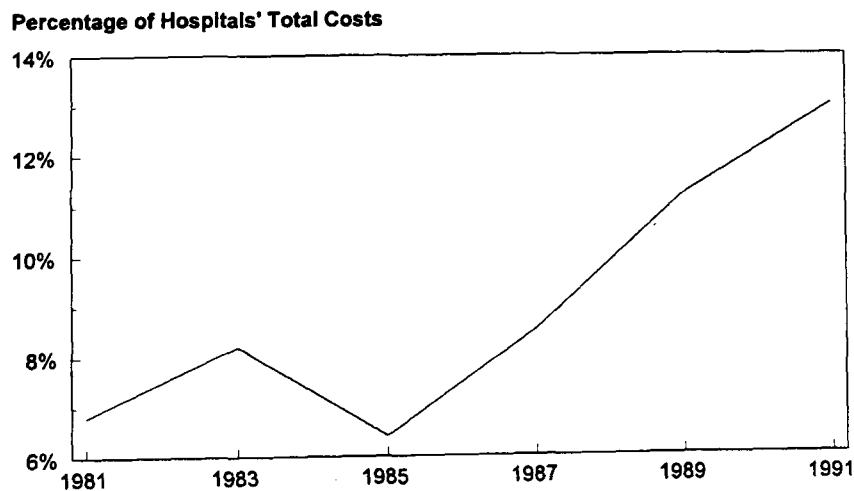
Nine out of ten Americans with private health insurance receive insurance through employers. Those who lose their jobs for an extended period of time may well lose their health insurance.

In addition, the uninsured place a large direct burden on those who do have insurance -- through higher taxes and through higher private insurance premiums. The effects of a large uninsured population go well beyond the individuals without coverage. The uninsured do receive health care -- often in emergency rooms, at very high costs. Hospitals, doctors and other providers raise the fees they charge those who have private insurance in order to cover the bill for the inefficient, high-cost services received by the uninsured.

The lack of private health insurance for some raises taxes for all. Some say the obvious solution is to cut, or "cap," Medicare and Medicaid. But cutting these programs puts pressure on doctors, hospitals and other providers to raise the fees they charge those with private insurance. As government programs pay less, everyone else pays more.

According to the Congressional Budget Office, unreimbursed costs for hospitals alone totaled over \$28 billion in 1991. As a result, private payers are charged substantially more by hospitals than the actual cost of their services.

Hospitals' Unreimbursed Costs, 1981-1991



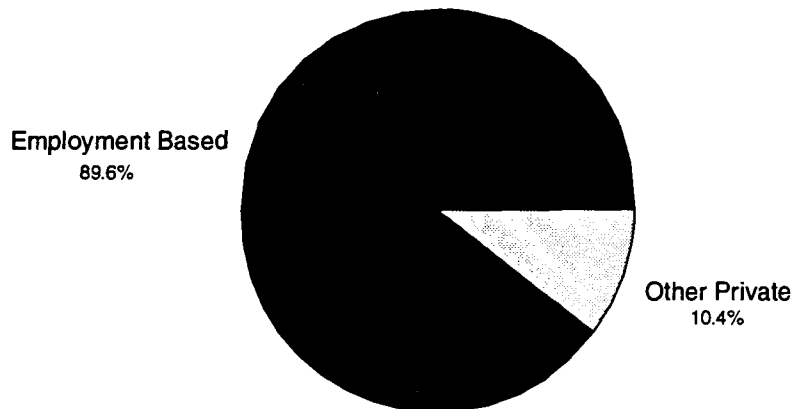
Myth #6: *An employer mandate is not necessary to fix the health care system, or to decrease the number of uninsured.*

Reality: **The United States has an employment-based health care system. The major cause of increasing numbers of uninsured is employers not providing coverage.**

According to the March 1993 Current Population Survey, nine out of ten of the nonelderly who purchase private insurance obtain it through the workplace.

Recent increases in the number of uninsured can be attributed to a decline in the number of employers who offer coverage. The share of the nonelderly population with employment-based coverage declined from 66.8 percent in 1988 to 62.5 percent in 1992. This fall was partly offset by a rise in the number of nonelderly Americans with publicly-financed health insurance -- from 12.4 percent to 15.1 percent. Even with this boost in publicly-financed coverage, the share of the non-elderly who are uninsured grew from 15.9 percent of the population in 1988 to 17.4 percent in 1992.

Source of Private Health Insurance, 1992



Conclusion

For millions of Americans with health insurance, the fear of losing their health coverage is a constant source of insecurity: over 38 million Americans were uninsured at some point in time in 1992.

Universal coverage is a universal issue. It is not simply about the unemployed, the poor, or the young and healthy. Hard-working Americans are disadvantaged by today's health care system, and have the most to gain by reform that includes universal coverage. Today, the statistics show that the poor and elderly are covered by government programs, while millions of working Americans and their families are uninsured. Universal coverage is essential to strengthen the link between work and security.

It makes sense to build on the employer-based system. Most people today with private insurance obtain it through their employer -- it is a system that works for the vast majority of Americans. With universal coverage, small business will not be disadvantaged compared to large businesses, and those who purchase insurance will no longer pay more than their fair share.

NOTES

Unless otherwise indicated, all numbers come from the March 1993 Census Population Survey. All CPS numbers refer to the non-elderly population (less than 65 years of age).

1. *Whither the Health Care Crises? Misinterpretations of Chronically Uninsured Estimates*, Timothy McBride, University of Missouri-St. Louis, April 1994.

Section II

Estimation Procedures for Allocation of Uninsured Across Congressional Districts

Estimation Procedures

Estimated Distribution Across States and Congressional Districts of Uninsured Persons Under 65

This state-by-state and district-by-district analysis provides an estimate of the numbers of persons, persons in working families, and children under 18 without health insurance in 1992. The results are based on responses to the Current Population Survey (CPS) for March 1993. We define working families as those families (including unrelated individuals) in which either the reference person or spouse (where applicable) worked during 1992. All our counts of the uninsured refer only to persons under 65 years of age.

The distributions of uninsured persons were derived as follows:

1. The Bureau of the Census provided CPS estimates for each state and the District of Columbia of the numbers and percentages of persons and children not covered by health insurance (including private insurance, Medicare, Medicaid, or other insurance) during 1992.
2. Regression analysis at the individual level was used to estimate the relationship between the probability of being uninsured and a set of economic and demographic variables. The regressions employed individual, family, and household data from the CPS. The variables in the regressions included age, race, Hispanic origin, household income, age of household head, household composition (e.g., married couple with children), tenure status (owner or renter), counts of household members by industry, class of work (i.e., private wage-and-salary, government, self-employed) and educational attainment, family poverty and work status, and state location.
3. The regression coefficients were used to estimate uninsured percentages for each congressional district, using district-level data from the 1990 Census. These percentages were then adjusted within each state so that the estimated total numbers of uninsured persons, persons in working families, and children in the state equalled the corresponding values taken from the 1993 CPS.

Caveats: The estimates are subject to the usual qualifications with respect to predictions from multiple regression analysis. That is, the coefficients obtained from the regressions are subject to error, and do not necessarily reflect all the factors influencing the insurance coverage rate at the district level. Furthermore, the CPS state-level coverage rates are themselves subject to sampling error, particularly the rates for children.

Office of Economic Policy, Department of the Treasury, July 19, 1994

Section III

Uninsured, Uninsured in Working Families, and Uninsured Children by Congressional District



United States

State	Total Uninsured	Uninsured in Working Families		Uninsured Children
	(000's)	(000's)	Percent	(000's)
Alabama	694	550	79.3	177
Alaska	84	76	90.5	16
Arizona	541	488	90.2	117
Arkansas	479	416	86.8	158
California	5,937	5,052	85.1	1,319
Colorado	412	343	83.3	81
Connecticut	255	206	80.8	44
Delaware	79	72	91.1	16
District of Columbia	108	83	76.9	16
Florida	2,656	2,324	87.5	591
Georgia	1,222	1,016	83.1	338
Hawaii	70	57	81.4	14
Idaho	172	149	86.6	53
Illinois	1,536	1,232	80.2	331
Indiana	609	532	87.4	121
Iowa	294	276	93.9	69
Kansas	269	246	91.4	61
Kentucky	532	389	73.1	129
Louisiana	932	724	77.7	233
Maine	141	125	88.7	31
Maryland	544	461	84.7	78
Massachusetts	601	491	81.7	137
Michigan	922	738	80.0	189
Minnesota	347	314	90.5	46
Mississippi	513	434	84.6	141
Missouri	724	607	83.8	175
Montana	77	68	88.3	12
Nebraska	147	135	91.8	38

United States

State	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
		(000's)	Percent	
Nevada	292	237	81.2	84
New Hampshire	145	127	87.6	31
New Jersey	997	831	83.4	192
New Mexico	297	249	83.8	77
New York	2,352	1,884	80.1	463
North Carolina	917	771	84.1	204
North Dakota	51	46	90.2	9
Ohio	1,218	1,006	82.6	279
Oklahoma	701	612	87.3	198
Oregon	393	347	88.3	65
Pennsylvania	1,038	798	76.9	200
Rhode Island	89	71	79.8	15
South Carolina	615	497	80.8	113
South Dakota	106	92	86.8	33
Tennessee	681	553	81.2	133
Texas	3,839	3,233	84.2	972
Utah	204	184	90.2	65
Vermont	56	49	87.5	6
Virginia	889	740	83.2	150
Washington	505	461	91.3	122
West Virginia	271	207	76.4	61
Wisconsin	457	407	89.1	119
Wyoming	56	51	91.1	16
<i>Total</i>	37,066	31,057	83.8	8,335

Alabama

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Sonny Callahan	102	80	79.0	28
2	Terry Everett	97	78	79.7	25
3	Glen Browder	102	81	79.0	26
4	Tom Bevill	101	80	79.4	25
5	Bud Cramer	91	73	80.2	20
6	Spencer Bachus	85	68	80.6	17
7	Earl F. Hilliard	116	90	77.5	36
<i>Total</i>		694	550	79.3	177

Alaska

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	Don Young	84	76	90.5	16

Arizona

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Sam Coppersmith	86	80	93.3	15
2	Ed Pastor	129	113	87.3	36
3	Bob Stump	78	71	90.6	16
4	Jon Kyl	77	72	93.3	13
5	Jim Kolbe	84	75	90.1	15
6	Karan English	87	77	88.6	21
<i>Total</i>		541	488	90.2	117

Arkansas

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Blanche M. Lambert	126	109	86.1	45
2	Ray Thornton	114	100	87.6	35
3	Tim Hutchinson	118	104	87.6	37
4	Jay Dickey	120	104	86.1	41
<i>Total</i>		479	416	85.1	158

California

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Dan Hamburg	101	86	85.0	22
2	Wally Herger	102	85	83.5	23
3	Vic Fazio	105	90	85.2	23
4	John T. Doolittle	91	78	86.0	18
5	Robert T. Matsui	108	91	84.4	23
6	Lynn Woolsey	90	78	87.0	15
7	George Miller	100	86	85.9	21
8	Nancy Pelosi	120	102	85.0	17
9	Ronald V. Dellums	111	93	83.8	20
10	Bill Baker	77	68	87.8	13
11	Richard W. Pombo	114	96	84.0	28
12	Tom Lantos	99	86	87.3	16
13	Fortney Pete Stark	102	89	87.0	20
14	Anna G. Eshoo	88	77	87.4	13
15	Norman Y. Mineta	86	76	87.8	13
16	Don Edwards	126	108	85.6	30
17	Sam Farr	118	100	84.8	27
18	Gary A. Condit	121	101	83.9	33
19	Richard H. Lehman	117	99	84.6	29
20	Calvin M. Dooley	163	133	81.4	54
21	Bill Thomas	109	92	84.6	28
22	Michael Huffington	109	93	85.3	21
23	Elton Gallegly	108	94	86.8	24
24	Anthony C. Beilenson	91	80	87.5	14
25	Howard P. McKeon	91	79	86.7	18
26	Howard L. Berman	149	127	85.5	37
27	Carlos J. Moorhead	105	91	85.9	19
28	David Dreier	103	89	86.7	22
29	Henry A. Waxman	95	81	85.8	10
30	Xavier Becerra	179	150	84.0	43

California

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
31	Matthew G. Martinez	159	134	83.8	44
32	Julian C. Dixon	131	110	84.1	28
33	Lucille Roybal-Allard	197	163	82.7	51
34	Esteban Edward Torres	144	122	84.9	39
35	Maxine Waters	150	124	82.9	43
36	Jane Harman	92	80	87.2	13
37	Walter R. Tucker III	149	123	82.4	46
38	Steve Horn	113	96	85.2	23
39	Ed Royce	104	91	87.0	20
40	Jerry Lewis	103	86	83.9	25
41	Jay Kim	111	96	86.3	27
42	George E. Brown, Jr.	120	102	84.9	33
43	Ken Calvert	107	91	85.5	26
44	Alfred A. McCandless	111	94	84.6	28
45	Dana Rohrabacher	99	86	87.3	16
46	Robert K. Dornan	150	128	85.4	38
47	Christopher Cox	86	75	87.7	14
48	Ron Packard	94	81	85.9	19
49	Lynn Schenk	101	85	84.3	13
50	Bob Filner	139	115	82.9	38
51	Randy Cunningham	90	79	87.3	17
52	Duncan Hunter	110	94	85.2	25
<i>Total</i>		5,937	5,052	85.1	1,319

Colorado

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	Patricia Schroeder	80	66	81.6	16
2	David E. Skaggs	63	53	85.3	11
3	Scott McInnis	79	65	82.1	18
4	Wayne Allard	76	64	83.3	17
5	Joel Hefley	58	48	82.3	11
6	Dan Schaefer	55	48	86.0	9
<i>Total</i>		412	343	83.3	81

Connecticut

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Barbara B. Kennelly	46	37	80.0	9
2	Sam Gejdenson	41	33	80.4	7
3	Rosa L. DeLauro	44	36	80.4	8
4	Christopher Shays	43	35	80.2	7
5	Gary A. Franks	40	33	81.6	7
6	Nancy L. Johnson	39	32	82.3	6
<i>Total</i>		255	206	80.8	44

Delaware

District	Representative	Total	Uninsured in		Uninsured
		Uninsured	Working Families	Percent	Children
		(000's)	(000's)		(000's)
1	Michael N. Castle	79	72	91.1	16

District of Columbia

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Eleanor Holmes Norton	108	83	76.9	16

Florida

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Earl Hutto	113	99	87.3	26
2	Pete Peterson	119	104	87.4	28
3	Corrine Brown	137	119	86.8	39
4	Tillie Fowler	105	92	87.9	21
5	Karen L. Thurman	105	92	87.0	21
6	Cliff Stearns	108	94	87.4	25
7	John L. Mica	108	95	88.0	23
8	Bill McCollum	119	105	87.9	24
9	Michael Bilirakis	100	88	87.9	20
10	C.W. Bill Young	103	90	87.7	20
11	Sam Gibbons	128	112	87.6	28
12	Charles T. Canady	116	102	87.5	29
13	Dan Miller	94	82	87.7	18
14	Porter J. Goss	100	88	87.6	20
15	Jim Bacchus	103	91	87.7	21
16	Tom Lewis	99	87	87.8	21
17	Carrie Meek	153	132	86.8	46
18	Ileana Ros-Lehtinen	160	140	87.1	35
19	Harry A. Johnston	88	78	88.1	17
20	Peter Deutsch	105	93	88.0	21
21	Lincoln Diaz-Balart	161	141	87.5	39
22	E. Clay Shaw, Jr.	95	83	87.6	14
23	Alcee L. Hastings	138	120	87.2	37
<i>Total</i>		2,656	2,324	87.5	591

Georgia

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Jack Kingston	113	91	80.1	32
2	Sanford Bishop	132	101	76.7	44
3	Mac Collins	105	89	85.3	29
4	John Linder	99	87	88.7	21
5	John Lewis	120	96	80.2	31
6	Newt Gingrich	87	78	89.1	20
7	George Darden	110	94	85.0	30
8	J. Roy Rowland	112	93	83.2	33
9	Nathan Deal	112	96	85.2	30
10	Don Johnson	112	93	83.2	30
11	Cynthia McKinney	120	98	81.5	37
<i>Total</i>		1,222	1,016	83.1	338

Hawaii

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Neil Abercrombie	32	27	81.7	5
2	Patsy T. Mink	38	30	81.2	9
<i>Total</i>		70	57	81.4	14

daho

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Larry LaRocco	84	73	86.6	25
2	Michael D. Crapo	88	76	86.6	28
<i>Total</i>		172	149	86.6	53

Illinois

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Bobby L. Rush	89	68	77.2	22
2	Mel Reynolds	85	67	78.4	22
3	William O. Lipinski	69	56	81.6	13
4	Luis V. Gutierrez	142	111	77.8	36
5	Dan Rostenkowski	80	65	81.4	12
6	Henry J. Hyde	61	51	82.7	10
7	Cardiss Collins	92	70	76.3	24
8	Philip M. Crane	57	47	83.1	10
9	Sidney R. Yates	80	64	80.9	13
10	John Edward Porter	55	45	81.9	9
11	George E. Sangmeister	72	58	81.1	16
12	Jerry F. Costello	79	62	78.9	18
13	Harris W. Fawell	50	42	83.0	10
14	J. Dennis Hastert	70	57	82.1	15
15	Thomas W. Ewing	79	64	80.3	16
16	Donald Manzullo	70	58	82.0	15
17	Lane Evans	80	64	80.5	18
18	Robert H. Michel	72	58	81.1	15
19	Glenn Poshard	79	63	79.7	18
20	Richard J. Durbin	76	62	80.7	17
<i>Total</i>		1,536	1,232	80.2	331

ndiana

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	Peter J. Visclosky	62	54	86.8	13
2	Philip R. Sharp	63	55	87.1	12
3	Timothy J. Roemer	61	53	87.6	12
4	Jill L. Long	59	52	88.0	12
5	Steve Buyer	60	53	87.4	13
6	Dan Burton	46	41	88.6	7
7	John T. Myers	61	53	87.2	11
8	Frank McCloskey	63	55	86.9	12
9	Lee H. Hamilton	62	55	87.4	13
10	Andrew Jacobs, Jr.	70	61	86.9	15
<i>Total</i>		609	532	87.4	121

Iowa

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	James A. Leach	53	50	94.4	10
2	Jim Nussle	61	58	93.8	16
3	Jim Lightfoot	60	57	94.1	14
4	Neal Smith	56	53	93.6	12
5	Fred Grandy	63	59	93.4	17
<i>Total</i>		294	276	93.9	69

Kansas

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Pat Roberts	76	69	91.2	20
2	Jim Slattery	69	63	91.4	16
3	Jan Meyers	58	53	91.8	10
4	Dan Glickman	66	60	91.5	15
<i>Total</i>		269	246	91.4	61

Kentucky

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Tom Barlow	91	66	72.8	22
2	William H. Natcher	90	67	74.0	23
3	Romano L. Mazzoli	84	63	75.4	18
4	Jim Bunning	85	64	75.1	21
5	Harold Rogers	93	62	66.8	26
6	Scotty Baesler	88	67	75.3	19
<i>Total</i>		532	389	73.1	129

Louisiana

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Bob Livingston	123	99	80.9	27
2	William J. Jefferson	147	110	75.2	38
3	W.J. Tauzin	131	103	78.2	34
4	Cleo Fields	150	111	73.9	42
5	Jim McCrery	127	101	79.1	30
6	Richard H. Baker	123	98	79.1	28
7	James A. Hayes	131	103	78.5	33
<i>Total</i>		932	724	77.7	233

Maine

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Thomas H. Andrews	68	61	89.2	14
2	Olympia J. Snowe	73	64	88.2	17
<i>Total</i>		141	125	88.7	31

Maryland

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Wayne T. Gilchrest	73	62	84.9	11
2	Helen Delich Bentley	63	54	85.6	8
3	Benjamin L. Cardin	69	59	84.8	10
4	Albert R. Wynn	70	60	85.8	10
5	Steny H. Hoyer	57	49	86.2	6
6	Roscoe G. Bartlett	69	59	85.3	10
7	Kweisi Mfume	93	75	80.6	17
8	Constance A. Morella	50	43	87.1	5
<i>Total</i>		544	461	84.7	78

Massachusetts

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	John W. Olver	64	52	81.3	16
2	Richard E. Neal	63	52	81.6	17
3	Peter I. Blute	59	48	82.5	14
4	Barney Frank	56	46	82.2	13
5	Martin T. Meehan	57	47	82.2	14
6	Peter G. Torkildsen	55	45	83.3	11
7	Edward J. Markey	55	46	83.4	10
8	Joseph P. Kennedy II	78	60	77.3	16
9	John Joseph Moakley	59	48	82.0	13
10	Gerry E. Studds	55	46	83.0	12
<i>Total</i>		601	491	81.7	137

Michigan

District	Representative	Total	Uninsured in		Uninsured
		Uninsured	Working Families	Percent	Children
		(000's)	(000's)		(000's)
1	Bart Stupak	64	51	80.0	14
2	Peter Hoekstra	61	50	81.9	14
3	Vern Ehlers	58	48	82.9	12
4	Dave Camp	62	49	79.9	13
5	James A. Barcia	62	49	79.4	14
6	Fred Upton	62	51	81.2	13
7	Nick Smith	58	47	81.1	12
8	Bob Carr	53	43	82.2	9
9	Dale E. Kildee	55	44	80.2	10
10	David E. Bonior	50	41	82.6	8
11	Joseph Knollenberg	37	31	84.3	6
12	Sander M. Levin	48	40	83.1	7
13	William D. Ford	53	43	82.1	8
14	John Conyers, Jr.	68	51	75.6	17
15	Barbara-Rose Collins	81	57	70.2	22
16	John D. Dingell	51	42	81.6	9
<i>Total</i>		922	738	80.0	189

Minnesota

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	Timothy J. Penny	49	45	91.0	7
2	David Minge	51	47	91.2	8
3	Jim Ramstad	25	23	93.6	3
4	Bruce F. Vento	42	38	90.6	4
5	Martin Olav Sabo	48	43	89.3	4
6	Rod Grams	28	26	93.2	4
7	Collin C. Peterson	57	50	89.2	10
8	James L. Oberstar	47	42	88.7	7
<i>Total</i>		347	314	90.5	46

Mississippi

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsure Children (000's)
			(000's)	Percent	
1	Jamie L. Whitten	101	87	85.7	26
2	Bennie Thompson	113	94	83.1	37
3	G.V. Montgomery	100	85	85.3	26
4	Mike Parker	101	85	84.6	27
5	Gene Taylor	98	83	84.4	25
<i>Total</i>		513	434	84.6	141

Missouri

District	Representative	Total	Uninsured in		Uninsured
		Uninsured	Working Families	Percent	Children
		(000's)	(000's)		(000's)
1	William Clay	86	71	82.3	22
2	James M. Talent	57	49	86.4	12
3	Richard A. Gephardt	73	62	85.1	15
4	Ike Skelton	84	70	83.3	21
5	Alan Wheat	83	70	84.0	19
6	Pat Danner	80	68	84.8	19
7	Mel Hancock	88	74	83.8	22
8	Bill Emerson	91	74	81.8	25
9	Harold L. Volkmer	82	69	84.4	20
<i>Total</i>		724	607	83.8	175

Montana

District	Representative	Total Uninsured (000's)	Uninsured in Working Families (000's)	Percent	Uninsured Children (000's)
1	Pat Williams	77	68	88.3	12

Nebraska

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Doug Bereuter	50	45	91.7	12
2	Peter Hoagland	43	39	92.5	9
3	Bill Barrett	55	50	91.5	17
<i>Total</i>		147	135	91.8	38

Nevada

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	James H. Bilbray	153	124	81.0	43
2	Barbara F. Vucanovich	139	113	81.4	40
<i>Total</i>		292	237	81.2	84

New Hampshire

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Bill Zeliff	72	63	87.6	15
2	Dick Swett	73	64	87.6	16
<i>Total</i>		145	127	87.6	31

New Jersey

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Robert E. Andrews	81	67	83.1	18
2	William J. Hughes	82	68	82.8	18
3	Jim Saxton	65	55	84.4	12
4	Christopher H. Smith	71	60	84.0	15
5	Marge Roukema	60	52	85.7	10
6	Frank Pallone, Jr.	75	63	84.3	13
7	Bob Franks	64	55	85.7	10
8	Herbert C. Klein	85	71	83.6	17
9	Robert G. Torricelli	79	66	84.0	13
10	Donald M. Payne	101	80	79.5	24
11	Dean A. Gallo	59	51	86.4	9
12	Dick Zimmer	56	48	85.5	8
13	Robert Menendez	118	94	79.9	25
<i>Total</i>		997	831	83.4	192

New Mexico

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Steven H. Schiff	96	82	85.4	22
2	Joe Skeen	103	85	82.8	29
3	Bill Richardson	99	82	83.4	27
<i>Total</i>		297	249	83.8	77

New York

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	George J. Hochbrueckner	54	46	85.4	9
2	Rick A. Lazio	58	50	85.1	9
3	Peter T. King	49	42	86.1	8
4	David A. Levy	57	49	85.2	9
5	Gary L. Ackerman	58	49	84.8	9
6	Floyd H. Flake	83	67	80.8	19
7	Thomas J. Manton	88	71	80.9	16
8	Jerrold Nadler	75	61	81.4	10
9	Charles E. Schumer	67	55	82.1	11
10	Edolphus Towns	99	72	73.3	26
11	Major R. Owens	95	75	78.1	25
12	Nydia M. Velazquez	141	103	72.9	30
13	Susan Molinari	65	53	82.2	12
14	Carolyn B. Maloney	62	52	84.7	5
15	Charles B. Rangel	123	85	69.1	26
16	Jose E. Serrano	143	94	65.7	36
17	Eliot L. Engel	96	75	77.6	23
18	Nita M. Lowey	65	55	84.5	10
19	Hamilton Fish, Jr.	53	45	85.3	8
20	Benjamin A. Gilman	57	49	85.9	10
21	Michael R. McNulty	65	55	84.8	11
22	Gerald B. H. Solomon	64	54	84.8	12
23	Sherwood L. Boehlert	73	60	82.4	16
24	John M. McHugh	73	59	80.1	16
25	James T. Walsh	69	58	84.3	14
26	Maurice D. Hinchey	72	59	82.3	13

New York

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
27	Bill Paxon	63	54	85.6	12
28	Louise M. Slaughter	67	56	83.9	13
29	John J. LaFalce	70	59	83.8	14
30	Jack Quinn	74	61	81.7	16
31	Amo Houghton	75	62	82.8	17
<i>Total</i>		2,352	1,884	80.1	463

North Carolina

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Eva Clayton	92	75	81.1	27
2	Tim Valentine	75	64	84.8	16
3	H. Martin Lancaster	78	65	82.8	18
4	David E. Price	66	57	86.1	11
5	Stephen L. Neal	77	65	84.9	16
6	Howard Coble	70	61	86.7	13
7	Charlie Rose	78	62	79.2	17
8	W. G. Hefner	78	66	84.3	19
9	J. Alex McMillan	65	56	86.8	12
10	Cass Ballenger	73	63	86.4	15
11	Charles H. Taylor	76	64	83.9	17
12	Melvin Watt	90	75	83.7	22
<i>Total</i>		917	771	84.1	204

North Dakota

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Earl Pomeroy	51	46	90.2	9

Ohio

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	David Mann	72	59	82.1	18
2	Rob Portman	56	47	83.9	12
3	Tony P. Hall	62	51	82.5	13
4	Michael G. Oxley	65	54	82.9	16
5	Paul E. Gillmor	63	53	83.7	16
6	Ted Strickland	70	56	80.7	18
7	David L. Hobson	61	51	82.8	14
8	John A. Boehner	61	51	83.5	14
9	Marcy Kaptur	66	55	82.5	16
10	Martin R. Hoke	62	51	83.0	13
11	Louis Stokes	74	59	80.1	19
12	John R. Kasich	65	54	83.1	15
13	Sherrod Brown	58	49	83.7	13
14	Tom Sawyer	64	53	82.5	14
15	Deborah Pryce	63	52	83.3	11
16	Ralph Regula	65	54	82.9	16
17	James A. Traficant, Jr.	66	54	81.7	16
18	Douglas Applegate	68	56	81.6	17
19	Eric D. Fingerhut	55	46	83.9	11
<i>Total</i>		1,218	1,006	82.6	279

Oklahoma

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	James M. Inhofe	114	101	88.1	30
2	Mike Synar	120	105	86.9	36
3	Bill Brewster	120	104	86.5	35
4	Dave McCurdy	114	99	87.0	31
5	Ernest J. Istook, Jr.	110	97	88.3	29
6	Frank Lucas	122	106	87.2	36
<i>Total</i>		701	612	87.3	198

Oregon

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Elizabeth Furse	72	63	88.2	11
2	Robert F. Smith	82	73	88.3	15
3	Ron Wyden	82	72	88.2	13
4	Peter A. DeFazio	80	71	88.4	13
5	Mike Kopetski	77	68	88.4	13
<i>Total</i>		393	347	88.3	65

Pennsylvania

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Thomas M. Foglietta	69	49	71.8	17
2	Lucien E. Blackwell	58	43	74.1	12
3	Robert A. Borski	50	38	76.8	10
4	Ron Klink	49	38	76.8	10
5	William F. Clinger, Jr.	54	41	76.0	11
6	Tim Holden	51	39	78.0	10
7	Curt Weldon	37	29	79.2	5
8	James C. Greenwood	36	29	79.9	6
9	Bud Shuster	54	42	77.0	12
10	Joseph M. McDade	53	41	77.2	11
11	Paul E. Kanjorski	53	41	76.9	11
12	John P. Murtha	54	40	75.3	12
13	M. Margolies-Mezvinsky	35	28	79.8	5
14	William J. Coyne	54	41	75.4	10
15	Paul McHale	47	37	78.4	8
16	Robert S. Walker	45	35	79.2	8
17	George W. Gekas	47	37	79.2	8
18	Rick Santorum	47	36	77.3	8
19	William F. Goodling	46	37	79.1	8
20	Austin J. Murphy	48	37	76.0	9
21	Thomas J. Ridge	52	40	76.8	11
<i>Total</i>		1,038	798	76.9	200

Rhode Island

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Ronald K. Machtley	45	36	79.9	7
2	Jack Reed	44	35	79.6	7
<i>Total</i>		89	71	79.8	15

South Carolina

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Arthur Ravenel, Jr.	96	78	80.6	16
2	Floyd Spence	94	76	81.3	16
3	Butler Derrick	100	81	81.3	18
4	Bob Inglis	101	83	82.0	17
5	John M. Spratt, Jr.	105	85	81.0	20
6	James E. Clyburn	119	94	79.1	26
<i>Total</i>		615	497	80.8	113

South Dakota

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Tim Johnson	106	92	86.8	33

Tennessee

District	Representative	Total	Uninsured in		Uninsured
		Uninsured	Working Families	Percent	Children
		(000's)	(000's)		(000's)
1	James H. Quillen	77	62	80.4	14
2	John J. Duncan, Jr.	73	60	81.6	13
3	Marilyn Lloyd	74	60	80.9	14
4	Jim Cooper	80	64	80.6	17
5	Bob Clement	74	61	82.4	13
6	Bart Gordon	71	59	83.4	14
7	Don Sundquist	69	57	82.2	13
8	John S. Tanner	78	63	80.7	17
9	Harold E. Ford	85	67	79.2	19
<i>Total</i>		681	553	81.2	133

Texas

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Jim Chapman	114	96	83.8	28
2	Charles Wilson	117	96	82.4	28
3	Sam Johnson	90	79	88.0	17
4	Ralph M. Hall	110	94	85.5	26
5	John Bryant	129	108	84.2	31
6	Joe Barton	94	83	87.9	18
7	Bill Archer	100	88	87.6	20
8	Jack Fields	104	90	85.9	22
9	Jack Brooks	112	95	84.7	26
10	J. J. Pickle	125	107	85.3	24
11	Chet Edwards	121	99	82.1	29
12	Pete Geren	122	104	85.1	29
13	Bill Sarpalius	130	109	83.8	33
14	Greg Laughlin	128	108	84.3	33
15	E. de la Garza	173	141	81.7	58
16	Ronald D. Coleman	164	134	82.0	49
17	Charles W. Stenholm	122	103	83.8	31
18	Craig A. Washington	137	113	82.6	32
19	Larry Combest	121	103	85.5	30
20	Henry B. Gonzalez	158	130	82.3	43
21	Lamar S. Smith	105	91	86.0	23
22	Tom DeLay	107	92	86.6	23
23	Henry Bonilla	158	130	82.8	49
24	Martin Frost	130	111	85.4	34
25	Michael A. Andrews	124	106	85.7	29
26	Dick Armey	102	90	87.9	19

Texas

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
27	Solomon P. Ortiz	162	134	82.5	50
28	Frank Tejada	161	133	82.4	49
29	Gene Green	178	148	83.1	55
30	Eddie Bernice Johnson	141	118	84.0	34
<i>Total</i>		3,839	3,233	84.2	972

Utah

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	James V. Hansen	63	57	90.4	20
2	Karen Shepherd	66	60	90.5	19
3	Bill Orton	75	67	89.8	26
<i>Total</i>		204	184	90.2	65

Vermont

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Bernard Sanders	56	49	87.5	6

Virginia

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Herbert H. Bateman	78	66	83.5	14
2	Owen B. Pickett	79	64	82.1	13
3	Robert C. Scott	101	82	81.5	21
4	Norman Sisisky	84	70	83.1	16
5	Lewis F. Payne, Jr.	94	78	83.2	17
6	Robert W. Goodlatte	89	74	83.2	15
7	Thomas J. Bliley, Jr.	72	61	84.8	11
8	James P. Moran	66	56	84.5	7
9	Rick Boucher	93	76	81.6	17
10	Frank R. Wolf	70	60	84.8	11
11	Leslie L. Byrne	62	53	85.1	8
<i>Total</i>		889	740	83.2	150

Washington

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Maria Cantwell	46	43	91.9	9
2	Al Swift	56	51	91.4	14
3	Jolene Unsoeld	56	51	91.3	14
4	Jay Inslee	71	64	90.8	23
5	Thomas S. Foley	61	55	91.0	16
6	Norman D. Dicks	56	51	91.1	14
7	Jim McDermott	60	55	91.2	10
8	Jennifer Dunn	44	40	92.0	9
9	Mike Kreidler	56	51	91.4	13
<i>Total</i>		505	461	91.3	122

West Virginia

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Alan B. Mollohan	90	70	78.0	19
2	Robert E. Wise, Jr.	90	71	78.4	20
3	Nick J. Rahall II	91	66	72.8	22
<i>Total</i>		271	207	76.4	61

Wisconsin

District	Representative	Total Uninsured	Uninsured in Working Families		Uninsured Children
		(000's)	(000's)	Percent	(000's)
1	Peter Barca	49	44	89.2	12
2	Scott L. Klug	49	44	89.1	10
3	Steve Gunderson	57	50	88.9	16
4	Gerald D. Kleczka	49	44	89.1	11
5	Thomas M. Barrett	57	51	89.1	16
6	Thomas E. Petri	51	45	89.0	13
7	David R. Obey	54	48	88.9	16
8	Toby Roth	51	46	89.0	14
9	F. J. Sensenbrenner, Jr.	40	36	89.3	9
<i>Total</i>		457	407	89.1	119

Wyoming

District	Representative	Total Uninsured (000's)	Uninsured in Working Families		Uninsured Children (000's)
			(000's)	Percent	
1	Craig Thomas	56	51	91.1	16

Section IV

Background Data

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
Alabama		3,666	694	18.9	3,225	17.1	1,159	15.3
Alaska		501	84	16.8	464	16.4	165	9.8
Arizona		3,135	541	17.3	2,847	17.1	942	12.4
Arkansas		2,111	479	22.7	1,846	22.5	702	22.5
California		27,930	5,937	21.3	24,304	20.8	8,522	15.5
Colorado		2,923	412	14.1	2,651	12.9	857	9.5
Connecticut		2,822	255	9.0	2,541	8.1	823	5.3
Delaware		647	79	12.2	599	12.0	187	8.3
District of Columbia		474	108	22.8	373	22.3	125	13.0
Florida		11,428	2,656	23.2	10,213	22.8	3,238	18.2
Georgia		5,740	1,222	21.3	4,958	20.5	1,680	20.1
Hawaii		1,029	70	6.8	907	6.3	316	4.5
Idaho		939	172	18.3	874	17.0	337	15.7
Illinois		10,626	1,536	14.5	9,223	13.4	3,306	10.0
Indiana		4,996	609	12.2	4,619	11.5	1,510	8.0
Iowa		2,559	294	11.5	2,408	11.5	794	8.7
Kansas		2,218	269	12.1	2,093	11.8	705	8.6
Kentucky		3,203	532	16.6	2,706	14.4	939	13.8
Louisiana		3,771	932	24.7	3,122	23.2	1,296	17.9
Maine		1,118	141	12.6	1,009	12.4	326	9.6
Maryland		4,369	544	12.5	3,918	11.8	1,193	6.5
Massachusetts		5,050	601	11.9	4,453	11.0	1,294	10.5
Michigan		8,152	922	11.3	7,172	10.3	2,481	7.6
Minnesota		3,840	347	9.0	3,554	8.8	1,070	4.3
Mississippi		2,373	513	21.6	2,052	21.2	860	16.4
Missouri		4,511	724	16.0	4,031	15.1	1,342	13.0
Montana		726	77	10.6	657	10.4	248	4.9
Nebraska		1,438	147	10.2	1,357	9.9	465	8.2
Nevada		1,157	292	25.2	1,028	23.1	336	24.9
New Hampshire		1,038	145	14.0	944	13.5	297	10.5
New Jersey		6,739	997	14.8	5,969	13.9	1,870	10.2
New Mexico		1,377	297	21.6	1,196	20.8	457	16.9
New York		15,428	2,352	15.2	12,972	14.5	4,345	10.7
North Carolina		5,819	917	15.8	5,225	14.8	1,681	12.2
North Dakota		531	51	9.6	496	9.3	164	5.6
Ohio		9,815	1,218	12.4	8,701	11.6	3,050	9.1
Oklahoma		2,863	701	24.5	2,564	23.9	933	21.2
Oregon		2,638	393	14.9	2,433	14.3	785	8.3
Pennsylvania		10,345	1,038	10.0	9,052	8.8	2,996	6.7
Rhode Island		830	89	10.7	717	9.9	208	7.0
South Carolina		3,286	615	18.7	2,810	17.7	1,042	10.8
South Dakota		616	106	17.2	572	16.1	207	15.8
Tennessee		4,388	681	15.5	3,740	14.8	1,272	10.5
Texas		15,509	3,839	24.8	13,870	23.3	4,856	20.0
Utah		1,605	204	12.7	1,511	12.2	648	10.0
Vermont		537	56	10.4	488	10.0	156	4.0
Virginia		5,654	889	15.7	5,195	14.2	1,548	9.7
Washington		4,467	505	11.3	4,169	11.1	1,310	9.3
West Virginia		1,516	271	17.9	1,211	17.1	433	14.1
Wisconsin		4,501	457	10.2	4,173	9.8	1,475	8.0
Wyoming		421	56	13.3	403	12.7	148	10.6
Total		223,371	37,067	16.6	197,615	15.7	67,106	12.4

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
Alabama	1	526	102	19.4	460	17.5	178	15.7
Alabama	2	523	97	18.6	463	16.8	169	14.8
Alabama	3	524	102	19.5	458	17.6	162	15.8
Alabama	4	513	101	19.7	452	17.8	159	16.1
Alabama	5	534	91	17.0	475	15.3	157	12.9
Alabama	6	529	85	16.0	473	14.5	148	11.7
Alabama	7	518	116	22.4	444	20.2	186	19.2
Alaska	0	501	84	16.8	464	16.4	165	9.8
Arizona	1	546	86	15.7	513	15.6	147	10.3
Arizona	2	543	129	23.9	476	23.8	189	19.1
Arizona	3	482	78	16.2	437	16.2	147	11.0
Arizona	4	533	77	14.4	500	14.4	140	9.0
Arizona	5	511	84	16.4	461	16.3	139	11.1
Arizona	6	521	87	16.7	460	16.7	180	11.8
Arkansas	1	527	126	24.0	456	23.8	185	24.3
Arkansas	2	543	114	21.0	479	20.8	173	20.1
Arkansas	3	525	118	22.6	464	22.4	168	22.2
Arkansas	4	516	120	23.3	447	23.2	176	23.3
California	1	524	101	19.2	453	18.9	164	13.2
California	2	507	102	20.1	430	19.9	163	14.0
California	3	533	105	19.8	463	19.4	168	13.7
California	4	527	91	17.2	460	17.0	159	11.2
California	5	533	108	20.2	457	19.9	168	13.9
California	6	521	90	17.2	462	16.9	140	10.9
California	7	539	100	18.5	472	18.2	166	12.5
California	8	519	120	23.1	450	22.6	101	16.3
California	9	530	111	21.0	451	20.7	139	14.6
California	10	537	77	14.4	480	14.1	154	8.3
California	11	535	114	21.3	457	21.0	184	15.3
California	12	516	99	19.1	461	18.7	127	12.7
California	13	544	102	18.7	484	18.3	161	12.6
California	14	531	88	16.6	473	16.3	125	10.2
California	15	543	86	15.8	488	15.5	141	9.5
California	16	557	126	22.6	488	22.1	179	16.7
California	17	536	118	22.1	464	21.7	166	16.1
California	18	538	121	22.4	459	22.1	198	16.7
California	19	534	117	21.9	460	21.5	185	15.9
California	20	549	163	29.7	455	29.1	220	24.4
California	21	535	109	20.4	460	20.1	191	14.6
California	22	523	109	20.8	455	20.4	143	14.5
California	23	543	108	19.9	481	19.5	175	13.9
California	24	533	91	17.0	477	16.7	134	10.7
California	25	556	91	16.4	491	16.1	174	10.5
California	26	552	149	26.9	484	26.3	178	21.0
California	27	523	105	20.1	458	19.7	140	13.9
California	28	534	103	19.3	474	18.9	164	13.2
California	29	503	95	18.8	440	18.5	82	12.0
California	30	552	179	32.4	475	31.6	173	24.9
California	31	547	159	29.1	469	28.5	187	23.4
California	32	532	131	24.6	456	24.1	151	18.4
California	33	560	197	35.3	474	34.4	205	24.9
California	34	548	144	26.2	476	25.6	188	20.5
California	35	555	150	27.1	469	26.5	200	21.5
California	36	539	92	17.1	480	16.7	122	10.6
California	37	558	149	26.7	469	26.2	217	21.3

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
California	38	530	113	21.3	460	20.9	151	15.0
California	39	546	104	19.1	486	18.6	158	13.0
California	40	531	103	19.4	452	19.1	183	13.5
California	41	565	111	19.7	498	19.3	190	14.0
California	42	556	120	21.6	481	21.2	210	16.0
California	43	548	107	19.5	477	19.2	187	13.8
California	44	491	111	22.5	423	22.1	170	16.5
California	45	538	99	18.4	481	18.0	132	12.0
California	46	558	150	26.8	488	26.2	182	20.9
California	47	535	86	16.0	479	15.7	143	9.8
California	48	538	94	17.5	470	17.2	161	11.5
California	49	527	101	19.2	450	19.0	103	12.7
California	50	551	139	25.2	465	24.8	193	19.6
California	51	532	90	16.9	474	16.6	154	10.7
California	52	536	110	20.5	465	20.1	174	14.5
Colorado	1	470	80	17.1	417	15.7	124	12.5
Colorado	2	499	63	12.6	463	11.5	141	7.8
Colorado	3	473	79	16.7	422	15.3	145	12.4
Colorado	4	482	76	15.8	437	14.5	152	11.5
Colorado	5	502	58	11.7	445	10.8	154	7.1
Colorado	6	498	55	11.1	466	10.2	142	6.2
Connecticut	1	466	46	10.0	416	8.9	137	6.5
Connecticut	2	480	41	8.6	428	7.8	139	4.8
Connecticut	3	465	44	9.5	417	8.5	133	5.9
Connecticut	4	468	43	9.2	418	8.3	134	5.5
Connecticut	5	474	40	8.5	431	7.7	144	4.7
Connecticut	6	469	39	8.4	431	7.5	136	4.5
Delaware	0	647	79	12.2	599	12.0	187	8.3
District of Columbia	98	474	108	22.8	373	22.3	125	13.0
Florida	1	539	113	20.9	478	20.6	161	16.0
Florida	2	538	119	22.1	479	21.7	162	17.1
Florida	3	534	137	25.7	473	25.2	183	21.0
Florida	4	523	105	20.0	468	19.6	143	14.7
Florida	5	453	105	23.3	400	22.9	116	18.0
Florida	6	499	108	21.6	444	21.2	152	16.5
Florida	7	514	108	21.0	462	20.6	143	15.7
Florida	8	540	119	22.0	486	21.5	142	16.8
Florida	9	477	100	21.1	428	20.6	129	15.7
Florida	10	449	103	22.9	403	22.4	112	17.4
Florida	11	535	128	23.9	479	23.4	148	18.7
Florida	12	504	116	23.1	450	22.6	161	18.1
Florida	13	420	94	22.3	376	21.8	110	16.8
Florida	14	452	100	22.1	404	21.6	121	16.7
Florida	15	495	103	20.9	443	20.5	137	15.5
Florida	16	462	99	21.3	415	20.9	130	16.0
Florida	17	549	153	27.8	486	27.3	194	23.5
Florida	18	502	160	31.9	449	31.1	127	27.2
Florida	19	437	88	20.2	394	19.7	113	14.6
Florida	20	510	105	20.6	459	20.2	138	15.3
Florida	21	548	161	29.4	492	28.7	156	24.9
Florida	22	418	95	22.7	374	22.2	81	17.0
Florida	23	530	138	26.0	472	25.4	176	21.2
Georgia	1	517	113	21.9	426	21.2	156	20.7
Georgia	2	513	132	25.7	405	24.9	171	25.8
Georgia	3	526	105	19.9	465	19.2	158	18.1

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number	Percent	Population	Percent	Population	Percent
			Uninsured	Uninsured		Uninsured		Uninsured
Georgia	4	535	99	18.4	493	17.7	137	15.7
Georgia	5	518	120	23.2	428	22.5	141	21.9
Georgia	6	547	87	15.9	505	15.4	144	14.2
Georgia	7	516	110	21.4	455	20.7	152	20.0
Georgia	8	514	112	21.7	442	21.0	160	20.4
Georgia	9	510	112	22.0	450	21.2	145	20.8
Georgia	10	522	112	21.4	449	20.8	149	20.0
Georgia	11	521	120	23.1	439	22.3	168	22.4
Hawaii	1	507	32	6.4	448	5.9	138	3.5
Hawaii	2	522	38	7.2	459	6.6	178	5.2
Idaho	1	465	84	18.2	432	16.9	158	15.5
Idaho	2	474	88	18.5	442	17.2	179	15.9
Illinois	1	522	89	17.0	431	15.9	172	12.9
Illinois	2	550	85	15.5	462	14.5	191	11.5
Illinois	3	509	69	13.5	448	12.5	145	8.8
Illinois	4	561	142	25.4	473	23.4	211	17.3
Illinois	5	516	80	15.5	455	14.3	116	10.7
Illinois	6	536	61	11.4	480	10.5	152	6.4
Illinois	7	547	92	16.8	445	15.8	185	12.8
Illinois	8	563	57	10.1	506	9.4	170	5.8
Illinois	9	508	80	15.7	444	14.5	117	10.8
Illinois	10	544	55	10.0	478	9.3	163	5.8
Illinois	11	527	72	13.6	461	12.7	172	9.2
Illinois	12	525	79	15.0	444	14.0	168	10.7
Illinois	13	561	50	9.0	501	8.3	178	5.8
Illinois	14	552	70	12.7	490	11.7	184	8.1
Illinois	15	529	79	15.0	458	13.9	155	10.5
Illinois	16	534	70	13.1	474	12.2	175	8.5
Illinois	17	507	80	15.8	441	14.6	161	11.4
Illinois	18	522	72	13.7	457	12.7	168	9.1
Illinois	19	502	79	15.7	431	14.6	160	11.5
Illinois	20	511	76	14.9	445	13.8	164	10.5
Indiana	1	503	62	12.4	460	11.8	159	8.3
Indiana	2	493	63	12.8	454	12.1	143	8.6
Indiana	3	498	61	12.2	462	11.6	152	8.0
Indiana	4	503	59	11.7	471	11.0	164	7.4
Indiana	5	495	60	12.2	458	11.5	157	8.1
Indiana	6	507	46	9.2	476	8.6	152	4.7
Indiana	7	501	61	12.2	461	11.6	141	8.0
Indiana	8	492	63	12.9	451	12.2	137	8.8
Indiana	9	498	62	12.5	461	11.8	156	8.5
Indiana	10	506	70	13.8	466	13.1	149	9.8
Iowa	1	532	53	10.0	502	10.0	157	6.5
Iowa	2	506	61	12.1	476	12.1	162	9.7
Iowa	3	505	60	11.9	476	11.9	152	9.3
Iowa	4	522	56	10.8	490	10.8	158	7.6
Iowa	5	495	63	12.7	465	12.6	165	10.4
Kansas	1	533	76	14.3	504	13.8	178	11.2
Kansas	2	552	69	12.5	518	12.1	172	9.0
Kansas	3	577	58	10.1	545	9.8	174	6.0
Kansas	4	556	66	11.9	525	11.5	181	8.3
Kentucky	1	518	91	17.5	436	15.1	151	14.9
Kentucky	2	542	90	16.6	464	14.4	164	13.9
Kentucky	3	526	84	16.0	458	13.8	146	12.7
Kentucky	4	538	85	15.9	467	13.7	162	12.8

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number	Percent	Population	Percent	Population	Percent
			Uninsured	Uninsured		Uninsured		Uninsured
Kentucky	5	538	93	17.3	410	15.2	170	15.2
Kentucky	6	541	88	16.4	471	14.1	147	13.2
Louisiana	1	534	123	23.0	461	21.5	166	16.0
Louisiana	2	539	147	27.2	430	25.6	187	20.2
Louisiana	3	551	131	23.8	458	22.4	198	17.2
Louisiana	4	537	150	27.9	421	26.3	199	21.0
Louisiana	5	528	127	24.1	444	22.6	176	17.2
Louisiana	6	541	123	22.8	455	21.4	177	16.1
Louisiana	7	541	131	24.2	452	22.7	192	17.4
Maine	1	580	68	11.8	526	11.5	167	8.3
Maine	2	538	73	13.5	483	13.3	159	11.0
Maryland	1	536	73	13.6	481	12.9	146	7.7
Maryland	2	538	63	11.7	486	11.1	144	5.7
Maryland	3	531	69	13.0	475	12.3	142	7.0
Maryland	4	568	70	12.4	515	11.7	155	6.5
Maryland	5	566	57	10.1	513	9.6	152	4.1
Maryland	6	542	69	12.7	489	12.0	154	6.8
Maryland	7	539	93	17.2	455	16.4	154	10.8
Maryland	8	549	50	9.1	504	8.6	146	3.6
Massachusetts	1	503	64	12.7	440	11.7	138	12.0
Massachusetts	2	502	63	12.6	442	11.7	141	12.0
Massachusetts	3	505	59	11.6	449	10.8	137	10.3
Massachusetts	4	504	56	11.2	446	10.4	134	9.6
Massachusetts	5	523	57	10.8	462	10.1	149	9.2
Massachusetts	6	505	55	10.8	453	10.0	129	8.9
Massachusetts	7	496	55	11.1	446	10.3	111	9.2
Massachusetts	8	523	78	14.9	434	13.9	103	15.1
Massachusetts	9	499	59	11.8	441	10.9	123	10.4
Massachusetts	10	491	55	11.3	440	10.5	129	9.6
Michigan	1	488	64	13.0	427	11.9	151	9.5
Michigan	2	507	61	12.0	456	10.9	168	8.3
Michigan	3	516	58	11.3	471	10.3	166	7.3
Michigan	4	507	62	12.2	443	11.2	157	8.5
Michigan	5	504	62	12.3	436	11.2	164	8.6
Michigan	6	508	62	12.3	453	11.2	155	8.4
Michigan	7	508	58	11.4	451	10.4	158	7.4
Michigan	8	526	53	10.0	473	9.2	151	5.7
Michigan	9	526	55	10.5	458	9.6	162	6.4
Michigan	10	509	50	9.8	459	8.9	148	5.4
Michigan	11	507	37	7.3	466	6.7	138	4.5
Michigan	12	505	48	9.5	460	8.7	140	5.0
Michigan	13	529	53	10.0	474	9.1	140	5.5
Michigan	14	512	68	13.2	420	12.2	173	10.0
Michigan	15	497	81	16.3	377	15.1	165	13.5
Michigan	16	504	51	10.2	448	9.3	148	5.9
Minnesota	1	471	49	10.4	439	10.1	136	4.9
Minnesota	2	463	51	11.0	435	10.7	144	5.7
Minnesota	3	504	25	4.9	477	4.9	136	2.5
Minnesota	4	482	42	8.8	444	8.6	125	2.9
Minnesota	5	474	48	10.2	430	10.0	103	4.1
Minnesota	6	518	28	5.3	489	5.3	151	2.5
Minnesota	7	464	57	12.2	424	11.9	140	6.9
Minnesota	8	463	47	10.2	417	10.0	136	4.8
Mississippi	1	471	101	21.5	414	21.0	162	16.2
Mississippi	2	472	113	24.0	400	23.5	195	18.9

State	District	Under 65 Population		Under 65, Householder or Spouse Worked		Under 18		
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
Mississippi	3	477	100	20.9	416	20.4	167	15.5
Mississippi	4	470	101	21.4	406	21.0	168	16.1
Mississippi	5	483	98	20.3	415	19.9	168	15.0
Missouri	1	502	86	17.2	438	16.2	152	14.2
Missouri	2	523	57	10.8	480	10.2	150	8.3
Missouri	3	496	73	14.6	450	13.7	142	10.9
Missouri	4	499	84	16.9	441	15.9	152	14.0
Missouri	5	504	83	16.4	451	15.4	143	13.0
Missouri	6	500	80	16.1	452	15.1	151	12.8
Missouri	7	491	88	18.0	439	16.9	142	15.1
Missouri	8	488	91	18.6	424	17.5	153	16.1
Missouri	9	508	82	16.1	457	15.1	154	12.9
Montana	0	726	77	10.6	657	10.4	248	4.9
Nebraska	1	476	50	10.4	449	10.1	148	8.4
Nebraska	2	502	43	8.5	474	8.3	160	5.6
Nebraska	3	459	55	11.9	434	11.6	158	10.7
Nevada	1	576	153	26.5	510	24.2	164	26.5
Nevada	2	581	139	24.0	518	21.9	172	23.3
New Hampshire	1	520	72	13.9	473	13.4	148	10.4
New Hampshire	2	518	73	14.1	471	13.6	150	10.7
New Jersey	1	528	81	15.3	464	14.4	165	11.0
New Jersey	2	510	82	16.2	447	15.3	150	11.9
New Jersey	3	508	65	12.8	452	12.1	149	8.2
New Jersey	4	498	71	14.3	443	13.5	148	9.8
New Jersey	5	523	60	11.5	474	10.9	148	6.7
New Jersey	6	525	75	14.2	468	13.5	134	9.6
New Jersey	7	516	64	12.4	468	11.7	132	7.5
New Jersey	8	511	85	16.7	453	15.8	139	12.5
New Jersey	9	502	79	15.7	447	14.9	118	11.2
New Jersey	10	528	101	19.1	443	18.1	156	15.2
New Jersey	11	534	59	11.0	488	10.4	142	6.1
New Jersey	12	530	56	10.7	477	10.1	144	5.7
New Jersey	13	526	118	22.5	445	21.2	146	17.1
New Mexico	1	461	96	20.8	408	20.0	137	15.9
New Mexico	2	453	103	22.6	388	21.9	158	18.1
New Mexico	3	463	99	21.3	400	20.6	162	16.7
New York	1	505	54	10.8	444	10.5	150	6.0
New York	2	518	58	11.2	454	10.9	145	6.5
New York	3	496	49	9.8	439	9.5	127	6.0
New York	4	489	57	11.6	430	11.3	132	6.8
New York	5	485	58	12.0	425	11.6	121	7.1
New York	6	509	83	16.2	425	15.7	151	12.3
New York	7	477	88	18.4	400	17.8	109	14.3
New York	8	486	75	15.3	409	14.9	97	10.4
New York	9	461	67	14.6	390	14.1	113	9.9
New York	10	518	99	19.0	390	18.5	168	15.5
New York	11	525	95	18.2	423	17.6	170	14.6
New York	12	522	141	27.1	395	26.1	165	18.0
New York	13	492	65	13.2	416	12.9	133	8.7
New York	14	482	62	12.8	422	12.4	66	7.4
New York	15	506	123	24.3	360	23.6	146	18.0
New York	16	534	143	26.7	361	26.0	200	18.0
New York	17	489	96	19.7	393	19.1	144	16.0
New York	18	477	65	13.6	417	13.1	114	8.8
New York	19	509	53	10.4	447	10.1	139	6.0

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
New York	20	509	57	11.1	451	10.8	154	6.4
New York	21	485	65	13.5	425	13.0	132	8.7
New York	22	500	64	12.7	438	12.3	149	8.1
New York	23	487	73	15.0	415	14.5	147	10.7
New York	24	505	73	14.5	416	14.1	157	10.3
New York	25	499	69	13.8	435	13.3	147	9.2
New York	26	498	72	14.4	423	13.9	136	9.8
New York	27	499	63	12.6	442	12.2	149	7.9
New York	28	498	67	13.5	432	13.0	144	8.7
New York	29	488	70	14.4	423	13.9	141	9.9
New York	30	488	74	15.3	412	14.8	142	10.9
New York	31	490	75	15.3	419	14.8	155	11.0
North Carolina	1	476	92	19.3	410	18.2	160	16.6
North Carolina	2	480	75	15.6	435	14.6	138	11.8
North Carolina	3	487	78	16.0	429	15.1	145	12.5
North Carolina	4	506	66	13.0	464	12.2	129	8.5
North Carolina	5	476	77	16.1	431	15.1	130	12.3
North Carolina	6	484	70	14.5	449	13.5	130	10.3
North Carolina	7	503	78	15.5	419	14.7	143	12.1
North Carolina	8	487	78	16.0	438	15.0	155	12.5
North Carolina	9	496	65	13.1	460	12.3	137	8.7
North Carolina	10	484	73	15.0	448	14.1	137	11.1
North Carolina	11	454	76	16.7	406	15.7	128	13.0
North Carolina	12	487	90	18.4	436	17.2	147	15.1
North Dakota	0	531	51	9.6	496	9.3	164	5.6
Ohio	1	515	72	14.0	454	13.0	163	10.9
Ohio	2	525	56	10.7	473	9.9	167	7.0
Ohio	3	519	62	11.9	458	11.1	155	8.4
Ohio	4	515	65	12.7	459	11.8	167	9.5
Ohio	5	517	63	12.2	466	11.3	174	8.9
Ohio	6	515	70	13.5	444	12.7	163	10.8
Ohio	7	523	61	11.7	464	10.9	163	8.3
Ohio	8	525	61	11.7	471	10.9	169	8.3
Ohio	9	519	66	12.8	459	11.9	163	9.6
Ohio	10	503	62	12.3	448	11.5	147	8.8
Ohio	11	506	74	14.6	432	13.7	160	11.9
Ohio	12	538	65	12.2	480	11.3	168	8.8
Ohio	13	530	58	11.0	476	10.2	172	7.5
Ohio	14	514	64	12.5	454	11.7	150	9.1
Ohio	15	534	63	11.7	478	10.9	139	8.0
Ohio	16	512	65	12.8	456	11.9	165	9.6
Ohio	17	499	66	13.3	437	12.4	156	10.3
Ohio	18	504	68	13.6	440	12.7	163	10.7
Ohio	19	502	55	11.0	453	10.2	146	7.3
Oklahoma	1	489	114	23.4	442	22.8	153	19.8
Oklahoma	2	469	120	25.7	417	25.0	159	22.6
Oklahoma	3	463	120	26.0	410	25.4	152	23.0
Oklahoma	4	492	114	23.2	438	22.7	158	19.9
Oklahoma	5	480	110	22.9	436	22.3	151	19.3
Oklahoma	6	471	122	25.8	421	25.2	159	22.7
Oregon	1	540	72	13.3	499	12.7	155	6.9
Oregon	2	516	82	16.0	475	15.3	163	9.3
Oregon	3	530	82	15.5	489	14.8	152	8.7
Oregon	4	523	80	15.3	482	14.6	155	8.7
Oregon	5	529	77	14.5	488	13.9	160	8.0

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
Pennsylvania	1	508	69	13.5	411	12.0	164	10.7
Pennsylvania	2	495	58	11.7	413	10.4	136	8.6
Pennsylvania	3	479	50	10.4	417	9.2	138	7.1
Pennsylvania	4	487	49	10.0	423	8.9	144	6.7
Pennsylvania	5	501	54	10.8	431	9.5	144	7.6
Pennsylvania	6	484	51	10.5	430	9.2	140	7.1
Pennsylvania	7	494	37	7.5	443	6.7	134	3.6
Pennsylvania	8	520	36	7.0	471	6.1	155	3.6
Pennsylvania	9	493	54	10.9	432	9.6	151	7.9
Pennsylvania	10	484	53	10.9	425	9.6	147	7.7
Pennsylvania	11	474	53	11.3	414	9.9	134	8.1
Pennsylvania	12	483	54	11.1	411	9.8	144	8.1
Pennsylvania	13	492	35	7.2	446	6.3	135	3.6
Pennsylvania	14	481	54	11.2	409	9.9	124	7.9
Pennsylvania	15	495	47	9.4	441	8.3	141	5.8
Pennsylvania	16	512	45	8.7	463	7.7	159	5.0
Pennsylvania	17	504	47	9.2	455	8.1	148	5.5
Pennsylvania	18	474	47	9.9	416	8.7	127	6.2
Pennsylvania	19	505	46	9.2	456	8.1	143	5.5
Pennsylvania	20	483	48	10.0	414	8.8	138	6.6
Pennsylvania	21	496	52	10.5	432	9.3	151	7.3
Rhode Island	1	412	45	10.8	357	10.0	100	7.1
Rhode Island	2	418	44	10.6	360	9.8	108	6.8
South Carolina	1	561	96	17.1	477	16.3	174	9.5
South Carolina	2	555	94	16.9	477	16.0	170	9.2
South Carolina	3	537	100	18.6	463	17.6	165	10.6
South Carolina	4	542	101	18.6	471	17.5	162	10.5
South Carolina	5	545	105	19.3	467	18.2	180	11.2
South Carolina	6	545	119	21.9	455	20.7	191	13.5
South Dakota	0	616	106	17.2	572	16.1	207	15.8
Tennessee	1	480	77	16.1	404	15.4	129	11.0
Tennessee	2	486	73	15.1	415	14.4	131	9.9
Tennessee	3	482	74	15.3	409	14.6	138	10.2
Tennessee	4	478	80	16.7	404	16.0	142	11.9
Tennessee	5	493	74	15.1	427	14.3	131	9.7
Tennessee	6	498	71	14.2	437	13.5	149	9.2
Tennessee	7	502	69	13.7	433	13.1	152	8.7
Tennessee	8	480	78	16.3	406	15.5	146	11.4
Tennessee	9	489	85	17.4	405	16.6	155	12.4
Texas	1	482	114	23.7	427	22.4	150	18.4
Texas	2	493	117	23.7	428	22.5	153	18.6
Texas	3	526	90	17.0	491	16.1	146	11.4
Texas	4	497	110	22.2	450	20.9	154	16.8
Texas	5	506	129	25.4	451	24.0	152	20.2
Texas	6	541	94	17.4	504	16.4	154	11.9
Texas	7	542	100	18.5	504	17.4	154	12.9
Texas	8	535	104	19.5	485	18.5	159	14.2
Texas	9	510	112	22.0	457	20.8	156	16.7
Texas	10	535	125	23.5	483	22.2	137	17.9
Texas	11	502	121	24.1	434	22.9	153	19.0
Texas	12	508	122	24.0	457	22.6	154	18.7
Texas	13	493	130	26.4	437	24.9	158	21.2
Texas	14	497	128	25.8	444	24.4	160	20.7
Texas	15	513	173	33.8	443	31.9	198	29.4
Texas	16	527	164	31.1	457	29.4	183	26.5

State	District	Under 65 Population			Under 65, Householder or Spouse Worked		Under 18	
		Population	Number Uninsured	Percent Uninsured	Population	Percent Uninsured	Population	Percent Uninsured
Texas	17	484	122	25.3	429	23.9	155	20.1
Texas	18	523	137	26.2	455	24.8	152	21.0
Texas	19	516	121	23.4	468	22.1	164	18.1
Texas	20	519	158	30.5	452	28.8	168	25.6
Texas	21	498	105	21.2	453	20.0	146	15.7
Texas	22	539	107	19.8	495	18.7	161	14.5
Texas	23	524	158	30.1	459	28.4	192	25.6
Texas	24	525	130	24.7	475	23.3	171	19.6
Texas	25	534	124	23.1	485	21.8	161	17.9
Texas	26	547	102	18.7	510	17.6	145	13.1
Texas	27	516	162	31.4	451	29.6	186	26.7
Texas	28	515	161	31.3	448	29.6	185	26.7
Texas	29	533	178	33.4	469	31.5	190	28.9
Texas	30	530	141	26.6	471	25.1	160	21.4
Utah	1	531	63	11.8	500	11.3	220	9.0
Utah	2	533	66	12.4	504	11.9	202	9.5
Utah	3	541	75	13.9	506	13.3	226	11.6
Vermont	0	537	56	10.4	488	10.0	156	4.0
Virginia	1	511	78	15.3	470	13.9	148	9.3
Virginia	2	535	79	14.7	478	13.5	147	8.8
Virginia	3	506	101	20.0	453	18.2	152	13.9
Virginia	4	510	84	16.5	466	15.0	152	10.6
Virginia	5	493	94	19.0	453	17.2	133	12.8
Virginia	6	492	89	18.1	452	16.4	128	11.8
Virginia	7	513	72	14.0	481	12.7	142	7.9
Virginia	8	522	66	12.6	486	11.5	112	6.2
Virginia	9	498	93	18.6	446	17.0	132	12.6
Virginia	10	533	70	13.2	500	11.9	155	7.2
Virginia	11	542	62	11.5	508	10.4	146	5.5
Washington	1	509	46	9.1	479	8.9	146	6.0
Washington	2	493	56	11.3	461	11.0	150	9.2
Washington	3	491	56	11.3	458	11.1	154	9.3
Washington	4	493	71	14.3	459	14.0	166	13.8
Washington	5	488	61	12.5	453	12.2	148	10.9
Washington	6	483	56	11.5	447	11.3	143	9.5
Washington	7	481	60	12.6	449	12.3	96	10.3
Washington	8	518	44	8.5	487	8.3	158	5.9
Washington	9	511	56	11.0	476	10.8	149	8.8
West Virginia	1	502	90	17.9	410	17.0	138	13.9
West Virginia	2	509	90	17.7	418	16.9	146	13.9
West Virginia	3	505	91	18.1	383	17.4	149	14.5
Wisconsin	1	505	49	9.7	468	9.3	167	7.3
Wisconsin	2	512	49	9.6	476	9.2	150	6.8
Wisconsin	3	496	57	11.4	460	10.9	166	9.9
Wisconsin	4	500	49	9.8	464	9.4	152	7.2
Wisconsin	5	503	57	11.3	462	11.0	169	9.6
Wisconsin	6	492	51	10.3	456	9.9	164	8.2
Wisconsin	7	490	54	11.1	454	10.6	169	9.4
Wisconsin	8	497	51	10.3	461	9.9	168	8.2
Wisconsin	9	506	40	8.0	472	7.6	169	5.6
Wyoming	0	421	56	13.3	403	12.7	148	10.6
Total		223,371	37,067	16.6	197,615	15.7	67,106	12.4

DEPARTMENT OF THE TREASURY

TREASURY



NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
July 20, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES
TOTALING \$28,250 MILLION

The Treasury will auction \$17,250 million of 2-year notes and \$11,000 million of 5-year notes to refund \$15,290 million of publicly-held securities maturing July 31, 1994, and to raise about \$12,950 million new cash.

In addition to the public holdings, Federal Reserve Banks hold \$1,627 million of the maturing securities for their own accounts, which may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include \$700 million held by Federal Reserve Banks as agents for foreign and international monetary authorities. Amounts bid for these accounts by Federal Reserve Banks will be added to the offering.

Both the 2-year and 5-year note auctions will be conducted in the single-price auction format. All competitive and non-competitive awards will be at the highest yield of accepted competitive tenders.

Tenders will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

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Attachment



HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED AUGUST 1, 1994

July 20, 1994

<u>Offering Amount</u>	\$17,250 million	\$11,000 million
<u>Description of Offering:</u>		
Term and type of security	2-year notes	5-year notes
Series	AJ-1996	Q-1999
CUSIP number	912827 Q5 4	912827 Q6 2
Auction date	July 26, 1994	July 27, 1994
Issue date	August 1, 1994	August 1, 1994
Dated date	August 1, 1994	August 1, 1994
Maturity date	July 31, 1996	July 31, 1999
Interest rate	Determined based on the highest accepted bid	Determined based on the highest accepted bid
Yield	Determined at auction	Determined at auction
Interest payment dates	January 31 and July 31	January 31 and July 31
Minimum bid amount	\$5,000	\$1,000
Multiples	\$1,000	\$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:

- Noncompetitive bids . . . Accepted in full up to \$5,000,000 at the highest accepted yield
- Competitive bids (1) Must be expressed as a yield with two decimals, e.g., 7.10%
- (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all yields, and the net long position is \$2 billion or greater.
- (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders.

Maximum Recognized Bid

at a Single Yield . . . 35% of public offering

Maximum Award 35% of public offering

Receipt of Tenders:

- Noncompetitive tenders . . . Prior to 12:00 noon Eastern Daylight Saving time on auction day
- Competitive tenders . . . Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

Payment Terms Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date



July 20, 1994

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of June 1994.

As indicated in this table, U.S. reserve assets amounted to \$75,732 million at the end of June 1994, up from \$74,420 million in May 1994.

U.S. Reserve Assets (in millions of dollars)					
End of Month	Total Reserve Assets	Gold Stock <u>1/</u>	Special Drawing Rights <u>2/3/</u>	Foreign Currencies <u>4/</u>	Reserve Position in IMF <u>2/</u>
<u>1994</u>					
May	74,420	11,052	9,522	42,005	11,841
June	75,732	11,052	9,731	42,765	12,184

1/ Valued at \$42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3/ Includes allocations of SDRs by the IMF plus transactions in SDRs.

4/ Valued at current market exchange rates.

AUCTION
RESULTS

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

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FOR IMMEDIATE RELEASE
July 21, 1994

CONTACT: Office of Financing
202-219-3350

JUL 25 1994 2 00 00

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for \$16,893 million of 52-week bills to be issued July 28, 1994 and to mature July 27, 1995 were accepted today (CUSIP: 912794S96).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	5.18%	5.47%	94.762
High	5.20%	5.49%	94.742
Average	5.20%	5.49%	94.742

\$46,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 55%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$54,181,168	\$16,892,991
Type		
Competitive	\$48,708,826	\$11,420,649
Noncompetitive	<u>925,942</u>	<u>925,942</u>
Subtotal, Public	\$49,634,768	\$12,346,591
Federal Reserve	4,250,000	4,250,000
Foreign Official Institutions	<u>296,400</u>	<u>296,400</u>
TOTALS	\$54,181,168	\$16,892,991

An additional \$30,000 thousand of bills will be issued to foreign official institutions for new cash.

5.04 -- 94.904 5.19 -- 94.752

DEPARTMENT OF THE TREASURY

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TEXT AS PREPARED FOR DELIVERY

Embargoed for release until
10:00 a.m., July 21, 1994

**STATEMENT OF THE HONORABLE
LAWRENCE SUMMERS
UNDER SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
SUBCOMMITTEE ON INTERNATIONAL FINANCE AND MONETARY POLICY
UNITED STATES SENATE
July 21, 1994**

Mr. Chairman and Members of the Committee:

It is a pleasure to be with you here today to present the Treasury Department's spring 1994 Report on International Economic and Exchange Rate Policy. The report itself covers information available just through the end of May, with the principal exception of exchange markets, which are through June. I will, however, endeavor to provide a comprehensive overview of the current global economic situation in my remarks.

Naples Economic Summit

I would like to start with a brief report on the Naples Economic Summit. The President had a very productive series of meetings with the other G-7 leaders, leading to a number of significant conclusions.

As you can imagine, the world economy loomed large in everyone's thoughts. The leaders agreed on a set of principles to guide efforts to create employment, and renewed their commitment to strengthen and sustain the recovery while maintaining low inflation. Japan agreed that tax cuts were still required to stimulate their economy. With an eye toward building the economic ties of the future, the leaders agreed to begin developing common information and communications infrastructure, ensuring more integration, openness and competition.

Growth Strategy Beginning to Pay Off

The G-7 economies have come a long way in the past year. Last summer the United States had just begun its recovery, and we were still *hoping* for a turnaround in Europe and Japan. I told you in my testimony last spring that European recovery was "still in the distance" and that Japan needed a multi-year tax cut to stimulate its economy. At the Tokyo Summit, in July of last year, the G-7 endorsed a growth strategy that included deficit reduction in the United States, European interest rate reductions in Europe and fiscal stimulus in Japan.

We are beginning to see the fruits of that strategy. A year later, recovery has taken firm hold in North America and the United Kingdom, and the G-7 countries as a whole will grow by a full percentage point faster than last year -- the best performance in five years. After posting declines in 1993, Germany, France and Italy will all show positive growth this year. We are hopeful that growth in Japan will accelerate as the new government has reiterated its commitment to cut taxes until the recovery has strengthened. I think it is now safe to say that we have all finally put the recession behind us.

The United States continues to lead the pack. The U.S. economy is still growing faster than any other G-7 economy despite the fact that we are further into recovery. Over 75 percent of the total growth in the G-7 in 1993 and 1994 is accounted for by the rise in U.S. GDP, though we account for only 40 percent of G-7 GDP. U.S. job growth for this year will be more than for the OECD as a whole, in contrast to another substantial fall in Europe's employment. And the President's ambitious program of deficit reduction has put us on track to have the second lowest budget deficit in the G-7, after Japan.

A most encouraging sign is that our recovery is being led by investment. Business purchases of equipment accounted for fully one third of the increase in real GDP over the past three quarters. By building capacity and investing in people, we are building the foundation for a long period of sustained growth.

More good news is that inflation remains in check. With inflation in the G-7 expected to decline below 2.5% for 1994, we are experiencing the best inflation performance in thirty years. While long-term interest rates have risen this year, it appears that this reflects to a large extent the expectation of stronger growth rather than fears of inflation. It is also important to keep in mind that rates are going up everywhere, not just in the United States. In fact, ten-year bond yields have gone up less in the United States than in four of the other G-7 countries; only German and Japanese rates rose less.

There are a number of factors at work in this increase in long-term rates. A growing economy produced an increased demand for credit, which tended to push up long-term rates. Also, the willingness of market participants to hold long positions in bonds decreased as yields rose, prompting additional sales that accelerated the rise. This year's rise has also been, in part, a correction of the remarkable *decline* in yields which we observed last year. Whatever the constellation of causes, it is important to remember that we see no reason to think that the increases to date will have adverse effects on the real economy in this country.

When our economy grows faster than those of our trading partners, one side effect is that we buy more than they do and our current account deficit increases. It is important to note that the deterioration we have in fact seen recently is related to this cyclical pattern and not to any underlying weakness in the U.S. competitive position. While we do expect the continued cyclical "lead" of the United States to produce some further deterioration over the next year or so, the widening process should slow as growth spreads to more of the G-7 countries. As a result, the deficit is likely to stabilize as the cyclical factors recede and is not a significant source of concern.

In Europe, the moderate recovery now under way has so far been led by exports, but there are signs that growth is spreading to domestic sectors as well. Unemployment in Europe, though, is averaging 12 percent, and the economy is unlikely to grow fast enough over the near term to bring that down significantly. Governments there are seeking an appropriate policy mix that recognizes the twin goals of further progress on reducing budget deficits in some countries, while providing monetary conditions conducive to a stronger recovery.

In Japan, the government has recognized the need to take a continued stimulative stance and has indicated it will do so. Government investment has been the most consistent source of growth for some time, though consumer spending has begun to strengthen. While the new government is still getting itself settled, we were told in Naples that it remains committed to using fiscal policy to spur growth. Specifically, the Prime Minister committed to keep the income tax cut in place, and to withhold an offsetting increase in consumption taxes until the recovery has strengthened. Indications are that Japan's current account surplus has peaked and has started to decline. Volume data, which will show adjustment before value data, indicate that there is a further decline in the pipeline.

It has become even clearer over the past year that U.S. economic interests increasingly lie beyond the G-7. Some have viewed the U.S. push for NAFTA, and now the talk about expanding NAFTA southward, as a similar turn inward from the world.

Similarly, many Europeans especially view the Clinton Administration's emphasis on the Pacific rim and the Asia-Pacific Economic Cooperation (APEC) forum, as a turn away from Europe. This points out a unique problem that the United States faces as the sole remaining super power. We have bilateral relations with every region and nearly every country in the world; in most cases, the other country views the United States as its most important bilateral partner. We must be careful to maintain a balanced approach.

At the same time, we must seek out the markets and pursue the policies that will provide the greatest benefit to the American people. A few facts will make it very clear, for instance, why the Clinton Administration is placing such a high priority on the Asia-Pacific region:

- o East Asia includes some of the fastest growing economies in the world.
- o Even without the United States and Japan, APEC countries could account for one-quarter of world output by the year 2000.
- o Trade between the United States and its APEC partners is 172 percent larger than our trade with the European Community.
- o We now get 60 percent of our imports from APEC nations, and those countries buy approximately two-thirds of our total exports.

FOREIGN EXCHANGE MARKETS

Next, I would like to say a few words about recent developments in foreign exchange markets. Over the course of the past nine months, the dollar first appreciated versus the yen and the mark, then depreciated. Between mid-October of last year and early January, the dollar appreciated by 10 percent against the mark and almost 7 percent against the yen. These movements were generally attributed to continued weak economic performance in Japan and the expectation that interest rate differentials between the United States and Germany would move in favor of dollar assets.

Over the early months of 1994, however, these trends reversed. This recent depreciation has drawn a lot of attention, and I'd like to discuss a bit the specifics of our policy and actions over this period.

Between early January and the end of June, the dollar declined by eight percent against the mark and thirteen percent against the yen. The most important factors in the rise of the yen and the mark were a reassessment of the pace of economic recovery in Europe and a renewed focus on the external imbalances of the United States and Japan. The change of government in Japan also raised questions in the markets about the new coalition's ability and willingness to address Japan's current account surplus with new policy actions.

In response to these moves, the United States, working with other major countries, intervened in exchange markets on several occasions:

- o On April 29, we sold several hundred million dollars of marks and yen. Secretary Bentsen said at the time that we were concerned about volatility and were moving to "counter disorderly market conditions."
- o On May 4, we participated in a concerted intervention involving eighteen other countries. Secretary Bentsen announced at the time that the Administration saw "no advantage in an undervalued currency."
- o Finally, on June 24, we joined sixteen other countries in a further significant sale of other currencies.

On June 28, Secretary Bentsen made our position as clear as it could be, when he said: "We believe a stronger dollar is better for our economy and better for the world's economy."

The recent weakness of the dollar is a complicated phenomenon with no single cause or explanation.

- o Prospects for recovery have improved in Europe, dispelling past expectations that interest rates would fall further and creating new expectations that short term rates would rise. This has pushed up long term German rates, in particular, and strengthened the mark.
- o The change of government in Japan has reinvigorated concern about the Japanese current account surplus. The perception that the new government might be less able to make substantial policy changes than its predecessor has fueled speculation that a rise in the yen will be required to effect the necessary external adjustment.
- o The dollar has in fact been relatively stable in the past year when you look at its relationship with the currencies of all our trading partners. It is mainly unchanged since the Administration took office.

The Administration believes that a strengthening of the dollar against the yen and mark would have important economic benefits for the United States. It would restore the confidence in financial markets that is important to sustaining recovery. It would boost the attractiveness of U.S. assets and the incentive for longer-term investment in the economy, and help to keep inflation low. In addition we believe -- and this view is shared by other G-7 countries -- that a renewed decline of the dollar would be counterproductive to global recovery.

The prospects for sustained noninflationary growth in the United States are more favorable than they have been at any time in a generation, and should be reflected in a strong and stable U.S. dollar.

Next, I would like to review some regional developments, starting with Mexico, then moving to China, Korea and Taiwan.

NORTH AMERICAN FINANCIAL GROUP

Following the March 23 assassination of Mexican presidential candidate Colosio, the United States announced the establishment of a temporary bilateral swap facility at the request of the Mexican authorities. The assassination had prompted the closing of Mexican financial markets on March 24, giving rise to concern that the reopening of the market on March 25 would be accompanied by market disorders that could spill over into U.S. financial markets. However, no drawings on this facility proved necessary.

On April 26, the United States, Canada and Mexico formed the North American Financial Group, for regular consultation on economic and financial developments and policies in the three countries. These arrangements had been planned earlier in recognition of the three countries' increasingly interdependent economic relationships, particularly NAFTA. In connection with the creation of the North American Financial Group, the monetary authorities also announced the establishment of a trilateral swap facility to expand the pool of potential resources available to each to maintain orderly exchange markets.

CHINA, KOREA AND TAIWAN

From the beginning of its term of office, this Administration saw the need for more vigorous economic engagement with the Asia-Pacific region. President Clinton took the bold step of hosting the first ever meeting of APEC economic leaders in Seattle in November of last year to initiate important consultations at the highest level. We are working hard to make APEC a real force for trade and investment liberalization in the region. And Secretary Bentsen has initiated a broadened APEC

dialogue covering macroeconomic and capital market developments through hosting an unprecedented meeting of APEC finance ministers in Honolulu in March of this year.

Within the APEC group, certain East Asian economies like China, Korea, and Taiwan are not only growing rapidly; they have become important players in the global economy. Their external policies matter to the global system as well as to the U.S. economy. We must therefore engage them regularly and consistently to promote trade and exchange liberalization. That means using all available and appropriate multilateral, regional, and bilateral means -- the GATT, APEC, the OECD, and the international financial institutions -- as well as bilateral negotiations.

China is in the midst of a period of fundamental economic reform to transform itself to a market-oriented economy. The United States has every interest in trying to help shape that transformation and promote China's steady integration with the global market economy.

In addition to the challenge of reform, China faces the associated challenge of maintaining macroeconomic stability. China's leaders know well that controlling inflation is essential to maintain the political and economic basis momentum for reform. We saw, for example, that the inflationary threat at the end of last decade resulted in a costly, temporary halt in reform progress and a return to government controls.

At the moment, China's economy continues to show clear signs of overheating. Real growth exceeded 13 percent in 1993 and remains in double digits this year. Prices in major cities rose at the rate of 25 percent for the year ending in March 1994. While Chinese authorities are generally seeking to maintain tighter control over credit, they have indicated that they will loosen access to credit for certain loss-making state enterprises.

China's external situation appears to be strengthening, however, with very strong export growth exceeding import growth this year. Reserves have risen \$8 billion since end-December 1993. I would also like to mention, as noted in the report, that China's trade numbers differ considerably from those of its trading partners and, we believe, significantly understate China's exports.

In January of this year, Treasury was encouraged by the announcement of a major reform of China's foreign exchange regime, along the lines which we had urged during 1993 negotiations. China's dual exchange rates were unified, and the Chinese announced that government approval would no longer be required for foreign exchange purchases for trade and trade-

related transactions. This appeared to be a dismantling of the system of foreign exchange restrictions which had impeded Chinese imports, including imports from the United States. China's authorities announced the creation of a new inter-bank market for foreign exchange where foreign exchange could be freely purchased at a market-based exchange rate for import and other transactions.

In April, however, China took a significant step backward from these announced reforms by issuing regulations that again segmented the foreign exchange market. In particular, foreign-funded enterprises were excluded from the interbank market and instead must continue to use the swap centers to purchase foreign exchange needs that exceed export earnings. Foreign-funded enterprises therefore still face the potential for interference from the State Administration of Exchange Control in their desired foreign exchange purchases for imports and other uses. Moreover, reports indicate that the Chinese authorities are requiring foreign-funded enterprises to balance their foreign exchange earnings and expenditures. This system clearly has the capacity to impede Chinese imports and adjustment in China's trade surplus with the United States, which reached \$23 billion last year. I would note in this context that treatment of foreign-funded enterprises is not a small issue. They account for 40 percent of total Chinese imports. Treasury therefore concludes China to be manipulating its foreign exchange system in a manner which prevents effective balance of payments adjustment.

Treasury has pursued a two-part strategy in response to Chinese actions in this area. First, we have raised our concerns directly with Chinese central bank officials. In my negotiations with them, I have stressed our disappointment with the April regulations, our continued concern over the large and rising bilateral imbalance, and our firm position that China should establish a single, unified foreign exchange market with free access to foreign exchange for both domestic and foreign enterprises.

Second, we have emphasized this issue in the context of China's GATT accession negotiations. GATT rules require countries to refrain from using exchange restrictions which substitute for trade barriers which are to be liberalized in the context of entering the GATT. In our view, China's current system is not compatible with this obligation.

It remains Treasury's judgement that neither Korea nor Taiwan is manipulating its exchange rate within the meaning of Section 3004. Nevertheless, Treasury remains concerned about certain financial and foreign exchange policies in both countries, particularly capital controls, which discourage investment and impede the operation of market forces in exchange rate determination. Treasury will continue to work closely with

Korea on these issues as it implements its five-year financial sector liberalization plan and with Taiwan in the context of its GATT access process. Regarding Korea's financial liberalization, I would like to welcome Korean Finance Minister Hong's recent statement that Korea will implement the financial sector liberalization plan one or two years ahead of schedule to facilitate OECD entry.

Thank you.

DEPARTMENT OF THE TREASURY
INTERIM REPORT TO CONGRESS
ON
INTERNATIONAL ECONOMIC AND EXCHANGE RATE POLICY

JULY 1994



**Embargoed for release until
10:00 a.m., July 21, 1994**

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Appendix **Text of Sections 3004 - 3006 of the Omnibus Trade and Competitiveness Act of 1988**

PART I: SUMMARY AND CONCLUSIONS

This Report discusses recent developments in U.S. international economic policy, including exchange rate policy, since the sixth annual Report to Congress submitted in November 1993. It is based on information available through May 1994 except for foreign exchange developments, which are described through June. These reports are required under Sections 3004 and 3005 of the Omnibus Trade and Competitiveness Act of 1988 (Trade Act).

The outlook for the industrial economies has brightened considerably since the last report. Recovery is now firmly established in North America and the United Kingdom. The U.S. economy is flourishing, and Canada and the UK are expected to show satisfactory growth this year and next. In continental Europe and Japan, positive real growth is expected this year, though the pace of recovery remains comparatively weak.

Significant progress has been made on the inflation front. Inflation is under control throughout the G-7, even in those countries showing the greatest acceleration in growth. Inflation in the G-7 is expected to average 2.8 percent in 1994, the lowest level since the early 1960s. Particularly notable are essentially stable inflation in the United States; continued very low inflation in Japan and Canada; Italy's remarkable achievement in reducing inflation to very moderate levels; and the sharp decline forecast for German inflation. In countries where output remains well below potential, this progress towards price stability provides room for use of monetary policy to strengthen and sustain the expansion. In countries where the recovery has matured, policy has to be oriented to preventing acceleration of inflation that could threaten to curtail the expansion.

Despite the growing sense of optimism about recovery and output growth, unemployment remains alarmingly high and is still rising in much of Europe, particularly among the young, and people are staying unemployed longer. There are over 35 million unemployed in the OECD countries, 22 million of whom are in Europe alone. Over the past several business cycles, we have seen unemployment in Europe ratchet ever higher in the slumps and drop less during recoveries. With each iteration, part of the cyclical joblessness has become structural.

At the Naples Economic Summit, the G-7 reaffirmed their commitment to take action to sustain the expansion with low inflation. The European participants committed to further action on the fiscal front to create the conditions that would permit more flexibility on monetary policy. Japan committed to maintain the recent income tax cut and not put in place increases in other, offsetting taxes while the economy remained weak. And, building on the employment conference in Detroit, the G-7 leaders agreed on an action plan to reduce structural unemployment which focusses on investment in human capital, reduction of rigidities in labor markets, fostering innovation and spread of technology, removing barriers to competition and encouraging opportunities in new areas such as protection of the environment.

The pattern of recovery has been associated with some deterioration in the U.S. current account position, but virtually all the increase in the U.S. deficit during this period has been cyclical in nature -- the consequence of comparatively rapid growth in the United States relative to that of our major trading partners. Japan's external surplus appears to have peaked, and there is some evidence in recent volume numbers to suggest that further declines are likely.

Recent developments in the exchange markets have been a cause of considerable concern. By the end of June, the dollar had declined by 13 percent against the yen and 9 percent against the mark since the beginning of the year. Both the pace and the extent of these movements were unusual when set against the backdrop of a general improvement in the fundamental outlook for the U.S. economy. Given the rise of the dollar against the currencies of many of our other major trading partners the dollar has been relatively stable since the beginning of the year when measured on a trade-weighted basis. Nevertheless, the Administration has expressed concern over the dollar's recent movements against the major currencies, noting that they have not been in line with fundamental conditions and that a stronger dollar would be desirable.

Treasury has reviewed the foreign exchange systems and exchange rate policies of China, Taiwan and Korea -- countries with an important role to play in promoting a healthy, open global economy and adjustment in external imbalances. This assessment examines whether these countries are manipulating their exchange rates within the meaning of Section 3004 of the Trade Act, to prevent effective balance of payments adjustment or gain unfair competitive advantage in international trade.

It remains Treasury's judgment that neither Korea nor Taiwan is manipulating its exchange rate within the meaning of this provision. Nevertheless, Treasury remains concerned about certain financial and foreign exchange policies in both countries, particularly capital controls, which discourage investment and impede the operation of market forces in exchange rate determination.

Treasury welcomes China's decision to unify its dual exchange rates as of January 1, 1994. Nonetheless, further reforms implemented on April 1, 1994 segmented the foreign exchange market and imposed restrictions that limit foreign-funded enterprises' access to foreign exchange. Based on China's continued reliance on foreign exchange restrictions, it is Treasury's judgment that China manipulates its exchange system to prevent balance of payments adjustment and gain unfair competitive advantage. Treasury urges the Chinese authorities to eliminate the segmentation of the foreign exchange market and restrictions on access to foreign exchange. Such steps would facilitate imports and promote adjustment in China's large bilateral trade surplus with the United States.

PART II: GLOBAL ECONOMIC DEVELOPMENTS

A. ECONOMIC SITUATION IN THE G-7 COUNTRIES

Growth

Real GDP growth in the G-7 countries continues to show a clear distinction among patterns of solid expansion in North America and the UK, some signs of slow recovery in continental Europe, and continued weakness in Japan.

The U.S. recovery is flourishing, led by investment which will expand capacity and extend the duration of that expansion. Canada continues firmly on an expansionary path. The International Monetary Fund (IMF) now projects (see Table 1 below, which also shows the broadly similar average forecast by the June edition of *Consensus Forecasts*) U.S. real GDP growth for 1994 of 3.9 percent on a year-over-year basis (3.2 percent over the year to the fourth quarter of 1994), slowing to 2.6 percent in 1995. Canada's growth is expected to accelerate to 3.5 percent this year and 4.1 percent in 1995.

	<u>1993</u>	<u>1994F</u>		<u>1995F</u>	
		<u>IMF</u>	<u>Consensus</u>	<u>IMF</u>	<u>Consensus</u>
United States	3.0%	3.9%	3.7%	2.6%	2.9%
Japan	0.1	0.7	0.7	2.3	1.9
Germany*	-1.2	0.9	1.6	2.1	2.5
France	-1.0	1.2	1.8	2.6	2.7
United Kingdom	1.9	2.5	2.8	2.8	2.8
Italy	-0.7	1.1	1.6	2.5	2.4
Canada	2.2	3.5	3.5	4.1	3.8
Total G-7	1.5	2.5	2.6	2.5	2.7
* All Germany					

F=Forecast; source:IMF, World Economic Outlook, April 1994;
Consensus Economics, Consensus Forecasts June 1994

Growth in Japan has been very weak, although there have recently been some signs of recovery. The current slowdown is the worst since the end of postwar reconstruction, taking into account the very low growth also recorded in 1992 (1.1 percent) and projected for this year. Even the 1995 projections would suggest a very weak recovery, and may be on the optimistic side.

The sharp rise in public sector investment in 1992 and 1993 under the fiscal expansion programs has compensated only in part for the weakness in private consumption and the two-year decline in private plant and equipment investment. The February fiscal package -- which includes income tax cuts as well as additional public infrastructure spending -- will be helpful, but will not fully compensate for other sources of weak domestic demand.

The outlook for continental Europe is slightly more encouraging, but the recovery forecast for this year is still quite modest for this stage of the business cycle and too weak to prevent further increases in unemployment. For the European Union (EU) countries other than the UK, the IMF projects only 1.0 percent aggregate growth this year, after an 0.8 percent decline in GDP in 1993.

Output Gap

The gap between actual and potential output has been growing in Japan, France, Germany and Italy, and declining in the United States, Canada and the UK. Table 2 below shows IMF estimates of this gap for the major countries. While these calculations are crude and the precise numbers somewhat questionable, the relationships and directions are indicative. These gaps are expected to remain sizeable outside the United States, despite narrowing in 1995.

	<u>1993</u>	<u>1994</u>	<u>1995</u>
Canada	-5.2%	-4.6%	-3.6%
France	-3.5	-4.5	-4.4
Germany	-1.8	-3.1	-3.2
Italy	-3.9	-4.7	-4.2
Japan	-3.5	-5.3	-5.6
UK	-5.3	-4.9	-4.2
US	-0.9	+0.1	+0.2
Source:	IMF		

Inflation

Inflation has been declining in most G-7 countries, and low inflation for the G-7 group is likely to continue. IMF and *Consensus* projections for consumer price increases (see Table 3 below) show inflation at the lowest aggregate rates since the early 1960s, excepting only the year 1986, when world petroleum prices were cut in half.

Particularly notable in these projections are essentially stable U.S. inflation rates; continued very low inflation in Japan and Canada; Italy's remarkable achievement in reducing inflation to very moderate levels; and the sharp decline forecast for German inflation. Measures of German inflation have been distorted by the impact of some increases in value added and other consumption taxes that enter the consumer price index. As the impact passes from the index, and as tight German monetary policy achieves success in reducing the rate of wage and price increases, German inflation has declined. Consumer prices in western Germany were up only 3.0 percent in the year to June; the IMF projections indicate a significant decline in the rate of increase over the course of this year and into 1995.

Table 3
G-7 Consumer Price Inflation
(% change y/y)

	<u>1993</u>	<u>1994</u>		<u>1995</u>	
		<u>IMF</u>	<u>Consensus</u>	<u>IMF</u>	<u>Consensus</u>
United States	3.0%	2.8%	2.7%	3.2%	3.3%
Japan	1.3	0.9	0.7	0.9	0.8
Germany*	4.7	3.0	2.9	2.2	2.2
France	2.1	1.9	1.8	2.1	2.1
United Kingdom**	3.0	3.2	2.6	3.0	3.5
Italy	4.3	3.8	3.9	3.1	3.7
Canada	1.9	0.5	0.7	1.7	1.8
Total G-7	2.8	2.4	2.3	2.5	2.7

* All Germany for IMF; western Germany for Consensus

** For UK, consumer prices excluding mortgage interest in IMF projections

Global Rise in Long-term Interest Rates

Yields on long-term government bonds increased during the first half of 1994. For the United States, the rise was about 150 basis points. Increases of between 100 to 200 basis points were recorded on ten-year benchmark issues in Japan, France, Germany and Italy, and by over 200 percent in Canada and the United Kingdom. During the first part of this period, the rise was largely synchronized across national markets. In the latter part, movements were more divergent.

A number of factors underlay the rise in long-term rates. Expectations regarding future developments in real economic growth and inflation were affected

by adjustments of monetary policy in the United States and Europe and by new economic data. Also, the willingness of market participants to hold long positions in bonds decreased as yields rose, prompting additional sales that augmented the rise. It is generally thought that the substantial decline in yields during 1993, reflecting the build-up of long positions by a variety of market participants, created the potential for a substantial correction.

It is not possible to specify with precision the relative importance of the various factors; however, the generalized rise in yields is consistent with the improved outlook for economic growth in the United States and in most other major countries. Stronger growth is associated with greater demand for credit, and thus with higher interest rates in real terms. Although faster growth also tends to be associated with rising inflationary expectations, there is no evidence to date of accelerating price increases in the United States, and inflation also remains under control in other countries.

External Account Developments

The pattern of recovery in the industrial world has been accompanied by some deterioration in the U.S. external deficit and by pressures that have limited the extent of adjustment of Japan's external surplus. Japan's trade and current account surpluses have remained high as a result of the continued stagnation of demand in Japan combined with strength in Japan's export markets in North America and Asia. U.S. external deficits are rising once again, as the U.S. expansion continues to pull in imports while growth in our export markets in Europe and Japan remains slack. IMF and *Consensus* projections for the G-7 are shown in Table 4.

Table 4
G-7 Current Account Balances
(\$ billions; % GDP in parentheses)

	<u>1993</u>		<u>1994F</u>		<u>1995F</u>			
			<u>IMF</u>	<u>Consensus</u>	<u>IMF</u>	<u>Consensus</u>		
United States	-104	(-1.6)	-140	(-2.1)	-130	-166	(-2.3)	-135
Japan	+131	(+3.1)	+133	(+3.0)	+123	+126	(+2.7)	+103
Germany*	-21	(-1.2)	-13	(-0.7)	-15	-11	(-0.5)	-7
France	+17	(+1.0)	+10	(+0.8)	+9	+13	(+1.0)	+7
United Kingdom	-16	(-1.7)	-19	(-2.0)	-17	-20	(-1.9)	-19
Italy	+8	(+1.1)	+26	(+2.7)	+15	+31	(+3.1)	+17
Canada	-24	(-3.5)	-15	(-2.6)	-19	-14	(-2.4)	-16
Total G-7	-9	(-0.1)	-17	(-0.1)	-34	-40	(-0.2)	-50

* All Germany

F=forecast; source: IMF, World Economic Outlook, April 1994
Consensus Economics, Consensus Forecast

Relative national growth rates are a key to understanding these changes in current account balances. For **Japan**, the IMF currently is projecting (see Table 1) real GDP growth of only 0.7 percent for 1994, after 0.1 percent in 1993. In contrast, growth in important export markets for Japan is projected to be far above these rates: 3.9 percent in the United States (after 3.0 percent in 1993); 3.5 percent in Canada (vs. 2.4 percent in 1993); and 7.5 percent in Asian developing countries (vs. 8.4 percent in 1993). It should not be surprising that, under these conditions, the volume of Japan's imports grew only 1.4 percent in 1993, while export volume grew 1.6 percent despite the sharp rise of the yen (12 percent in real trade-weighted terms over the course of 1993).

In the **United States**, strong growth in imports in the face of relatively weak export performance, especially to Europe and Japan, contributed to rising trade and current account deficits. Strong export growth to Japan and Western Europe had been a major factor in the 1987-91 decline in our deficits. Despite a continued solid U.S. competitive position, the weak outlook for growth in Europe and Japan will hamper U.S. export growth until recovery strengthens, and the U.S. recovery will continue to pull in imports.

The developments in external imbalances, however, are not by themselves a significant cause of concern. Indeed, the large capital inflows associated with the external deficit enable the United States to maintain a higher level of investment than it could do if solely dependent on domestic saving, helping to strengthen our recovery. The U.S. current account deficit is expected to stabilize as the negative forces associated with growth differentials recede. Moreover, given the strength of U.S. investment, the buildup of debt associated with our current account deficits should not pose a problem.

B. DEVELOPMENTS IN THE FOREIGN EXCHANGE MARKET**Fluctuations of the Dollar against Individual Currencies**

The dollar appreciated against the German mark and Japanese yen in the first half of the period covered in this report. From mid-October until end-December, the dollar rose in nominal terms by six percent against the mark and by four percent against the yen. Meanwhile, the mark depreciated by two percent against the yen. Against other currencies, the results were mixed. The dollar depreciated very slightly against the Canadian dollar and the Mexican peso. Latin American currencies generally tracked dollar movements, with some exceptions such as Brazil. Key Asian currencies also followed the dollar, although the floating Singapore dollar depreciated.

Flows out of yen were attributed to continued economic weakness in Japan and political uncertainty related to the new coalition government. Demand for dollars vs. marks was related to expectations that interest rate differentials would move in favor of dollar assets. During the final quarter of 1993 and first quarter of 1994, acceleration of the U.S. economic recovery contrasted sharply with continued weakness in the real economy in Europe.

In the early months of 1994, however, these exchange rate trends reversed course. Over the period from end-1993 until end-June the dollar declined in nominal terms by nine percent against the mark and by 13 percent against the yen. Over this same period, the mark depreciated by 4 percent against the yen.

However, the dollar appreciated by 4 percent against the Canadian dollar and by almost 10 percent against the Mexican peso. Other Latin American currencies were steady, with the exception of Brazil's and Venezuela's. After the Venezuelan Government introduced exchange rate and price controls on June 27, the Venezuelan bolivar took a third large step in its depreciation since mid-April. On July 1, Brazil introduced a new currency linked to the dollar as part of a broader price stabilization policy. The dollar depreciated by 4 percent against the Singapore dollar, but showed little change against other Asian currencies. Table 5 shows the percent change in the dollar against various currencies since October 15, 1993.

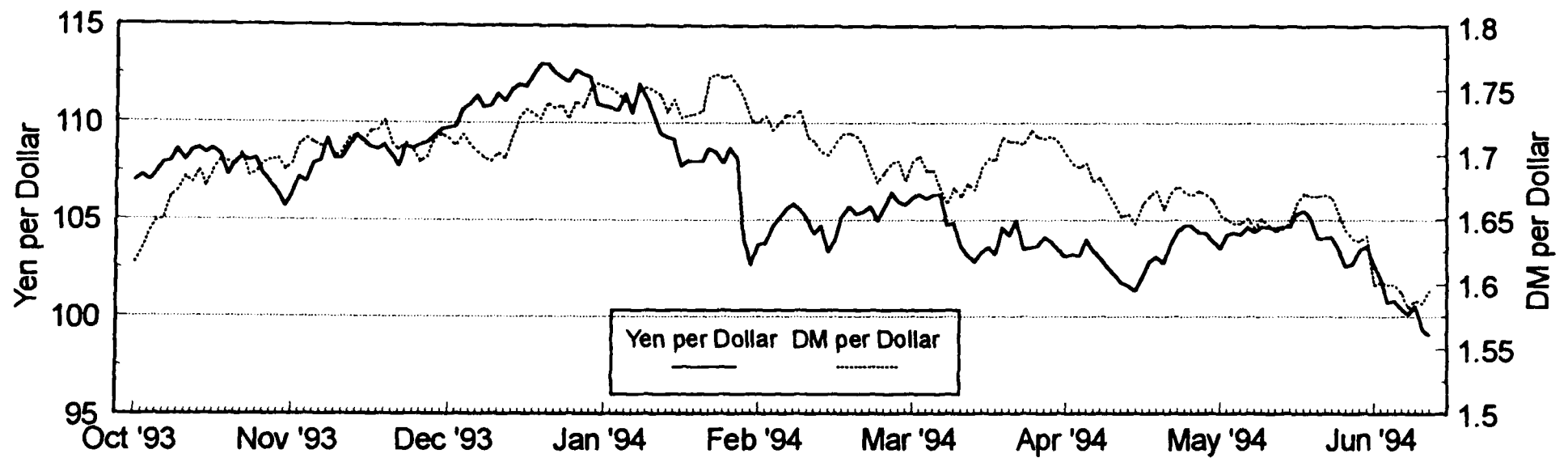
Table 5
Change in Dollar vs. Selected Currencies
(Percentage Change)

	<u>Change from</u> <u>10/15/93 to 12/31/93</u>	<u>Change From</u> <u>10/15/93 to 6/30/94</u>
Japanese Yen	4.4%	-7.4%
German Mark	6.5	-1.3
British Sterling	2.1	-1.8
French Franc	2.5	-4.5
Italian Lira	6.7	-0.4
Canadian Dollar	0.7	4.1
Swiss Franc	3.3	-5.9
Mexican Peso	-0.2	9.0
Korean Won	-0.6	-0.7
Taiwan Dollar	0.3	-0.2

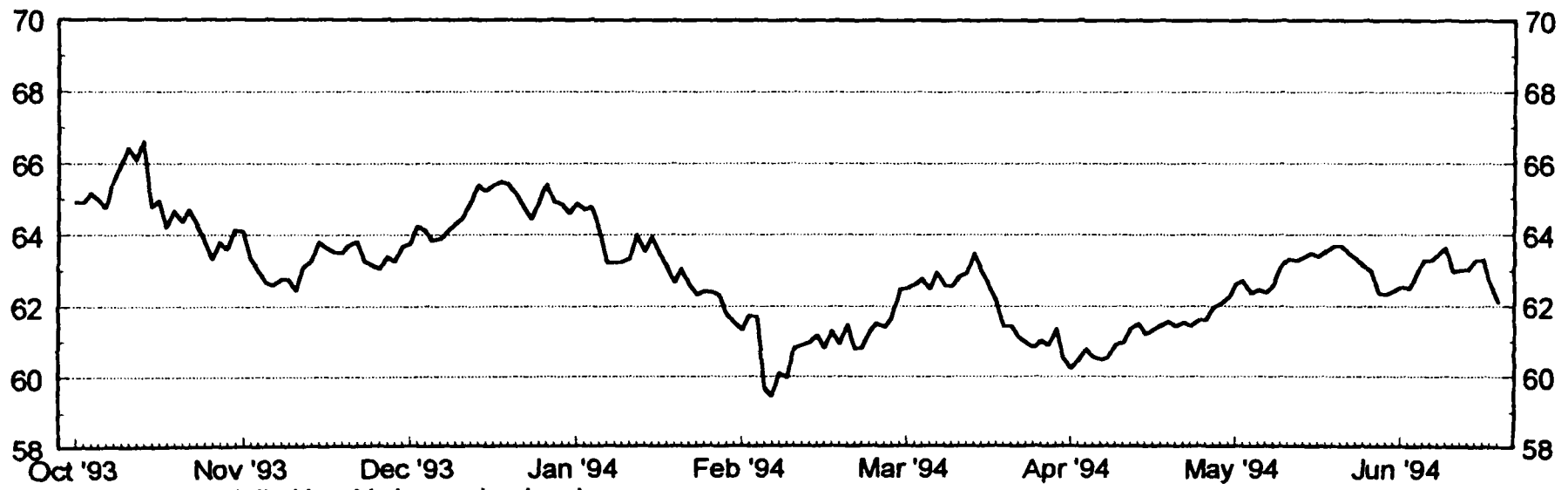
The most important factors behind the rise of the yen and the mark this year were a reassessment of the pace of economic activity in Europe and a renewed focus on the external imbalances of the United States and Japan. Emerging indications of economic recovery in Germany dampened market expectations about the extent of monetary easing there and about prospects for declines in German yields relative to U.S. yields. Japanese political uncertainties raised questions as to whether Japan's external surplus would be addressed. The widening of the U.S. current account deficit and continued diversification by U.S. investors into foreign assets raised questions about prospects for financing the deficit.

In addition to these underlying fundamental factors, market participants remained sensitive to progress in discussion of trade issues between the United States and Japan and to the reception of U.S. officials to the stimulus measures announced by Japan in early February. Dollar movements also were affected at times by market dynamics and volatility in other asset markets.

Nominal Exchange Rates October 15, 1993 through June 30, 1994 Dollar vs. Yen and DM



Yen per DM



Source: Reuters daily New York opening levels.

The dollar's depreciation accelerated in April and spread beyond the yen to encompass European currencies as well. Political uncertainty in U.S.-Japan trade relations increased following Prime Minister Hosokawa's resignation. Meanwhile, the narrowing of interest rate differentials between the United States and Germany seemed to have run its course after the Bundesbank made an unexpected cut in interest rates on April 14 and the Federal Reserve hiked rates on April 18.

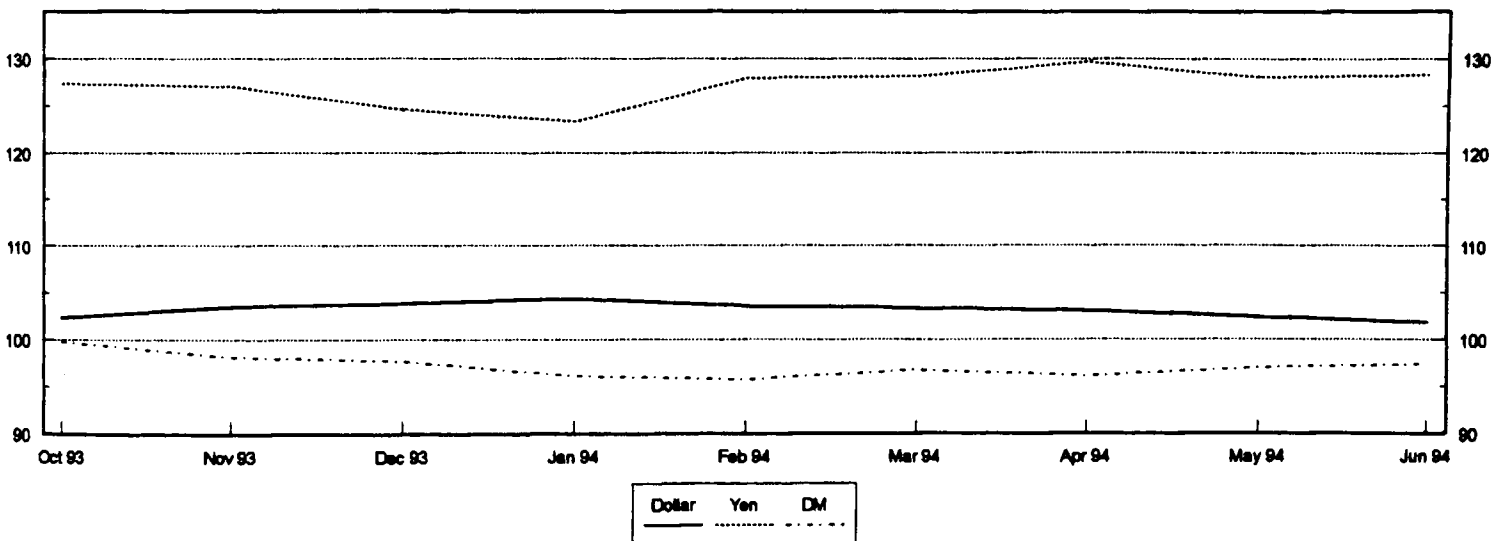
Fluctuations of Major Currencies on a Trade-weighted Basis

Taken over a time period of two to three years, the dollar and the German mark have fluctuated moderately on a trade-weighted basis, while the Japanese yen has greatly appreciated. However, from mid-October 1993 through June 1994 the dollar has registered a decline of some 2 percent, while the mark has remained little changed and the yen has appreciated by 3.0 percent.

Real Trade Weighted Index

(Monthly)

October 93 - June 94



Morgan Real Trade Weighted Index

North American Financial Group

Following the March 23 assassination of Mexican presidential candidate Colosio, the U.S. monetary authorities announced on March 24 the establishment of a temporary bilateral swap facility at the request of the Mexican authorities. The assassination had prompted the closing of Mexican financial markets on March 24, giving rise to concern that the reopening of the market on March 25 would be accompanied by market disorders that could spill over into U.S. financial markets. However, no drawings on this facility proved necessary.

On April 26, the U.S., Canadian, and Mexican monetary authorities announced the creation of the North American Financial Group, a forum for regular consultation on economic and financial developments and policies in the three countries. These arrangements had been planned earlier in recognition of the three countries' increasingly interdependent economic relationships, particularly NAFTA.

In connection with the creation of the North American Financial Group, the monetary authorities also announced the establishment of a trilateral swap facility to expand the pool of potential resources available to each to maintain orderly exchange markets. The United States and Mexico put in place swap agreements for up to \$6.0 billion. The Bank of Canada and the Bank of Mexico expanded an existing swap agreement to Canadian \$1.0 billion. The Federal Reserve and the Bank of Canada reaffirmed their existing \$2.0 billion swap agreement. Each party has reciprocal privileges to make drawings of the others' currencies under this facility.

Operations in the Foreign Exchange Market and U.S. Policy

In response to the currency movements in the spring and to market perceptions about U.S. exchange rate policy, the U.S. monetary authorities, in cooperation with other major countries, intervened on Friday, April 29 in support of the dollar. Secretary Bentsen also issued the following statement:

The U.S. monetary authorities intervened today in foreign exchange markets to counter disorderly market conditions. This is in line with our previously articulated policy, which recognizes that excessive volatility is counterproductive to growth. We stand ready to continue to cooperate in foreign exchange markets.

The U.S. authorities sold \$500 million equivalent of marks and \$200 million equivalent of yen on that morning.

On Sunday, May 1, Secretary Bentsen said in a television interview that "what we're concerned about is volatility in the market" and that the U.S. authorities intervene "when we see the market move away from what we think are the underlying economic realities."

The April 29 intervention operation was followed on May 4 by a concerted intervention operation involving the U.S. monetary authorities and the authorities of 18 other countries. The U.S. monetary authorities sold \$750 million equivalent of marks and \$500 million equivalent of yen. These operations were accompanied by a further statement from Secretary Bentsen:

"I am concerned by recent developments in the exchange markets. This Administration sees no advantage in an undervalued currency. The monetary authorities of the major countries are joining this morning in concerted intervention. These operations reflect our view that recent movements in exchange markets have gone beyond what is justified by economic fundamentals."

These operations demonstrated that the G-7 are prepared to act quickly, and in concert, in response to deteriorating conditions in foreign exchange markets.

Subsequently, the Bank of Japan accommodated a decline in market interest rates to record low levels; the Bundesbank lowered its discount and Lombard rates by 50 basis points each; and the Federal Reserve raised its presumed Fed funds rate target and discount rate by 50 basis points each. These actions were followed by a short period of relative stability of exchange rates.

However, in early June, the dollar's decline resumed. Political uncertainties in Japan were growing. The market was increasingly cautious about the end of the monetary easing cycle in Europe and about upside risk to European growth forecasts. With market participants' views growing more bearish, the U.S. authorities responded with a series of statements reiterating the Administration's concern, and on June 24 the U.S. monetary authorities and the authorities of 16 other countries made coordinated intervention purchases of dollars. The U.S. authorities sold \$610 million equivalent of yen and \$950 million equivalent of marks, and Secretary Bentsen said

"Our actions today in cooperation with our G-7 partners and other monetary authorities reflect a shared concern about recent developments in financial markets. We look forward to continued cooperation to maintain the conditions necessary for sustained economic expansion with low inflation."

On June 28, Secretary Bentsen stated

"We believe a stronger dollar is better for our economy and better for the world's economy. The dollar is not a tool of our trade policy. No country can be indifferent to a fall in its currency."

The Administration believes that a stronger dollar would have important economic benefits for the United States. It would restore the confidence in financial markets that is important to sustaining recovery. It would boost the attractiveness of U.S. assets and the incentive for longer-term investment in the economy, and help to keep inflation low. In addition, we believe -- and this view is shared by other G-7 countries -- that a continuation of recent movements in exchange markets would be counterproductive to global recovery.

The prospects for sustained noninflationary growth in the United States are more favorable than they have been at any time in a generation, and should be reflected in a strong and stable U.S. dollar.

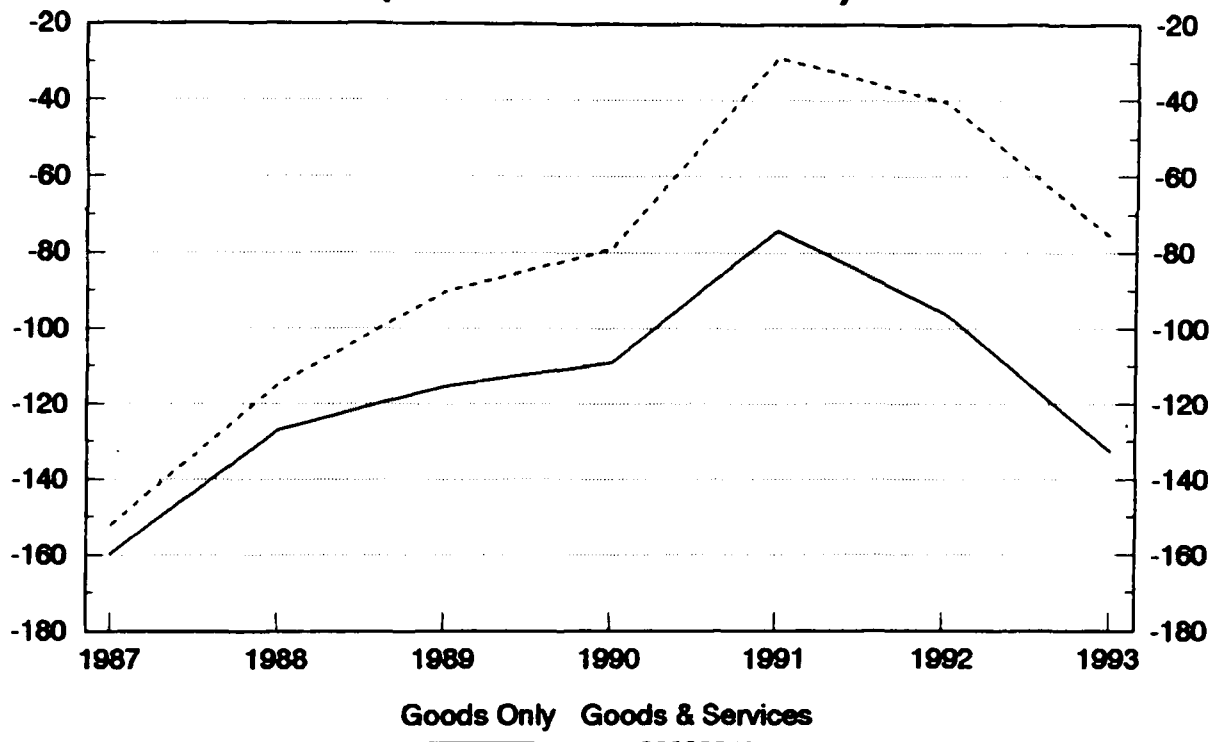
C. Balance-of-Payments Developments

Trade Developments in 1993

Services have become a major component of international trade in recent years, in terms of both size and rapid growth. This development has been particularly important for the United States, as services are an area where the United States is a world leader, and trade in services has recorded large and rising surpluses in recent years while goods trade -- which has received much more attention -- has recorded large deficits. Thus any complete discussion of U.S. trade performance has to take account of developments in services as well as goods.

Measures of the U.S. Trade Balance

(B/P data in \$US billions)



Source: Survey of Current Business, June 1994

The 1993 deficit on goods and services (G&S) trade was \$75.7 billion, up from \$40.4 billion in 1992. The widening of the deficit was entirely due to a larger deficit on goods trade; there was a slight increase in the already large surplus on services transactions.

Cyclical Influences.

The 1993 goods trade balance reflected a continuation of the primarily cyclical factors noted in the November 1993 Report. The U.S. goods deficit for the full year (balance-of-payments basis) was \$132.6 billion, up from \$96.1 billion for 1992. Exports totalled \$456.9 billion, up \$16.5 billion (under 4 percent) as weak demand in Europe and Japan was only partially offset by strong export growth to Latin America and East Asia, which avoided recession. Reflecting the solid U.S. expansion during 1993, imports rose \$53 billion (nearly 10 percent) to \$589.4 billion. Import growth was broadly based across a range of manufactures and industrial materials. Capital goods, including computers, accounted for roughly one-third of the increase.

Growing Role of Developing Countries.

Table 6 shows shifts in the geographic pattern of goods trade since 1991, when the United States had its lowest annual trade deficit since 1983. The solid competitive position of U.S. goods meant that exports could keep pace as long as the market itself was growing. In developing economies where growth was strong -- notably in Asia and certain countries in Latin America -- the goods trade deficit was flat or declining. In those industrial regions where growth was weakest, notably in Europe and Japan, the deficit widened. The notable exception to this pattern, of course, was China, where exports rose substantially (albeit from a low base) but imports rose by nearly two-thirds.

Country or Region	Exports to		Imports from		Balance	
	1991	1993	1991	1993	1991	1993
W. Europe	116.8	111.3	102.0	121.0	+14.8	-9.7
Japan	47.2	46.9	92.3	107.3	-45.1	-60.5
China	6.3	8.7	19.0	31.5	-12.7	-22.8
Asian NIEs	44.4	50.1	59.2	64.5	-14.9	-14.5
L. America	63.3	78.2	63.0	75.2	+0.3	+3.0
Canada	85.9	101.2	93.0	113.0	-7.1	-12.1
OPEC*	13.8	14.2	25.3	24.2	-11.4	-10.1
Rest of Wld	39.2	46.3	37.1	52.8	-1.9	-5.9
TOTAL	416.9	456.9	491.0	589.4	-74.1	-132.6

*excl. Venezuela, which is included in Latin America

Current Account Follows Trade Deficit

The widening trade deficit was reflected in the current account balance, as trade is by far the largest and most volatile component. Table 7 shows data for the peak deficit year of 1987, for 1991 (post-1987 low point) and for 1993.

<u>Balance</u>	<u>1987</u>	<u>1991</u>	<u>1993</u>
Goods and Services	-152	-28	-76
Investment Income	+8	+15	+4
Transfers	-23	-35*	-32
Current Account	-167	-49*	-104
* Excludes \$42 billion in one-time transfers from allies to support Desert Storm. Totals do not add due to rounding.			

The succession of large current account deficits -- which began in the early 1980s and is not expected to be broken in the near future -- has eroded the U.S. net investment position abroad and, inevitably, our net investment earnings. In consequence, the surplus on net investment income which has been characteristic of the U.S. balance of payments throughout the post-WWII period has disappeared, leaving services as the only offset to adverse swings in the goods deficit.

Turning to the capital account, U.S. investors substantially increased their purchases of foreign assets in 1993, in the form of both portfolio and direct investments. U.S. purchases of foreign securities were about 2-1/2 times total equivalent purchases for 1992; direct investment outflows were about 40 percent above 1992 levels. Net flows of U.S. official capital were negligible.

Foreign purchases of U.S. securities also rose substantially -- over 50 percent -- compared with 1992. Foreign direct investment inflows, which declined substantially in 1992, recovered somewhat in 1993, though they remain well below the very high annual levels of 1987-90.

	<u>1992</u>	<u>1993</u>
Direct Investment	-31.1	-36.5
(Inflows)	(+9.9)	+21.4)
(Outflows)	(-41.0)	(-57.9)
Securities	+21.6	-15.1
(Inflows)	(+66.7)	(+104.9)
(Outflows)	(-45.1)	(-120.0)
Official	+44.8	+70.2
Foreign	(+40.9)	(+71.6)
U.S.	(+3.9)	(-1.4)
Banks, net	+38.9	+46.9
Other	-6.3	+38.4
TOTAL	+67.9	+103.9
Source: Survey of Current Business		

Prospects for 1994.

As in 1993, relative growth performance in the U.S. and major foreign economies will continue to dominate the trade and current account outlook for 1994. The U.S. economy will continue to expand, albeit at a more sustainable pace, while the prospect is for only modest recovery in Europe, and the timing of a recovery in Japan remains a question mark. In consequence, the U.S. trade and current account deficits should continue to widen at least through the remainder of 1994. Data through April are consistent with this outlook. The deficit could widen further in 1995, though at a slower pace as import growth moderates with the slower pace of U.S. growth, and exports pick up with stronger demand in Europe and, perhaps, Japan.

The evidence from data on costs and export performance indicates that the competitive position of U.S. goods remains solid, so that U.S. exports should respond well to stronger growth abroad. There has been substantial progress made in reducing the federal budget deficit, which should be reflected in improved national saving performance and a smaller external deficit than would otherwise be the case. However, sustained declines in the external deficit, beyond the reversal of cyclical effects in prospect, will require further improvements in U.S. saving performance.

PART III: ACTIONS UNDER SECTION 3004

Section 3004 of the Omnibus Trade and Competitiveness Act of 1988 requires the Secretary of the Treasury to consider whether countries manipulate the rate of exchange between their currencies and the U.S. dollar for the purposes of preventing effective balance of payments adjustment or gaining competitive advantage in international trade. Section 3004 also requires the Secretary to undertake negotiations with those manipulating countries that have material global current account surpluses, and significant bilateral trade surpluses with the United States. This section summarizes the current status of Korea, Taiwan, and China, countries that have in past reports been designated as manipulating the rates of exchange between their currencies and the U.S. dollar.

Korea and Taiwan

It remains Treasury's judgement that neither Korea nor Taiwan is manipulating its exchange rate within the meaning of Section 3004 of the Omnibus Trade Act of 1988. Nevertheless, Treasury remains concerned about certain financial and foreign exchange policies in both countries, particularly capital controls, which discourage investment and impede the operation of market forces in exchange rate determination.

Korea

The Korean won remains roughly unchanged since Treasury's last report in November 1993. Korea's trade surplus with the United States rose slightly from \$2.0 billion in 1992 to \$2.3 billion in 1993, while the country's overall current account balance moved into a small surplus of \$500 million.

Korea's strong economic performance and initial stock market-opening steps resulted in large capital inflows in 1993 and early 1994. Concern about the effect of these inflows on monetary growth and inflation prompted authorities to seek to stem the capital inflows by imposing exchange controls early in 1994 which placed onerous requirements on foreign investors and succeeded in dampening these inflows.

Treasury continues to engage the Korean government as it implements its five year financial sector liberalization plan. Having set its sights on achieving OECD membership by 1996, the Korean Government has recently announced that financial sector liberalization will be accelerated to accomplish that goal. This plan includes projected steps to liberalize controls on capital flows and current account payments, including regulations that limit payback periods to only a fraction of international norms, and access of foreign financial institutions to Korea's financial

markets. Treasury will continue to engage in negotiations with the Korean Government to achieve satisfactory results in these areas.

Taiwan

The New Taiwan dollar also remained roughly constant against the U.S. dollar since Treasury's November report. Adjustment in Taiwan's external surpluses continued. Taiwan's overall current account surplus fell to \$5.8 billion in 1993 from \$8.2 billion in 1992. The shrinkage stems from slow recovery in Taiwan's export markets as well as increasing competition from other exporting economies in the region. Taiwan's trade surplus with the United States declined slightly from \$9.4 billion in 1992 to \$8.9 billion in 1993.

While Taiwan has incrementally relaxed certain limitations on foreign exchange transactions and capital flows, the pace of reform has been very slow. Key restrictions on Taiwan's financial markets, which constrain pressure for NT dollar appreciation, remain in place. Of particular concern in recent months has been the ceiling on foreign institutional investment inflows. By December 1993, foreign institutional investment was nearing the \$5 billion ceiling. Taiwan's authorities waited until March 5 before raising the ceiling to \$7.5 billion, but, at the same time, they set a new limit of \$2.5 billion for capital raised on foreign stock markets by local securities investment trust companies (these funds were not previously subject to any limit).

Building on its existing bilateral talks with Taiwan, Treasury has raised these issues in the context of Taiwan's current GATT accession negotiations. In particular, Treasury is engaging in negotiations with Taiwan's authorities regarding liberalization of Taiwan's financial markets. Treasury will participate in GATT negotiations regarding a special exchange agreement, which is aimed at ensuring that Taiwan's foreign exchange regime does not impede trade and investment. Treasury hopes that these issues can be addressed expeditiously in the GATT accession process.

China

Treasury welcomes China's decision to unify its dual exchange rates as of January 1, 1994. Nonetheless, further reforms implemented on April 1, 1994 excluded foreign enterprises from the interbank foreign exchange market and imposed restrictions that limit their access to foreign exchange. Based on China's continued reliance on foreign exchange restrictions that could limit imports, it is Treasury's judgement that China manipulates its exchange system to prevent effective balance of payments adjustment and gain unfair competitive advantage in international trade. Treasury urges the Chinese authorities to eliminate the segmentation of the foreign exchange market and restrictions on access to foreign

exchange. Such steps would facilitate imports and promote adjustment in China's large bilateral surplus with the United States.

Trade and Economic Developments

According to Chinese customs figures, China's trade balance deteriorated from a surplus of \$4.4 billion in 1992 to a deficit of \$12.2 billion in 1993 while China's current account deficit was approximately \$9.6 billion in 1993. However, China's reported current account deficit was more than offset by a net capital inflow of \$20.5 billion. As a result, at end-December 1993, China's foreign exchange reserves stood at \$49.9 billion (equivalent to 6 months of imports), up from \$38.2 billion at end-June 1993.¹ China's external debt remains modest. Total external debt stood at \$77 billion at the end of 1993 while China's debt-service ratio was 12 percent. Chinese trade figures suggest that China's external position has improved somewhat in 1994. For January-March 1994, China's exports increased faster than imports, resulting in a trade deficit of \$1.3 billion.

	1990	1991	1992	1993	Q I 1994
Trade Balance	8.7	8.2	4.4	-12.2	-1.3
Current Account	12.0	13.3	6.4	- 9.6	na
Capital Account	3.3	8.1	-0.2	20.5	na
Net Errors & Omissions	-3.1	-6.8	-8.3	- 9.1	na
Increase in Reserves (- = increase)	-12.0	-14.5	2.1	- 1.8	na

Source: Chinese and IMF Statistics

However, China's trade data are inconsistent with those of its trading partners. Chinese figures probably significantly underestimate exports as the requirement that exporters sell foreign exchange to designated banks creates incentives for exporters to hold foreign exchange offshore. In 1992, for example, China reported total exports of \$85 billion while partner countries reported imports from China of \$134 billion. Some of this discrepancy arises from: 1) valuation differences (China reports f.o.b. exports while partners report c.i.f. imports); and 2) goods transshipped through Hong Kong and counted as imports by both Hong Kong and China's other trading partners. However, even after adjusting for these

¹ This figure includes reserves of the People's Bank of China (\$23.1 billion) as well as the Bank of China (\$25.8 billion). China does not include the latter in its official reserve figures.

factors, partner countries report \$9 billion more in Chinese exports than China reports as exports.

According to U.S. data, China's trade surplus with the United States increased from \$18.3 billion in 1992 to \$22.8 billion in 1993. U.S. exports to China rose 18 percent to \$8.8 billion while U.S. imports from China rose 23 percent to \$31.5 billion. U.S. consumption of low cost, labor intensive goods produced by China continues to grow rapidly. Footwear, toys, apparel, and plastic goods constituted the fastest growing categories of U.S. imports from China. On the export side, U.S. exports of capital goods are increasing most rapidly. Automobiles, telecommunications equipment, aircraft, and specialized industrial machinery constituted the fastest growing categories of U.S. exports to China.

In 1993, China continued to grow rapidly. China's GDP grew 13.4 percent in real terms while real industrial production rose 30 percent and retail sales rose 35 percent in nominal terms. Rapid growth was caused by high fixed investment and accommodating monetary policy. Nominal fixed investment by state enterprises increased 58 percent in 1993 while broad money increased 24 percent. Loose monetary policy led to high domestic demand and increasing inflation. The retail price index rose 18 percent for the year ending in December 1993 while the cost of living in 35 cities rose 24 percent.

The authorities attempted to slow the economy in July 1993 with a 16-point austerity program. This program achieved some initial results as real industrial production fell from 30 percent for the year ending June 1993 to 16 percent for the year ending October 1993. However, credit problems in state enterprises forced the central government to ease credit. The People's Bank of China reportedly increased base money by 150 billion yuan in September and October.

In the first quarter of 1994, economic activity moderated somewhat but nonetheless remained strong. Real GDP rose at a 12.7 percent annual rate. Industrial production was up 19 percent in real terms for the year ending in March 1994 while nominal retail sales increased 24 percent. The nominal growth of fixed investment by state enterprises declined to 36 percent for the same period. While production has slowed, inflation continues to rise. For the year ending in March 1994, retail prices rose 24 percent while the cost of living in 35 cities rose 25 percent. The government is now attempting to tighten the money supply, largely through administrative measures. The government has also resorted to price controls on basic commodities and services in an attempt to slow inflation.

China's Foreign Exchange System

On January 1, 1994 China unified its dual exchange rates at the more depreciated swap center rate and announced it would abolish swap centers in

favor of an interbank market for foreign exchange. The new, unified exchange operates as a managed float, with the People's Bank of China (PBOC) setting each day's exchange rate according to market conditions and relative to the price for foreign exchange on the previous day. While domestic firms are still required to surrender their foreign exchange, China announced that government approval would no longer be required for purchases of foreign exchange for trade and trade-related current account transactions. Moreover, companies are allowed to purchase foreign exchange automatically from designated banks upon presentation of: 1) an import contract; 2) a request for payment from a foreign institution; and 3) an import license (if required).²

On March 26, 1994 the Chinese Government issued new foreign exchange regulations that went into effect on April 1, 1994. In many areas, the new foreign exchange regulations are in line with previous announcements. Chinese firms are permitted to buy foreign exchange for specified purposes upon presentation of required documents. Permitted transactions include purchase of foreign exchange to buy imported inputs, to repay foreign debt, and to remit dividends abroad. However, the Chinese authorities segmented China's foreign exchange market by excluding foreign-funded enterprises from the new interbank market for foreign exchange. While Chinese firms may purchase foreign exchange through designated banks (which in turn trade through the interbank market), foreign-funded firms must use the existing swap centers.

The new regulations maintain the requirement that foreign enterprises balance their foreign exchange earnings and expenditures. Foreign-funded enterprises that have a deficit or surplus of foreign exchange may trade in the swap centers but only with other foreign-funded enterprises. The Chinese authorities have also indicated that the State Administration of Exchange Control (SAEC) must approve individual foreign exchange transactions and has the authority to deny access to foreign exchange for purposes that do not accord with national policy. However, there are no clear public regulations stipulating the conditions under which foreign-funded enterprises can purchase foreign exchange.

Exchange Rate Developments

In 1993, China's administered exchange rate depreciated less than one percent from 5.75 yuan/dollar to 5.80 yuan/dollar. China's more market-oriented swap rate depreciated 19 percent, rising from 7.30 yuan/dollar at the end of 1992 to 8.71 yuan/dollar at the end of 1993.

² In 1992, 53 broad categories of goods accounting for 25 percent of China's total imports were subject to licensing.

On January 1, 1994, China's dual exchange rates were unified at the rate of 8.72 yuan/dollar. The unification represented an effective depreciation of 7.2 percent as enterprises previously importing goods at the administered rate were forced to use the more depreciated swap rate. As of end May, the unified exchange rate had appreciated slightly to 8.68 yuan/dollar. After dropping for several years, China's real effective exchange rate against the dollar has remained steady in the last two years. Nominal depreciation of the renminbi was offset by higher inflation in China than in the United States.

Table 10
China: Nominal Exchange Rate Index
(End of Period)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
United States	100	96.4	80.2	68.9
Japan	100	88.7	73.7	56.7
EC	100	98.9	91.1	84.8

Table 11
China: Real Exchange Rate Index
(End of Period)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
United States	100	97.2	83.9	82.4
Japan	100	99.9	78.8	70.5
EC	100	98.6	93.8	101.3

Exchange Rate Negotiations

On April 21, 1994, the Treasury Department held negotiations with the People's Bank of China in the context of the Exchange System Reform Working Group of the Joint Economic Committee.³ Treasury welcomed the unification of China's exchange rate and moves to make the renminbi convertible for trade and trade-related transactions. However, Treasury noted that certain measures appeared to be a step backward from China's initial reform plans. In particular, the exclusion of foreign-funded enterprises from the interbank market and the enforcement of foreign exchange balancing requirements could restrict access to foreign exchange. The requirements that foreign-funded enterprises use swap

³ The Joint Economic Committee is a forum for the U.S. and Chinese governments to exchange views on economic issues of mutual concern. After a lapse of seven years, the Joint Economic Committee was revived in modified form in a meeting chaired by Treasury Secretary Bentsen and Minister of Finance Liu in Beijing on January 21, 1994. Both sides agreed to the formation of new working groups to discuss monetary and banking issues, exchange system reform, and investment.

centers and that the SAEC must approve access to the centers have the potential to act as barriers to trade and thus could increase China's bilateral trade surplus with the United States. The Chinese authorities were urged to eliminate these restrictions as soon as possible. Treasury noted that elimination of restrictions would facilitate China's move toward current account convertibility, improve the efficiency of China's economic system, and promote further reform of the Chinese economy.

Assessment

Treasury welcomes unification of China's exchange rates as an important step that will facilitate China's GATT accession and movement toward full convertibility on the current account. At the same, Treasury remains concerned that restrictions on access to foreign exchange remain. In particular, the denial of foreign funded enterprises' access to the interbank market and the enforcement of foreign exchange balancing requirements could be used to reduce imports, including those from the United States. Moreover, there are no clear public regulations stipulating the conditions under which foreign funded enterprises may purchase foreign exchange. If the Chinese exchange rate comes under pressure, the SAEC could use its authority to deny foreign funded enterprises' access to the swap centers and maintain the stability of the renminbi. Thus, it is Treasury's view that China continues to manipulate its foreign exchange system.

Treasury will continue to negotiate with the People's Bank of China bilaterally and in the GATT accession context to promote further reform of China's exchange system aimed at achieving a market-oriented system of exchange rate determination and foreign exchange allocation.

**APPENDIX 1 - OMNIBUS TRADE AND COMPETITIVENESS ACT OF 1988
(H.R. 3)**

SEC. 3004. INTERNATIONAL NEGOTIATIONS ON EXCHANGE RATE AND ECONOMIC POLICIES.

(a) **Multilateral Negotiations.**--The President shall seek to confer and negotiate with other countries--

(1) to achieve--

(A) better coordination of macroeconomic policies of the major industrialized nations; and

(B) more appropriate and sustainable levels of trade and current account balances, and exchange rates of the dollar and other currencies consistent with such balances; and

(2) to develop a program for improving existing mechanisms for coordination and improving the functioning of the exchange rate system to provide for long-term exchange rate stability consistent with more appropriate and sustainable current account balances.

(b) **Bilateral Negotiations.**--The Secretary of the Treasury shall analyze on an annual basis the exchange rate policies of foreign countries, in consultation with the International Monetary Fund, and consider whether countries manipulate the rate of exchange between their currency and the United States dollar for purposes of preventing effective balance of payments adjustments or gaining unfair competitive advantage in international trade. If the Secretary considers that such manipulation is occurring with respect to countries that (1) have material global current account surpluses; and (2) have significant bilateral trade surpluses with the United States, the Secretary of the Treasury shall take action to initiate negotiations with such foreign countries on an expedited basis, in the International Monetary Fund or bilaterally, for the purpose of ensuring that such countries regularly and promptly adjust the rate of exchange between their currencies and the United States dollar to permit effective balance of payments adjustments and to eliminate the unfair advantage. The Secretary shall not be required to initiate negotiations in cases where such negotiations would have a serious detrimental impact on vital national economic and security interests; in such cases, the Secretary shall inform the chairman and the ranking minority member of the Committee on Banking, Housing, and Urban Affairs of the Senate and of the Committee on Banking, Finance and Urban Affairs of the House of Representatives of his determination.

SEC. 3005. REPORTING REQUIREMENTS.

(a) **Reports Required.**--In furtherance of the purpose of this title, the Secretary, after consultation with the Chairman of the Board, shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate, on or before October 15 of each year, a written report on international economic policy, including exchange rate policy. The Secretary shall provide a written update of developments six months after the initial report. In addition, the Secretary shall appear, if requested, before both committees to provide testimony on these reports.

(b) **Contents of Report.**-- Each report submitted under subsection (a) shall contain--

- (1) an analysis of currency market developments and the relationship between the United States dollar and the currencies of our major trade competitors;
- (2) an evaluation of the factors in the United States and other economies that underlie conditions in the currency markets, including developments in bilateral trade and capital flows;
- (3) a description of currency intervention or other actions undertaken to adjust the actual exchange rate of the dollar;
- (4) an assessment of the impact of the exchange rate of the United States dollar on--
 - (A) the ability of the United States to maintain a more appropriate and sustainable balance in its current account and merchandise trade account;
 - (B) production, employment, and noninflationary growth in the United States;
 - (C) the international competitive performance of United States industries and the external indebtedness of the United States;
- (5) recommendations for any changes necessary in United States economic policy to attain a more appropriate and sustainable balance in the current account;
- (6) the results of negotiations conducted pursuant to section 3004;

- (7) key issues in United States policies arising from the most recent consultation requested by the International Monetary Fund under Article IV of the Fund's Articles of Agreement; and
 - (8) a report on the size and composition of international capital flows, and the factors contributing to such flows, including, where possible, an assessment of the impact of such flows on exchange rates and trade flows.
- (c) Report by Board of Governors.--Section 2A(1) of the Federal Reserve Act (12 U.S.C. 225a(1)) is amended by inserting after "the Nation" the following: ", including an analysis of the impact of the exchange rate of the dollar on those trends".

SEC. 3006. DEFINITIONS.

As used in this subtitle:

(1) Secretary.--The term "Secretary" means the Secretary of the Treasury.

(2) Board.--The term "Board" means the Board of Governors of the Federal Reserve System.

TREASURY  NEWS

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REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
BRETTON WOODS COMMISSION

I want to congratulate Paul Volker and the Commission for producing an excellent body of work. It's a pointed report, with very direct recommendations. And I'm sure you're having some good discussions today. The ideas out on the table now will help all of us as we debate matters that affect the World Bank and the International Monetary Fund, and other issues as well. You've performed quite a service.

We talked about the World Bank and the IMF a couple of weeks ago in Naples at our G-7 meeting. In fact, the first thing the leaders said in the communique was that we must renew and revitalize these institutions. The challenges are changing. There are new responsibilities to be met.

We agreed that next year we'll focus on how to be certain the economy of the next century brings global sustainable development and prosperity. We agreed also to look at what framework of institutions it will take to meet our challenges, how they can be adapted, and others built, to accomplish that mission.

That's a tall order. We're starting some of the most serious debate on these issues here. And I expect that the Bank and IMF shareholders will have more to say this fall in Madrid. One thing's for certain -- these are big institutions. And at a time when every nation is strapped for resources, they're going to be increasingly important.

Today I want to look at the last 50 years, and the coming era from the U.S. perspective -- offer a few thoughts of my own.

Before I looked at the Commission report I wanted to refresh my memory on Bretton Woods. Richard Gardner, our ambassador to Spain, has updated his '50s work, "Sterling-Dollar Diplomacy." It's an interesting review and a projection of the challenges that lie down the road for us.

He describes it as a political miracle this all came together. I suspect that if we tried to do it all over again there are some ideas that wouldn't get out of a subcommittee up on Capitol Hill.

This political miracle was pulled off because we were at a singular moment in history. We are today in the midst of something similar. Not as dramatic as the end of a World War, but a period with the same potential for affecting lives for the better. The necessary change can be accomplished with what Ambassador Gardner describes as the "common commitment to practical and constructive internationalism that the founding fathers of these institutions demonstrated."

Our challenges and responsibilities lie in the developing world, in the economies in transition, in properly managing economic integration, in encouraging high-quality growth and jobs in the developed nations, and taming population growth.

What are today's conditions?

We now have a world linked not by a common enemy but by a common goal -- growth and jobs. To say the world today is smaller is putting it mildly. I can send a fax to Tokyo faster than I could get a call through to Texas when I first came to Washington.

Trade and investment are growing faster than income. Hundreds of billions of dollars cross borders at the speed of light every day.

Developing nations with nearly 3 billion people are entering the modern age. That's history in the making, and an enormous opportunity for risk-takers. The growth in Asia, for example, is almost palpable -- you can almost see national economies changing and growing day by day.

And we now have huge economies in transition -- 400 million people in Eastern Europe and Russia making a change. Let me digress just a moment to say that I'm pleased to see inflation in Russia down now, and privatization coming along. The international community, the Bank and the IMF have all helped with what is the largest economic reconstruction ever undertaken. There's still much to be done, and it's one of our prime challenges in the years ahead.

That's the world we face now. Not devastated economies that had to be rebuilt, but a growing global economy where economic institutions and prosperity hold the prospect of preserving the peace the way the security institutions and the balance of power did in another era.

The question we must address is: where to from here?

The institutions, to their credit, are already adapting.

The IMF, an institution established to support a foreign exchange system and keep industrial nations liquid, is encouraging and supporting economic stabilization in emerging economies.

The World Bank -- where the word "development" was a farsighted addition to the institutional name -- is taking the first steps at changing management practices and the focus of its activities to better accomplish the long-term goal of development.

In the critical area of trade, we have seen several rounds of liberalization. Trade is of increasing importance to the United States -- one job in 13 now depends on it.

The latest liberalization, the Uruguay Round, is bringing a strong third leg to the Bretton Woods system -- the World Trade Organization. It promises a system of greater trade discipline. This agreement has the potential to be a major job creator, and not just in the United States. And it's a huge tax cut.

But we must look beyond that. Each institution must focus on the new mission -- growth and jobs, prosperity, and peace. The international community must do the same.

The Clinton Administration recognize its responsibility in this regard early on. We listened to the international community and significantly brought down our deficit to aid not only our economy, but the global economy as well. And, at a time when resources are limited, we are beginning to meet our commitments to the development banks. We intend to pay our overdue bills to institutions which are critical to supporting regional development and growth. We are turning the corner this year. And next year we hope to do even better.

The time has long since passed when any nation or group of nations can afford a Marshall Plan approach to the major economic problems we see, such as helping economies in transition. That's why we must rely on the international financial institutions.

There have already been discussions about how the institutions can best meet new challenges. For instance, the IMF is now examining an allocation of Special Drawing Rights to equalize the holdings of the Fund's members. That would make additional hard currency resources available. The United States supports an increase in SDRs for new members. And at the G-7 meeting we discussed the possibility of a modest increase in SDRs for existing members.

The United States also supports raising the quota percentage to which the IMF permits access by member nations to support economic reform. I would note that the Fund is about as strong as it's ever been in terms of resources, so there's room for an increased access to credit.

I believe we should also be discussing how the IMF and the World Bank can even more effectively assist countries emerging from conflict or undergoing the kinds of wrenching transformations we see taking place. Increasingly, we will have to think about how resources can be mobilized to support investments in one country that benefit many countries. The Global Environmental Fund is an important start. But I believe we need to be innovative and creative in how the resources of the international financial institutions are mobilized to meet many kinds of needs which can't be fully met by hard loans on commercial terms.

I am pleased to see that the Bretton Woods Commission made recommendations on the World Bank that parallel what I have proposed to Congress and which I discussed earlier this year with the Development Committee. There will be a lot of discussion in the coming months on how the World Bank can move forward. I'm pleased that the Bank is beginning to formulate answers as to how best to promote sound development throughout the world.

Priorities should be on getting the most development impact possible from bank lending. People must be put first. They are the developing world's most important resource. Investments in the social sector can offer as good or better a long-term return and contribution to rising prosperity than a bridge or a highway. Education, training, health care, family planning all need more policy attention.

And we must remember that it is not government that creates jobs, other than in a short-term sense. It is the private sector that produces economic growth and creates jobs. The banks must ensure that their work supports, not supplants, private sector finance. Financial sector reform must be a priority. And I would encourage the banks to find innovative ways to encourage the flow of private capital to developing nations.

Additionally, the emphasis must be on development from the bottom up, with local participation to increase effectiveness. I've run a business, and I know there's absolutely no substitute for being out in the field, seeing what's going on, finding first-hand what works and what doesn't.

In trade, we cannot sit back and think completing the Uruguay Round and establishing the WTO is the end of the road. It isn't. Anything that brings down a trade barrier is by definition good, whether it's one country reducing a tariff, a deal between two nations, a regional agreement, or a new round of global tariff reductions.

We look forward to extending our network of free trade agreements. And let me emphasize, these are not exclusionary agreements. They are to spread the net of free trade even wider.

The international financial institutions can help insofar as trade is concerned. Encouraging economic policies that promote growth and development can contribute to global trade growth.

I saw a figure the other day that makes that case. In the last dozen years the World Bank has made 238 loans for a total of \$35 billion in which the loans were tied to trade liberalization. Our exports to countries which took the loans grew nearly 12 percent a year. Our sales to countries that did not take out the loans and did not liberalize trade grew by less than 4 percent a year.

I want to close by touching on the issue of coordinating economic policies. It's one of the more controversial aspects of the Bretton Woods report.

Some say a more institutionalized approach to policy coordination is necessary. That was one of the goals in 1944, to stabilize exchange rates. In theory, not a bad idea. In practice, it's much more difficult than it might first appear.

Before I deal with some specific observations, let me say first that I recognize the increasing need to cooperate globally. The smaller the world, the greater the need. We're doing that, with the G-7, with the Asia-Pacific Economic Cooperation group and other organizations, and with individual countries. But for the foreseeable future, there will continue to be a system of government in which the nation-state is a dominant element. The commitment of the citizen -- to support and defend -- is to the nation, the entity democratically accountable to the citizens it represents. Moreover, a nation must retain the ability to act on its own to protect its interests or influence events.

As to policy coordination, a flexible approach is best. To control fiscal and monetary policy, a rigid system would require coordinating the actions not only of finance ministries, but also legislatures and central banks. That's a tall order. A flexible approach takes into account diverse opinions. Besides, economics is not exactly an exact science, and there's always the law of unintended consequences, not to mention the human factor.

What is ultimately important to economic performance is sound policy. I prefer an approach to broad policy coordination that relies on quiet communication and persuasion to produce results. We have demonstrated that we can work together, and the finance ministries and central banks will continue to work together on our goal of strong, non-inflationary growth that provides jobs.

As part of our process of communication, we recognize that increasingly particular sectors have a growing impact on the broader performance of an economy, areas such as financial regulation and manpower training. Cooperation at that level can have important benefits. That's why the Clinton Administration organized the Detroit jobs conference. We are also broadening the communications process, through work with APEC, and the Summit of the Americas later this year.

Quiet cooperation and consultation is the best practical approach now to greater economic stability.

The last point I would make is that at the G-7 meeting the leaders asked the finance ministers to continue to anticipate problems that might arise in keeping the recovery on track. I've believe the Fund could assist by operating as a global early warning radar for economic threats that lie over the horizon. At the national level and even G-7 level we're often focused on the task immediately at hand. Extra help raising longer term warning flags can make a difference. Any sailor will tell you a small course correction can keep you off a shoal.

Let me close with this observation: My predecessor, Henry Morgenthau, gave a radio address to explain Bretton Woods to Americans. He pointed to the need for international cooperation, which is truer today than ever. And he described the conference's work as a "signpost pointing down a highway broad enough for all men to walk in step and side by side." For half a century that signpost has pointed the way to a better future for us all. When the history of Bretton Woods' first century is written, it must be said that we widened that highway and put more people on the path to a better future.

Thank you.



Monthly Treasury Statement

of Receipts and Outlays
of the United States Government

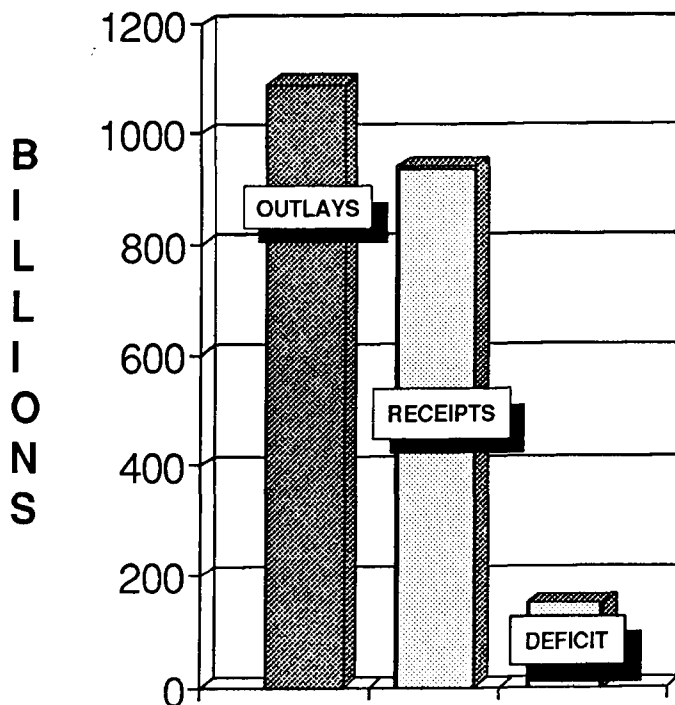
For Fiscal Year 1994 Through **June 30, 1994**, and Other Periods

Highlight

The budget estimates provided in Tables 2 and 3 are based on the *Mid-Session Review of the FY 1995 Budget*, released by the Office of Management and Budget on July 14, 1994.

This issue includes the semi-annual interest payment to trust funds investing in government securities.

**RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT
THROUGH JUNE 1994**



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Compiled and Published by

Department of the Treasury
Financial Management Service



Introduction

The *Monthly Treasury Statement of Receipts and Outlays of the United States Government (MTS)* is prepared by the Financial Management Service, Department of the Treasury, and after approval by the Fiscal Assistant Secretary of the Treasury, is normally released on the 15th workday of the month following the reporting month. The publication is based on data provided by Federal entities, disbursing officers, and Federal Reserve banks.

Audience

The *MTS* is published to meet the needs of: Those responsible for or interested in the cash position of the Treasury; Those who are responsible for or interested in the Government's budget results; and individuals and businesses whose operations depend upon or are related to the Government's financial operations.

Disclosure Statement

This statement summarizes the financial activities of the Federal Government and off-budget Federal entities conducted in accordance with the Budget of the U.S. Government, i.e., receipts and outlays of funds, the surplus or deficit, and the means of financing the deficit or disposing of the surplus. Information is presented on a modified cash basis: receipts are accounted for on the basis of collections; refunds

of receipts are treated as deductions from gross receipts; revolving and management fund receipts, reimbursements and refunds of monies previously expended are treated as deductions from gross outlays; and interest on the public debt (public issues) is recognized on the accrual basis. Major information sources include accounting data reported by Federal entities, disbursing officers, and Federal Reserve banks.

Triad of Publications

The *MTS* is part of a triad of Treasury financial reports. The *Daily Treasury Statement* is published each working day of the Federal Government. It provides data on the cash and debt operations of the Treasury based upon reporting of the Treasury account balances by Federal Reserve banks. The *MTS* is a report of Government receipts and outlays, based on agency reporting. The *U.S. Government Annual Report* is the official publication of the detailed receipts and outlays of the Government. It is published annually in accordance with legislative mandates given to the Secretary of the Treasury.

Data Sources and Information

The Explanatory Notes section of this publication provides information concerning the flow of data into the *MTS* and sources of information relevant to the *MTS*.

Table 1. Summary of Receipts, Outlays, and the Deficit/Surplus of the U.S. Government, Fiscal Years 1993 and 1994, by Month

[\$ millions]

Period	Receipts	Outlays	Deficit/Surplus (-)
FY 1993			
October	76,829	125,620	48,792
November	74,629	107,355	32,726
December	113,686	152,633	38,947
January	112,716	82,899	-29,817
February	65,979	114,477	48,498
March	83,288	127,263	43,974
April	132,017	124,200	-7,817
May	70,642	107,605	36,963
June	128,570	117,471	-11,099
July	80,630	120,207	39,577
August	86,737	109,815	23,078
September	127,504	118,939	-8,565
Year-to-Date	1,153,226	1,408,484	255,258
FY 1994			
October	78,668	124,090	45,422
November	83,107	121,488	38,381
December	125,408	133,660	8,252
January	122,966	107,718	-15,248
February	72,874	114,440	41,566
March	93,108	125,423	32,315
April	141,326	123,872	-17,454
May	83,546	115,600	32,054
June	138,124	122,923	-15,202
Year-to-Date	939,126	1,089,213	150,087

¹The receipt, outlay and deficit figures differ from the *FY 1995 Budget*, released by the Office of Management and Budget on February 7, 1994, by \$589 million due mainly to revisions in data following the release of the Final September Monthly Treasury Statement.

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, June 1994 and Other Periods

[\$ millions]

Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year ¹	Prior Fiscal Year to Date (1993)	Budget Estimates Next Fiscal Year (1995) ¹
Total on-budget and off-budget results:					
Total receipts	138,124	939,126	1,259,905	858,355	1,354,333
On-budget receipts	106,014	685,854	925,569	623,449	1,000,459
Off-budget receipts	32,110	253,272	334,336	234,907	353,874
Total outlays	122,923	1,089,213	1,480,013	1,059,523	1,521,447
On-budget outlays	107,966	889,897	1,199,239	869,897	1,229,419
Off-budget outlays	14,956	199,316	280,774	189,626	292,028
Total surplus (+) or deficit (-)	+15,202	-150,087	-220,108	-201,167	-167,114
On-budget surplus (+) or deficit (-)	-1,952	-204,043	-273,670	-246,448	-228,960
Off-budget surplus (+) or deficit (-)	+17,154	+53,956	+53,562	+45,281	+61,846
Total on-budget and off-budget financing	-15,202	150,087	220,108	201,167	167,114
Means of financing:					
Borrowing from the public	1,898	148,235	210,584	202,609	175,699
Reduction of operating cash, increase (-)	-23,797	1,515	12,506	-1,799	.....
By other means	6,697	337	-2,982	358	-8,585

¹These figures are based on the *Mid-Session Review of the FY 1995 Budget*, released by the Office of Management and Budget on July 14, 1994.

... No Transactions.
Note: Details may not add to totals due to rounding.

Figure 1. Monthly Receipts, Outlays, and Budget Deficit/Surplus of the U.S. Government, Fiscal Years 1993 and 1994

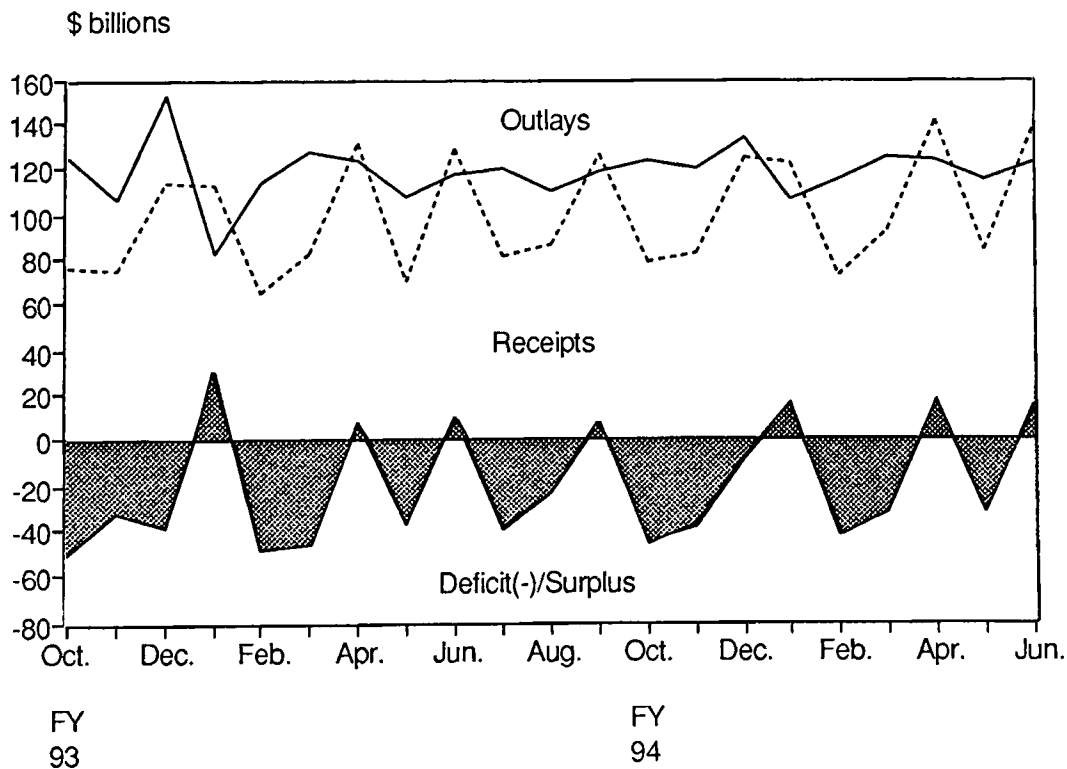


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1993 and 1994

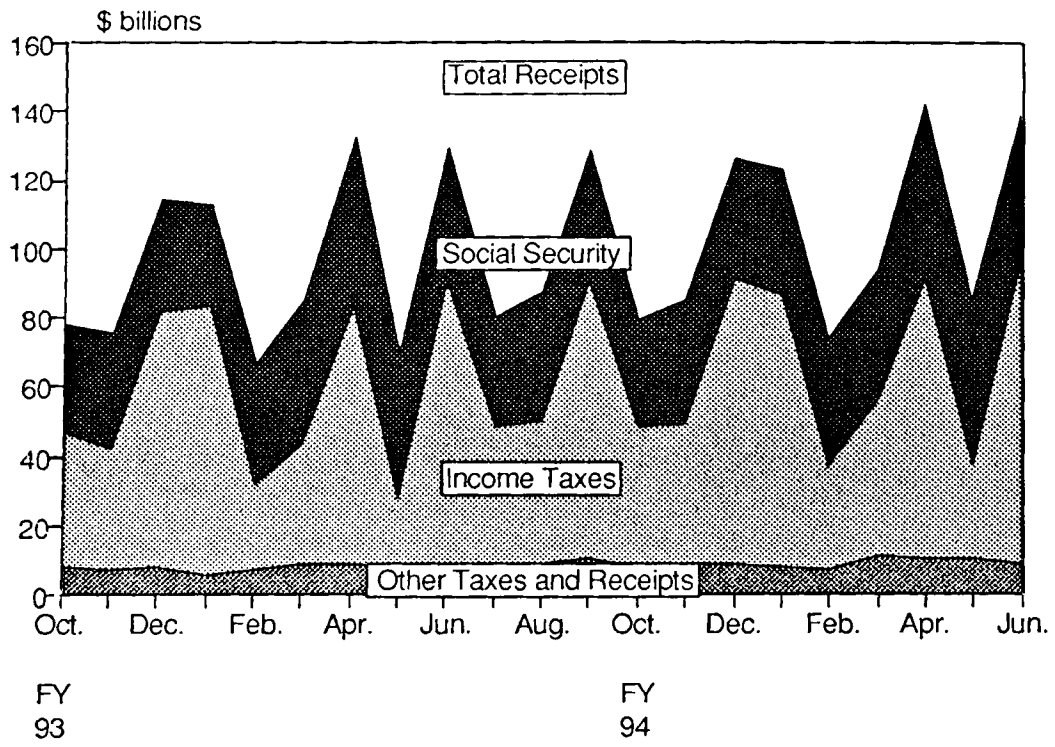


Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1993 and 1994

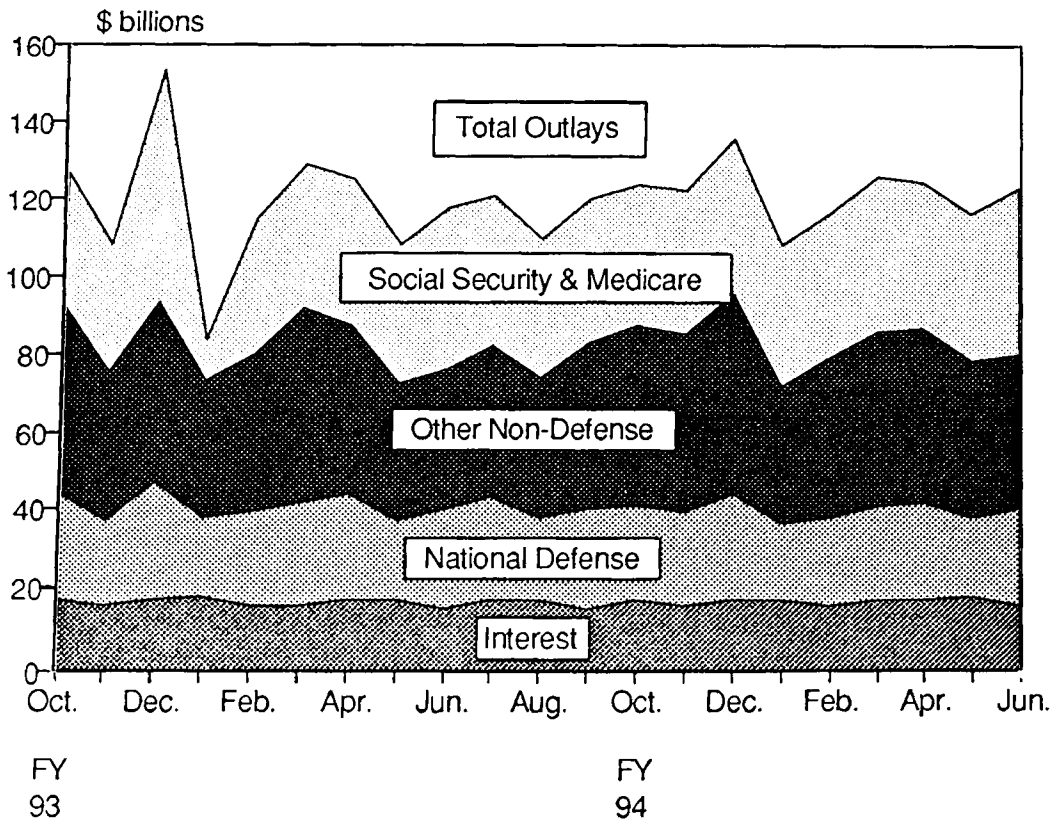


Table 3. Summary of Receipts and Outlays of the U.S. Government, June 1994 and Other Periods
 [\$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year ¹
Budget Receipts				
Individual income taxes	58,123	404,232	377,104	549,583
Corporation income taxes	29,114	106,207	88,372	139,374
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	32,110	253,272	234,907	334,336
Employment taxes and contributions (on-budget)	8,742	69,681	63,522	93,763
Unemployment insurance	290	21,379	19,624	27,767
Other retirement contributions	366	3,434	3,538	4,729
Excise taxes	4,596	39,544	35,164	54,594
Estate and gift taxes	1,068	11,671	9,433	14,197
Customs duties	1,711	14,479	13,567	20,064
Miscellaneous receipts	2,003	15,226	13,124	21,497
Total Receipts	138,124	939,126	858,355	1,259,905
(On-budget)	106,014	685,854	623,449	925,569
(Off-budget)	32,110	253,272	234,907	334,336
Budget Outlays				
Legislative Branch	191	1,942	1,800	2,749
The Judiciary	159	1,874	1,867	2,870
Executive Office of the President	14	156	147	197
Funds Appropriated to the President	186	9,025	10,034	11,369
Department of Agriculture	4,164	47,661	52,065	63,250
Department of Commerce	201	2,179	1,999	3,276
Department of Defense—Military	23,195	198,403	209,615	267,404
Department of Defense—Civil	2,542	22,615	21,942	30,623
Department of Education	2,144	17,460	22,892	25,708
Department of Energy	1,568	12,965	12,395	17,296
Department of Health and Human Services, except Social Security	26,911	229,933	209,578	314,964
Department of Health and Human Services, Social Security	30,081	235,082	223,315	314,747
Department of Housing and Urban Development	2,125	19,516	18,641	26,337
Department of the Interior	634	5,009	4,751	7,083
Department of Justice	790	7,435	7,726	10,744
Department of Labor	2,793	28,966	34,052	36,917
Department of State	338	4,002	4,185	5,786
Department of Transportation	3,187	27,132	24,406	36,820
Department of the Treasury:				
Interest on the Public Debt	53,306	240,416	238,567	299,003
Other	-181	11,013	7,585	11,115
Department of Veterans Affairs	3,001	26,970	26,160	37,898
Environmental Protection Agency	520	4,222	4,331	6,238
General Services Administration	475	393	775	783
National Aeronautics and Space Administration	1,105	10,004	10,606	14,227
Office of Personnel Management	3,361	28,634	27,461	38,177
Small Business Administration	68	483	611	1,049
Other independent agencies:				
Resolution Trust Corporation	1,233	3,911	-16,318	7,102
Other	-1,953	2,233	5,113	9,473
Undistributed offsetting receipts:				
Interest	-36,407	-84,870	-81,493	-85,891
Other	-2,827	-25,549	-25,282	-37,300
Total outlays	122,923	1,089,213	1,059,523	1,480,013
(On-budget)	107,966	889,897	869,897	1,199,239
(Off-budget)	14,956	199,316	189,626	280,774
Surplus (+) or deficit (-)	+15,202	-150,087	-201,167	-220,108
(On-budget)	-1,952	-204,043	-246,448	-273,670
(Off-budget)	+17,154	+53,956	+45,281	+53,562

¹These figures are based on the *Mid-Session Review of the FY 1995 Budget*, released by the Office of Management and Budget on July 14, 1994.

Note: Details may not add to totals due to rounding.

Table 4. Receipts of the U.S. Government, June 1994 and Other Periods

[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts	Gross Receipts	Refunds (Deduct)	Receipts
Individual income taxes:									
Withheld	37,724			348,678			325,299		
Presidential Election Campaign Fund	9			62			25		
Other	21,985			127,428			122,505		
Total—Individual income taxes	59,719	1,596	58,123	476,168	71,936	404,232	447,829	70,725	377,104
Corporation income taxes	29,812	697	29,114	116,623	10,416	106,207	99,369	10,996	88,372
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	26,425		26,425	214,450		214,450	200,829		200,829
Self-Employment Contributions Act taxes	2,577		2,577	14,357		14,357	11,345		11,345
Deposits by States	(* *)		(* *)	-45		-45	-12		-12
Other	(* *)		(* *)	(* *)		(* *)	(* *)		(* *)
Total—FOASI trust fund	29,002		29,002	228,763		228,763	212,162		212,162
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	2,830		2,830	22,973		22,973	21,528		21,528
Self-Employment Contributions Act taxes	278		278	1,536		1,536	1,217		1,217
Receipts from railroad retirement account									
Deposits by States				(* *)		(* *)	-1		-1
Other									
Total—FDI trust fund	3,108		3,108	24,509		24,509	22,744		22,744
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	7,467		7,467	61,748		61,748	56,740		56,740
Self-Employment Contributions Act taxes	958		958	4,869		4,869	3,707		3,707
Receipts from Railroad Retirement Board	394		394	394		394	381		381
Deposits by States	(* *)		(* *)	(* *)		(* *)	-3		-3
Total—FHI trust fund	8,819		8,819	67,011		67,011	60,826		60,826
Railroad retirement accounts:									
Rail industry pension fund	165	(* *)	165	1,726	29	1,696	1,737	10	1,728
Railroad Social Security equivalent benefit	-241		-241	974		974	968		968
Total—Employment taxes and contributions	40,853	(* *)	40,853	322,982	29	322,953	298,438	10	298,428
Unemployment insurance:									
State taxes deposited in Treasury	243		243	16,981		16,981	15,132		15,132
Federal Unemployment Tax Act taxes	59	11	48	4,425	80	4,345	4,449	91	4,358
Railroad unemployment taxes	(* *)		(* *)	21		21	57		57
Railroad debt repayment				32		32	77		77
Total—Unemployment insurance	301	11	290	21,459	80	21,379	19,715	91	19,624
Other retirement contributions:									
Federal employees retirement – employee contributions	355		355	3,359		3,359	3,466		3,466
Contributions for non-federal employees	11		11	76		76	72		72
Total—Other retirement contributions	366		366	3,434		3,434	3,538		3,538
Total—Social insurance taxes and contributions	41,521	11	41,509	347,876	109	347,767	321,691	101	321,590
Excise taxes:									
Miscellaneous excise taxes ¹	2,707	211	2,496	23,339	699	22,640	20,103	531	19,572
Airport and airway trust fund	482		482	3,760	24	3,737	1,958	10	1,948
Highway trust fund	1,563		1,563	13,032	327	12,704	13,339	170	13,169
Black lung disability trust fund	55		55	463		463	474		474
Total—Excise taxes	4,806	211	4,596	40,594	1,050	39,544	35,875	711	35,184
Estate and gift taxes	1,088	20	1,068	11,941	270	11,671	9,678	245	9,433
Customs duties	1,799	88	1,711	15,118	639	14,479	14,145	578	13,567
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	1,788		1,788	12,612		12,612	10,817		10,817
All other	216	1	215	2,629	15	2,614	2,462	155	2,308
Total — Miscellaneous receipts	2,004	1	2,003	15,241	15	15,226	13,279	155	13,124
Total — Receipts	140,749	2,625	138,124	1,023,561	84,435	939,126	941,866	83,511	858,355
Total — On-budget	108,639	2,625	106,014	770,289	84,435	685,854	706,959	83,511	623,446
Total — Off-budget	32,110		32,110	253,272		253,272	234,907		234,907

¹Includes amounts for the windfall profits tax pursuant to P.L. 96-223.
... No Transactions.

(* *) Less than \$500,000.
Note: Details may not add to totals due to rounding.

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods
 [\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Legislative Branch:									
Senate	39	(* *)	39	320	1	319	341	1	340
House of Representatives	63	1	62	566	14	552	580	8	572
Joint items	7	.....	7	58	.....	58	58	.....	58
Congressional Budget Office	2	.....	2	16	.....	16	16	.....	16
Architect of the Capitol	14	1	13	147	6	140	166	7	158
Library of Congress	26	.....	26	396	.....	396	244	.....	244
Government Printing Office:									
Revolving fund (net)	1	.....	1	32	.....	32	-31	.....	-31
General fund appropriations	9	.....	9	72	.....	72	80	.....	80
General Accounting Office	31	.....	31	320	.....	320	329	.....	329
United States Tax Court	2	.....	2	23	.....	23	24	.....	24
Other Legislative Branch agencies	3	.....	3	23	.....	23	25	.....	25
Proprietary receipts from the public .....	.....	2	-2	.....	4	-4	.....	5	-5
Intrabudgetary transactions .....	(* *)	.....	(* *)	-8	.....	-8	-8	.....	-8
Total—Legislative Branch	195	4	191	1,967	25	1,942	1,822	22	1,800
The Judiciary:									
Supreme Court of the United States	2	.....	2	19	.....	19	18	.....	18
Courts of Appeals, District Courts, and other judicial services	150	(* *)	150	1,773	2	1,771	1,781	(* *)	1,781
Other	7	.....	7	84	.....	84	68	.....	68
Total—The Judiciary	159	(* *)	159	1,876	2	1,874	1,867	(* *)	1,867
Executive Office of the President:									
Compensation of the President and the White House									
Office	3	.....	3	29	.....	29	29	.....	29
Office of Management and Budget	4	.....	4	42	.....	42	41	.....	41
Other	8	.....	8	85	.....	85	77	.....	77
Total—Executive Office of the President	14	.....	14	156	.....	156	147	.....	147
Funds Appropriated to the President:									
International Security Assistance:									
Guaranty reserve fund	81	76	5	681	462	219	594	456	137
Foreign military financing grants	161	.....	161	3,523	.....	3,523	3,816	.....	3,816
Economic support fund	134	.....	134	2,468	.....	2,468	2,623	.....	2,623
Military assistance	1	.....	1	15	.....	15	-4	.....	-4
Peacekeeping Operations	15	.....	15	57	.....	57	21	.....	21
Other	2	.....	2	22	.....	22	22	.....	22
Proprietary receipts from the public .....	.....	60	-60	.....	466	-466	.....	437	-437
Total—International Security Assistance	394	136	258	6,767	929	5,838	7,071	893	6,178
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association									
.....	.....	.....	637	.....	637	562	.....	562	.....
International organizations and programs	1	.....	1	128	.....	128	222	.....	222
Other	21	.....	21	327	.....	327	356	.....	356
Total—Multilateral Assistance	23	.....	23	1,092	.....	1,092	1,140	.....	1,140
Agency for International Development:									
Functional development assistance program	100	.....	100	1,025	.....	1,025	993	.....	993
Sub-Saharan Africa development assistance	58	.....	58	488	.....	488	500	.....	500
Operating expenses	37	.....	37	384	.....	384	353	.....	353
Payment to the Foreign Service retirement and disability fund .....	.....	.....	.....	44	.....	44	.....	.....	.....
Other	58	4	54	554	46	508	490	37	453
Proprietary receipts from the public .....	.....	71	-71	.....	572	-572	.....	630	-630
Intrabudgetary transactions .....	.....	.....	.....	-2	.....	-2	.....	.....	.....
Total—Agency for International Development	252	75	178	2,493	618	1,875	2,336	666	1,669
Peace Corps	13	.....	13	149	.....	149	141	.....	141
Overseas Private Investment Corporation	30	16	14	58	167	-110	56	153	-97
Other	6	(* *)	6	67	3	64	65	8	57
Total—International Development Assistance	324	91	233	3,859	788	3,070	3,737	826	2,911
International Monetary Programs	-248	.....	-248	-236	.....	-236	463	.....	463
Military Sales Programs:									
Special defense acquisition fund	19	53	-34	137	234	-97	194	173	21
Foreign military sales trust fund	1,175	.....	1,175	9,997	.....	9,997	9,757	.....	9,757
Kuwait civil reconstruction trust fund .....	(* *)	.....	(* *)	(* *)	.....	(* *)	7	(* *)	7
Proprietary receipts from the public .....	.....	1,199	-1,199	.....	9,599	-9,599	.....	9,311	-9,311
Other	2	.....	2	51	.....	51	8	.....	8
Total—Funds Appropriated to the President	1,666	1,480	186	20,575	11,550	9,025	21,238	11,204	10,034

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
(\$ millions)

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Agriculture:									
Agricultural Research Service	56		56	523		523	551		551
Cooperative State Research Service	43		43	343		343	326		326
Extension Service	42		42	326		326	299		299
Animal and Plant Health Inspection Service	40		40	355		355	367		367
Food Safety and Inspection Service	37		37	380		380	376		376
Agricultural Marketing Service	16		16	511	1	510	601	1	600
Soil Conservation Service:									
Watershed and flood prevention operations	20		20	195		195	164		164
Conservation operations	44		44	448		448	436		436
Other	7		7	61		61	60		60
Agricultural Stabilization and Conservation Service:									
Conservation programs	36		36	1,881		1,881	1,808		1,808
Other	131		131	600		600	565		565
Farmers Home Administration:									
Credit accounts:									
Agricultural credit insurance fund	240	104	136	1,616	1,498	118	1,706	1,645	61
Rural housing insurance fund	419	272	148	3,189	2,461	728	2,798	2,414	384
Other				(*)		(*)	9	(*)	9
Salaries and expenses	51		51	-203		-203	482		482
Other	9	(*)	9	79	1	78	68	2	66
Total—Farmers Home Administration	719	376	343	4,681	3,961	720	5,063	4,062	1,001
Foreign assistance programs	223		223	814		814	375		375
Rural Development Administration:									
Rural development insurance fund	109	50	60	739	435	304	784	369	415
Rural water and waste disposal grants	30		30	227		227	170		170
Other	2		2	13		13	22		22
Rural Electrification Administration	430	517	-87	2,234	3,233	-1,000	2,318	3,249	-931
Federal Crop Insurance Corporation	30	2	28	1,460	350	1,110	531	325	206
Commodity Credit Corporation:									
Price support and related programs	381	582	-201	15,812	5,509	10,303	22,198	5,602	16,596
National Wool Act Program	4		4	204		204	175		175
Food and Nutrition Service:									
Food stamp program	2,009		2,009	19,133		19,133	18,460		18,460
State child nutrition programs	742		742	5,823		5,823	5,554		5,554
Women, infants and children programs	274		274	2,442		2,442	2,236		2,236
Other	32		32	398		398	491		491
Total—Food and Nutrition Service	3,057		3,057	27,796		27,796	26,741		26,741
Forest Service:									
National forest system	113		113	1,182		1,182	1,242		1,242
Forest and rangeland protection	28		28	239		239	267		267
Forest service permanent appropriations	21		21	281		281	236		236
Other	83		83	484		484	507		507
Total—Forest Service	246		246	2,186		2,186	2,252		2,252
Other	43	3	40	479	27	452	476	29	448
Proprietary receipts from the public		52	-52		1,093	-1,093		807	-807
Intrabudgetary transactions							-150		-150
Total—Department of Agriculture	5,745	1,581	4,164	62,271	14,610	47,661	66,508	14,443	52,065
Department of Commerce:									
Economic Development Administration	23	3	20	204	13	192	105	15	90
Bureau of the Census	16		16	197		197	260		260
Promotion of Industry and Commerce	34		34	240		240	229		229
Science and Technology:									
National Oceanic and Atmospheric Administration	128	2	126	1,413	11	1,401	1,217	19	1,197
Patent and Trademark Office	-4		-4	32		32	41		41
National Institute of Standards and Technology	16		16	96		96	164		164
Other	7	3	5	66	25	41	57	29	28
Total—Science and Technology	147	5	143	1,608	37	1,571	1,479	48	1,431
Other	-1		-1	69		69	76		76
Proprietary receipts from the public		10	-10		90	-90		87	-87
Intrabudgetary transactions	(*)		(*)	(*)		(*)	(*)		(*)
Offsetting governmental receipts								(*)	(*)
Total—Department of Commerce	219	18	201	2,318	139	2,179	2,148	149	1,999

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
 [\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Military:									
Military personnel:									
Department of the Army	2,325	.....	2,325	19,817	.....	19,817	21,050	.....	21,050
Department of the Navy	2,229	.....	2,229	19,514	.....	19,514	20,396	.....	20,396
Department of the Air Force	1,522	.....	1,522	13,351	.....	13,351	15,400	.....	15,400
Total—Military personnel	6,076	.....	6,076	52,681	.....	52,681	56,846	.....	56,846
Operation and maintenance:									
Department of the Army	1,746	.....	1,746	15,483	.....	15,483	17,960	.....	17,960
Department of the Navy	2,559	.....	2,559	16,723	.....	16,723	19,600	.....	19,600
Department of the Air Force	2,076	.....	2,076	18,061	.....	18,061	18,505	.....	18,505
Defense agencies	1,509	.....	1,509	14,474	.....	14,474	14,230	.....	14,230
Total—Operation and maintenance	7,890	.....	7,890	64,741	.....	64,741	70,296	.....	70,296
Procurement:									
Department of the Army	693	.....	693	6,152	.....	6,152	8,827	.....	8,827
Department of the Navy	2,280	.....	2,280	19,542	.....	19,542	23,223	.....	23,223
Department of the Air Force	2,092	.....	2,092	17,680	.....	17,680	19,251	.....	19,251
Defense agencies	396	.....	396	3,137	.....	3,137	2,740	.....	2,740
Total—Procurement	5,461	.....	5,461	46,512	.....	46,512	54,040	.....	54,040
Research, development, test, and evaluation:									
Department of the Army	443	.....	443	4,263	.....	4,263	4,650	.....	4,650
Department of the Navy	789	.....	789	5,808	.....	5,808	7,036	.....	7,036
Department of the Air Force	1,167	.....	1,167	9,631	.....	9,631	9,584	.....	9,584
Defense agencies	760	.....	760	6,270	.....	6,270	7,011	.....	7,011
Total—Research, development, test and evaluation	3,159	.....	3,159	25,972	.....	25,972	28,282	.....	28,282
Military construction:									
Department of the Army	47	.....	47	651	.....	651	769	.....	769
Department of the Navy	62	.....	62	416	.....	416	675	.....	675
Department of the Air Force	109	.....	109	798	.....	798	870	.....	870
Defense agencies	246	.....	246	1,567	.....	1,567	1,174	.....	1,174
Total—Military construction	465	.....	465	3,432	.....	3,432	3,488	.....	3,488
Family housing:									
Department of the Army	102	.....	102	947	.....	947	1,007	.....	1,007
Department of the Navy	64	.....	64	588	.....	588	643	.....	643
Department of the Air Force	118	.....	118	807	.....	807	682	.....	682
Defense agencies	13	3	10	82	25	57	62	14	48
Revolving and management funds:									
Department of the Army	99	.....	99	154	.....	154	110	.....	110
Department of the Navy	27	.....	27	271	.....	271	-58	.....	-58
Department of the Air Force .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Defense agencies:									
Defense business operations fund	-66	.....	-66	2,479	.....	2,479	-4,576	.....	-4,576
Other	-22	1	-23	-261	5	-266	-152	3	-155
Trust funds:									
Department of the Army .....	(* *)	.....	(* *)	(* *)	.....	(* *)	(* *)	.....	(* *)
Department of the Navy	5	1	4	27	11	16	37	13	23
Department of the Air Force .....	(* *)	.....	(* *)	6	6	(* *)	24	20	4
Defense agencies	-13	.....	-13	136	.....	136	65	.....	65
Proprietary receipts from the public:									
Department of the Army .....	.....	40	-40	.....	88	-88	.....	304	-304
Department of the Navy .....	.....	58	-58	.....	124	-124	.....	197	-197
Department of the Air Force .....	.....	26	-26	.....	354	-354	.....	247	-247
Defense agencies .....	.....	12	-12	.....	219	-219	.....	7	-7
Intrabudgetary transactions:									
Department of the Army	35	.....	35	155	.....	155	89	.....	89
Department of the Navy	-43	.....	-43	484	.....	484	492	.....	492
Department of the Air Force .....	(* *)	.....	(* *)	120	.....	120	104	.....	104
Defense agencies	-36	.....	-36	-92	.....	-92	-1,014	.....	-1,014
Offsetting governmental receipts:									
Department of the Army .....	.....	.....	.....	.....	6	-6	.....	21	-21
Defense agencies .....	.....	.....	.....	.....	(* *)	(* *)	.....	27	-27
Total—Department of Defense—Military	23,335	140	23,195	199,242	839	198,403	210,468	854	209,615

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Civil									
Corps of Engineers:									
Construction, general	76		76	665		665	727		727
Operation and maintenance, general	101		101	794		794	1,051		1,051
Other	127		127	1,175		1,175	906		906
Proprietary receipts from the public		16	-16		127	-127		140	-140
Total—Corps of Engineers	304	16	288	2,634	127	2,508	2,684	140	2,544
Military retirement:									
Payment to military retirement fund				11,908		11,908	12,273		12,273
Retired pay							(* *)		(* *)
Military retirement fund	2,248		2,248	19,932		19,932	19,226		19,226
Intrabudgetary transactions				-11,908		-11,908	-12,273		-12,273
Education benefits	4		4	131		131	131		131
Other	4	1	4	57	3	53	51	3	48
Proprietary receipts from the public		1	-1		8	-8		7	-7
Total—Department of Defense—Civil	2,560	18	2,542	22,754	139	22,615	22,092	150	21,942
Department of Education:									
Office of Elementary and Secondary Education:									
Compensatory education for the disadvantaged	599		599	5,459		5,459	5,268		5,268
Impact aid	23		23	725		725	756		756
School improvement programs	139		139	1,158		1,158	1,259		1,259
Indian education	8		8	60		60	61		61
Other	1		1	8		8	12		12
Total—Office of Elementary and Secondary Education	770		770	7,409		7,409	7,356		7,356
Office of Bilingual Education and Minority Languages Affairs	20		20	169		169	158		158
Office of Special Education and Rehabilitative Services:									
Special education	352		352	2,423		2,423	2,048		2,048
Rehabilitation services and disability research	190		190	1,714		1,714	1,557		1,557
Special institutions for persons with disabilities	6		6	96		96	97		97
Office of Vocational and Adult Education	141		141	1,087		1,087	1,263		1,263
Office of Postsecondary Education:									
College housing loans		1	-1	1	39	-38	12	53	-40
Student financial assistance	276		276	5,482		5,482	5,782		5,782
Federal family education loans	227		227	-2,149		-2,149	3,480		3,480
Higher education	64		64	549		549	539		539
Howard University	13		13	156		156	151		151
Other	10		10	72		72	13		13
Total—Office of Postsecondary Education	591	1	590	4,111	39	4,072	9,978	53	9,925
Office of Educational Research and Improvement	36		36	323		323	277		277
Departmental management	43		43	286		286	260		260
Proprietary receipts from the public		4	-4		120	-120		49	-49
Total—Department of Education	2,149	5	2,144	17,619	159	17,460	22,994	102	22,892
Department of Energy:									
Atomic energy defense activities									
	932		932	8,822		8,822	8,129		8,129
Energy programs:									
General science and research activities	209		209	1,062		1,062	1,049		1,049
Energy supply, R and D activities	269		269	2,284		2,284	2,134		2,134
Uranium supply and enrichment activities	19		19	264		264	851		851
Fossil energy research and development	38		38	308		308	305		305
Energy conservation	54		54	425		425	380		380
Strategic petroleum reserve	17		17	213		213	335		335
Clean coal technology									
Nuclear waste disposal fund	34		34	209		209	188		188
Other	77	(* *)	77	664	2	663	112	2	110
Total—Energy programs	718	(* *)	718	5,429	2	5,427	5,354	2	5,352
Power Marketing Administration	119	114	4	1,294	1,262	32	1,673	1,092	581
Departmental administration	28		28	328		328	323		323
Proprietary receipts from the public		121	-121		1,269	-1,269		1,746	-1,746
Intrabudgetary transactions	7		7	-266		-266	-223		-223
Offsetting governmental receipts		1	-1		109	-109		23	-23
Total—Department of Energy	1,805	237	1,568	15,607	2,641	12,965	15,257	2,863	12,395

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
 [\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services, except Social Security:									
Public Health Service:									
Food and Drug Administration	66	(* *)	66	574	3	571	554	3	551
Health Resources and Services Administration	299	.....	299	1,838	.....	1,838	1,786	.....	1,786
Indian Health Services	147	.....	147	1,296	.....	1,296	1,234	.....	1,234
Centers for Disease Control and Prevention	139	.....	139	1,109	.....	1,109	948	.....	948
National Institutes of Health	925	.....	925	7,734	.....	7,734	7,246	.....	7,246
Substance Abuse and Mental Health Services Administration	268	.....	268	1,815	.....	1,815	2,045	.....	2,045
Agency for Health Care Policy and Research	20	.....	20	84	.....	84	44	.....	44
Assistant secretary for health	56	.....	56	190	.....	190	157	.....	157
Total—Public Health Service	1,920	(* *)	1,919	14,640	3	14,637	14,015	3	14,012
Health Care Financing Administration:									
Grants to States for Medicaid	7,456	.....	7,456	61,539	.....	61,539	55,837	.....	55,837
Payments to health care trust funds	3,574	.....	3,574	30,996	.....	30,996	33,607	.....	33,607
Federal hospital insurance trust fund:									
Benefit payments	9,293	.....	9,293	75,246	.....	75,246	67,195	.....	67,195
Administrative expenses	81	.....	81	907	.....	907	892	.....	892
Interest on normalized tax transfers .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total—FHI trust fund	9,374	.....	9,374	76,152	.....	76,152	68,087	.....	68,087
Federal supplementary medical insurance trust fund:									
Benefit payments	5,273	.....	5,273	42,319	.....	42,319	38,656	.....	38,656
Administrative expenses	143	.....	143	1,262	.....	1,262	1,078	.....	1,078
Total—FSMI trust fund	5,416	.....	5,416	43,581	.....	43,581	39,734	.....	39,734
Other	-9	.....	-9	8	.....	8	94	.....	94
Total—Health Care Financing Administration	25,811	.....	25,811	212,277	.....	212,277	197,359	.....	197,359
Social Security Administration:									
Payments to Social Security trust funds	7	.....	7	4,152	.....	4,152	4,630	.....	4,630
Special benefits for disabled coal miners	63	.....	63	584	.....	584	606	.....	606
Supplemental security income program	1,945	.....	1,945	18,082	.....	18,082	16,814	.....	16,814
Total—Social Security Administration	2,015	.....	2,015	22,818	.....	22,818	22,050	.....	22,050
Administration for children and families:									
Family support payments to States	1,099	.....	1,099	12,393	.....	12,393	11,747	.....	11,747
Low income home energy assistance	100	.....	100	1,935	.....	1,935	995	.....	995
Refugee and entrant assistance	27	.....	27	280	.....	280	271	.....	271
Community Services Block Grant	47	.....	47	342	.....	342	306	.....	306
Payments to States for afdc work programs	74	.....	74	612	.....	612	552	.....	552
Interim assistance to States for legalization	11	.....	11	626	.....	626	114	.....	114
Payments to States for child care assistance	96	.....	96	613	.....	613	279	.....	279
Social services block grant	224	.....	224	2,073	.....	2,073	2,144	.....	2,144
Children and families services programs	312	.....	312	2,927	.....	2,927	2,665	.....	2,665
Payments to States for foster care and adoption assistance	217	.....	217	2,281	.....	2,281	1,971	.....	1,971
Other .....	(* *)	.....	(* *)	(* *)	.....	(* *)	(* *)	.....	(* *)
Total—Administration for children and families	2,208	.....	2,208	24,082	.....	24,082	21,045	.....	21,045
Administration on aging	93	.....	93	642	.....	642	401	.....	401
Office of the Secretary	55	.....	55	185	.....	185	132	.....	132
Proprietary receipts from the public .....	.....	1,616	-1,616	.....	13,711	-13,711	.....	11,814	-11,814
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal hospital insurance trust fund .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Federal supplementary medical insurance trust fund ..	-3,028	.....	-3,028	-29,296	.....	-29,296	-33,126	.....	-33,126
Payments for tax and other credits:									
Federal hospital insurance trust fund	-546	.....	-546	-1,700	.....	-1,700	-481	.....	-481
Other .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total—Department of Health and Human Services, except Social Security	28,527	1,617	26,911	243,647	13,714	229,933	221,395	11,817	209,578

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Benefit payments	23,192		23,192	206,459		206,459	197,583		197,583
Administrative expenses and construction	154		154	1,209		1,209	1,385		1,385
Payment to railroad retirement account	3,420		3,420	3,420		3,420	3,353		3,353
Interest expense on interfund borrowings									
Interest on normalized tax transfers									
Total—FOASI trust fund	26,765		26,765	211,087		211,087	202,321		202,321
Federal disability insurance trust fund:									
Benefit payments	3,144		3,144	27,312		27,312	24,895		24,895
Administrative expenses and construction	73		73	735		735	659		659
Payment to railroad retirement account	106		106	106		106	83		83
Interest on normalized tax transfers									
Total—FDI trust fund	3,323		3,323	28,152		28,152	25,637		25,637
Proprietary receipts from the public		1	-1		10	-10		(*)	(*)
Intrabudgetary transactions ¹	-7		-7	-4,147		-4,147	-4,643		-4,643
Total—Department of Health and Human Services, Social Security(off-budget)	30,081	1	30,081	235,092	10	235,082	223,315	(*)	223,315
Department of Housing and Urban Development:									
Housing programs:									
Public enterprise funds	15	10	5	116	97	19	59	52	7
Credit accounts:									
Federal housing administration fund	561	675	-113	4,446	4,836	-391	4,564	3,959	604
Housing for the elderly or handicapped fund	-6	58	-65	690	527	162	785	487	299
Other	40		40	333	(*)	333	231	(*)	230
Rent supplement payments	9		9	57		57	42		42
Homeownership assistance	10		10	80		80	68		68
Rental housing assistance	55		55	494		494	497		497
Rental housing development grants	(*)		(*)	5		5	13		13
Low-rent public housing	47		47	592		592	610		610
Public housing grants	292		292	2,448		2,448	1,845		1,845
College housing grants	2		2	14		14	15		15
Lower income housing assistance	908		908	7,888		7,888	8,138		8,138
Section 8 contract renewals	248		248	2,533		2,533	1,801		1,801
Other	7		7	49		49	16		16
Total—Housing programs	2,188	742	1,445	19,743	5,461	14,282	18,685	4,498	14,186
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	1	4	-3	294	199	95	155	32	123
Payments for operation of low-income housing projects	221		221	1,919		1,919	1,790		1,790
Community Partnerships Against Crime	16		16	123		123	79		79
Other									
Total—Public and Indian Housing programs	238	4	234	2,336	199	2,137	2,024	32	1,992
Government National Mortgage Association:									
Management and liquidating functions fund				(*)	1	-1		2	-2
Guarantees of mortgage-backed securities	63	91	-27	760	1,119	-359	855	1,186	-331
Total—Government National Mortgage Association	63	91	-27	760	1,120	-360	855	1,188	-333
Community Planning and Development:									
Community Development Grants	358		358	2,619		2,619	2,347		2,347
Home investment partnerships program	89		89	527		527	117		117
Other	22	9	13	214	95	119	225	83	142
Total—Community Planning and Development	469	9	461	3,360	95	3,265	2,688	83	2,605
Management and Administration	27		27	364		364	395		395
Other	7		7	30		30	24		24
Proprietary receipts from the public		22	-22		197	-197		225	-225
Offsetting governmental receipts					5	-5		3	-3
Total—Department of Housing and Urban Development	2,993	868	2,125	26,593	7,078	19,516	24,672	6,030	18,641

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of lands and resources	56	.....	56	493	.....	493	474	.....	474
Other	22	.....	22	176	.....	176	177	.....	177
Minerals Management Service	54	.....	54	567	.....	567	513	.....	513
Office of Surface Mining Reclamation and Enforcement	32	.....	32	225	.....	225	219	.....	219
Total—Land and minerals management	165	.....	165	1,461	.....	1,461	1,383	.....	1,383
Water and science:									
Bureau of Reclamation:									
Construction program	36	.....	36	226	.....	226	198	.....	198
Operation and maintenance	21	.....	21	200	.....	200	211	.....	211
Other	58	6	53	347	114	233	357	106	250
Central Utah project .....	(* *)	.....	(* *)	20	.....	20	.....	.....	.....
Geological Survey	44	.....	44	448	.....	448	467	.....	467
Bureau of Mines	19	3	16	146	21	125	150	22	127
Total—Water and science	178	9	170	1,387	135	1,252	1,382	128	1,254
Fish and wildlife and parks:									
United States Fish and Wildlife Service	105	.....	105	917	.....	917	959	.....	959
National Biological Survey	13	.....	13	72	.....	72	.....	.....	.....
National Park Service	133	.....	133	1,093	.....	1,093	1,093	.....	1,093
Total—Fish and wildlife and parks	251	.....	251	2,081	.....	2,081	2,052	.....	2,052
Bureau of Indian Affairs:									
Operation of Indian programs	134	.....	134	1,020	.....	1,020	997	.....	997
Indian tribal funds	21	.....	21	211	.....	211	114	.....	114
Other	29	1	28	349	7	342	267	15	252
Total—Bureau of Indian Affairs	184	1	184	1,580	7	1,573	1,379	15	1,363
Territorial and international affairs	23	.....	23	228	.....	228	185	.....	185
Departmental offices	7	.....	7	105	.....	105	92	.....	92
Proprietary receipts from the public .....	.....	149	-149	.....	1,473	-1,473	.....	1,486	-1,486
Intrabudgetary transactions	-17	.....	-17	-218	.....	-218	-92	.....	-92
Offsetting governmental receipts .....	.....	.....	.....	.....	(* *)	(* *)	.....	(* *)	(* *)
Total—Department of the Interior	792	159	634	6,624	1,615	5,009	6,381	1,630	4,751
Department of Justice:									
Legal activities	264	.....	264	1,872	.....	1,872	2,149	.....	2,149
Federal Bureau of Investigation	98	.....	98	1,529	.....	1,529	1,476	.....	1,476
Drug Enforcement Administration	52	.....	52	568	.....	568	585	.....	585
Immigration and Naturalization Service	127	.....	127	1,117	.....	1,117	1,127	.....	1,127
Federal Prison System	203	10	193	1,782	88	1,694	1,617	71	1,547
Office of Justice Programs	79	.....	79	658	.....	658	702	.....	702
Other	26	.....	26	427	.....	427	694	.....	694
Intrabudgetary transactions	-4	.....	-4	-27	.....	-27	-192	.....	-192
Offsetting governmental receipts .....	.....	46	-46	.....	404	-404	.....	362	-362
Total—Department of Justice	845	55	790	7,926	492	7,435	8,159	433	7,726
Department of Labor:									
Employment and Training Administration:									
Training and employment services	411	.....	411	2,964	.....	2,964	2,917	.....	2,917
Community Service Employment for Older Americans	36	.....	36	292	.....	292	292	.....	292
Federal unemployment benefits and allowances	22	.....	22	117	.....	117	114	.....	114
State unemployment insurance and employment service operations	62	.....	62	207	.....	207	14	.....	14
Payments to the unemployment trust fund .....	.....	.....	.....	.....	.....	.....	7,515	.....	7,515
Advances to the unemployment trust fund and other funds .....	.....	.....	.....	2,547	.....	2,547	1,566	.....	1,566

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
 [\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Labor—Continued									
Unemployment trust fund:									
Federal-State unemployment insurance:									
State unemployment benefits	1,825	.....	1,825	21,837	.....	21,837	27,677	.....	27,677
State administrative expenses	210	.....	210	2,300	.....	2,300	2,532	.....	2,532
Federal administrative expenses	10	.....	10	142	.....	142	83	.....	83
Veterans employment and training	14	.....	14	139	.....	139	129	.....	129
Repayment of advances from the general fund .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Railroad unemployment insurance	4	.....	4	52	.....	52	58	.....	58
Other	2	.....	2	15	.....	15	15	.....	15
Total—Unemployment trust fund	2,064	.....	2,064	24,485	.....	24,485	30,493	.....	30,493
Other	8	.....	8	67	.....	67	56	.....	56
Total—Employment and Training Administration	2,603	.....	2,603	30,679	.....	30,679	42,968	.....	42,968
Pension Benefit Guaranty Corporation	72	64	8	916	1,188	-273	617	1,405	-787
Employment Standards Administration:									
Salaries and expenses	18	.....	18	172	.....	172	168	.....	168
Special benefits	149	.....	149	182	.....	182	246	.....	246
Black lung disability trust fund	49	.....	49	451	.....	451	459	.....	459
Other	14	.....	14	97	.....	97	94	.....	94
Occupational Safety and Health Administration	25	.....	25	219	.....	219	210	.....	210
Bureau of Labor Statistics	29	.....	29	205	.....	205	213	.....	213
Other	43	.....	43	357	.....	357	335	.....	335
Proprietary receipts from the public .....	.....	(* *)	(* *)	.....	2	-2	.....	2	-2
Intrabudgetary transactions	-145	.....	-145	-3,121	.....	-3,121	-9,853	.....	-9,853
Total—Department of Labor	2,857	64	2,793	30,156	1,191	28,966	35,458	1,406	34,052
Department of State:									
Administration of Foreign Affairs:									
Salaries and expenses	164	.....	164	1,372	.....	1,372	1,585	.....	1,585
Acquisition and maintenance of buildings abroad	35	.....	35	422	.....	422	346	.....	346
Payment to Foreign Service retirement and disability fund .....	.....	.....	.....	125	.....	125	119	.....	119
Foreign Service retirement and disability fund	37	.....	37	301	.....	301	312	.....	312
Other	10	.....	10	84	.....	84	75	.....	75
Total—Administration of Foreign Affairs	245	.....	245	2,305	.....	2,305	2,437	.....	2,437
International organizations and Conferences	1	.....	1	1,183	.....	1,183	1,236	.....	1,236
Migration and refugee assistance	83	.....	83	558	.....	558	519	.....	519
International narcotics control	7	.....	7	86	.....	86	108	.....	108
Other	2	.....	2	46	.....	46	52	.....	52
Proprietary receipts from the public .....	.....	.....	.....	.....	.....	.....	.....	(* *)	(* *)
Intrabudgetary transactions .....	(* *)	.....	(* *)	-176	.....	-176	-167	.....	-167
Offsetting governmental receipts .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total—Department of State	338	.....	338	4,002	.....	4,002	4,185	(* *)	4,185
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	1,755	.....	1,755	12,847	.....	12,847	10,907	.....	10,907
Other	-1	.....	-1	84	.....	84	107	.....	107
Other programs	24	.....	24	185	.....	185	174	.....	174
Total—Federal Highway Administration	1,778	.....	1,778	13,117	.....	13,117	11,188	.....	11,188
National Highway Traffic Safety Administration	21	.....	21	191	.....	191	178	.....	178
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation .....	.....	.....	.....	425	.....	425	345	.....	345
Other	35	2	34	280	10	270	276	12	264
Total—Federal Railroad Administration	35	2	34	705	10	696	621	12	609

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Transportation:—Continued									
Federal Transit Administration:									
Formula grants	159	.....	159	96	.....	96	1,406	.....	1,406
Discretionary grants	120	.....	120	1,196	.....	1,196	944	.....	944
Other	38	.....	38	2,061	.....	2,061	278	.....	278
Total—Federal Transit Administration	316	.....	316	3,353	.....	3,353	2,628	.....	2,628
Federal Aviation Administration:									
Operations	230	.....	230	1,914	.....	1,914	1,638	.....	1,638
Airport and airway trust fund:									
Grants-in-aid for airports	110	.....	110	1,136	.....	1,136	1,381	.....	1,381
Facilities and equipment	155	.....	155	1,628	.....	1,628	1,505	.....	1,505
Research, engineering and development	15	.....	15	156	.....	156	142	.....	142
Operations	191	.....	191	1,625	.....	1,625	1,709	.....	1,709
Total—Airport and airway trust fund	472	.....	472	4,546	.....	4,546	4,737	.....	4,737
Other	(*)	(*)	(*)	(*)	1	-1	(*)	2	-1
Total—Federal Aviation Administration	701	(*)	701	6,460	1	6,459	6,375	2	6,374
Coast Guard:									
Operating expenses	218	.....	218	1,821	.....	1,821	1,870	.....	1,870
Acquisition, construction, and improvements	28	.....	28	248	.....	248	204	.....	204
Retired pay	39	.....	39	373	.....	373	373	.....	373
Other	31	(*)	31	260	4	256	206	4	202
Total—Coast Guard	316	(*)	316	2,701	4	2,697	2,653	4	2,649
Maritime Administration	58	27	31	642	274	368	1,021	438	583
Other	-5	1	-6	258	5	253	276	9	267
Proprietary receipts from the public .....	.....	5	-5	.....	7	-7	.....	9	-9
Intrabudgetary transactions .....	.....	.....	.....	10	.....	10	-3	.....	-3
Offsetting governmental receipts .....	.....	(*)	(*)	.....	5	-5	.....	58	-58
Total—Department of Transportation	3,222	35	3,187	27,438	306	27,132	24,938	532	24,406
Department of the Treasury:									
Departmental offices:									
Exchange stabilization fund	-288	1	-290	-1,054	9	-1,063	-1,026	9	-1,036
Other	15	.....	15	131	.....	131	150	.....	150
Financial Management Service:									
Salaries and expenses	7	.....	7	167	.....	167	164	.....	164
Payment to the Resolution Funding Corporation .....	.....	.....	.....	1,751	.....	1,751	1,751	.....	1,751
Claims, judgements, and relief acts	63	.....	63	407	.....	407	403	.....	403
Net interest paid to loan guarantee financing accounts .....	.....	.....	.....	2	.....	2	20	.....	20
Other	21	.....	21	116	.....	116	111	.....	111
Total—Financial Management Service	90	.....	90	2,444	.....	2,444	2,450	.....	2,450
Federal Financing Bank	553	.....	553	337	.....	337	337	.....	337
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	25	.....	25	282	.....	282	273	.....	273
Internal revenue collections for Puerto Rico	17	.....	17	148	.....	148	145	.....	145
United States Customs Service	131	.....	131	1,421	.....	1,421	1,318	.....	1,318
Bureau of Engraving and Printing	-14	.....	-14	-9	.....	-9	-5	.....	-5
United States Mint	63	.....	63	21	.....	21	-5	.....	-5
Bureau of the Public Debt	38	.....	38	220	.....	220	228	.....	228
Internal Revenue Service:									
Processing tax returns and assistance	119	.....	119	1,241	.....	1,241	1,191	.....	1,191
Tax law enforcement	264	.....	264	2,791	.....	2,791	2,825	.....	2,825
Information systems	149	.....	149	912	.....	912	887	.....	887
Payment where earned income credit exceeds liability for tax	169	.....	169	10,768	.....	10,768	8,637	.....	8,637
Health insurance supplement to earned income credit	7	.....	7	428	.....	428	632	.....	632
Refunding internal revenue collections, interest	185	.....	185	1,922	.....	1,922	1,496	.....	1,496
Other	10	.....	10	112	.....	112	115	(*)	115
Total—Internal Revenue Service	904	.....	904	18,175	.....	18,175	15,782	(*)	15,782

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
 [\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of the Treasury—Continued									
United States Secret Service	41	.....	41	367	.....	367	384	.....	384
Comptroller of the Currency	30	3	27	281	227	54	258	209	49
Office of Thrift Supervision	17	2	15	134	89	45	158	112	46
Interest on the public debt:									
Public issues (accrual basis)	17,286	.....	17,286	153,840	.....	153,840	154,227	.....	154,227
Special issues (cash basis)	36,020	.....	36,020	86,576	.....	86,576	84,340	.....	84,340
Total—Interest on the public debt	53,306	.....	53,306	240,416	.....	240,416	238,567	.....	238,567
Other	3	.....	3	42	.....	42	45	.....	45
Proprietary receipts from the public .....	.....	310	-310	.....	2,349	-2,349	.....	1,653	-1,653
Receipts from off-budget federal entities .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Intrabudgetary transactions	-1,413	.....	-1,413	-8,668	.....	-8,668	-10,385	.....	-10,385
Offsetting governmental receipts .....	.....	76	-76	.....	584	-584	.....	542	-542
Total—Department of the Treasury	53,517	393	53,125	254,687	3,258	251,429	248,676	2,525	248,152
Department of Veterans Affairs:									
Veterans Health Administration:									
Medical care	1,300	.....	1,300	11,208	.....	11,208	10,467	.....	10,467
Other	53	23	30	2512	201	310	458	192	266
Veterans Benefits Administration:									
Public enterprise funds:									
Guaranty and indemnity fund	168	61	106	1,164	541	624	925	295	630
Loan guaranty revolving fund	40	48	-7	453	367	86	585	411	174
Other	11	32	-21	285	192	94	354	336	18
Compensation and pensions	1,458	.....	1,458	12,854	.....	12,854	12,702	.....	12,702
Readjustment benefits	89	.....	89	906	.....	906	682	.....	682
Post-Vietnam era veterans education account	6	.....	6	65	.....	65	85	.....	85
Insurance funds:									
National service life	103	.....	103	926	.....	926	828	.....	828
United States government life	2	.....	2	14	.....	14	15	.....	15
Veterans special life	9	74	-65	99	169	-70	96	173	-78
Other	3	.....	3	(* *)	.....	(* *)	3	.....	3
Total—Veterans Benefits Administration	1,889	215	1,674	16,766	1,268	15,498	16,273	1,215	15,058
Construction	49	.....	49	498	(* *)	498	468	(* *)	468
Departmental administration	42	.....	42	739	.....	739	802	.....	802
Proprietary receipts from the public:									
National service life .....	.....	26	-26	.....	259	-259	.....	300	-300
United States government life .....	.....	(* *)	(* *)	.....	(* *)	(* *)	.....	(* *)	(* *)
Other .....	.....	67	-67	.....	2996	-996	.....	574	-574
Intrabudgetary transactions .....	.....	(* *)	(* *)	-28	.....	-28	-26	.....	-26
Total—Department of Veterans Affairs	3,333	331	3,001	29,695	2,725	26,970	28,442	2,282	26,160
Environmental Protection Agency:									
Program and research operations	66	.....	66	627	.....	627	654	.....	654
Abatement, control, and compliance	140	.....	140	958	.....	958	952	.....	952
Water infrastructure financing	182	.....	182	1,444	.....	1,444	1,537	.....	1,537
Hazardous substance superfund	111	.....	111	1,030	.....	1,030	1,033	.....	1,033
Other	39	(* *)	39	575	3	573	553	17	536
Proprietary receipts from the public .....	.....	17	-17	.....	153	-153	.....	122	-122
Intrabudgetary transactions .....	.....	.....	.....	-250	.....	-250	-250	.....	-250
Offsetting governmental receipts .....	.....	1	-1	.....	7	-7	.....	8	-8
Total—Environmental Protection Agency	538	18	520	4,385	163	4,222	4,478	147	4,331
General Services Administration:									
Real property activities	408	.....	408	197	.....	197	582	.....	582
Personal property activities	46	.....	46	36	.....	36	31	.....	31
Information Resources Management Service	3	.....	3	60	.....	60	59	.....	59
Other	18	.....	18	103	.....	103	104	.....	104
Proprietary receipts from the public .....	.....	(* *)	(* *)	.....	3	-3	.....	3	-3
Total—General Services Administration	475	(* *)	475	396	3	393	778	3	775

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
National Aeronautics and Space Administration:									
Research and development	557	.....	557	4,866	.....	4,866	5,258	.....	5,258
Space flight, control, and data communications	387	.....	387	3,611	.....	3,611	3,755	.....	3,755
Construction of facilities	36	.....	36	301	.....	301	405	.....	405
Research and program management	122	.....	122	1,213	.....	1,213	1,177	.....	1,177
Other	2	.....	2	12	.....	12	12	.....	12
Total—National Aeronautics and Space Administration	1,105	.....	1,105	10,004	.....	10,004	10,606	.....	10,606
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	240	.....	240	2,874	.....	2,874	2,745	.....	2,745
Payment to civil service retirement and disability fund .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Civil service retirement and disability fund	3,072	.....	3,072	27,039	.....	27,039	26,015	.....	26,015
Employees health benefits fund	1,321	1,280	41	11,362	11,812	-450	10,815	11,347	-532
Employees life insurance fund	114	112	2	1,024	1,937	-913	984	1,800	-817
Retired employees health benefits fund	1	1	(* *)	6	6	(* *)	6	6	(* *)
Other	9	.....	9	110	.....	110	81	.....	81
Intrabudgetary transactions:									
Civil service retirement and disability fund:									
General fund contributions .....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	-3	.....	-3	-25	.....	-25	-32	.....	-32
Total—Office of Personnel Management	4,754	1,393	3,361	42,389	13,755	28,634	40,614	13,154	27,461
Small Business Administration:									
Public enterprise funds:									
Business loan fund	32	37	-5	408	308	100	826	547	280
Disaster loan fund	45	19	26	175	216	-41	295	365	-70
Other	1	1	(* *)	17	10	7	41	11	30
Other	48	(* *)	48	417	(* *)	417	371	(* *)	371
Total—Small Business Administration	126	58	68	1,017	534	483	1,534	923	611
Other independent agencies:									
Action	15	.....	15	124	.....	124	151	.....	151
Board for International Broadcasting	15	.....	15	144	.....	144	169	.....	169
Corporation for National and Community Service	5	.....	5	23	.....	23	.....	.....	.....
Corporation for Public Broadcasting .....	.....	.....	.....	275	.....	275	319	.....	319
District of Columbia:									
Federal payment .....	.....	.....	.....	698	.....	698	698	.....	698
Other	-2	.....	-2	1	12	-11	1	160	-159
Equal Employment Opportunity Commission	14	(* *)	14	170	(* *)	169	158	(* *)	158
Export-Import Bank of the United States	157	202	-46	838	1,610	-773	1,091	1,734	-642
Federal Communications Commission	11	1	9	105	28	77	97	30	68
Federal Deposit Insurance Corporation:									
Bank insurance fund	466	437	30	2,227	8,565	-6,338	6,647	11,789	-5,142
Savings association insurance fund	3	6	-3	19	557	-537	37	446	-410
FSLIC resolution fund	135	149	-14	1,670	2,523	-853	2,394	1,065	1,329
Affordable housing and bank enterprise	1	.....	1	3	.....	3	1	.....	1
Federal Emergency Management Agency:									
Public enterprise funds	27	61	-34	309	306	3	597	223	374
Disaster relief	372	.....	372	2,807	.....	2,807	1,640	.....	1,640
Emergency management planning and assistance	4	.....	4	157	.....	157	201	.....	201
Other	28	.....	28	195	.....	195	249	.....	249
Federal Trade Commission	6	.....	6	65	.....	65	63	.....	63
Interstate Commerce Commission	3	.....	3	31	.....	31	31	.....	31
Legal Services Corporation	33	.....	33	297	.....	297	299	.....	299
National Archives and Records Administration	11	(* *)	11	163	(* *)	163	144	(* *)	144
National Credit Union Administration:									
Credit union share insurance fund	-16	3	-18	-19	223	-242	17	336	-320
Central liquidity facility .....	(* *)	.....	(* *)	54	54	(* *)	75	75	(* *)
Other	9	1	8	32	48	-17	30	46	-16

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
 [\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Other independent agencies:—Continued									
National Endowment for the Arts	16	.....	16	129	.....	129	129	.....	129
National Endowment for the Humanities	15	.....	15	120	.....	120	114	.....	114
National Labor Relations Board	11	.....	11	127	.....	127	125	.....	125
National Science Foundation	283	.....	283	1,876	.....	1,876	1,757	.....	1,757
Nuclear Regulatory Commission	44	9	35	397	346	51	355	337	17
Panama Canal Commission	43	46	-3	389	421	-32	386	408	-22
Postal Service:									
Public enterprise funds (off-budget)	3,849	34,122	-274	35,037	37,268	-2,231	33,781	36,381	-2,601
Payment to the Postal Service fund	.....	.....	.....	107	.....	107	130	.....	130
Railroad Retirement Board:									
Federal windfall subsidy	22	.....	22	204	.....	204	219	.....	219
Federal payments to the railroad retirement accounts	(* *)	.....	(* *)	38	.....	38	44	.....	44
Rail industry pension fund:									
Advances from FOASDI fund	-91	.....	-91	-814	.....	-814	-801	.....	-801
OASDI certifications	91	.....	91	814	.....	814	801	.....	801
Administrative expenses	6	.....	6	54	.....	54	52	.....	52
Interest on refunds of taxes	(* *)	.....	(* *)	15	.....	15	5	.....	5
Other	1	.....	1	7	.....	7	4	.....	4
Intrabudgetary transactions:									
Payments from other funds to the railroad retirement trust funds	-3,526	.....	-3,526	-3,526	.....	-3,526	-3,435	.....	-3,435
Other	232	.....	232	194	.....	194	207	.....	207
Supplemental annuity pension fund	244	.....	244	2,195	.....	2,195	2,168	.....	2,168
Railroad Social Security equivalent benefit account	402	.....	402	3,590	.....	3,590	3,508	.....	3,508
Other	(* *)	.....	(* *)	(* *)	.....	(* *)	3	.....	3
Total—Railroad Retirement Board	-2,619	.....	-2,619	2,773	.....	2,773	2,775	.....	2,775
Resolution Trust Corporation	2,562	1,329	1,233	14,859	10,948	3,911	9,798	26,116	-16,318
Securities and Exchange Commission	7	.....	7	41	.....	41	80	.....	80
Smithsonian Institution	35	.....	35	274	.....	274	289	.....	289
Tennessee Valley Authority	362	484	-122	7,091	6,298	792	6,322	4,722	1,600
United States Information Agency	138	.....	138	872	(* *)	872	754	(* *)	754
Other	243	155	88	1,906	1,034	872	887	128	759
Total—Other independent agencies	6,287	7,006	-720	76,387	70,244	6,144	72,793	83,998	-11,205
Undistributed offsetting receipts:									
Other interest	.....	(* *)	(* *)	.....	(* *)	(* *)	.....	(* *)	(* *)
Employer share, employee retirement:									
Legislative Branch:									
United States Tax Court:									
Tax court judges survivors annuity fund	.....	.....	.....	(* *)	.....	(* *)	(* *)	.....	(* *)
The Judiciary:									
Judicial survivors annuity fund	.....	.....	.....	.....	.....	.....	.....	.....	.....
Department of Defense—Civil:									
Military retirement fund	-1,067	.....	-1,067	-9,602	.....	-9,602	-9,859	.....	-9,859
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund:									
Federal employer contributions	-143	.....	-143	-1,343	.....	-1,343	-1,337	.....	-1,337
Postal Service employer contributions	-50	.....	-50	-395	.....	-395	-342	.....	-342
Payments for military service credits	.....	.....	.....	.....	.....	.....	.....	.....	.....
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	-464	.....	-464	-4,056	.....	-4,056	-4,007	.....	-4,007
Payments for military service credits	.....	.....	.....	.....	.....	.....	.....	.....	.....
Federal disability insurance trust fund:									
Federal employer contributions	-50	.....	-50	-436	.....	-436	-428	.....	-428
Payments for military service credits	.....	.....	.....	.....	.....	.....	.....	.....	.....
Department of State:									
Foreign Service retirement and disability fund	-9	.....	-9	-82	.....	-82	-81	.....	-81
Office of Personnel Management:									
Civil service retirement and disability fund	-777	.....	-777	-7,326	.....	-7,326	-7,101	.....	-7,101
Independent agencies:									
Court of veterans appeals retirement fund	(* *)	.....	(* *)	(* *)	.....	(* *)	.....	.....	.....
Total—Employer share, employee retirement	-2,559	.....	-2,559	-23,241	.....	-23,241	-23,155	.....	-23,155

Table 5. Outlays of the U.S. Government, June 1994 and Other Periods—Continued
[\$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Undistributed offsetting receipts:—Continued									
Interest received by trust funds:									
The Judiciary:									
Judicial survivors annuity fund				-13		-13	-13		-13
Department of Defense—Civil:									
Corps of Engineers	-4		-4	-13		-13	-5		-5
Military retirement fund	77		77	-10,147		-10,147	-9,761		-9,761
Education benefits fund	(* *)		(* *)	-41		-41	-46		-46
Soldiers' and airmen's home permanent fund	-2		-2	-8		-8	-17		-17
Other	(* *)		(* *)	-1		-1	(* *)		(* *)
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund	-5,196		-5,196	-10,560		-10,560	-10,536		-10,536
Federal supplementary medical insurance trust fund ..	-968		-968	-2,058		-2,058	-1,871		-1,871
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund ...	-14,085		-14,085	-28,379		-28,379	-25,710		-25,710
Federal disability insurance trust fund	-252		-252	-664		-664	-943		-943
Department of Labor:									
Unemployment trust fund	-1,119		-1,119	-2,466		-2,466	-2,526		-2,526
Department of State:									
Foreign Service retirement and disability fund	-289		-289	-570		-570	-546		-546
Department of Transportation:									
Highway trust fund	-640		-640	-1,372		-1,372	-1,540		-1,540
Airport and airway trust fund	-396		-396	-821		-821	-1,029		-1,029
Oil spill liability trust fund	(* *)		(* *)	-7		-7	-43		-43
Department of Veterans Affairs:									
National service life insurance fund	-537		-537	-1,078		-1,078	-1,083		-1,083
United States government life Insurance Fund	-5		-5	-10		-10	-11		-11
Environmental Protection Agency	(* *)		(* *)	-1		-1	-1		-1
National Aeronautics and Space Administration	(* *)		(* *)	-1		-1	-1		-1
Office of Personnel Management:									
Civil service retirement and disability fund	-12,952		-12,952	-26,072		-26,072	-25,089		-25,089
Independent agencies:									
Railroad Retirement Board	-30		-30	-456		-456	-693		-693
Other	(* *)		(* *)	-11		-11	-10		-10
Other	-9		-9	-122		-122	-19		-19
Total—Interest received by trust funds	-36,407		-36,407	-84,870		-84,870	-81,493		-81,493
Rents and royalties on the outer continental shelf lands ..		268	-268		2,308	-2,308		2,127	-2,127
Sale of major assets									
Total—Undistributed offsetting receipts	-38,966	268	-39,234	-108,111	2,308	-110,419	-104,649	2,127	-106,775
Total outlays	138,671	15,749	122,923	1,236,713	147,499	1,089,213	1,216,315	156,792	1,059,523
Total on-budget	119,592	11,626	107,966	1,000,118	110,221	889,897	990,308	120,411	869,897
Total off-budget	19,079	4,123	14,956	236,594	37,278	199,316	226,007	36,382	189,626
Total surplus (+) or deficit			+15,202			-150,087			-201,167
Total on-budget			-1,952			-204,043			-246,448
Total off-budget			+17,154			+53,956			+45,281

MEMORANDUM

Receipts offset against outlays

[\$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	35,684	32,481
Receipts from off-budget federal entities		
Intrabudgetary transactions	170,879	180,146
Governmental receipts	1,467	1,380
Total receipts offset against outlays	208,030	214,007

¹Includes FICA and SECA tax credits, non-contributory military service credits, special benefits for the aged, and credit for unnegotiated OASI benefit checks.

²Prior period adjustment.

³The Postal Service accounting is composed of thirteen 28-day accounting periods. To conform with the MTS calendar-month reporting basis used by all other Federal agencies, the MTS reflects USPS results through 6/25 and estimates for \$230 million for 6/30.

... No Transactions.

(* *) Less than \$500,000

Note: Details may not add to totals due to rounding

Table 6. Means of Financing the Deficit or Disposition of Surplus by the U.S. Government, June 1994 and Other Periods
 [\$ millions]

Assets and Liabilities Directly Related to Budget Off-budget Activity	Net Transactions (-) denotes net reduction of either liability or asset accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Liability accounts:						
Borrowing from the public:						
Public debt securities, issued under general Financing authorities:						
Obligations of the United States, issued by:						
United States Treasury	36,506	234,313	287,330	4,396,489	4,594,296	4,630,802
Federal Financing Bank				15,000	15,000	15,000
Total, public debt securities	36,506	234,313	287,330	4,411,489	4,609,296	4,645,802
Plus premium on public debt securities	-8	-17	363	1,373	1,364	1,356
Less discount on public debt securities	1,477	-9,366	4,445	86,397	75,554	77,031
Total public debt securities net of Premium and discount	35,021	243,662	283,247	4,326,466	4,535,108	4,570,128
Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C)	127	2,778	2,697	24,682	27,334	27,461
Total federal securities	35,148	246,441	285,944	4,351,149	4,562,441	4,597,589
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	33,265	86,211	83,335	1,116,740	1,169,686	1,202,951
Less discount on federal securities held as investments of government accounts	15	-11,995	(* *)	12,709	698	713
Net federal securities held as investments of government accounts	33,250	98,206	83,335	1,104,032	1,168,988	1,202,238
Total borrowing from the public	1,898	148,235	202,609	3,247,117	3,393,453	3,395,352
Accrued interest payable to the public	8,852	-1,248	-1,104	43,819	33,719	42,571
Allocations of special drawing rights	152	147	-339	6,950	6,944	7,096
Deposit funds	843	-749	7	6,249	4,656	5,500
Miscellaneous liability accounts (includes checks Outstanding etc.)	-7,955	(* *)	-697	3,228	11,184	3,229
Total liability accounts	3,790	146,385	200,476	3,307,362	3,449,957	3,453,747
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash: ¹						
Federal Reserve account	3,681	-7,933	3,800	17,289	5,675	9,356
Tax and loan note accounts	20,116	6,418	-2,001	35,217	21,519	41,635
Balance	23,797	-1,515	1,799	52,506	27,194	50,991
Special drawing rights:						
Total holdings	209	528	-3,123	9,203	9,522	9,731
SDR certificates issued to Federal Reserve banks			2,000	-8,018	-8,018	-8,018
Balance	209	528	-1,123	1,185	1,504	1,713
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments			12,063	31,762	31,762	31,762
Maintenance of value adjustments	823	795	-1,221	5,864	5,835	6,659
Letter of credit issued to IMF	117	-134	-10,177	-25,514	-25,765	-25,648
Dollar deposits with the IMF	3	4	-36	-98	-98	-94
Receivable/Payable (-) for interim maintenance of value adjustments	-595	-578	1,523	90	106	-489
Balance	348	86	2,152	12,103	11,841	12,190
Loans to International Monetary Fund				(* *)	(* *)	(* *)
Other cash and monetary assets	-3,526	-675	-2,096	22,414	25,265	21,739
Total cash and monetary assets	20,828	-1,576	731	88,208	65,804	86,632
Net activity, guaranteed loan financing	-144	-2,366	-2,848	-6,320	-8,542	-8,685
Net activity, direct loan financing	383	3,398	2,342	6,862	9,877	10,260
Miscellaneous asset accounts	-2,022	-2,657	-672	-636	-1,272	-3,294
Total asset accounts	19,046	-3,202	-447	88,114	65,867	84,912
Excess of liabilities (+) or assets (-)	-15,256	+149,586	+200,922	+3,219,248	+3,384,090	+3,368,835
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	54	501	245		447	501
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (-))	-15,202	+150,087	+201,167	+3,219,248	+3,384,537	+3,369,336

¹Major sources of information used to determine Treasury's operating cash income include the Daily Balance Wires from Federal Reserve Banks, reporting from the Bureau of Public Debt, electronic transfers through the Treasury Financial Communication System and reconciling wires from Internal Revenue Centers. Operating cash is presented on a modified cash basis, deposits are reflected as received and withdrawals are reflected as processed.

... No Transactions.
 (* *) Less than \$500,000
 Note: Details may not add to totals due to rounding

Table 6. Schedule A—Analysis of Change in Excess of Liabilities of the U.S. Government, June 1994 and Other Periods

[\$ millions]			
Classification	This Month	Fiscal Year to Date	
		This Year	Prior Year
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period	3,384,090	3,218,965	2,964,066
Adjustments during current fiscal year for changes in composition of unified budget:			
Reclassification of the Disaster Assistance Liquidating Account, FEMA, to a budgetary status			(*)
Revisions by federal agencies to the prior budget results		284	101
Reclassification of Thrift Savings Plan Clearing Accounts to a non-budgetary status			(*)
Reclassification of Deposit in Transit Differences (Suspense) Clearing Accounts to a budgetary status			174
Excess of liabilities beginning of period (current basis)	3,384,090	3,219,248	2,964,341
Budget surplus (-) or deficit:			
Based on composition of unified budget in prior fiscal yr	-15,202	150,087	201,167
Changes in composition of unified budget			
Total surplus (-) or deficit (Table 2)	-15,202	150,087	201,167
Total-on-budget (Table 2)	1,952	204,043	246,448
Total-off-budget (Table 2)	-17,154	-53,956	-45,281
Transactions not applied to current year's surplus or deficit:			
Seigniorage	-54	-501	-245
Profit on sale of gold		(*)	(*)
Total transactions not applied to current year's Surplus or deficit	-54	-501	-245
Excess of liabilities close of period	3,368,835	3,368,835	3,165,263

Table 6. Schedule B—Securities Issued by Federal Agencies Under Special Financing Authorities, June 1994 and Other Periods

[\$ millions]						
Classification	Net Transactions (-) denotes net reduction of liability accounts			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Agency securities, issued under special financing authorities:						
Obligations of the United States, issued by:						
Export-Import Bank of the United States				(*)	(*)	(*)
Federal Deposit Insurance Corporation:						
Bank insurance fund				93	93	93
FSLIC resolution fund		-145	-194	943	797	797
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family housing mortgages		(*)	(*)	7	6	6
Department of Housing and Urban Development:						
Federal Housing Administration	6	-75	-18	213	131	138
Department of the Interior:						
Bureau of Land Management				13	13	13
Department of Transportation:						
Coast Guard:						
Family housing mortgages				(*)	(*)	(*)
Obligations not guaranteed by the United States, issued by:						
Legislative Branch:						
Architect of the Capitol	1	12	11	176	187	188
Independent agencies:						
Farm Credit System Financial Assistance Corporation				1,261	1,261	1,261
National Archives and Records Administration				302	302	302
Tennessee Valley Authority	120	2,988	2,898	21,675	24,543	24,662
Total, agency securities	127	2,778	2,697	24,682	27,334	27,461

... No Transactions.

(*) Less than \$500,000.

Note: Details may not add to totals due to rounding.

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, June 1994 and Other Periods

[\$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing from the Treasury:						
Funds Appropriated to the President:						
International Security Assistance:						
Guaranty reserve fund		405			405	405
Agency for International Development:						
International Debt Reduction				348	348	348
Housing and other credit guaranty programs				125	125	125
Overseas Private Investment Corporation		8	3	8	16	16
Department of Agriculture:						
Foreign assistance programs		354	70	193	547	547
Commodity Credit Corporation	42	-9,087	5,702	24,745	15,617	15,659
Farmers Home Administration:						
Agriculture credit insurance fund		-1,225	226	5,771	4,546	4,546
Self-help housing land development fund		1	1	1	1	1
Rural housing insurance fund	-98	2,036	568	2,910	5,044	4,947
Rural Development Administration:						
Rural development insurance fund		561	69	1,680	2,241	2,241
Rural development loan fund		29	3	5	34	34
Federal Crop Insurance Corporation:						
Federal crop insurance corporation fund		-113		113		
Rural Electrification Administration:						
Rural communication development fund		31		25	55	55
Rural electrification and telephone revolving fund	-210	37	194	8,099	8,346	8,136
Rural Telephone Bank	-32	-202	40	802	632	600
Department of Commerce:						
Federal ship financing fund, NOAA			-2			
Department of Education:						
Guaranteed student loans				2,058	2,058	2,058
College housing and academic facilities fund	291	304		154	168	459
College housing loans		(* *)		460	460	460
Department of Energy:						
Isotope production and distribution fund			4	13	13	13
Bonneville power administration fund		266	370	2,332	2,597	2,597
Department of Housing and Urban Development:						
Housing programs:						
Housing for the elderly and handicapped		-475	185	8,959	8,484	8,484
Public and Indian housing:						
Low-rent public housing		25	25	110	135	135
Department of the Interior:						
Bureau of Reclamation Loans		6	2	5	11	11
Bureau of Mines, Helium Fund				252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans		9	8	17	26	26
Department of Justice:						
Federal prison industries, incorporated				20	20	20
Department of State:						
Repatriation loans	(* *)	(* *)	-1			(* *)
Department of Transportation:						
Federal Railroad Administration:						
Railroad rehabilitation and improvement financing funds	1	8	8	8	15	16
Settlements of railroad litigation				-39	-39	-39
Amtrak corridor improvement loans			1	2	2	2
Regional rail reorganization program				39	39	39
Federal Aviation Administration:						
Aircraft purchase loan guarantee program		(* *)	(* *)	(* *)	(* *)	(* *)
Department of the Treasury:						
Federal Financing Bank revolving fund	-490	-13,726	-31,469	114,329	101,092	100,603
Department of Veterans Affairs:						
Loan guaranty revolving fund		1,158	514	860	2,018	2,018
Guaranty and indemnity fund		612	183	83	695	695
Direct loan revolving fund		7	(* *)	1	8	8
Vocational rehabilitation revolving fund		1	(* *)	2	2	2
Environmental Protection Agency:						
Abatement, control, and compliance loan program		10	4	12	22	22
Small Business Administration:						
Business loan and revolving fund		2,464		3,203	5,667	5,667

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, June 1994 and Other Periods—Continued

[\$ millions]

Classification	Transactions			Account Balances Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Borrowing for the Treasury:—Continued						
Other independent agencies:						
Export-Import Bank of the United States		811	191	386	1,197	1,197
Federal Emergency Management Agency:						
National insurance development fund	-78	47	8	42	167	89
Pennsylvania Avenue Development Corporation:						
Land aquisition and development fund		9	3	76	85	85
Railroad Retirement Board:						
Railroad retirement account				2,128	2,128	2,128
Social Security equivalent benefit account	-2,655	-642	-692	2,690	4,703	2,048
Smithsonian Institution:						
John F. Kennedy Center parking facilities				20	20	20
Tennessee Valley Authority				150	150	150
Total agency borrowing from the Treasury financed through public debt securities issued	-3,229	-16,272	-23,784	183,196	170,154	166,925
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military sales	-31	-195	-185	4,083	3,919	3,888
Department of Agriculture:						
Rural Electrification Administration	-61	-296	-265	22,252	22,018	21,956
Farmers Home Administration:						
Agriculture credit insurance fund	-765	-1,675	-3,250	8,908	7,998	7,233
Rural housing insurance fund	-360	-945		26,036	25,451	25,091
Rural development insurance fund				3,675	3,675	3,675
Department of Defense:						
Department of the Navy				1,624	1,624	1,624
Defense agencies		-49	-48	-96	-145	-145
Department of Education:						
Student Loan Marketing Association		-4,790	-30	4,790		
Department of Health and Human Services, Except Social Security:						
Medical facilities guarantee and loan fund	-4	-10	-27	85	78	75
Department of Housing and Urban Development:						
Low rent housing loans and other expenses		-54	-52	1,801	1,747	1,747
Community Development Grants		-16	-35	131	115	115
Department of Interior:						
Territorial and international affairs		-1	-28	23	22	22
Department of Transportation:						
Federal Railroad Administration	-1	-2	-2	17	16	15
Department of the Treasury:						
Financial Management Service		-30	-72	30		
General Services Administration:						
Federal buildings fund	5	253	573	1,436	1,685	1,690
Small Business Administration:						
Business loan and investment fund	-17	-74	-82	670	613	596
Independent agencies:						
Export-Import Bank of the United States	-464	-1,411	-1,440	5,795	4,847	4,383
Federal Deposit Insurance Corporation:						
Bank insurance fund			-7,660			
Pennsylvania Avenue Development Corporation	8	75	48	150	217	225
Postal Service		-258	278	9,732	9,473	9,473
Resolution Trust Corporation	1,500	-2,785	-17,448	31,688	27,402	28,902
Tennessee Valley Authority	-300	-1,950	-1,763	6,325	4,675	4,375
Washington Metropolitan Transit Authority		488		177	665	665
Total borrowing from the Federal Financing Bank	-490	-13,726	-31,488	129,332	116,095	115,605

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase of agency financial assets, by the acquisition of agency debt securities, and by direct loans on behalf of an agency. The Federal Financing Bank borrows from Treasury and issues its own securities and in turn may loan these funds to agencies in lieu of agencies borrowing directly through Treasury or issuing their own securities.

... No Transactions.
 (* *) Less than \$500,000
 Note: Details may not add to totals due to rounding

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, June 1994 and Other Periods

[\$ millions]

Classification	Net Purchases or Sales (-)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Federal funds:						
Department of Agriculture	-2	(* *)	(* *)	.....	2	(* *)
Department of Commerce	(* *)	3	1	10	13	13
Department of Defense—Military:						
Defense cooperation account		-4	-2,020	9	5	5
Department of Energy	-47	410	306	4,081	4,538	4,491
Department of Housing and Urban Development:						
Housing programs:						
Federal housing administration fund:						
Public debt securities	(* *)	479	-300	5,214	5,693	5,693
Government National Mortgage Association:						
Management and liquidating functions fund:						
Public debt securities		-9	2	9	.....	.....
Agency securities		-4	.....	20	16	16
Guarantees of mortgage-backed securities:						
Public debt securities	30	346	328	3,221	3,537	3,567
Agency securities		(* *)	(* *)	1	1	1
Other		-6	7	191	184	184
Department of the Interior:						
Public debt securities	-17	462	356	2,508	2,987	2,971
Department of Labor	-13	-11,783	795	16,590	4,820	4,807
Department of Transportation	-47	13	76	881	940	894
Department of the Treasury	690	1,652	2,278	5,773	6,736	7,426
Department of Veterans Affairs:						
Canteen service revolving fund		3	-3	38	41	41
Veterans reopened insurance fund	19	14	17	518	513	532
Servicemen's group life insurance fund	1	-108	-44	150	41	42
Independent agencies:						
Export-Import Bank of the United States	-349	83	203	76	508	159
Federal Deposit Insurance Corporation:						
Bank insurance fund	-11	6,421	-2,460	4,325	10,757	10,746
Savings association insurance fund	3	538	410	1,283	1,818	1,822
FSLIC resolution fund						
Public debt securities	13	1,316	-838	828	2,131	2,145
Federal Emergency Management Agency:						
National flood insurance fund		-71	-422	71	.....	.....
National Credit Union Administration	11	259	335	2,764	3,012	3,023
Postal Service	379	2,430	2,413	3,027	5,078	5,457
Tennessee Valley Authority		502	-720	3,452	3,954	3,954
Other	-1	82	55	853	936	935
Other	-391	-202	202	2,715	2,904	2,513
Total public debt securities	270	2,830	977	58,589	61,149	61,419
Total agency securities .....	.....	-4	(* *)	21	17	17
Total Federal funds	270	2,826	977	58,610	61,166	61,436
Trust funds:						
Legislative Branch:						
Library of Congress	(* *)	3	3	1	4	4
United States Tax Court .....	.....	(* *)	(* *)	4	5	5
Other	(* *)	1	(* *)	27	27	27
The Judiciary:						
Judicial retirement funds .....	.....	27	15	212	239	239
Department of Agriculture	(* *)	195	7	5	199	200
Department of Commerce .....	.....	(* *)	(* *)	.....	(* *)	(* *)
Department of Defense—Military:						
Voluntary separation incentive fund	-7	-37	895	844	815	808
Other	(* *)	7	-7	151	159	159
Department of Defense—Civil:						
Military retirement fund	-1,182	11,987	12,094	96,690	109,859	108,677
Other	-9	31	382	1,213	1,252	1,243

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, June 1994 and Other Periods—Continued

Classification	[\$ millions]					
	Net Purchases or Sales (-)			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Trust Funds—Continued						
Department of Health and Human Services, except Social Security:						
Federal hospital insurance trust fund:						
Public debt securities	5,310	5,520	7,575	126,078	126,289	131,599
Federal supplementary medical insurance trust fund	198	289	4,317	23,268	23,360	23,557
Other	30	139	53	659	768	798
Department of Health and Human Services, Social Security:						
Federal old-age and survivors insurance trust fund:						
Public debt securities	16,812	54,164	43,727	355,510	392,862	409,674
Federal disability insurance trust fund	118	-2,183	-1,407	10,237	7,936	8,054
Department of the Interior:						
Public debt securities	-5	26	-187	184	215	210
Department of Justice	-15	52	118	.....	67	52
Department of Labor:						
Unemployment trust fund	-621	2,419	522	36,607	39,646	39,026
Other	-14	-30	-30	53	36	23
Department of State:						
Foreign Service retirement and disability fund	260	478	455	6,662	6,880	7,140
Other .....	.....	12	38	38	50	50
Department of Transportation:						
Highway trust fund	339	-1,648	2,736	22,004	20,018	20,357
Airport and airway trust fund	344	-144	-1,733	12,672	12,183	12,527
Other	-12	-100	153	1,675	1,588	1,576
Department of the Treasury	-27	-50	-54	209	186	159
Department of Veterans Affairs:						
General post fund, national homes .....	.....	(* *)	5	39	38	38
National service life insurance:						
Public debt securities	441	384	530	11,666	11,610	12,051
United States government life Insurance Fund	(* *)	-7	-8	125	118	117
Veterans special life insurance fund	61	66	75	1,462	1,466	1,527
Environmental Protection Agency	33	528	831	5,477	5,971	6,005
National Aeronautics and Space Administration	(* *)	1	(* *)	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	11,020	9,801	9,573	311,705	310,485	321,506
Employees health benefits fund	-41	581	497	6,794	7,416	7,375
Employees life insurance fund	-1	923	820	13,688	14,613	14,612
Retired employees health benefits fund	(* *)	(* *)	(* *)	1	1	1
Independent agencies:						
Harry S. Truman memorial scholarship trust fund .....	.....	1	2	52	53	53
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	17	17	17
Railroad Retirement Board	-36	-150	342	11,961	11,847	11,811
Other	-1	101	16	125	227	225
Total public debt securities	32,995	83,384	82,358	1,058,131	1,108,519	1,141,515
Total trust funds	32,995	83,384	82,358	1,058,131	1,108,519	1,141,515
Grand total	33,265	86,211	83,335	1,116,740	1,169,686	1,202,951

... No Transactions
 (* *) Less than \$500,000.

Note: Investments are in public debt securities unless otherwise noted.
 Note: Details may not add to totals due to rounding.

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1994
 [\$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Receipts:														
Individual income taxes	37,680	37,634	54,183	74,167	28,107	29,917	60,038	24,384	58,123				404,232	377,104
Corporation income taxes	2,158	2,208	28,239	3,916	1,594	15,574	20,586	2,817	29,114				106,207	88,372
Social insurance taxes and contributions:														
Employment taxes and contributions	29,440	31,525	33,273	35,831	32,957	35,976	47,348	35,749	40,853				322,953	298,428
Unemployment insurance	1,046	2,773	259	794	2,664	522	2,605	10,426	290				21,379	19,624
Other retirement contributions	343	385	423	358	367	459	370	364	366				3,434	3,538
Excise taxes	3,597	4,808	4,695	4,011	3,249	5,285	4,050	5,253	4,596				39,544	35,164
Estate and gift taxes	990	1,305	1,179	1,105	1,093	1,211	2,378	1,342	1,068				11,671	9,433
Customs duties	1,708	1,688	1,584	1,526	1,419	1,745	1,479	1,620	1,711				14,479	13,567
Miscellaneous receipts	1,706	781	1,575	1,258	1,424	2,418	2,472	1,589	2,003				15,226	13,124
Total—Receipts this year	78,668	83,107	125,408	122,966	72,874	93,108	141,326	83,546	138,124				939,126	.....
(On-budget)	55,864	58,700	99,714	94,395	46,880	64,611	104,311	55,366	106,014				685,854	.....
(Off-budget)	22,804	24,407	25,694	28,571	25,995	28,497	37,015	28,179	32,110				253,272	.....
<i>Total—Receipts prior year</i>	<i>76,829</i>	<i>74,629</i>	<i>113,686</i>	<i>112,716</i>	<i>65,979</i>	<i>83,288</i>	<i>132,017</i>	<i>70,642</i>	<i>128,570</i>				<i>.....</i>	<i>858,355</i>
(On budget)	<i>55,052</i>	<i>51,215</i>	<i>89,590</i>	<i>90,127</i>	<i>40,879</i>	<i>57,094</i>	<i>96,307</i>	<i>44,520</i>	<i>98,663</i>				<i>.....</i>	<i>623,449</i>
(Off budget)	<i>21,776</i>	<i>23,414</i>	<i>24,096</i>	<i>22,589</i>	<i>25,100</i>	<i>26,194</i>	<i>35,709</i>	<i>26,122</i>	<i>29,906</i>				<i>.....</i>	<i>234,907</i>
Outlays														
Legislative Branch	378	206	204	212	202	198	164	188	191				1,942	1,800
The Judiciary	158	219	190	179	177	386	182	224	159				1,874	1,867
Executive Office of the President	20	18	16	20	14	14	25	16	14				156	147
Funds Appropriated to the President:														
International Security Assistance	3,302	397	366	129	347	92	541	406	258				5,838	6,178
International Development Assistance	557	351	242	388	176	325	518	281	233				3,070	2,911
Other	133	348	17	156	5	-426	101	86	-305				116	945
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation	900	2,263	2,614	974	1,369	1,130	1,342	702	26				11,320	17,145
Other	3,993	4,886	3,794	3,815	3,373	4,264	3,873	4,206	4,138				36,341	34,920
Department of Commerce	264	277	282	244	245	261	231	173	201				2,179	1,999
Department of Defense:														
Military:														
Military personnel	6,634	5,357	8,626	2,944	5,835	5,959	8,098	3,150	6,076				52,681	56,846
Operation and maintenance	6,413	7,049	6,953	8,668	6,156	8,169	7,089	6,354	7,890				64,741	70,296
Procurement	5,131	5,132	5,746	4,043	5,600	6,361	4,493	4,545	5,461				46,512	54,040
Research, development, test, and evaluation	2,987	2,875	2,949	2,678	2,252	3,292	2,691	3,090	3,159				25,972	28,282
Military construction	404	388	390	415	344	372	188	465	465				3,432	3,488
Family housing	226	208	241	273	265	303	326	263	294				2,399	2,381
Revolving and management funds	1,568	816	275	-892	542	-1,153	876	569	37				2,638	-4,678
Other	-217	-28	572	-12	-52	69	-209	93	-189				28	-1,039
Total Military	23,147	21,796	25,752	18,117	20,943	23,372	23,552	18,530	23,195				198,403	209,615
Civil	2,550	2,515	2,550	2,509	2,459	2,471	2,513	2,507	2,542				22,615	21,942
Department of Education	1,805	3,356	2,535	1,102	1,202	1,004	2,068	2,243	2,144				17,460	22,892
Department of Energy	1,710	1,723	1,492	1,269	1,221	1,561	1,263	1,158	1,568				12,965	12,395
Department of Health and Human Services, except Social Security:														
Public Health Service	1,467	1,700	1,633	1,178	1,694	1,954	1,462	1,630	1,919				14,637	14,012
Health Care Financing Administration:														
Grants to States for Medicaid	7,394	6,626	7,088	6,097	6,202	7,220	6,475	6,982	7,456				61,539	55,837
Federal hospital ins. trust fund	7,432	8,006	9,319	7,193	8,196	10,069	8,224	8,339	9,374				76,152	68,087
Federal supp. med. ins. trust fund	4,650	4,838	5,846	4,170	4,213	5,293	4,533	4,623	5,416				43,581	39,734
Other	3,783	3,801	3,782	2,968	2,926	3,605	3,572	3,001	3,565				31,004	33,701
Social Security Administration	2,970	2,061	3,892	1,760	2,087	2,110	5,625	298	2,015				22,818	22,050
Administration for children and families	2,797	2,723	2,828	2,771	2,864	2,359	2,910	2,622	2,208				24,082	21,045
Other	-5,060	-5,060	-5,094	-4,429	-4,525	-5,109	-5,059	-4,501	-5,043				-43,880	-44,888
Department of Health and Human Services, Social Security:														
Federal old-age and survivors ins. trust fund	22,546	22,554	22,927	23,097	23,250	23,297	23,398	23,252	26,765				211,087	202,321
Federal disability ins. trust fund	2,992	2,998	2,991	3,054	3,077	3,212	3,231	3,275	3,323				28,152	25,637
Other	-977	-7	-17	-1,559	-10	-13	-1,558	-9	-8				-4,157	-4,644
Department of Housing and Urban Development	2,645	2,415	2,309	1,564	1,886	2,278	2,246	2,048	2,125				19,516	18,641

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1994—Continued
[\$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Outlays—Continued														
Department of the Interior	527	600	507	675	499	631	489	448	634				5,009	4,751
Department of Justice	749	905	773	822	734	1,023	802	836	790				7,435	7,726
Department of Labor:														
Unemployment trust fund	2,710	2,762	3,146	3,044	3,080	3,183	2,369	2,128	2,064				24,485	30,493
Other	652	61	673	463	444	26	881	551	729				4,480	3,559
Department of State	843	586	478	407	360	417	251	320	338				4,002	4,185
Department of Transportation:														
Highway trust fund	1,774	1,601	1,516	1,244	1,271	1,135	1,203	1,434	1,755				12,932	11,014
Other	1,377	1,651	2,224	1,255	1,541	1,791	1,459	1,469	1,432				14,200	13,392
Department of the Treasury:														
Interest on the public debt	17,638	22,260	52,712	17,899	16,208	18,122	18,328	23,943	53,306				240,416	238,567
Other	-102	75	983	590	4,931	2,844	1,207	666	-181				11,013	7,585
Department of Veterans Affairs:														
Compensation and pensions	1,400	1,406	2,748	61	1,434	1,463	2,787	97	1,458				12,854	12,702
National service life	66	57	75	68	57	122	72	74	77				667	528
United States government life	2	1	2	1	1	2	2	2	2				14	15
Other	1,338	1,705	1,613	2,001	1,618	1,179	1,045	1,472	1,464				13,436	12,916
Environmental Protection Agency	430	506	458	456	430	543	440	439	520				4,222	4,331
General Services Administration	239	-489	384	-658	344	231	-549	417	475				393	775
National Aeronautics and Space Administration	1,079	1,214	1,191	1,015	1,029	1,275	986	1,110	1,105				10,004	10,606
Office of Personnel Management	3,335	2,879	3,079	3,249	3,098	3,207	3,413	3,012	3,361				28,634	27,461
Small Business Administration	14	146	49	-7	27	64	52	70	68				483	611
Independent agencies:														
Fed. Deposit Ins. Corp.:														
Bank insurance fund	52	-182	-1,322	-452	-3,558	-379	-145	-382	30				-6,338	-5,142
Savings association insurance fund	-5	4	8	-25	-492	-7	-2	-16	-3				-537	-410
FSLIC resolution fund	(* *)	8	-140	-93	-253	-15	-552	207	-14				-853	1,329
Postal Service:														
Public enterprise funds (off-budget)	-509	-237	146	194	184	-746	-1,049	60	-274				-2,231	-2,601
Payment to the Postal Service fund	61			23			23						107	130
Resolution Trust Corporation	7	-1,169	2,471	-74	-678	-439	783	1,777	1,233				3,911	-16,318
Tennessee Valley Authority	106	168	101	212	32	-18	101	213	-122				792	1,600
Other independent agencies	1,705	2,048	991	1,402	1,780	1,973	1,489	1,474	-1,569				11,292	10,207
Undistributed offsetting receipts:														
Employer share, employee retirement	-2,572	-2,449	-2,592	-2,601	-2,592	-2,733	-2,585	-2,557	-2,559				-23,241	-23,155
Interest received by trust funds	-359	-5,173	-36,027	-122	-458	-130	-726	-5,467	-36,407				-84,870	-81,493
Rents and royalties on outer continental shelf lands	-21	-461	-145	-313	-223	-266	-136	-475	-268				-2,308	-2,127
Other	(* *)	(* *)	(* *)	(* *)			(* *)	(* *)	(* *)				(* *)	(* *)
Totals this year:														
Total outlays	124,090	121,488	133,660	107,718	114,440	125,423	123,872	115,600	122,923				1,089,213	.....
(On-budget)	100,567	96,724	121,977	83,526	88,523	100,259	100,625	89,728	107,966				889,897	.....
(Off-budget)	23,523	24,764	11,683	24,192	25,917	25,164	23,247	25,871	14,956				199,316	.....
Total-surplus (+) or deficit (-)	-45,422	-38,381	-8,252	+15,248	-41,566	-32,315	+17,454	-32,054	+15,202				-150,087	.....
(On-budget)	-44,704	-38,024	-22,263	+10,869	-41,644	-35,648	+3,686	-34,362	-1,952				-204,043	.....
(Off-budget)	-719	-357	+14,012	+4,379	+77	+3,333	+13,768	+2,308	+17,154				+53,956	.....
Total borrowing from the public	4,255	71,028	13,995	-6,933	31,633	26,511	-21,801	27,649	1,898				148,235	202,609
<i>Total-outlays prior year</i>	<i>125,620</i>	<i>107,355</i>	<i>152,633</i>	<i>82,899</i>	<i>114,477</i>	<i>127,263</i>	<i>124,200</i>	<i>107,605</i>	<i>117,471</i>				.....	<i>1,059,523</i>
(On-budget)	<i>103,780</i>	<i>83,436</i>	<i>116,572</i>	<i>84,925</i>	<i>89,720</i>	<i>103,025</i>	<i>101,752</i>	<i>83,210</i>	<i>103,477</i>				.....	<i>869,897</i>
(Off-budget)	<i>21,841</i>	<i>23,919</i>	<i>36,061</i>	<i>-2,025</i>	<i>24,757</i>	<i>24,237</i>	<i>22,448</i>	<i>24,395</i>	<i>13,994</i>				.....	<i>189,626</i>
<i>Total-surplus (+) or deficit (-) prior year</i>	<i>-48,792</i>	<i>-32,726</i>	<i>-38,947</i>	<i>+29,817</i>	<i>-48,498</i>	<i>-43,974</i>	<i>+7,817</i>	<i>-36,963</i>	<i>+11,099</i>				.....	<i>-201,167</i>
(On-budget)	<i>-48,727</i>	<i>-32,221</i>	<i>-26,982</i>	<i>+5,202</i>	<i>-48,842</i>	<i>-45,931</i>	<i>-5,445</i>	<i>-38,690</i>	<i>-4,813</i>				.....	<i>-246,448</i>
(Off-budget)	<i>-65</i>	<i>-505</i>	<i>-11,965</i>	<i>+24,614</i>	<i>+344</i>	<i>+1,957</i>	<i>+13,261</i>	<i>+1,727</i>	<i>+15,912</i>				.....	<i>+45,281</i>

... No transactions.

(* *) Less than \$500,000.

Note: Details may not add to totals due to rounding.

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of June 31, 1994

[\$ millions]

Classification	This Month			Fiscal Year to Date			Securities held as Investments Current Fiscal Year		
	Receipts	Outlays	Excess	Receipts	Outlays	Excess	Beginning of		Close of This Month
							This Year	This Month	
Trust receipts, outlays, and investments held:									
Airport	878	472	407	4,558	4,546	12	12,672	12,183	12,527
Black lung disability	55	49	6	465	451	15	.....	.....	.....
Federal disability insurance	3,411	3,323	88	25,842	28,152	-2,310	10,237	7,936	8,054
Federal employees life and health .....	.....	54	-54	.....	-1,079	1,079	20,484	22,030	21,988
Federal employees retirement	14,394	3,109	11,285	37,700	27,350	10,350	318,583	317,609	328,889
Federal hospital insurance	14,829	9,374	5,455	81,648	76,152	5,496	126,078	126,289	131,599
Federal old-age and survivors insurance	43,558	26,765	16,793	265,122	211,087	54,035	355,510	392,862	409,674
Federal supplementary medical insurance	5,432	5,416	15	43,876	43,581	294	23,268	23,360	23,557
Highways	2,202	1,889	313	14,077	15,729	-1,653	22,004	20,018	20,357
Military advances	1,199	1,175	24	9,599	9,997	-399	.....	.....	.....
Railroad retirement	3,221	652	2,569	6,463	5,862	601	11,961	11,847	11,811
Military retirement	990	2,248	-1,258	31,657	19,932	11,725	96,690	109,859	108,677
Unemployment	1,553	2,064	-510	26,921	24,485	2,435	36,607	39,646	39,026
Veterans life insurance	568	40	528	1,348	870	478	13,253	13,193	13,695
All other trust	439	349	90	3,940	2,984	955	10,784	11,687	11,661
Total trust fund receipts and outlays and investments held from Table 6-D	92,729	56,980	35,749	553,214	470,101	83,113	1,058,131	1,108,519	1,141,515
Less: Interfund transactions	46,002	46,002	.....	162,386	162,386	.....	.....	.....	.....
Trust fund receipts and outlays on the basis of Tables 4 & 5	46,728	10,979	35,749	390,828	307,715	83,113	.....	.....	.....
Total Federal fund receipts and outlays	94,469	115,017	-20,547	572,582	805,782	-233,200	.....	.....	.....
Less: Interfund transactions	253	253	.....	410	410	.....	.....	.....	.....
Federal fund receipts and outlays on the basis of Table 4 & 5	94,216	114,764	-20,547	572,173	805,373	-233,200	.....	.....	.....
Less: offsetting proprietary receipts	2,820	2,820	.....	23,874	23,874	.....	.....	.....	.....
Net budget receipts & outlays	138,124	122,923	15,202	939,126	1,089,213	-150,087	.....	.....	.....

... No transactions.

Note: Interfund receipts and outlays are transactions between Federal funds and trust funds such as Federal payments and contributions, and interest and profits on investments in Federal securities. They have no net effect on overall budget receipts and outlays since the receipts side of such transactions is offset against budget outlays. In this table, Interfund receipts are shown as an adjustment to arrive at total receipts and outlays of trust funds respectively.

Note: Details may not add to totals due to rounding.

Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, June 1994 and Other Periods

[\$ millions]			
Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	58,123	404,232	377,104
Corporation income taxes	29,114	106,207	88,372
Social insurance taxes and contributions:			
Employment taxes and contributions	40,853	322,953	298,428
Unemployment insurance	290	21,379	19,624
Other retirement contributions	366	3,434	3,538
Excise taxes	4,596	39,544	35,164
Estate and gift taxes	1,068	11,671	9,433
Customs	1,711	14,479	13,567
Miscellaneous	2,003	15,226	13,124
Total	138,124	939,126	858,355
NET OUTLAYS			
National defense	24,197	207,933	218,505
International affairs	582	13,044	13,885
General science, space, and technology	1,596	12,940	12,589
Energy	261	3,356	4,124
Natural resources and environment	1,670	15,365	15,275
Agriculture	320	14,204	19,680
Commerce and housing credit	1,016	-4,972	-21,095
Transportation	3,151	26,853	24,956
Community and Regional Development	1,184	8,189	7,383
Education, training, employment and social services	3,797	32,352	36,367
Health	9,729	79,774	73,513
Medicare	13,279	106,576	96,492
Income security	13,139	162,987	158,784
Social Security	30,088	239,234	227,944
Veterans benefits and services	3,011	27,171	26,353
Administration of justice	1,136	11,277	11,119
General government	1,715	8,743	10,143
Interest	15,880	149,735	148,787
Undistributed offsetting receipts	-2,827	-25,548	-25,282
Total	122,923	1,089,213	1,059,523

Note: Details may not add to totals due to rounding.

Explanatory Notes

1. Flow of Data Into Monthly Treasury Statement

The *Monthly Treasury Statement (MTS)* is assembled from data in the central accounting system. The major sources of data include monthly accounting reports by Federal entities and disbursing officers, and daily reports from the Federal Reserve banks. These reports detail accounting transactions affecting receipts and outlays of the Federal Government and off-budget Federal entities, and their related effect on the assets and liabilities of the U.S. Government. Information is presented in the *MTS* on a modified cash basis.

2. Notes on Receipts

Receipts included in the report are classified into the following major categories: (1) budget receipts and (2) offsetting collections (also called applicable receipts). Budget receipts are collections from the public that result from the exercise of the Government's sovereign or governmental powers, excluding receipts offset against outlays. These collections, also called governmental receipts, consist mainly of tax receipts (including social insurance taxes), receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Refunds of receipts are treated as deductions from gross receipts.

Offsetting collections are from other Government accounts or the public that are of a business-type or market-oriented nature. They are classified into two major categories: (1) offsetting collections credited to appropriations or fund accounts, and (2) offsetting receipts (i.e., amounts deposited in receipt accounts). Collections credited to appropriation or fund accounts normally can be used without appropriation action by Congress. These occur in two instances: (1) when authorized by law, amounts collected for materials or services are treated as reimbursements to appropriations and (2) in the three types of revolving funds (public enterprise, intragovernmental, and trust); collections are netted against spending, and outlays are reported as the net amount.

Offsetting receipts in receipt accounts cannot be used without being appropriated. They are subdivided into two categories: (1) proprietary receipts—these collections are from the public and they are offset against outlays by agency and by function, and (2) intragovernmental funds—these are payments into receipt accounts from Governmental appropriation or funds accounts. They finance operations within and between Government agencies and are credited with collections from other Government accounts. The transactions may be intrabudgetary when the payment and receipt both occur within the budget or from receipts from off-budget Federal entities in those cases where payment is made by a Federal entity whose budget authority and outlays are excluded from the budget totals.

Intrabudgetary transactions are subdivided into three categories: (1) interfund transactions, where the payments are from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) Federal intrafund transactions, where the payments and receipts both occur within the Federal fund group; and (3) trust intrafund transactions, where the payments and receipts both occur within the trust fund group.

Offsetting receipts are generally deducted from budget authority and outlays by function, by subfunction, or by agency. There are four types of receipts, however, that are deducted from budget totals as undistributed offsetting receipts. They are: (1) agencies' payments (including payments by off-budget Federal entities) as employers into employees retirement funds, (2) interest received by trust funds, (3) rents and royalties on the Outer Continental Shelf lands, and (4) other interest (i.e., interest collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget).

3. Notes on Outlays

Outlays are generally accounted for on the basis of checks issued, electronic funds transferred, or cash payments made. Certain outlays do not require issuance of cash or checks. An example is charges made against appropriations for that part of employees' salaries withheld for taxes or savings bond allotments — these are counted as payments to

the employee and credits for whatever purpose the money was withheld. Outlays are stated net of offsetting collections (including receipts of revolving and management funds) and of refunds. Interest on the public debt (public issues) is recognized on the accrual basis. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of accounting and are divided into two components. The portion of the credit activities that involve a cost to the Government (mainly subsidies) is included within the budget program accounts. The remaining portion of the credit activities are in non-budget financing accounts. Outlays of off-budget Federal entities are excluded by law from budget totals. However, they are shown separately and combined with the on-budget outlays to display total Federal outlays.

4. Processing

The data on payments and collections are reported by account symbol into the central accounting system. In turn, the data are extracted from this system for use in the preparation of the *MTS*.

There are two major checks which are conducted to assure the consistency of the data reported:

1. Verification of payment data. The monthly payment activity reported by Federal entities on their Statements of Transactions is compared to the payment activity of Federal entities as reported by disbursing officers.
2. Verification of collection data. Reported collections appearing on Statements of Transactions are compared to deposits as reported by Federal Reserve banks.

5. Other Sources of Information About Federal Government Financial Activities

- *A Glossary of Terms Used in the Federal Budget Process, March 1981* (Available from the U.S. General Accounting Office, Gaithersburg, Md. 20760). This glossary provides a basic reference document of standardized definitions of terms used by the Federal Government in the budgetmaking process.

- *Daily Treasury Statement* (Available from GPO, Washington, D.C. 20402, on a subscription basis only). *The Daily Treasury Statement* is published each working day of the Federal Government and provides data on the cash and debt operations of the Treasury.

- *Monthly Statement of the Public Debt of the United States* (Available from GPO, Washington, D.C. 20402 on a subscription basis only). This publication provides detailed information concerning the public debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, by subscription or single copy). Quarterly. Contains a mix of narrative, tables, and charts on Treasury issues, Federal financial operations, international statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 —* (Available from GPO, Washington, D.C. 20402). This publication is a single volume which provides budget information and contains:

- Appendix, *The Budget of the United States Government, FY 19 —*
- The United States Budget in Brief, FY 19 —*
- Special Analyses*
- Historical Tables*
- Management of the United States Government*
- Major Policy Initiatives*

- *United States Government Annual Report and Appendix* (Available from Financial Management Service, U.S. Department of the Treasury, Washington, D.C. 20227). This annual report represents budgetary results at the summary level. The appendix presents the individual receipt and appropriation accounts at the detail level.

Scheduled Release

The release date for the July 1994 Statement will be 2:00 pm EST August 19, 1994.

For sale by the Superintendent of Documents, U.S. Government Printing
Office, Washington, D.C. 20402 (202) 512-1800. The subscription price is
\$35.00 per year (domestic), \$43.75 per year (foreign).
No single copies are sold.



For Release Upon Delivery
Expected at 11:00 a.m.
July 25, 1994

STATEMENT OF
LESLIE B. SAMUELS
ASSISTANT SECRETARY (TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
HOUSE COMMITTEE ON WAYS AND MEANS

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the Administration's proposals for funding the reauthorization and amendment of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) contained in the Superfund Reform Act of 1994 (H.R. 3800). CERCLA created the Superfund program, which is the Federal government's primary program for addressing dangerous environmental and health conditions created by the release of hazardous substances into the environment.

Before describing the specific financing elements connected with the Administration's proposal and the rationale behind them, I would like to give a brief overview of the Superfund reform legislation and the state of affairs under current law.

CURRENT LAW

Superfund Trust Fund

CERCLA provides the Federal government with the authority to respond to and clean up releases of hazardous substances into the environment. Under CERCLA, the Environmental Protection Agency (EPA) has two tools for cleaning up hazardous waste sites. First, EPA can take legal action to force responsible parties to clean up contaminated sites or to reimburse the Federal government for the cost of the cleanup. Second, EPA can use funds in the Hazardous Substance Superfund trust fund to finance the cleanup of hazardous



waste sites where a responsible party cannot be found or is not financially viable (orphaned sites). The trust fund can also be tapped to expedite the cleanup of other sites where costs will ultimately be recovered from potentially responsible parties (PRPs).

The Superfund trust fund is currently financed primarily by excise taxes on domestic crude oil, imported petroleum products, certain chemicals and imported derivative products, a corporate environmental tax, and annual appropriations from general revenues. More specifically, the trust fund is financed by the following taxes: (1) an excise tax on crude oil and imported petroleum products equal to 9.7 cents per barrel for domestic crude oil received at a United States refinery or exported, on imported crude oil, and imported petroleum products entered into the United States for consumption, use, or warehousing; (2) excise taxes imposed on listed chemicals sold domestically or used by the manufacturer, producer, or importer of the listed chemicals at rates ranging from \$0.22 to \$4.87 per ton; (3) excise taxes on certain imported derivative products generally at rates applicable to taxable chemicals used as materials in the manufacture of the imported substances; and (4) the corporate environmental tax equal to 0.12 percent of modified alternative minimum taxable income in excess of \$2 million.

These taxes are scheduled to expire on December 31, 1995. However, the taxes may terminate earlier if amounts in the Superfund trust fund reach certain levels. The Superfund taxes may expire before January 1, 1996 if (1) on December 31, 1994, the unobligated balance in the Superfund exceeds \$3.5 billion and will exceed \$3.5 billion at the end of the following year if no Superfund taxes were imposed during the year, or (2) if the amount of cumulative Superfund taxes collected exceeds \$11.97 billion.

The Superfund taxes provide an adequate and stable source of funds for the trust fund. In enacting CERCLA, Congress decided that the cleanup costs incurred by the Federal government where a private party could not be identified or was not financially viable should be paid by current producers and users of hazardous substances. By taxing the materials used to make hazardous products and waste, these costs would be borne by persons producing or using hazardous materials. Accordingly, Congress enacted the excise taxes on petroleum and chemicals.

Under the Superfund Amendments and Reauthorization Act of 1986, Congress decided to expand the Superfund financing sources to include the corporate environmental tax. The addition of this broad-based funding source reflected the view that the production and use of hazardous substances and the benefits from cleanup were widely dispersed.

Litigation

CERCLA imposes liability for cleanup costs on current owners and operators of disposal sites, owners and operators at the time of a release, and generators and transporters of hazardous substances. Responsible parties are subject to strict, joint, and several liability standards with respect to costs associated with the removal and cleanup of hazardous

substances. This liability system currently generates a significant amount of litigation for recoveries between EPA and PRPs (enforcement litigation), between initially identified PRPs and other PRPs (contribution litigation), and PRPs and their insurers (insurance litigation). As a result, litigation costs have been and continue to be significant.

Insurers that wrote commercial liability and comprehensive general liability coverage prior to January 1, 1986 sometimes have to pay claims related to a policyholder's liability for cleanup costs, either because the insurance contracts specifically included coverage for environmental liability losses or the judicial system determines that the insurer is liable under the terms of the insurance contract for cleanup costs incurred by the policyholder. The costs incurred by PRPs and insurers in insurance litigation are significant. That money would be better spent cleaning up hazardous waste sites.

OVERVIEW OF PROPOSED LEGISLATION

Superfund Trust Fund

H.R. 3800 contains reform initiatives that fulfill the Administration's commitment to protecting human health and the environment and to making Superfund cleanups faster, fairer, and more efficient. It is our belief that the provisions of H.R. 3800 provide an adequate, stable, and equitable financial base for the Superfund.

H.R. 3800 would reauthorize the Superfund program at \$9.6 billion for the five year period beginning October 1, 1994 and ending September 30, 1999. The legislation would extend the existing Superfund taxes for five years and would authorize the present level of appropriations from general revenues for the Superfund (\$250 million per year for FY 1995 through FY 1999).

The present excise taxes and the corporate environmental tax would be extended until December 31, 2000. No changes are proposed in the present tax rates or taxable substances. However, subsequent to the introduction of the bill we transmitted certain technical amendments that would increase the ceiling on total Superfund taxes that can be collected without causing the taxes to cease from \$11.97 billion to \$22 billion. This increase in the ceiling should permit the reauthorized taxes to be collected; otherwise the taxes could terminate prematurely when the lower ceiling is hit.

Litigation

Title VIII of H.R. 3800 is designed to reduce the costly litigation between potentially responsible parties (PRPs) and their insurers. A new Environmental Insurance Resolution Fund (EIRF) would be established with the objective of facilitating settlement of the vast majority of litigation involving insurance claims related to Superfund or environmental liability.

Under present law, protracted disputes between insurance companies and their policyholders regarding the applicability of coverage to liability under CERCLA are a major source of litigation related to Superfund. The legislation will reduce this litigation and allow monies that would otherwise be spent in adversarial proceedings to be used for cleanup.

The EIRF would make a single, comprehensive offer to each eligible responsible party to resolve all pending and future claims of the policyholder against its insurers arising under the Superfund law for eligible costs of the policyholder. A policyholder that accepted the EIRF's offer would be reimbursed at a fixed percentage of its eligible costs and would be required to waive all current and future CERCLA-related claims against its insurers. If a policyholder rejects the EIRF's offer, the EIRF would reimburse insurers for litigation costs and judgement amounts associated with any litigation brought by that policyholder, up to the amount of the offer.

The EIRF would be financed by fees and assessments imposed on insurance companies. The Administration's funding proposal for the EIRF is designed to raise \$3.1 billion over five years, consistent with the terms of the Administration's original reform proposal. Apart from H.R. 3800, the Administration separately transmitted the statutory language for these fees and assessments which would become part of Title IX of H.R. 3800. In H.R. 3800, the term of the reform proposal was extended beyond five years.

Now, I would like to describe the Administration's proposed financing mechanism for the EIRF and the rationale behind it.

OVERVIEW OF ENVIRONMENTAL INSURANCE RESOLUTION REFORM FUNDING

The EIRF would make and fund settlement offers with certain policyholders. It would serve to streamline and facilitate settlements for litigation between two private parties--an insurer and its policyholder. The parties to this environmental insurance resolution reform directly benefit from the reform. Accordingly, insurers and their policyholders should finance the environmental insurance resolution reform.

On this basis, we developed three guiding principles that serve as the foundation for the Administration's financing proposal for the EIRF. Once you understand the principles upon which we developed the financing mechanism, the mechanism itself becomes more easily understood.

The fundamental principles are: (1) insurers that benefit from the environmental insurance resolution reform--those that have potential Superfund liabilities through commercial insurance coverage written in the past--should provide most of the EIRF's funding; (2) commercial insurance industry as a whole, its policyholders, and society also will benefit from the reform and should pay some portion of the EIRF's funding; and (3) all commercial insurers and reinsurers, whether domestic or foreign, that insure risks in the United States benefit from the reform and should participate in its funding.

Consistent with the first principle that insurers that benefit from reform should pay for reform, under the Administration's proposal, approximately 70 percent of the financing for the EIRF would be paid by those insurance companies that wrote certain commercial liability coverage in the past. An "environmental insurance resolution fee" or "retrospective fee" would be imposed on net premiums written by domestic and foreign insurers and reinsurers for contracts insuring certain U.S. commercial liability risk during the period from 1971 through 1985.

We believe that the base period of 1971 through 1985 is a reasonable way to approach the determination of the retrospective fee base. Any insurer or reinsurer that wrote coverage for losses arising from comprehensive general liability or commercial multiperil liability risks situated in the United States prior to January 1, 1986 has potential exposure to environmental liability claims as policyholders discover that they are PRPs. This exposure generally ceased beginning January 1, 1986, because insurers began including in their insurance contracts a specific exclusion for coverage of claims related to environmental liability. For coverage written prior to 1986, we could not look back indefinitely. Publicly available data prior to 1971 are less reliable and so the base period for determining this retrospective fee would begin in 1971.

Consistent with the second principle that the entire insurance industry, policyholders, and society benefit from reform, approximately 30 percent of the EIRF's funds would be paid based on commercial insurance to be written and purchased in the future. Under the proposal, this 30 percent of the EIRF would be funded through an "environmental resolution insurance assessment" or "prospective fee" on premiums from certain commercial insurance of U.S. risks currently written by domestic and foreign insurers. Reinsurers would not require a direct assessment because insurers would reflect their assessments in pricing adjustments in reinsurance contracts.

A fee imposed on future premiums written by insurers of commercial liability coverage has merit in funding a portion of the EIRF. The health of the industry would be improved by environmental insurance resolution reform and the potential for state guaranty fund involvement would be reduced. If insurance companies liable for environmental claims become insolvent, State guaranty funds can assess solvent insurers to pay outstanding policyholder claims of insolvent insurers. Thus, all commercial insurers (and their policyholders) may ultimately benefit from the proposed reform, regardless of whether an insurer wrote coverage that directly generates environmental exposure. Also, given the likelihood that a substantial part of fees on future premiums being passed through to policyholders in pricing, the fee is borne more generally by consumers of the insurance coverage. For these reasons, a portion of the financing should be provided by insurers writing commercial coverage today.

Consistent with the third principle, that all insurers and reinsurers should participate in the EIRF funding, the Administration's proposal requires foreign insurers and reinsurers to

contribute their fair share. Foreign insurers and reinsurers that are currently subject to net-basis U.S. income taxation would pay the retrospective fee on the same basis as would domestic insurers and reinsurers. Alien insurers and reinsurers (i.e., foreign insurers that are not subject to net-basis U.S. income taxation) would be required to participate in the EIRF funding in a different manner. To ensure that alien insurers and reinsurers contribute to the EIRF, their U.S. insurance contracts would be subject to a prospective fee, collected by a U.S. withholding agent, in lieu of the retrospective fee. Alternatively, an alien insurer or reinsurer could elect to be subject to the retrospective fee by entering into a closing agreement with the Internal Revenue Service.

Both foreign and alien insurers would pay the prospective fee imposed on future commercial insurance premiums on the same basis as domestic insurers. In the case of alien insurers, that fee would be collected by a U.S. withholding agent.

FUNDING SPECIFICS OF ENVIRONMENTAL INSURANCE RESOLUTION REFORM

Environmental Insurance Resolution Fee (Retrospective Fee)

The retrospective fee is designed to raise \$2.17 billion or 70% of the funding during the first five years of the EIRF. It would be determined by multiplying a fee funding rate by the adjusted base-period commercial premiums written for contracts or agreements providing insurance and reinsurance with respect to qualified commercial coverage of U.S. risks during the period beginning January 1, 1971, and ending on December 31, 1985. The proposed fee funding rate would be 0.20 percent for the first two years and .27 percent for the next three years. The Secretary of the Treasury would have the authority to adjust the rates should actual collections differ from anticipated collections.

1. Adjusted base-period commercial premiums. In determining the total adjusted base-period commercial premiums written for 1971 through 1985 to which the funding rate is applied, the net premiums written for each year during the period for qualified commercial insurance contracts and reinsurance of qualified commercial insurance coverage would be adjusted by an inflation factor based on the consumer price index. This inflation adjustment would restate all premiums written to 1985 dollars so that they are taxed on a comparable basis.

To provide relief to small insurers and mitigate any mistargeting of the premiums proxy, \$50 million would be excludable from inflation-adjusted base-period commercial premiums.

2. Net premiums written for qualified commercial insurance contracts. Net premiums written for qualified commercial insurance contracts means net premiums written for contracts providing insurance of qualified commercial coverage of U.S. situs risks generally computed on the basis of the annual statements approved by the National Association of Insurance Commissioners (NAIC).

Qualified commercial coverage means insurance coverage that was, or should have been, characterized in the NAIC annual statement as "commercial multiple peril" or "other liability" lines of business. However, contracts included in the "other liability" line of business that insured only specific coverages unrelated to general commercial liability, and thus would not generate exposure to environmental insurance claims, would be excluded. For example, medical malpractice insurance would be an excludable coverage.

3. Net premiums written for allocated reinsurance of qualified commercial coverage. Premiums related to allocated reinsurance (i.e., generally first dollar pro rata reinsurance) are identified by line of business. Accordingly, net premiums written for allocated reinsurance of qualified commercial coverage means net premiums written for reinsurance which were reported (or, in the case of a company not filing an annual statement, would have been required to be so reported) on the annual statement approved by the NAIC by the line of business related to the underlying policies covered by such reinsurance, rather than on the reinsurance line of business of the annual statement.

4. Net premiums written for unallocated reinsurance of qualified commercial coverage. For certain reinsurance coverage (e.g., reinsurance in excess of a retention by the ceding company), the reinsurer may not have separately reported net premiums written by line of business on the annual statement. In addition, the reinsurer often cannot easily identify or directly trace the type of insurance coverage to which the premiums relate because several types of insurance coverage could be combined in the reinsurance agreement. Thus, the net premiums written for this unallocated reinsurance would be determined using a formula, or proxy approach, based on the insurance industry's ceded premiums for qualified commercial coverage from January 1, 1971, through December 31, 1985.

To derive the net premiums written related to unallocated reinsurance of qualified commercial coverage, a reinsurance ratio of 21 percent (or otherwise as determined by the Secretary) would be multiplied by the net premiums written, as reported on the NAIC annual statement (or equivalent computational basis if an NAIC annual statement was not prepared) for the reinsurance line of business.

5. Foreign insurers and reinsurers. Foreign persons (including foreign companies, partnerships, trusts, and estates and nonresident alien individuals) that insure or reinsure U.S. risks would be subject to the retrospective fee if they are currently engaged in any trade or business within the United States and their taxable income that is effectively connected with that trade or business is subject to net-basis U.S. income taxation and is not exempt by treaty from such taxation. The retrospective fee would be computed in the same manner as for U.S. insurers and reinsurers.

All other foreign insurers and reinsurers ("alien insurers and reinsurers") would be subject to a prospective withholding fee in lieu of the retrospective fee, unless they elect to be subject to the retrospective fee instead. This prospective withholding fee would be imposed at a rate of 0.50 percent of the maximum limit of liability on each policy of casualty

insurance covering U.S. risks and on each policy of reinsurance with respect to such an insurance policy. The fee would be imposed on all lines of casualty business, broadly defined, to prevent alien insurers and reinsurers from avoiding the fee simply by ceasing to write qualified commercial insurance coverage in the United States. The fee would be withheld and remitted to the Internal Revenue Service by the U.S. premium payor or other U.S. withholding agent.

Alternatively, alien insurers and reinsurers could elect to be subject to the retrospective fee. If such an election were made, the retrospective fee would apply in the same manner as it applies to U.S. insurers and reinsurers (and to other foreign insurers and reinsurers). Electing aliens would be required to enter into a closing agreement with the Internal Revenue Service to ensure collection of the retrospective fee.

6. Exemptions. A company would not have a liability for the environmental insurance resolution fee if it had no more than \$50 million of total net premiums written, adjusted for inflation, from January 1, 1971 through December 31, 1985 for qualified commercial coverage. In addition, companies that could demonstrate to the IRS that they have no potential exposure to claims for environmental liability based on the type of "other liability" insurance contracts written or reinsured during 1971 through 1985 (such as medical malpractice and insurance agents' and brokers' liability risks) would not be subject to the fee. This demonstration does not relate to whether the insurer believes that its commercial liability insurance contracts excluded coverage of environmental liabilities.

7. Subsequent adjustment of factors. Any adjustments to the funding rate or the reinsurance ratio would be applied prospectively in the computation of a company's EIRF. Adjustments may be required because of the uncertain application of the premium and coverage exclusions, or because of insufficient collections due to other unanticipated factors.

8. Corporate reorganizations. Special rules designed to prevent erosion of the retrospective fee base are also provided to ensure that the fee follows the commercial insurance business of a company in any corporate reorganization involving an acquisition or disposition of all, or a part, of a company's commercial insurance business. Rules also address movement of the fee in assumption reinsurance transactions.

If after December 31, 1985, but prior to February 2, 1994, an insurer disposed of qualified commercial policies, through an assumption reinsurance transaction whereby the reinsurer became directly liable to policyholders on the contracts transferred, the insurer would be permitted to reduce its commercial net premiums for purposes of computing the retrospective fee. The amount of reduction would equal the commercial net premiums generated from 1971 through 1985 by the related to the transferred insurance business, provided that the insurer reports the amount of such commercial net premiums to the reinsurer and the reinsurer includes such premiums in its base-period premiums.

Any reinsurance of qualified commercial policies on or after February 2, 1994, and any reinsurance of qualified commercial policies after December 31, 1985, and before February 2, 1994, other than that just described, would be disregarded for purposes of computing the retrospective fee.

If after January 1, 1971 but prior to February 2, 1994, a reinsurance agreement covering qualified commercial policies was terminated in accordance with a commutation agreement whereby the reinsurer is no longer liable for any potential claim under the contract, the reinsurer would be permitted to reduce its commercial net premiums for purposes of computing the fee. The amount of reduction would equal the commercial net premiums generated from 1971 through 1985 by the reinsured insurance business, provided that the reinsurer reports the amount of such commercial net premiums to the ceding person and the ceding person includes such premiums in its base-period premiums.

Any reinsurance (other than reinsurance that was commuted) during the base period from 1971 through 1985 would generally not require separate adjustment. The premiums related to such reinsurance would be reflected in the annual statement so that both the ceding and assuming person's commercial net premiums would adjust automatically.

B. Environmental Insurance Resolution Assessment (Prospective Fee)

The prospective fee is designed to raise \$.93 billion or 30% of the funding during the first five years of the EIRF. It would be determined by multiplying an assessment funding rate of 0.34 percent for the first 2 years, and 0.44 percent for the following 3 years, by an insurer's direct premiums written for commercial insurance contracts. The Secretary could adjust the rates should actual assessment collections differ from those anticipated.

The assessment would apply in the same manner with respect to commercial insurance contracts written by foreign insurers of U.S. risks. It would be collected through withholding in the case of alien insurers.

Direct premiums written for commercial insurance contracts means gross premiums written and other consideration for contracts providing insurance of commercial coverage. Gross premiums written would be computed on the basis of the annual statement approved by the NAIC or on an equivalent basis.

Commercial coverage means insurance coverage that is, or would be categorized in the NAIC annual statement as "commercial multiple peril," "fire," "product liability," or "other liability" lines of business. However, contracts that insure only certain types of coverage unrelated to commercial liability included in the "product liability" or "other liability" lines of business would be excludable.

This fee would be imposed directly on primary insurers. We anticipate that the primary insurers would attempt to adjust reinsurance premiums to recoup this fee as reinsurers would pay the fee to the primary insurers as part of their reinsurance premiums.

C. Tax Exemption

The EIRF would be exempt from Federal income tax under Section 501.

Summary

To summarize the policy rationale, the Administration's funding proposal for the EIRF satisfies the three principles discussed earlier. It would require insurers that would benefit the most from the environmental insurance resolution to provide 70 percent of the funding. This 70 percent of the funding would be obtained from a "retrospective" fee imposed on premiums from commercial insurance written in the past--the policies with potential environmental liability exposure. Since it is not possible to target this fee precisely at those insurers with actual environmental liability exposure, the proposal provides relief by providing an exclusion for \$50 million of premiums, and an exclusion for certain types of coverage that have no potential exposure to environmental liability claims.

Insurers are unlikely to be able to adjust fully the prices charged to policyholders to pass through the retrospective fee. Since the property/casualty insurance market is competitive and insurers provide essentially the same product, the market price for new policies will be determined by insurers that are not subject to the retrospective fee. The retrospective fee will likely reduce profits of insurers subject to the fee and be borne largely by their current shareholders, who also bear the cost of environmental liability claims and litigation costs associated with these claims.

A smaller portion (30 percent) of the funding is more broadly based and is obtained from a "prospective" assessment on future commercial insurance business. Since all commercial insurance business would be subject to this fee, the fee would be likely included in the prices charged to commercial policyholders, and ultimately, in prices charged to their consumers. This result is appropriate because those policyholders and society generally benefit from the reform and the improved financial health of the insurance industry that would result from the proposed reform.

The proposal would provide that both insurers and reinsurers pay the fee. Reinsurers would compute the retrospective fee on the same basis as primary insurers. The prospective fee is imposed directly on primary insurers; however, primary insurers would likely adjust insurance premiums to reflect the prospective fee. Thus, reinsurers will pay the fee to the primary insurers through premium adjustments and the primary insurers would pay the fee to the government directly.

The proposal would also ensure that foreign insurers and reinsurers that benefit from the proposed reform participate in its funding. The only way a foreign insurer could avoid providing funds for the EIRF would be for the insurer to cease writing all types of property/casualty insurance coverage in the United States. We believe that this is highly unlikely, given the importance of the U.S. market.

CONCLUSION

There is considerable disagreement within the insurance industry about how the funding for the EIRF should be structured. Some insurers argue that the funding mechanism should be entirely retrospective, i.e., based on commercial insurance business written in the past. Others argue that the funding should be entirely prospective, i.e., based on commercial insurance business written in the future. We believe that our proposal is one reasonable way to strike a balance between those opposing views--70 percent from a retrospective fee and 30 percent from a prospective fee. Moreover, the proposal provides for a stable and predictable revenue source which is not likely to erode over time.

The Congress may wish to work with representatives of the industry to design a different financing mechanism for the EIRF and its extended term. We believe that passing the Superfund reauthorization legislation this year is crucial. Provided that the EIRF is adequately funded over its term, we do not want the proposed 70 percent/30 percent funding split for the EIRF to stand in the way of the goal of reducing wasteful litigation.

Mr. Chairman, thank you for the opportunity to address this Committee. I will be pleased to answer any questions you or other members of the Committee may have.

TREASURY



NEWS

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FOR RELEASE
July 25, 1994

Contact: Rebecca Lowenthal
(202) 622-2960

TREASURY TO BRING PROCUREMENT OPPORTUNITIES TO LOS ANGELES AREA

The U.S. Department of the Treasury will hold a conference for small, minority and women-owned businesses in Los Angeles, CA on August 23 and 24, 1994.

The two-day event -- "PARTNERSHIPS '94 Los Angeles -- is designed to encourage dialogue and increase those businesses' procurement opportunities with Treasury and other federal agencies.

This is the second such conference this year. The first PARTNERSHIPS '94, held in Washington D.C., attracted over 1,300 people and offered up to \$3 million in procurement opportunities for which participants could submit bids during the day.

Representatives from all 12 bureaus of the Treasury Department will participate in the conference, including procurement and program staff from the Customs Service, Bureau of Alcohol, Tobacco and Firearms, Internal Revenue Service, Comptroller of the Currency and Bureau of Engraving and Printing, all of which have offices in the Western U.S.

"Throughout its history, Treasury has been the leader in fostering our nation's economic development," Treasury Secretary Lloyd Bentsen said. "One of our top priorities is assisting small, minority and women-owned businesses in fulfilling our mission to stimulate the economy and create jobs for our citizens. This expansion initiative, and PARTNERSHIPS '94, are important components of that broader mission."

Up to \$1 million worth of Treasury contracts will be available for quotation. Companies may submit bids prior to or during the conference, with review and notification of bid awards within ten days after the conference. Diverse bid opportunities will include services such as communications and building maintenance and goods such as computer and office equipment.

(MORE)

LB-966



The conference's focus will be on accessibility to contract information, particularly through the use of electronic commerce to interact with Treasury and other agencies. **The Defense Logistics Agency will offer one-hour training classes and demonstrations** for participants on how businesses can use electronic commerce to improve the efficiency of their relationships with federal government and get the specialized information they need. Together, Treasury bureaus offer more than \$ 1.5 billion in contract opportunities each year.

In keeping with Vice President Gore's commitment to reducing paperwork at all levels of government, Treasury seeks to expand its use of the purchase card, a Visa charge card that allows program and administrative staff to make purchases on the spot. The card eliminates paperwork that can delay payment to businesses. Banks have been invited to teach interested businesses how to sign up as merchants accepting the card, and to allow them to shop around for the best rates.

"I want businesses to know that Treasury cares about small, minority and women-owned businesses," Treasury Assistant Secretary for Management George Muñoz said. "We need to show that we know how to use technology to facilitate our information giving, and to help people gain access to the technology they need to compete. The success of the first conference shows that when we extend the opportunity to do business with the federal government, people respond."

To receive a registration packet, interested businesses can call 1-800-871-2897. Registration information and forms are also available on an interactive fax line by calling 202-622-1133. A list of procurement opportunities available to small, minority and women-owned businesses and procedures for submitting a bid are available through the same system and will be updated frequently prior to the conference.

TREASURY



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For Release Upon Delivery
Expected at 11:00 a.m.
July 25, 1994

**STATEMENT OF ALICIA H. MUNNELL
ASSISTANT SECRETARY FOR ECONOMIC POLICY
DEPARTMENT OF THE TREASURY
BEFORE THE COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
JULY 25, 1994**

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today. Before Assistant Secretary Samuels discusses the specific funding proposals that are the subject of today's hearings, some background information on the broadest subject of Superfund reform might be useful. Superfund—the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)—was enacted in 1980 in response to public outcry over Love Canal, Valley of the Drums, and other environmental disasters. The original vision was that the program would involve relatively inexpensive clean-ups of a few hundred sites. Actual events have turned out to be quite different. Currently, EPA has roughly 1,300 sites on the national priority list. Most observers envision an eventual number of at least 3,000 and cost estimates are running as high as \$150 to \$300 billion.

Major problems with the program are that fewer than 20 percent of the identified priority sites have been cleaned-up to date and for every dollar spent, more than 25 percent goes to lawyers and transaction costs. The incentives in the system are all wrong. They lead to pressure for Cadillac-type clean-ups and endless wrangling over who's going to pay and how much. The current system is in desperate need of reform. The wisest observation that I have heard so far in the reform process is that if parties believed they were being allocated their fair share of clean-up costs and they had confidence that their money would be wisely spent at

clean-up sites, the litigation would end and the clean-up would start. Fair allocation of liability and reasonable clean-up standards comprise the centerpiece of the Administration's Superfund reform proposal.

First, a brief word about the new clean-up standards. A more coherent procedure for determining how to clean-up sites will not only protect human health and the environment— something that is obviously paramount to all of us— but will also save money. New standards will take account of land use; it will no longer be necessary to clean up a site so that children can eat dirt at the site if the land is going to be used for a factory. The new system will also move away from a preference for treatment; it will no longer be assumed that burning the dirt is always preferable to reliably precluding access to a site. Finally, costs will be considered when selecting among alternative remedies. Our hope and expectation is that costs will be reduced by 20 to 25 percent by making better decisions on clean-up strategies.

Next is the crucial issue of liability: Who should pay for the cost of clean-up and how much should they pay? The transaction costs associated with clean-ups, especially litigation expenses, have been massive under current law. The litigation takes three forms: First, PRPs (potentially responsible party) identified by EPA under the law's strict, joint and several, and retroactive liability provisions, will strongly resist, because they can be held responsible for the entire cost of cleaning up a site. Second, a targeted PRP will go out and sue anyone else who, either plausibly or implausibly, could share that burden. Third, all PRPs try to recover their Superfund costs from their insurance companies.

To address the first two types of litigation, the bill establishes a more reasonable mechanism for allocating costs among parties. The bill provides for early settlement for small contributors, generators and transporters of municipal solid waste, and parties with limited ability to pay. Under these provisions, most small businesses will be out early and without great expense. The bill also establishes a process for allocating shares of all remaining PRPs at a site in a single proceeding. In this process, the remaining PRPs will sit at a table, and a mediator will allocate liability based on factors such as the volume and toxicity of their waste. Parties who accept the allocation will be protected from suits by other PRPs; benefit from EPA's funding of orphan shares—shares established in either the early settlement process or attributable to insolvent parties; and, for a fee, be protected from future liability for remedy failure or some undiscovered harm. Under these provisions, the large businesses that run most of the clean-ups will be treated much more fairly.

Getting—at last—to the subject under consideration, the Administration proposal also addresses the growing problem of Superfund-related insurance litigation. When a party is hit with clean-up costs under Superfund and seeks recovery from its insurance company, the insurance company says that its policies were not written to cover Superfund costs. The dispute is inevitably expensive to

resolve. Some courts have found for the PRPs, some for the insurers; it varies significantly by state.

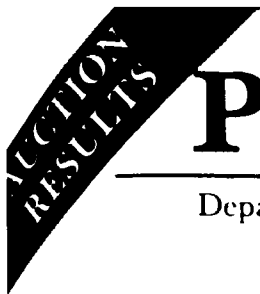
In January, the Administration began working with representatives from insurance and industry to fashion a proposal that would avoid much of this litigation. The product was the creation of an Environmental Insurance Resolution Fund that would be financed by fees and assessments on property and casualty insurers and reinsurers.

Although the plan has been revised as the bill has progressed, the essence of the plan is this: when PRPs emerge from the allocation process, they will walk over to the Resolution Fund window, where they will receive a settlement offer based on the location and litigation venue of all of their sites. Companies with sites and venues only in California and seven other states would be offered 60 cents on the dollar; those with sites only in Florida and seven other states 20 cents on the dollar. Those with all of their sites in the remaining states would fall into the 40 percent category. So that they cannot cherrypick, PRPs would be required to make a decision for all their sites at the time of the Resolution Fund's offer. If their sites and litigation venues fall into more than one of the three tiers of states, their recovery rate will be an appropriate blend of the three rates. Finally, PRPs accepting the offer will waive their right to sue their insurance companies for eligible costs.

The original plan was structured for a five-year period and involved fees on the insurance industry of up to \$3.1 billion dollars. Treasury spent a lot of time worrying about how to structure these fees. As you know, our proposal is to raise 70 percent of the funding through a retrospective environmental insurance resolution fee on net premiums on certain types of policies written by domestic and foreign insurers and reinsurers between 1971 and 1985. The other 30 percent would be financed by a prospective assessment on premiums from certain types of commercial insurance. Assistant Secretary Samuels will describe these issues in more detail in a moment. We at Treasury obviously think that our proposal strikes a logical balance between retrospective and prospective fees. However, we are also firmly committed to realizing the benefits of all of the facets of Superfund reform, and we do not believe that the particular financing provisions for the Resolution Fund should be an obstacle to passing Superfund reform.

To conclude, no one is happy with every aspect of the proposed Superfund Reauthorization Bill. No one wants to have to invest scarce resources to clean up problems left over from the past, but it has to be done, not only because Superfund sites are a health hazard, but because they are also an economic hazard. These sites need to be cleaned up and redeveloped so that they can *add* to the well-being of the communities in which they are located, not *subtract*. We have spent an enormous amount of time and effort trying to reach appropriate compromises on difficult and delicate issues. The time has now come to get on with the business of actually passing Superfund reauthorization. The proposed bill makes great strides in addressing the shortcomings of the current system. That is why the

Administration is happy to support it and, even more important, why it has received such widespread support from those with an important stake in Superfund reform.



PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
July 25, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$12,572 million of 13-week bills to be issued July 28, 1994 and to mature October 27, 1994 were accepted today (CUSIP: 912794N75).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> <u>Rate</u>	<u>Investment</u> <u>Rate</u>	<u>Price</u>
Low	4.41%	4.52%	98.885
High	4.43%	4.54%	98.880
Average	4.43%	4.54%	98.880

\$10,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 34%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$53,342,437	\$12,571,841
Type		
Competitive	\$48,017,002	\$7,246,406
Noncompetitive	<u>1,165,135</u>	<u>1,165,135</u>
Subtotal, Public	\$49,182,137	\$8,411,541
Federal Reserve	2,960,900	2,960,900
Foreign Official		
Institutions	<u>1,199,400</u>	<u>1,199,400</u>
TOTALS	\$53,342,437	\$12,571,841

4.37 98.895 4.42 98.883



PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
July 25, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$12,561 million of 26-week bills to be issued July 28, 1994 and to mature January 26, 1995 were accepted today (CUSIP: 912794Q23).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> <u>Rate</u>	<u>Investment</u> <u>Rate</u>	<u>Price</u>
Low	4.82%	5.01%	97.563
High	4.83%	5.02%	97.558
Average	4.83%	5.02%	97.558

Tenders at the high discount rate were allotted 25%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$54,527,049	\$12,561,283
Type		
Competitive	\$48,163,765	\$6,197,999
Noncompetitive	<u>1,158,584</u>	<u>1,158,584</u>
Subtotal, Public	\$49,322,349	\$7,356,583
Federal Reserve	3,150,000	3,150,000
Foreign Official		
Institutions	<u>2,054,700</u>	<u>2,054,700</u>
TOTALS	\$54,527,049	\$12,561,283

TREASURY



NEWS

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July 25, 1994

**STATEMENT OF ROGER C. ALTMAN
DEPUTY SECRETARY OF THE TREASURY**

I want to respond to recent press reports on my role in the Madison/Whitewater matter. After this opening statement, I will respond to all of your questions.

First, we know from Mr. Fiske's report that nothing unlawful has been done. And, to the best of my knowledge, everyone in the Treasury acted in an ethical fashion.

Second, my testimony before the Senate Banking Committee was wholly accurate. When I appeared before the Senate Banking Committee on February 24, 1994, I testified to the one substantive contact of which I was aware of at that time.

Questions have recently been raised as to whether Ms. Hanson, Treasury General Counsel, has indicated in testimony before congressional lawyers that I asked her to brief the White House last Fall. In turn, that has raised questions as to whether I knew of the Fall meetings and testified accurately in February.

My testimony was correct. I have no recollection of asking Ms. Hanson to brief the White House. There is nothing unusual for recollections to differ. The events in question occurred five months before my testimony.

I know that she has a different recollection. I just disagree.

The key point is that we're talking about a press leak. That is the information which I understand that she provided. There's nothing wrong with that.

LB-970



Third, there were also questions raised this weekend as to whether Mr. William Roelle, formerly of the RTC, advised me in March 1993 of a possible criminal referral.

I firmly believe that he did not do so. That is my recollection.

Fourth, there have been thousands of words written to the effect that I briefed the White House on the Madison investigation on February 2. Or, putting it another way, that I discussed the status of the case.

This is untrue. I have never known the substance of the case and don't know it today. It would have been impossible for me to convey such information, and I did not do so. Cases and/or investigations by the RTC are handled at the regional level or by the General Counsel, but never by the CEO, and I had advised Ms. Ellen Kulka and Mr. Roelle that the same procedures were to be followed in this case.

On February 2, we provided generic information on procedures which the RTC follows on any statute of limitations situation, and would follow on Madison. This same generic information had been provided beforehand to representatives of the Congress and the media, upon request. It was in the public domain, and properly so. There was nothing inappropriate in providing that same information to the White House.

Finally, let me address myself to the questions on recusal. I did recuse myself on February 25 and, prior to that date, had no involvement in any decisions on Madison.

Prior to that, I was de facto recused. Before February 2, I had advised Ms. Ellen Kulka, RTC General Counsel, that all decisions relating to this case, as with all RTC cases, would be her responsibility, not mine. And, I had done so more than once, and in the presence of others. Indeed, the one decision I made on this case, was not to make any decisions relating to this case.

During the February 2 meeting, I conveyed this exact point to the White House. Namely, that I had told the RTC General Counsel that she would be making these decisions. The attendees at that meeting will confirm that.

I also asked for an opinion from the RTC ethics officer and the Treasury ethics officer on this issue. Both subsequently advised me in writing that recusal was not required, and that in any event there was no reason to recuse oneself until a particular aspect of the matter is presented for consideration.

Then, on February 11, Congress extended the statute of limitations on Madison for two additional years, i.e. through early 1996. This made recusal entirely moot. My term as RTC Chairman was to expire (and did expire) on March 30 and with the newly extended timetable, the RTC certainly wouldn't be making any Madison decisions on my watch.

In other words, I was de facto recused before February 2, and the issue became irrelevant nine days later.

In conclusion, I want to repeat that I never briefed anyone, or instructed anyone else to brief anyone, on the investigation or the case.. I knew nothing about the case back in February, other than the fact that the statute of limitations was running out, and I know nothing about the case today except what I have read in the press.

At a more significant level, I made no decisions and never influenced the direction or the substance of the Madison case at any time during my tenure at the RTC. And I never imparted any non-public information about the case to the White House or anyone else.

Now I would be happy to take some questions.

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FOR IMMEDIATE RELEASE
July 25, 1994

Contact: Jon Murchinson
(202) 622-2960

STATEMENT BY SECRETARY BENTSEN ON BANKING BILLS

I commend the House and Senate conferees for the hard work that has provided agreement on the Community Development Banking Bill and the Interstate Banking Bill.

This legislation is a result of our deliberate and incremental approach to financial services legislation. As I outlined last October, we have focused on achievable goals and picked our targets carefully. The Credit Availability Program, RTC funding bill, and now Community Development Financial Institutions and Interstate Banking are all concrete steps towards fueling economic growth by making our banking system more sound and efficient and credit more available to American consumers and businesses.

These bills will increase competition in the financial services industry, make it more convenient for Americans to do their banking and provide greater access to credit for businesses and citizens in under served rural and urban areas. In my 30 years in Washington this has been one of the most productive in terms of financial services legislation. I look forward to both houses of Congress passing the conference report soon and to President Clinton signing these bills into law.

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LB-971

DEPARTMENT OF THE TREASURY

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TRANSCRIPT OF
PRESS BRIEFING BY ROGER C. ALTMAN
DEPUTY SECRETARY OF THE TREASURY
MONDAY, JULY 25, 1994



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PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
July 26, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for \$17,304 million of 2-year notes, Series AJ-1996, to be issued August 1, 1994 and to mature July 31, 1996 were accepted today (CUSIP: 912827Q54).

The interest rate on the notes will be 6 1/8%. All competitive tenders at yields lower than 6.17% were accepted in full. Tenders at 6.17% were allotted 87%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.17%, with an equivalent price of 99.917. The median yield was 6.16%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.10%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$46,306,929	\$17,304,021

The \$17,304 million of accepted tenders includes \$1,638 million of noncompetitive tenders and \$15,666 million of competitive tenders from the public.

In addition, \$1,148 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$827 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

DEPARTMENT OF THE TREASURY

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FOR RELEASE AT 2:30 P.M.
July 26, 1994

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately \$24,800 million, to be issued August 4, 1994. This offering will provide about \$475 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of \$24,313 million.

Federal Reserve Banks hold \$6,159 million of the maturing bills for their own accounts, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold \$2,164 million as agents for foreign and international monetary authorities, which may be refunded within the offering amount at the weighted average discount rate of accepted competitive tenders. Additional amounts may be issued for such accounts if the aggregate amount of new bids exceeds the aggregate amount of maturing bills.

Tenders for the bills will be received at Federal Reserve Banks and Branches and at the Bureau of the Public Debt, Washington, D. C. This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about each of the new securities are given in the attached offering highlights.

oOo

Attachment

LB - 974



**HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED AUGUST 4, 1994**

July 26, 1994

<u>Offering Amount</u>	\$12,400 million	\$12,400 million
<u>Description of Offering:</u>		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 N8 3	912794 Q3 1
Auction date	August 1, 1994	August 1, 1994
Issue date	August 4, 1994	August 4, 1994
Maturity date	November 3, 1994	February 2, 1995
Original issue date	May 5, 1994	August 4, 1994
Currently outstanding	\$11,648 million	---
Minimum bid amount	\$10,000	\$10,000
Multiples	\$ 1,000	\$ 1,000

The following rules apply to all securities mentioned above:

Submission of Bids:

- | | |
|-------------------------------|--|
| Noncompetitive bids | Accepted in full up to \$1,000,000 at the average discount rate of accepted competitive bids |
| Competitive bids | (1) Must be expressed as a discount rate with two decimals, e.g., 7.10%. |
| | (2) Net long position for each bidder must be reported when the sum of the total bid amount, at all discount rates, and the net long position is \$2 billion or greater. |
| | (3) Net long position must be determined as of one half-hour prior to the closing time for receipt of competitive tenders. |

**Maximum Recognized Bid
at a Single Yield**

35% of public offering

Maximum Award

35% of public offering

Receipt of Tenders:

- | | |
|----------------------------------|---|
| Noncompetitive tenders | Prior to 12:00 noon Eastern Daylight Saving time on auction day |
| Competitive tenders | Prior to 1:00 p.m. Eastern Daylight Saving time on auction day |

Payment Terms

Full payment with tender or by charge to a funds account at a Federal Reserve Bank on issue date



PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
July 27, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5 YEAR NOTES

Tenders for \$11,014 million of 5-year notes, Series Q-1999, to be issued August 1, 1994 and to mature July 31, 1999 were accepted today (CUSIP: 912827Q62).

The interest rate on the notes will be 6 7/8%. All competitive tenders at yields lower than 6.98% were accepted in full. Tenders at 6.98% were allotted 56%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.98%, with an equivalent price of 99.563. The median yield was 6.96%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.90%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$28,163,891	\$11,013,632

The \$11,014 million of accepted tenders includes \$785 million of noncompetitive tenders and \$10,229 million of competitive tenders from the public.

In addition, \$530 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional \$800 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY



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FOR IMMEDIATE RELEASE

Text as Prepared for Delivery

July 28, 1994

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
CRIME EVENT AT JUSTICE DEPARTMENT

For four years, I've watched Joe Biden and Jack Brooks work diligently to pass a crime bill. Mr. President, with your leadership, we're a big step closer. And Mr. President, I plan to work with Janet Reno, to work with Chairmen Biden and Brooks, to produce a bill you'll be proud to sign. And the sooner, the better.

I get a little angry sometimes. When you watch television, you think America is a society of rapists, and stalkers, and drug addicts, and crooks. This bill starts with the premise that Americans are good, decent people. Do we have some bad apples among us? You bet. All the money in the world won't stop them. I never met a law enforcement officer who didn't say they needed more money and more manpower -- and unfortunately they do.

This is a good bill, because we're spending the money in an appropriate balance between law enforcement and prevention.

This will help many Treasury enforcement programs. Like cutting down on the violence in public housing. Or cutting down on credit card and tax fraud. It contains an assault weapons ban, it includes provisions that will make it possible to do better background checks on federally licensed gun dealers, it contains a ban on the transfer of handguns to juveniles and suspected stalkers. On prevention, I look at ATF's GREAT program, where we instruct local law enforcement agents to teach kids that gangs are bad for them. I can't tell you how many kids have walked away from gangs because of the program. We now have \$22 million, over six years, to expand it.

One last thing I want to say: I like this bill because there's a partnership here, between state and local officials, and federal officials. Treasury can't fight crime alone. Justice can't fight crime alone. The criminals are too smart and have too many weapons. We have to do it together. That's how we'll make America a safer place for the good and decent people of this country.

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FOR IMMEDIATE RELEASE
July 28, 1994

Contact: Hamilton Dix
(202) 622-2960

BENTSEN TO RELEASE BRADY LAW STUDY

Treasury Secretary Lloyd Bentsen will release "The Brady Law: The First 100 Days," a study showing the initiative's effectiveness, at the Bureau of Alcohol, Tobacco and Firearms Headquarters building at 2 p.m. Friday, July 29.

Secretary Bentsen will be joined by Police Chief Charles Grover of Prairie Village, Kansas. Chief Grover will discuss how the Brady law helped alert law enforcement officials when an accused stalker tried to buy a hand gun.

Secretary Bentsen requested the study from ATF to examine the implementation of the law and its impact on law enforcement officers, gun buyers and licensed dealers during its first 100 days, February 28 - June 6, 1994. The study focuses on the following nine cities: Houston, TX; Louisville, KY; Seattle, WA; Pittsburgh, PA; Providence, RI; Abilene, TX; Atlanta, GA; Shreveport, LA; and Cleveland, OH.

Treasury, White House, Defense, State Department or Congressional press credentials are required to gain access to the ATF building, 650 Massachusetts Avenue N.W. Room 3400. Any journalists without credentials must call ATF Public Affairs at (202) 927-8500 with the following information: name, organization, date of birth and social security or passport number.

LB-977

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DEPARTMENT OF THE TREASURY

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FOR IMMEDIATE RELEASE
July 28, 1994

Contact: Hamilton Dix
(202) 622-2960

MEDIA ADVISORY

The release of the study by the Bureau of Alcohol, Tobacco and Firearms, "The Brady Law: The First 100 Days" originally scheduled for Friday, July 28, has been postponed.

A new date will be announced.

LB-978

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U.S. ECONOMIC SANCTIONS ON HAITI

Prepared Statement of
R. Richard Newcomb
Director, Office of Foreign Assets Control
United States Department of the Treasury
before the
Subcommittee on Western Hemisphere Affairs
Committee on Foreign Relations
United States Senate
Washington, D.C.
June 28, 1994

Introduction

Chairman Dodd and members of the Subcommittee, good afternoon. The Office of Foreign Assets Control of the Treasury Department is responsible for the implementation and enforcement of economic sanctions programs relying on the President's powers under the Trading with the Enemy Act, the International Emergency Economic Powers Act and the United Nations Participation Act with respect to various countries, including Haiti. In my remarks today, I will discuss the increasingly restrictive economic sanctions that have been imposed against the *de facto* regime in Haiti that were recently augmented on June 21, 1994 by the President's Executive Order 12922.

The Stiffening Sanctions Against Haiti

The U.S. Government has tightened sanctions against the *de facto* regime and its supporters through a series of measured, yet increasingly comprehensive actions contained in eight presidential Executive Orders addressing asset blocking, financing, trade and transportation restrictions.

At the outset of the Haiti crisis, the President signed Executive Order 12775 on October 4, 1991, blocking property of the *de facto* regime, its agencies, instrumentalities, and controlled entities, as well as the legitimate Government of Haiti. Under this standard, following extensive consultation with the State Department, OFAC designated 83 individuals and 35 entities as Specially Designated Nationals ("SDNs") of the *de facto* regime in Haiti on June 4, 1993.

Identification as a "Specially Designated National" targets specific individuals and front companies acting on behalf of Haiti. On October 8, 1991, Executive Order 12779 banned most trade with Haiti. On June 16, 1993, Executive Order 12853 specifically prohibited the sale and supply of arms and petroleum products to Haiti, and the use of U.S.-registered vessels to carry those goods.

Following the failure of the military and police in Haiti to fulfill their obligations under the July 1993 Governors Island Agreement, President Clinton issued Executive Order 12872 on October 18, 1993, which expanded the categories of blocked persons to include those who have: (a) contributed to the obstruction of the Agreement or the U.N. Mission in Haiti, (b) perpetuated or contributed to the violence in Haiti, or (c) materially or financially supported those activities. Using these criteria, a new SDN list was published on October 20, 1993, with the names of 41 individuals, categorized as blocked individuals or entities of Haiti.

The continued intransigence of the *de facto* regime, particularly the officers of the Haitian military, in the face of U.N. resolutions to produce a return of democracy to Haiti, resulted in April, 1994, in the designation of all officers of the Haitian Armed Forces as blocked individuals. That action has resulted to date in the addition of 550 named Haitian military officers to the list.

On May 21, 1994, the President issued Executive Order 12917, implementing a tighter trade ban. Following an additional UN Security Council resolution to deal with Haitian family members acting on behalf of the blocked individuals to evade the sanctions, on June 2, 1994, OFAC began identifying as SDNs immediate family members of Haitian military officers and police, major participants in the coup d'état of 1991 or in any of the succeeding illegal governments. We also began listing as blocked persons the members of the Jonaissant regime and those Haitian legislators who have supported it. On June 10, 1994, Executive Order 12920 prohibited the transfer of funds from or through the U.S. to Haiti or to or through the U.S. from Haiti. Also on June 10, 1994, the President broadened the transportation ban by prohibiting future regularly scheduled commercial passenger flights by U.S. and Haitian air carriers.

Most recently, as a signal of the United States' seriousness and resolve, a further refinement was made to focus sanctions on those wealthy Haitian mercantile families who have been instrumental in supporting the *de facto* regime. Through Executive Order 12922, signed on June 21, 1994, President Clinton blocked the U.S. property of all Haitian nationals residing in Haiti. While all Haitian nationals residing in Haiti fall within the Executive Order's blocking provision, we will continue to identify by name those individuals associated with the business elite who are most likely to have assets within U.S. jurisdiction. With the latest actions under Executive Order 12922 and the prior Executive Orders, OFAC has designated a total of 894 blocked individuals and 36 blocked entities of Haiti. More will be designated soon.

In addition to the punitive blocking against the *de facto* regime and its supporters which was reconfirmed and amplified by Executive Order 12922, we previously blocked the Government of Haiti's U.S. property to keep it out of the hands of the *de facto* regime. Acting on the foreign policy advice of the Department of State, we have licensed periodic disbursements from blocked Government of Haiti accounts to fund the diplomatic operations of the Aristide government both in the United States and abroad.

Blocking, Financial, Trade and Transportation Prohibitions

On June 21, 1994, the President signed Executive Order 12922 blocking all property and interests in property in the United States or in the possession or control of U.S. persons of (a) any Haitian national resident in Haiti; or (b) any other person subject to the previous Haiti Executive Orders and Haitian citizens who are members of their immediate families. Excluded from this Order is the property of nongovernmental organizations providing essential humanitarian assistance or conducting refugee and migration operations in Haiti, as identified by OFAC.

Executive Order 12922 takes the significant step of blocking the property of Haitian nationals who are owners of the principal Haitian businesses sustaining the *de facto* regime in Haiti. This new Executive Order cuts off most business ties between the Haitian business class and the U.S. business community by blocking the assets of more than 250 prominent Haitian business owners and their families.

Under the Executive Orders, trade and transportation with Haiti have been restricted. No Haitian goods or services may be imported into the United States, whether directly or through a third country, with the exception of publications and other informational materials. No goods, technology, or services may be exported to Haiti from the United States, either directly or through a third country, other than informational materials and certain humanitarian exports.

Vessel and air traffic to and from Haiti is also highly regulated. A vessel is prohibited from entering U.S. ports unless it demonstrates to us that its calls in Haiti were for transactions consistent with the U.S. and U.N. sanctions programs. In addition, virtually all flights to or from Haiti are prohibited, including regularly scheduled commercial passenger flights. The ban on commercial air service between the United States and Haiti will make visits to the United States for the Haitian business community less frequent and far more difficult. Cargo and charter flights carrying authorized humanitarian assistance to Haiti require approval from our office and the United Nations.

Humanitarian Aid

One of the most important elements of the Haiti program is the maintenance of an effective humanitarian assistance strategy. While we wish to administer a forceful sanctions program, we will never lose sight of the humanitarian needs of the Haitian people and we will attempt to ensure that humanitarian goods will continue to flow. The President's Executive Order excludes nongovernmental organizations which are engaged in humanitarian assistance or in refugee operations in Haiti. The Haitian business owners blocked in the Executive Order lease property and provide services to international humanitarian operations in Haiti, including the State Department's Agency for International Development ("AID"), and these business owners also control a significant portion of retail food sales in Haiti. We hope to facilitate humanitarian shipments through licensing procedures.

To assist AID and its approved organizations in Haiti, we have issued a blanket license that makes case-by-case licensing by OFAC unnecessary. After State or AID confirms that the humanitarian activities of a non-governmental organization ("NGO") are appropriate, OFAC issues a registration number to the organization containing specific instructions to enable the NGO to route funds to Haiti without having the payment order rejected or blocked by a U.S. financial institution. We coordinate such requests with either AID or State in order to be sure that the activities of the NGOs are consistent with U.S. foreign policy with respect to Haiti. As of June 23, OFAC had received 66 requests from humanitarian organizations to register projects in Haiti. OFAC issued instructions to all U.S. banks, including their overseas branches, to honor authorized transactions for NGOs. Accounts and transactions of Haitian citizen personnel who are verified as employed by registered NGOs will be excluded from blocking. In addition, registered NGOs have been authorized to pay Haitian nationals who provide services to NGO-sponsored projects and to handle U.S. financing for local contractors working on NGO projects, provided that no debits are made to blocked accounts.

A major concern in imposing tightened sanctions against Haiti has been to ensure that supplies of essential food and medicine continue to flow. The embargo exempts a number of commodities, including rice, beans, sugar, wheat flour, cooking oil, corn, corn flour, milk, edible tallow, and medicine and medical supplies. We have implemented a system by which payments related to the export of these commodities can flow freely through the United States banking system and have instructed U.S. banks holding accounts for Haitian banks to open special accounts to handle authorized transactions. We are also streamlining the process of verifying the legitimacy of funds transfers involving the sale of exempt goods by U.S. exporters, while continuing our enforcement role in ensuring that unauthorized transfers do not flow between the United States and Haiti.

In a similar manner, we have been working with the Departments of State and Transportation and AID to secure exceptions for humanitarian flights to carry exempt or UN-approved shipments to Haiti. This process currently involves requesting and securing approval of the flight from the UN Sanctions Committee and coordinating approved flights with the FAA. The UN Sanctions Committee has approved a number of flights, and requests for others are currently being processed.

Sanctions Enforcement

Working through the bank supervisory agencies and the Customs Service, OFAC's Compliance and Enforcement Divisions have worked to provide the fullest enforcement of each stage of the Haitian sanctions program. Through our efforts to date, we have assessed more than 120 civil penalties totalling nearly a million dollars against violators of various sanctions prohibitions, in addition to the amounts collected -- and merchandise seized and forfeited -- by the Customs Service for concurrent violations of the customs laws. Information provided to us by the maritime Multilateral Interdiction Force operating in the sea lanes to Haiti has proven valuable in identifying vessels which have surreptitiously left the United States with contraband for Haiti. Although such vessels, which are not U.S.-flagged, can be escorted to the nearest U.S. port and the offending cargo removed, authority to seize the vessel is lacking in either the applicable UN resolutions or Executive Orders, or in the underlying sanctions statutes. As a result, such vessels can only be detained for release to the flag state for such action as it may wish to take.

At each stage of the U.S. sanctions program against Haiti, we have been mindful of the need to balance an effective sanctions program with the need to maintain the essential flow of humanitarian goods to Haiti. While pursuing sanctions measures calculated to apply real pressure on the *de facto* regime and its supporters in Haiti, we have provided - - either by exempting language or through the issuance of licenses -- the means by which humanitarian shipments can continue.

Thank you for your invitation to appear here today. I would be pleased to answer any questions you might have.

TREASURY



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FOR IMMEDIATE RELEASE
July 29, 1994

CONTACT: Jon Murchinson
(202) 622-2960

BORROWING ADVISORY COMMITTEE MEETING AND REFUNDING PLANNED

The Treasury Department's Borrowing Advisory Committee will hold an open meeting at 11:30 a.m. Tuesday, August 2, 1994 in the Cash Room.

Deputy Assistant Secretary (Federal Finance) Darcy Bradbury will hold a press conference to announce the Treasury Department's quarterly refunding at 2 p.m. on Wednesday, August 3, 1994 in the Cash Room.

Media without Treasury, White House, State or Congressional credentials wishing to attend should contact the Office of Public Affairs at (202) 622-2960, with the following information: name, social security number and date of birth, by 6 p.m. Monday, August 1 for Tuesday's event and by 6 p.m. Tuesday, August 2 for Wednesday's event. This information may be faxed to (202) 622-1999.



FOR IMMEDIATE RELEASE
July 29, 1994

Contact: Scott Dykema
(202) 622-2960

U.S., SWITZERLAND TO INCREASE COOPERATION ON TAX MATTERS

The Treasury Department said Friday talks have been completed with an official Swiss delegation on increased exchange of information, including banking information, and cooperation in tax matters.

The delegations reached agreement, in principle, to increase the effectiveness of information exchange under the current bilateral income tax treaty and to expand the exchange of information in connection with tax crimes under a proposed new treaty.

Negotiators agreed to resume formal negotiations later this year on that proposed income tax treaty, which would require tax authorities in both countries to provide documents, including third party records, in appropriate tax crime cases. The new treaty also would update the current treaty, in effect since 1951, in many respects.

The last round of talks on the pending treaty were held in 1989.

federal financing bank NEWS

WASHINGTON, D.C. 20220

Press 202-622-2960
FFB 202-622-2450

July 29, 1994

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of June 1994.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled \$115.6 billion on June 30, 1994, posting a decrease of \$489.9 million from the level on May 31, 1994. This net change was the result of an increase in holdings of agency debt of \$736.3 million, and a decrease in holdings of agency assets of \$1,128.8 million and in holdings of agency-guaranteed loans of \$97.4 million. FFB made 13 disbursements during the month of June, and refinanced seven REA-guaranteed loans, repriced three REA-guaranteed loans, and extended the maturity of 21 REA-guaranteed loans. FFB also received 60 prepayments in June.

Attached to this release are tables presenting FFB June loan activity and FFB holdings as of June 30, 1994.

FEDERAL FINANCING BANK
JUNE 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
AGENCY DEBT				
RESOLUTION TRUST CORPORATION				
Note 22 /Advance #2	6/21	\$1,500,000,000.00	7/1/94	4.408% S/A
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Foley Square Office Bldg.	6/7	\$156,182.00	12/11/95	5.648% S/A
HCFA Services Contract	6/9	\$355,255.00	6/30/95	5.304% S/A
HCFA Services Contract	6/9	\$71,051.00	6/30/95	5.304% S/A
Memphis IRS Service Cent.	6/10	\$3,964,273.71	1/3/95	4.876% S/A
ICTC Building	6/17	\$7,922,028.26	11/2/26	7.539% S/A
HCFA Services Contract	6/17	\$71,051.00	6/30/95	5.315% S/A
Foley Square Courthouse	6/20	\$6,742,550.00	12/11/95	5.718% S/A
Oakland Office Building	6/22	\$871,406.00	9/5/23	7.630% S/A
Foley Services Contract	6/27	\$69,677.00	12/11/95	5.882% S/A
HCFA Headquarters	6/27	\$6,015,360.00	6/30/95	5.515% S/A
RURAL ELECTRIFICATION ADMINISTRATION				
Central Elec. Power #331	6/2	\$324,000.00	12/31/19	7.447% Qtr.
Citizens Utilities #387	6/16	\$2,394,000.00	6/30/95	5.309% Qtr.
*Allegheny Electric #255	6/30	\$5,577,866.30	7/1/96	6.185% Qtr.
*Allegheny Electric #908	6/30	\$1,477,189.25	7/1/96	6.184% Qtr.
*Allegheny Electric #908	6/30	\$1,815,351.25	7/1/96	6.184% Qtr.
*Allegheny Electric #908	6/30	\$5,019,675.75	7/1/96	6.184% Qtr.
*Allegheny Electric #908	6/30	\$6,090,378.50	7/1/96	6.184% Qtr.
+Central Iowa Power #910	6/30	\$3,760,418.28	1/3/17	7.409% Qtr.
+Central Iowa Power #910	6/30	\$628,421.73	12/31/18	7.437% Qtr.
*Coop. Power Assoc. #130	6/30	\$6,684,099.12	7/1/96	6.175% Qtr.
*Coop. Power Assoc. #130	6/30	\$15,647,162.80	7/1/96	6.171% Qtr.
*Coop. Power Assoc. #130	6/30	\$389,093.04	7/1/96	6.171% Qtr.
*Coop. Power Assoc. #130	6/30	\$1,329,627.92	7/1/96	6.171% Qtr.
*N. Dakota Central #278	6/30	\$132,565.91	1/3/17	7.513% Qtr.
@Northwest Telephone #028	6/30	\$660,012.32	1/3/11	7.335% Qtr.
@Northwest Telephone #028	6/30	\$647,959.21	1/3/11	7.335% Qtr.
@Northwest Telephone #028	6/30	\$1,161,676.74	1/3/11	7.335% Qtr.
*Saluda River Elec. #903	6/30	\$2,391,777.44	9/30/94	4.289% Qtr.
*Saluda River Elec. #903	6/30	\$903,947.18	9/30/94	4.289% Qtr.
*Saluda River Elec. #903	6/30	\$1,433,996.27	9/30/94	4.289% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.
 @ interest rate buydown
 * maturity extension
 + 306C refinancing

FEDERAL FINANCING BANK
JUNE 1994 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
RURAL ELECTRIFICATION ADMINISTRATION (continued)				
*Saluda River Elec. #903	6/30	\$10,092,448.93	9/30/94	4.289% Qtr.
*Saluda River Elec. #903	6/30	\$3,331,414.60	9/30/94	4.289% Qtr.
*Saluda River Elec. #903	6/30	\$2,705,721.47	9/30/94	4.289% Qtr.
*Saluda River Elec. #903	6/30	\$11,284,457.77	9/30/94	4.289% Qtr.
*Saluda River Elec. #903	6/30	\$1,067,556.95	9/30/94	4.289% Qtr.
*Seminole Electric #905	6/30	\$40,716,415.40	9/30/94	4.289% Qtr.
*Seminole Electric #905	6/30	\$41,758,521.50	9/30/94	4.289% Qtr.
+United Power Assoc. #911	6/30	\$868,280.30	1/2/18	7.425% Qtr.
+United Power Assoc. #911	6/30	\$1,885,082.47	1/2/18	7.425% Qtr.
+United Power Assoc. #911	6/30	\$342,742.35	1/2/18	7.425% Qtr.
+United Power Assoc. #911	6/30	\$1,370,969.00	1/2/18	7.425% Qtr.
+United Power Assoc. #911	6/30	\$5,655,247.66	1/2/18	7.425% Qtr.
*Washington Electric #269	6/30	\$91,196.25	12/31/14	7.372% Qtr.

Qtr. is a Quarterly rate.
* maturity extension
+ 306C refinancing

FEDERAL FINANCING BANK
(in millions)

<u>Program</u>	<u>June 30, 1994</u>	<u>May 31, 1994</u>	<u>Net Change 6/1/94-6/30/94</u>	<u>FY '94 Net Change 10/1/93-6/30/94</u>
Agency Debt:				
Department of Transportation	\$ 664.7	\$ 664.7	\$ 0.0	\$ 664.7
Export-Import Bank	4,383.4	4,847.1	-463.7	-1,411.2
Resolution Trust Corporation	28,902.3	27,402.3	1,500.0	-2,785.4
Tennessee Valley Authority	4,375.0	4,675.0	-300.0	-1,950.0
U.S. Postal Service	<u>9,473.1</u>	<u>9,473.1</u>	<u>0.0</u>	<u>-258.4</u>
sub-total*	47,798.5	47,062.2	736.3	-5,740.3
Agency Assets:				
FmHA-ACIF	7,233.0	7,998.0	-765.0	-1,675.0
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	25,091.0	25,451.0	-360.0	-945.0
DHHS-Health Maintenance Org.	30.9	30.9	0.0	0.0
DHHS-Medical Facilities	41.2	45.0	-3.8	-10.1
Rural Electrification Admin.-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	<u>1.2</u>	<u>1.2</u>	<u>0.0</u>	<u>-1.6</u>
sub-total*	40,671.2	41,800.0	-1,128.8	-2,631.8
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,887.9	3,919.1	-31.2	-195.5
DEd.-Student Loan Marketing Assn.	0.0	0.0	0.0	-4,790.0
DEPCO-Rhode Island	0.0	0.0	0.0	-30.4
DHUD-Community Dev. Block Grant	115.1	115.1	0.0	-16.2
DHUD-Public Housing Notes	1,746.5	1,746.5	0.0	-54.5
General Services Administration +	1,914.6	1,902.0	12.6	328.9
DOI-Virgin Islands	22.2	22.2	0.0	-0.7
DON-Ship Lease Financing	1,479.6	1,479.6	0.0	-48.7
Rural Electrification Administration	17,357.3	17,418.6	-61.3	-295.9
SBA-Small Business Investment Cos.	58.8	69.2	-10.4	-31.6
SBA-State/Local Development Cos.	535.7	542.2	-6.5	-40.7
DOT-Section 511	15.2	15.7	-0.5	-1.8
DOT-WMATA	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-177.0</u>
sub-total*	27,132.8	27,230.2	-97.4	-5,354.1
grand-total*	<u>\$115,602.5</u>	<u>\$116,092.4</u>	<u>\$ -489.9</u>	<u>\$-13,726.2</u>

*figures may not total due to rounding
+does not include capitalized interest



FOR IMMEDIATE RELEASE
July 29, 1994

Contact: Michelle Smith
(202) 622-2960

BENTSEN APPLAUDS COMMITTEE VOTE ON GATT

Treasury Secretary Lloyd Bentsen on Friday applauded the Senate Finance Committee for voting to approve funding for the General Agreement on Tariffs and Trade (GATT).

"Chairman Moynihan led the committee through some tough negotiations, and I commend him for his able leadership," Secretary Bentsen said.

Senate Finance Committee Chairman Daniel Patrick Moynihan invited Secretary Bentsen to discuss the Administration's funding proposals in the Committee's markup this morning. The funding package will offset \$11.5 billion in tariff revenue losses over the first five years of implementation of GATT.

"We're an example to the rest of the world," the Secretary said. "It is critical that we move to ratify the Uruguay Round of the GATT this year."

"Our credibility in asking others to open up their markets is tied to our implementation of this agreement. It creates the foundation for a fair global trading system."

"The Uruguay Round is not a favor we are doing for the rest of the world; it's in our economic interest. Treasury estimates that the increased trade will pump between \$100 billion and \$200 billion into the U.S. economy every year after full implementation," the Secretary said.

The Uruguay Round is the most comprehensive trade agreement in history. Approved by 117 nations last December, it will reduce barriers blocking imports to world markets and create a more fair, more comprehensive and more enforceable set of world trade rules.

DEPARTMENT OF THE TREASURY

TREASURY



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Text as prepared for delivery
July 31, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

I have some long-awaited news I want to share with you. The Office of Government Ethics, a non-partisan agency of the federal government, staffed by career employees, has now responded to my request for an evaluation of the actions of senior Treasury officials.

The Office of Government Ethics analyzed the independently collected facts on the contacts Treasury Officials had with the White House regarding Madison Guaranty. The OGE has indicated to me that, on the basis of their review, I can reasonably conclude that the conduct of the people working here, as described in the report, did not, I repeat did not violate the Standards of Ethical Conduct for executive branch employees. That is my conclusion -- that Roger Altman, Jean Hanson and Joshua Steiner did not violate any government ethical standards.

On March 3rd, when the extent of these contacts was first reported, I made it clear I wanted to get to the bottom of it, particularly as it regards the conduct of the senior officials here at Treasury. That's why I immediately turned to the federal agency we rely on for guidance on ethics issues, the OGE. They have no ax to grind. The staff is professional. They are not beholden to any political party. Their job is to help officials understand what the rules are, and, when necessary, let us know if the rules were broken.

I asked the Office of Government Ethics to render an opinion as to the actions of our officials in relation to the ethics standards, and the Inspector General was asked to assist.

Lest anyone think the Office of Government Ethics dragged its feet, I would point out that they were unable to begin their work until June 30th. At the request of the Independent Counsel, Mr. Fiske, these offices -- the OGE and the Inspector General -- agreed to wait until his investigation was complete. He found absolutely no basis for any criminal prosecution of Treasury or White House officials.

Immediately after Mr. Fiske concluded his work, I asked the IG and the OGE to begin their examinations and report to me on their findings. I would point out that the Treasury Department has cooperated fully with every investigation that has been conducted, including those on Capitol Hill. We turned the Treasury Department inside out to find every scrap of paper and every record that might conceivably have some bearing on the issue.

We are today releasing the OGE's 27-page report, and the IG's report of it's supporting investigation. We have copies available for you. I'm sending this material to the President's counsel, Mr. Cutler, and to the relevant committees of Congress.

It is a very thorough report, covering everything from meetings to faxing newspaper clippings. The report also says there were some troubling areas. The OGE tells me there appear to be misconceptions on the part of Treasury officials that contributed to the fact the contacts occurred. For instance, the OGE says there may not have been sufficient appreciation of the roles involved and thus, what policies apply. And they said there might have been misperceptions about the recusal process and the standards for conveying nonpublic information.

I have just received this report, but I wanted to let you know what the bottom line is. I want to take some time to study it in detail and carefully consider the implications for the management of department functions.

As I've said before, and as Mr. Cutler, the White House counsel has said, in hindsight it would have been better if some of these contacts had not occurred.

But we should not lose sight of the fact that Mr. Fiske, a Republican, has found that Treasury officials broke no criminal statutes. We should not lose sight of the fact that an independent, nonpartisan ethics agency, whose director was appointed by the previous Republican administration, says I can conclude that those working at the Treasury Department did not violate the Standards of Ethical Conduct.

There have now been no fewer than three very thorough examinations of this matter which have reached the same conclusions -- that there were no criminal or ethical violations. I believe that when the rhetorical dust settles, and partisan politics is put in its place, Congress will agree. I will make that point Wednesday when I testify to the Senate Banking Committee.

I have the highest regard for the individuals whose actions have been examined. I have repeatedly stated my faith in them. If members of Congress knew these individuals as I do, I don't believe they would question their character and ability. I want to complement these individuals, and everyone at the Treasury Department. I am proud that we have been able to keep the department operating at full speed throughout this matter. There's more work to be done, and we're going to get on with the job.

I have said repeatedly that I wanted to get this issue resolved and put this matter behind us because we have important work to do at Treasury. This report contributes to that. I'd like to thank the director of the Office of Government Ethics, Stephen Potts, and his capable staff, and Robert Cesca, the Deputy Inspector General at the Treasury Department, and his staff, for the extraordinary work they have done and the service they have performed.

Thank you.

DEPARTMENT OF THE TREASURY

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**TRANSCRIPT OF
PRESS BRIEFING OF LLOYD BENTSEN
SECRETARY OF THE TREASURY
SUNDAY, JULY 31, 1994**

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DEPARTMENT OF THE TREASURY
WASHINGTON

**REPORT TO
THE SECRETARY OF THE TREASURY**

**FROM
THE OFFICE OF GOVERNMENT
ETHICS
JULY 31, 1994**



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

July 30, 1994

The Honorable Lloyd Bentsen
Secretary of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

By letter dated March 3, 1994, you requested that I provide you with my views on whether any ethics or conflicts questions were raised by certain meetings or other contacts between employees of the Department of the Treasury and White House officials concerning the Resolution Trust Corporation's (RTC) resolution of the Madison Guaranty Savings and Loan Association (Madison).

The Office of Government Ethics (OGE) is not an investigative agency. For this reason, and because Treasury's Designated Agency Ethics Official provided ethics advice in advance of one meeting and is the Deputy of one of the participants in several of the contacts at issue, I offered to provide the advice and assistance of my Office to the Inspectors General of Treasury and the RTC in connection with an administrative investigation of the matter to be conducted by them. I agreed to review the report issued by these offices to provide you with whatever advice I believed would be appropriate under the circumstances. It is of course, your responsibility to make any necessary determinations.

The Office of Government Ethics does not ordinarily participate in an agency's investigation of the conduct of its own employees or make recommendations as to appropriate disciplinary or remedial action. Treasury, as the employing agency, is primarily responsible for determining whether the conduct of its employees violates the Standards of Ethical Conduct for Employees of the Executive Branch, 5 C.F.R. part 2635. There are, however, formal procedures under which OGE may become involved in recommending corrective or disciplinary action based upon a violation of the noncriminal portions of the standards of conduct. Those procedures may be triggered if OGE has reason to believe that the standards of conduct have been violated and then determines that the agency has not investigated the activities, has inadequately investigated the activities, has improperly interpreted or applied an ethics provision, or has taken or recommended inappropriate corrective or disciplinary action. An employee whose conduct is under review by OGE pursuant to these procedures is entitled to a hearing conducted on the record. These procedures are set forth in 5 C.F.R. part 2638, Subpart E.

These procedures have not been triggered. With regard to any question about an investigation, the Department of the Treasury, in

conjunction with the RTC, has completed an investigation. We received their final report at noon yesterday. Considering the severe constraints placed upon those offices to complete this investigation in time for your use in preparing Congressional testimony, we believe they have done an admirable job. While some details may not have been as fully developed as they or we might have wished, we do not anticipate that any further details would have a significant effect on our analysis. Further, since you have not yet acted with regard to the report, we have no basis to believe you have improperly interpreted or applied an ethics provision or taken or recommended inappropriate corrective or disciplinary action. Our only purpose in this letter is to provide an analysis of the standards we believe are applicable for your consideration in whatever decisions you make.

Because your authority as Secretary of the Treasury relates to employees of the Department, the report of the Inspectors General is necessarily focused upon the activities of officials of the Treasury Department. For that reason, our analysis is not intended to cover, nor should it in any way reflect upon, the actions of individuals who are employed by the White House. Further, because the sanctions for violating the executive branch standards of conduct are administrative in nature and, therefore, applicable only to current employees, we have not provided an exhaustive analysis of the conduct of any individual who is no longer employed by the Department.

INTRODUCTION

In view of the considerable attention and commentary this matter has received, it is appropriate before setting forth our analysis to emphasize that all conduct that some may perceive as "unethical" does not necessarily violate the standards of conduct. The standards at 5 C.F.R. part 2635 are regulatory provisions based upon the "Principles of Ethical Conduct" enumerated in Executive Order 12674. Their focus is on ensuring that employees do not use their public offices for nonpublic purposes. The standards are, in effect, a written code, with provisions sufficiently specific in their application to certain types of conduct that an employee can be held accountable, by administrative disciplinary action, for their violation. The standards of conduct are not a yardstick by which all Governmental action can be measured.

"Ethics," in its true sense, is a far more expansive concept. For instance, whether the United States should send food to famine victims abroad is a policy decision with a clear "ethical" dimension. Without some personal financial or other interest in the undertaking, however, the actions of those who make or carry out that determination would not violate the standards of conduct, even though many might characterize a decision to withhold aid as "unethical."

The standards set forth a code of conduct to which employees of the executive branch must, at a minimum, adhere. Every violation of a statute, regulation or policy does not amount to a violation of the standards of conduct; most such actions are simply violations of the applicable statute, regulation or policy. Moreover, the standards of conduct do not hold individual employees accountable for Governmental systems that fail or for errors of judgment. That is not to say that individual employees are not otherwise accountable for Governmental systems for which they are responsible or for the judgment they exercise. There may be substantial management and program reasons for reviewing an employee's performance in a particular role. That management responsibility is separate and apart from the responsibility that an agency also has to measure the employee's conduct against the standards of conduct.

ANALYSIS

This Office has reviewed the report of the Inspectors General dated July 29, 1994, including the transcripts of the interviews conducted and the documents provided as exhibits. We received copies of the transcripts as they were produced but we relied upon review by the Inspectors General of documentation other than that provided as exhibits.

On the basis of our review, we believe that you might reasonably conclude that the conduct detailed in the report of officials presently employed by the Department of the Treasury did not violate the Standards of Ethical Conduct for Employees of the Executive Branch. However, many of the contacts detailed in the report are troubling. In the course of our review, it appeared that there were some misconceptions on the part of Treasury employees that may have contributed to the fact that those contacts occurred. Treasury employees who performed both Treasury and RTC functions seem to have failed to appreciate which roles they were performing and, thus, which agency's policies and regulations applied. In addition, based on our reading of the testimony, there appears also to have been a misperception that the standard at 5 C.F.R. § 2635.703 regarding the use of nonpublic information was the only provision that need be taken into account in deciding whether information should be conveyed. And, finally, there appears to have been a misunderstanding of the function of recusal.

PERTINENT PROVISIONS OF THE STANDARDS OF ETHICAL CONDUCT

During the period when Independent Counsel Robert Fiske was conducting his investigation and the Inspectors General were waiting to begin their administrative investigation, this Office reviewed the standards of conduct to determine which standards, if any, might apply to the conduct of Treasury officials. With press accounts as our only basis for what conduct might be involved, we

determined that a "worst-case scenario" might implicate the following provisions in 5 C.F.R. part 2635:

§ 2635.101(b)(6), the principle that an employee shall not knowingly make unauthorized commitments or promises of any kind purporting to bind the Government;

§ 2635.101(b)(8), the principle that an employee shall act impartially and not give preferential treatment to any private organization or individual;

§ 2635.101(b)(14), the principle that an employee shall endeavor to avoid any actions creating the appearance that he is violating the law or ethical standards set forth in this part;

§ 2635.702, the standard that an employee shall not use public office for the private gain of friends, relatives or persons with whom the employee is affiliated in a nongovernmental capacity;

§ 2635.702(a), the standard that an employee shall not use or permit the use of his Government position or title or any authority associated with his public office in a manner that is intended to coerce or induce another person, including a subordinate, to provide any benefit to himself or to friends, relatives or persons with whom the employee is affiliated in a nongovernmental capacity;

§ 2635.703, the standard that an employee shall not engage in a financial transaction using nonpublic information, nor allow the improper use of nonpublic information to further his own private interest or that of another, whether through advice or recommendation, or by knowing unauthorized disclosure;

§ 2635.704, the standard that an employee has a duty to protect and conserve Government property and shall not use such property, or allow its use, for other than authorized purposes;

§ 2635.705(a), the standard that, unless authorized in accordance with law or regulations to use such time for other purposes, an employee shall use official time in an honest effort to perform official duties.

§ 2635.705(b), the standard that an employee shall not encourage, direct, coerce or request a subordinate to use official time to perform activities other than those required in the performance of official duties or authorized in accordance with law or regulation.

We provided the Inspectors General with references to these provisions and discussed possible lines of inquiry to assist them in establishing the boundaries of their investigation and framing their interview questions. We did so with the caveat that their factual findings might narrow or expand the list.

After reviewing the report, we saw nothing to indicate that any provisions other than those noted above were in issue. We saw no indication whatsoever that any Treasury employee knowingly made an unauthorized commitment or promise of any kind purporting to bind the Government. 5 C.F.R. § 2635.101(b)(6). We also saw nothing that would require an analysis of whether any Treasury employee had used his or her own official time or that of a subordinate for other than official duties. 5 C.F.R. § 2635.705. In addition, the provisions of 5 C.F.R. § 2635.704 regarding misuse of Government property did not appear to be in issue. That section's inclusion of "Government records" within the definition of "Government property" was intended to ensure compliance with various specific legal proscriptions regarding the Government's ownership of its records, such as the Records Disposal Act. Those proscriptions were not implicated by the handling of any record at issue in this case.

The Standard that proved to be most, though not exclusively, pertinent to our analysis was 5 C.F.R. § 2635.703, which provides in part:

(a) Prohibition. An employee shall not . . . allow the improper use of nonpublic information to further his own private interest or that of another, whether through advice or recommendation, or knowing unauthorized disclosure.

The concept of what constitutes nonpublic information is important in applying this standard and the regulation, itself, provides the following definition:

(b) Definition of nonpublic information. For purposes of this section, nonpublic information is information that the employee gains by reason of Federal employment and that he knows or reasonably should know has not been made available to the general public. It includes information that he knows or reasonably should know:

(1) Is routinely exempt from disclosure under 5 U.S.C. 552 or otherwise protected from disclosure by statute, Executive order or regulation;

(2) Is designated as confidential by an agency; or

(3) Has not actually been disseminated to the general public and is not authorized to be made available to the public on request.

It is our understanding that documents containing information about referrals to the Department of Justice are generally exempt from public disclosure by virtue of exemption (b)(7) of the Freedom of Information Act (FOIA), 5 U.S.C. § 552. In addition, information about RTC-generated criminal referrals, including the fact that a referral has been made, appears to have been designated as confidential by the RTC. As set forth in the memorandum of June 17, 1993 provided as Exhibit 3, RTC's policy with respect to criminal referrals is one of strict confidentiality. Unless directed by counsel, disclosure of any investigative matter is prohibited without authorization by the head of the Office of Investigations.

As a general proposition, the fact that information has been leaked would not cause an agency to consider the information to have lost its "nonpublic" character. This is well-established under the FOIA. A number of FOIA cases have dealt with the question of whether the unauthorized disclosure of information would prevent an agency from claiming that the information is nonetheless exempt under the FOIA. It is clear from the decisions in these cases that a waiver of the FOIA exemptions has not occurred because of an unauthorized disclosure. See, e.g., Simmons v. Department of Justice, 796 F.2d 709 (4th Cir. 1986); Medina-Hincapie v. Department of State, 700 F.2d 737 (D.C. Cir. 1983). Note also that in Resolution Trust Corporation v. Dean, 813 F. Supp. 1426 (D. Ariz. 1993), a non-FOIA civil discovery decision, the court found no waiver of the attorney client privilege where an RTC "Authority to Sue Memorandum" was leaked.

This proposition regarding the "nonpublic" nature of information that has been leaked would hold true as well under § 2635.703 of the standards of conduct. Leaked information could be "nonpublic" within the meaning of § 2635.703(b) in that it could be exempt under the FOIA; could retain an agency designation of confidentiality; or would not have been "authorized to be made available to the public on request."

The RTC's policies and procedures regarding disclosure of information about criminal matters referred to the Department of Justice, as set forth in the June 17, 1993 memorandum and other RTC documents, provide for information about such referrals to be shared within the Government only among a few specified entities. The White House is not among the entities specified. Exceptions to the RTC's disclosure policy must be authorized as noted above.

The RTC's disclosure policy may have been violated in this case if information regarding a criminal referral was discussed

outside the parameters of that policy, i.e., without the necessary authorization. For example, Ms. Hanson stated with respect to the September 29 disclosure that she had been directed by Mr. Altman to provide information about a referral to Mr. Nussbaum. Mr. Altman does not recall having given that authorization. In view of the discrepancy between Ms. Hanson's and Mr. Altman's recollections, however, we cannot say for certain whether authorization from the head of the agency was obtained in that instance. Even had such authorization been obtained, we cannot say that such authorization would comport with the RTC's disclosure policy.

In any event, such a finding would resolve only one element of § 2635.703. In order for a violation of § 2635.703 to occur, not only must a disclosure of nonpublic information be "unauthorized," the disclosure also must be "to further [the employee's] own private interest or that of another." That element of § 2635.703 is discussed below, in the analysis of the standards of conduct as applied to the contacts listed in the report.

CONTACTS

Our analysis of the applicable standards of conduct is set forth below in the chronological order in which the contacts occurred. In some instances the actual dates of the contacts are uncertain although the contacts are placed in the chronological order most supported by the participants' recollections.

9/29 Meeting between Hanson, Nussbaum and Sloan

Ms. Hanson recalls that during the meeting that occurred on September 29, 1993, she informed Messrs. Nussbaum and Sloan that the RTC was about to make a criminal referral relating to Madison and that the Clintons were not objects of the investigations, but were mentioned as possible witnesses. According to Messrs. Nussbaum and Sloan, she related some additional details concerning the referral.

The September 29 meeting requires analysis under § 2635.703 and under the appearance principle at § 2635.101(b)(14) as applied to that standard. If § 2635.703 was not violated, the impartiality principle at § 2635.101(b)(8) could, nevertheless, be implicated. We saw nothing in the record to suggest that Ms. Hanson has a personal friendship or nongovernmental affiliation with the President or Mrs. Clinton or with any other person who would might be affected by the referral. Thus, neither § 2635.702 nor § 2635.702(a) would appear to be in issue.

For a disclosure to violate § 2635.703, the information conveyed must be nonpublic and the disclosure by the employee must have been a "knowing, unauthorized disclosure" made "to further [the employee's] own private interest or that of another." While

the term "nonpublic" used in § 2735.703 may tend to suggest that this provision is intended to apply to disclosures made to those outside the Government, the section does in fact apply to disclosures to other Federal employees when made for the purpose of allowing the improper use of nonpublic information to further the private interests of another. The term "another" has its ordinary, broad meaning and is not limited by any definition to those other than Federal employees.

We believe the information conveyed in the course of the meeting was nonpublic information within the meaning of § 2635.703(b). Ms. Hanson has indicated that her purpose in disclosing the information about the pending referrals was to enable the White House to prepare to respond to press inquiries because the information was apt to be leaked. According to Mr. Nussbaum, the purpose she indicated to him was to assist the White House in preparing to respond to press inquiries likely to result from leaks to the press.

The question of whether Ms. Hanson's disclosure served an official interest raises a unique issue about the nature of the Office of the President. Matters that would be of only personal significance for other executive branch officials may take on official significance when the President of the United States is involved. White House staff has long been used in addressing press inquiries regarding essentially personal matters involving the President and First Lady. Since appropriated funds have been spent for these purposes from administration to administration without any legal objection of which we are aware, we are not in a position to question the validity of the assumption apparently made by those who participated in the contacts detailed in the IG report that dealing with press inquiries regarding the President's and First Lady's personal lives, including any involvement they may have had with Madison, is a proper White House function. Since there is no information in the report suggesting that Ms. Hanson had any purpose other than assisting the White House to perform its press function, we believe there is a reasonable basis to conclude that Ms. Hanson's disclosures were not made to further a private interest. Whether it is an appropriate activity for Treasury employees to assist the White House press office in carrying out its functions in fielding questions about the personal interests of the First Family would seem to be a management issue.

We also considered the possibility that Ms. Hanson's disclosure may have violated the appearance standard, which is set forth at § 2635.101(b)(14) as follows:

Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in this part. Whether particular circumstances create an appearance that the

law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.

As applied to the nonpublic information provisions of § 2635.703, the appropriate inquiry under the appearance standard is whether a reasonable person with knowledge of the relevant facts would have reason to believe that Ms. Hanson disclosed the information regarding the referral for the purpose of furthering the private interests of the President or others, as opposed to another purpose including the public interests of the Office of the President. Information about investigations and referrals is protected, in part, to ensure that the subjects of those investigations or referrals and others who are interested do not interfere with and are not needlessly embarrassed by the investigative process. The facts surrounding Madison are so complex that we are unwilling to speculate what private advantage, if any, might be gained by knowing about the referral. We will assume, however, that there was a private advantage that could have been gained by the President through knowledge of the referral. When we are discussing the President's private interest, it should be assumed that the President's private interests include the interests of the First Lady.

We believe that you could conclude that the appearance principle was not violated by Ms. Hanson's disclosure. We recognize that some may harbor a "suspicion" that the information was provided to be used for the private advantage of the President. The appearance principle, however, does not hold an employee accountable through disciplinary action based upon a standard of suspicion. Appearances are to be judged from the perspective of a reasonable person with knowledge of the relevant facts. In the preamble that accompanied publication of the standards as a final rule we stated that we view the reasonable person test as providing "appropriate assurance to an employee that his or her conduct will not be judged from the perspective of the unreasonable, uninformed or overly zealous." 57 Fed. Reg. 35,008 (1992).

The report does not contain any facts that would suggest that Ms. Hanson had reason to believe that the information she provided would be improperly used to further the private interests of the President or any other individual. There is nothing in the report, for example, that would indicate that she had any reason to believe the information would be given to the President's private counsel or to others who may have been mentioned in the referral. In the absence of any such indication in the report, we believe it is appropriate for you to consider facts which would give a reasonable person reason to believe that her purpose was, as she has stated, to enable the White House to perform its press function. Among facts that we view as relevant are Mr. Roelle's statement that he thought it was his responsibility to carry out the policy within

The Honorable Lloyd Bentsen

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the RTC to advise the CEO of high profile cases precisely because leaks are a problem at the RTC. That policy would seem to be warranted based on the RTC's receipt of press inquiries indicative of leaks only a week after the disclosure to the White House took place.

The report understandably does not cover executive branch practice with respect to agencies advising the White House on matters about which it is likely to receive press inquiries. That, however, is a fact that you should consider relevant to the appearance analysis. This Office, for example, routinely deals with the White House on matters relating to the process of confirming Presidential nominees and, as a matter of course, keeps White House staff apprised of confirmation-related matters, such as potential financial conflicts of interest, that are likely to be of interest to the press. As Secretary of the Treasury, you are in a better position than we to know the various departmental practices on advising the White House regarding matters involving the President likely to be of interest to the press.

As a final note on the appearance issue we should add that we recognize that having a public purpose for a disclosure does not preclude an employee from also having as a purpose the furtherance of a private interest. However, there are no facts in the report that suggest to us that this was Ms. Hanson's state of mind. If press leaks were imminent, as Ms. Hanson appears to have believed, any private advantage to be gained by knowledge of the existence of the referral would have been largely negated by the newspaper reports flowing from those leaks.

Because we saw nothing in the report that leads us to believe that Ms. Hanson violated § 2635.703 by a disclosure intended to further a private interest, we see no need to address the additional possible issue under that section of whether her disclosure was authorized by Mr. Altman.

The ethical principle in § 2635.101(b)(8), that an employee shall act impartially and not give preferential treatment to any private organization or individual, is implemented by subpart E and § 2635.702(d) of the standards. Subpart E provides that an employee should not participate in an official capacity in certain matters without first obtaining specific authorization if, in his judgment, persons with knowledge of the relevant facts would question his impartiality in those matters. The matters covered include a particular matter involving specific parties if the employee knows that it is likely to affect the financial interests of a member of his household or that a person or entity with whom the employee has any of the "covered relationships" described in subpart E is a party or represents a party in the matter. Section 2635.702(d) provides that ". . . an employee whose duties would affect the financial interests of a friend, relative, or person

with whom he is affiliated in a nongovernmental capacity" shall comply with any applicable procedures in subpart E before carrying out his duties.

It has been suggested that the September 29 meeting and other contacts between Treasury and White House officials comprised preferential treatment of President and Mrs. Clinton, in violation of the Standards of Conduct. However, the conditions necessary for such a violation are not present here. First, the officials involved were obviously not members of the Clintons' household. Nor did the officials have a "covered relationship" with the Clintons under the terms of subpart E. In addition, as noted above, there was an assumption here, arising from the unique nature of the Office of the President, that the contacts were made pursuant to a proper White House function. Under the circumstances, you could reasonably conclude that the contacts did not comprise preferential treatment under the standards of conduct.

It is unclear from the report what Mr. Altman's role in the disclosure of September 29 may have been. He stated that he does not recall having told Ms. Hanson to make the disclosure to Mr. Nussbaum and he does not recall having received Ms. Hanson's memorandum of September 30. Ms. Hanson's memorandum to him noting the completion of the task she felt he had directed does not provide assistance in analyzing what his state of mind might have been at the time any direction may have been given. We feel there is insufficient information to enable us to provide you with any further analysis of Mr. Altman's participation in this disclosure, if any.

9/30 Phone conversation between Hanson and Sloan

Mr. Sloan recalls having received a telephone call from Ms. Hanson on September 30 during which she updated him on the press inquiry that had been received from Ms. Schmidt of The Washington Post. According to Mr. Sloan, she referred him to The New York Times article by Mr. Gerth dated in March of 1992. Mr. Sloan's notes dated 9/30, provided as Exhibit 6, appear to relate to that telephone conversation and would indicate that, by September 30, Mr. Sloan had learned information about aspects of the referral that would appear to be pertinent other than to the involvement of the Clintons.

Because Mr. Gerth's article was public information, that reference raises no issues under the standards of conduct. Since it appears that Mr. Altman may have faxed this article to Mr. Nussbaum in March of 1993, Ms. Hanson's reference to the 1992 article may have been provided simply to clarify that this was the information to which she had alluded in her statement to Messrs. Nussbaum and Sloan on the previous day.

Information about the contents of the press inquiry from Ms. Schmidt may well have been nonpublic. Since Ms. Hanson was advised by Mr. Nussbaum to communicate further developments on press leaks to Mr. Sloan, we believe it is appropriate to attribute to her the same purpose she had in making the disclosure the prior day. Accordingly, we have no reason to believe that the disclosure was made for the purpose of furthering a private interest and our analysis under the standards of conduct would be the same as above. There does not appear to have been a violation of the standards of conduct. Mr. Sloan's notes would suggest that information other than that contained in the press inquiry from Ms. Schmidt may have been conveyed by Ms. Hanson. Insofar as any such disclosure provided the White House information about the manner in which the referral might involve the President, the information would appear to be sufficiently related to the press inquiry that it should be subject to the same analysis.

Ms. Hanson's possible disclosure of information other than that relating to the President would seem to go beyond what was necessary to achieve her stated purpose of assisting the White House with its press function. However, there is nothing in the report to suggest the involvement of any private interest that would have motivated her to make these particular disclosures and, therefore, we do not have reason to believe they violated the standards of conduct.

9/30 Fax from Hanson to Sloan

Ms. Hanson stated that she faxed a copy of the September 30 Early Bird to Mr. Sloan, although Mr. Sloan does not recall having received this transmission. The Early Bird was an internal RTC document prepared for a select group of senior managers by the public affairs office to alert them to the latest press inquiries. It carried the caveat "for internal use only." While Mr. Altman was Acting CEO, the Early Bird was distributed to a very small number of Treasury employees.

Without regard to the technicalities of whether it is or is not encompassed by a FOIA exemption, we believe the Early Bird contained nonpublic information that had not actually been disseminated to the general public and was not authorized to be made available to the public on request.

However, insofar as Ms. Hanson's transmission of the Early Bird served to advise the White House of press inquiries from Ms. Schmidt relating to Madison, that information appears to have been conveyed with the same purpose as the information conveyed in the previously discussed telephone conversation with Mr. Sloan on the same day and is subject to the same analysis. Consequently, there does not appear to have been a violation of the standards of conduct.

10/7 Phone conversation between Hanson and Sloan

During the course of the telephone call that Ms. Hanson made on October 7, 1993, she advised Mr. Sloan of further developments with respect to press inquiries. Mr. Sloan's notes dated 10/7 are provided as Exhibit 6 and would indicate that press inquiries had been received from Mr. Gerth and Ms. Schmidt. This disclosure is subject to the same analysis as applies to Ms. Hanson's telephone discussion with Mr. Sloan on September 30 and does not appear to involve a violation of the standards of conduct.

10/13 Phone conversation between DeVore and Gearan

It is not clear who called to set up a meeting for the following day. Mr. DeVore stated he spoke to Mr. Gearan after he found out a meeting had been arranged at the White House. He suggested that Mr. Gearan attend. Mr. Gearan does not recall having received a call from Mr. DeVore. There is nothing in the record suggesting that information of any significance was imparted by Mr. DeVore in the course of the conversation, however, and, without regard to whose recollection may be more accurate, there does not appear to have been a violation of the standards of conduct.

10/14 Meeting between DeVore, Steiner and Hanson from Treasury and Nussbaum, Gearan, Lindsey, Sloan and Eggleston from the White House.

Essentially two types of information may have been conveyed to the White House at this meeting. The first was the existence and subject of the press inquiries Mr. DeVore had received. The second was the confirmation that a referral had, in fact, been made to the Department of Justice.

Most of the participants viewed this as Mr. DeVore's meeting, although he believed he was asked to attend. That is not crucial to the analysis. Mr. Lindsey's October 20 notes of the October 14 meeting are reproduced as Exhibit 9 to the IG report and the essential contents of Mr. Gearan's notes made during the meeting are set forth in the IG report. In most respects, the recollections of the participants are generally consistent with those notes. Most described the discussion as conducted by Mr. DeVore. Press inquiries received from Ms. Schmidt of The Washington Post and from the Associated Press were discussed. Mr. DeVore also described the information about Madison that he had received in an inquiry from Mr. Gerth of The New York Times. They generally recall that Mr. DeVore also described the information that Mr. Gerth was seeking. Mr. Gerth was seeking to ascertain the routing and status of a criminal referral which he understood had gone from the RTC's Kansas City office to RTC headquarters in

Washington and believed was being held up and not released to the Department of Justice. Mr. Gerth also wanted to know who had endorsed four checks.

According to Mr. Lindsey's notes, Mr. DeVore reported that he had confirmed with the RTC that the referral had been forwarded to the U.S. Attorney in Little Rock. Mr. DeVore's recollection is that he first learned in the course of the White House meeting that the referral had actually been completed. Mr. Steiner recalls that Mr. DeVore did not know before the meeting that the referral had been made. Mr. Katsanos' recollection was that Mr. DeVore had called in advance of the meeting in order to get information as to whether the referral had been made, but the timing of Mr. Katsanos' follow-up call responding to Mr. DeVore is unclear from Mr. Katsanos' statement.

We know of no RTC policy that specifically protects from disclosure the fact that Mr. Gerth or Ms. Schmidt had made a press inquiry regarding Madison. The precise content of that inquiry, however, is a different matter. The fact that substantive information about the Madison referral may have been imparted by either press inquiry does not change the character of the underlying referral information. The referral information, including the information that a referral had been made, was nonpublic information. If an employee in the course of his official duties becomes aware of information he knows or reasonably should know is nonpublic Government information, the source of that information does not change its character.

There is a disagreement about what Mr. DeVore knew about the criminal referral prior to this meeting, independent of the information imparted through the inquiries from Mr. Gerth. There is also disagreement as to what information Mr. DeVore disclosed at the meeting. Assuming that he had nonpublic information and disclosed it, then the focus of the analysis would be on whether Mr. DeVore's disclosure of the information was a knowing, unauthorized disclosure made to further the private interests of another.

Most other participants perceived that the purpose for the meeting was to discuss how Mr. DeVore should respond to Mr. Gerth's inquiry and the meeting included a discussion of whether Mr. DeVore should confirm that the referrals had been made so that Mr. Gerth would not erroneously report that they were being held up in Washington. Mr. DeVore characterized his purpose somewhat differently. He stated he wanted to help Mr. Gerth if he could, and he wanted to make sure the White House knew the Gerth "investigation" was underway. He characterized the meeting as a "discussion of what the issues spanned."

The discussion that occurred at the meeting seems to have been consistent with the perception of most other attendees that Mr. DeVore, if not actually seeking advice, was seeking to coordinate his press function with White House officials responsible for press inquiries on matters relating to Madison. Mr. Steiner stated that he and Mr. DeVore had noted that White House officials had been quoted or referred to in press accounts relating to Madison. It may have been that his purpose was, as he stated, to alert those officials to Mr. Gerth's inquiries. Mr. DeVore did not specifically articulate the purpose for which he intended that information to be used, but the discussion suggests that his purpose, at least in part, was to provide information that would be useful in responding to press inquiries. We saw nothing in the report to suggest he believed that the information would be used otherwise.

Mr. DeVore's statement that he also wanted to assist Mr. Gerth suggests that he may have had the additional purpose of obtaining information about the referral or the checks to answer Mr. Gerth's inquiries. As Assistant Secretary for Public Affairs and Public Liaison, Mr. DeVore seems to have felt that it was his responsibility to be as responsive as possible to this press inquiry. We do not believe, however, that Mr. DeVore's position at Treasury required him to be responsive to matters beyond the jurisdiction of the Department of the Treasury by disclosing information about this or any specific RTC referral. His disclosure to Mr. Gerth appears to have violated RTC's disclosure policy and, because of the lengths to which he went to obtain information for Mr. Gerth, it raises at least an appearance issue in our minds.

Mr. DeVore might have felt less necessity for the October 14 meeting had he appreciated the relationship between Treasury and the RTC. Mr. DeVore appears to have believed that the RTC was a bureau of the Department of the Treasury, rather than a separate agency. The policy of that separate agency was to neither confirm nor deny the existence of referrals to the Department of Justice. Adherence to this policy would have eliminated some of the necessity Mr. DeVore apparently perceived for coordinating his press function with White House press officials.

As Acting CEO of the RTC, Mr. Altman enlisted the assistance of several Treasury employees in performing his CEO function. According to Mr. Schmalzbach's memorandum at Exhibit 22, Mr. Altman, as Acting CEO of RTC, had authority under 12 U.S.C. § 1441a(b)(8)(B)(ii) to use the services of employees of any executive department and had the commensurate authority, as Deputy Secretary of the Treasury, to agree on Treasury's behalf to the RTC's use of Treasury personnel. These detail arrangements, however, were accomplished casually, without the reimbursement contemplated by the statute and without an appreciation by the Treasury personnel involved that they were thereby performing RTC

12/30 Telephone call from Ludwig to Sloan

Mr. Sloan stated that he returned a call to Mr. Ludwig who explained that the President had mentioned something about Madison and he asked for newspaper articles on the subject in case it should come up in a subsequent conversation with the President. Mr. Sloan related the request to Mr. Eggleston, who in turn called Mr. Klein who was attending Renaissance weekend.

Mr. Ludwig's request for newspaper articles does not appear to involve a violation of the standards of conduct.

12/29 Telephone call from Ludwig to Kennedy

According to Mr. Ludwig, he placed a call to Mr. Nussbaum on December 29, but ended up talking with Mr. Kennedy to whom he stated his request to be provided with newspaper articles about Madison. Mr. Kennedy apparently referred him to Mr. Klein. Mr. Kennedy was not interviewed.

Mr. Ludwig's request for newspaper articles does not appear to involve a violation of the standards of conduct.

12/29 Telephone call from Klein to Ludwig

According to Mr. Ludwig he had a telephone conversation, or possibly spoke during a dinner at Renaissance Weekend, with Mr. Klein whom he described as being cautionary about any contact. Mr. Klein was not interviewed.

This conversation appears to have occurred after Mr. Eggleston telephoned Mr. Klein to inform him of Mr. Ludwig's conversation with the President and to ensure that Mr. Klein spoke to Mr. Ludwig so that he would have no further discussions of the Madison matter with the President. We assume this is what Mr. Ludwig meant by the description of Mr. Klein as "negative." Mr. Ludwig's receipt of this caution from Mr. Klein would not appear to involve a violation of the standards of conduct.

12/30 Meeting between Ludwig, Klein and the President

According to Mr. Ludwig, his encounter with the President and Mr. Klein in the hallway outside a Renaissance Weekend seminar involved a brief conversation in which they agreed that there would not be any discussion of the Madison/Whitewater issue.

This discussion does not appear to involve a violation of the standards of conduct.

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This discussion does not appear to involve a violation of the standards of conduct.

Jan 94 Telephone call from Ludwig to Williams

Mr. Ludwig's call to Ms. Williams sometime after Renaissance Weekend involved him providing advice of a general nature that does not appear to involve a violation of the standards conduct.

2/1 Telephone call from Altman to McLarty or Ickes

Mr. Altman's call to either Mr. McLarty or Mr. Ickes on February 1 to arrange a meeting for the next day does not appear to involve a violation of the standards of conduct.

2/2 Meeting between Altman and Hanson from Treasury and Nussbaum, Ickes, Williams and Eggleston

This meeting was described by all participants as consisting of two distinct parts. The first part involved a briefing by Mr. Altman on the application of the statute of limitations to potential civil actions arising out of the failure of Madison. The second part involved a discussion by Altman of his possible recusal from matters involving Madison.

The participants' recollections as to the first part of the meeting do not deviate in any significant respect from the first eleven of the twelve talking points detailed in the document provided as Exhibit 12. Six of those talking points relate simply to the statute of limitations, its general application and the consequences that would flow as a matter of course with the expiration of the statutory period. This information is public rather than nonpublic information. Five of the eleven talking points relate to the application of the statute of limitations specifically to Madison. We assume that the date of the take-over of Madison was a matter of public record and that the February 28 date indicated in the third talking point as the date on which the statute of limitations would have run was public information ascertainable by factoring the takeover date into a statutorily prescribed computation. While the record does not specifically develop the point, we understand that the subjects of the first and eighth talking points were public information. On the basis of the record provided, we have no reason to believe that the information set forth in the tenth talking point regarding Mr. Ryan's and Ms. Kulka's positions was nonpublic information. And since it would seem to be little more than what a reasonable person would expect, we assume there was nothing of a nonpublic nature in the information in the eleventh talking point that the RTC analysis would be completed before the statutory period expires.

In the context of the briefing described above, Ms. Williams asked if the same information was going to be provided to private counsel for the parties. Mr. Altman said he thought so.

There is nothing in the report that suggests that the first part of the meeting involved a disclosure of nonpublic information and, thus, we do not believe § 2635.703 is implicated. We also do not believe that Mr. Altman's briefing involved a violation of the appearance principle at § 2635.101(b)(14) as applied to § 2635.703. Where the information conveyed is public rather than nonpublic information, we view that single, highly relevant fact as decisive in applying the appearance principle, which assumes knowledge of the relevant facts by a reasonable person. His response to the question about a possible briefing of private counsel does not implicate the standards of conduct.

If you should disagree with our view as to the character of the information conveyed by Mr. Altman during the February 2 meeting, your analysis should involve the considerations discussed in connection with Ms. Hanson's disclosures to Messrs. Nussbaum and Sloan on September 29. In that event, however, there is one additional consideration that, as a practical matter, may be decisive unless you find that Mr. Altman disclosed nonpublic information not reasonably within the ambit of the talking points. Mr. Altman's disclosure of the information contained in the talking points and his participation in the meeting for the purpose of conveying that information had been cleared in advance with an ethics official by Ms. Hanson. Under § 2635.107(b), disciplinary action will not be taken against an employee who has engaged in conduct in good faith reliance upon the advice of an ethics official, provided that, in seeking such advice, he has made full disclosure of all relevant circumstances. The talking points, which we regard as the single most relevant circumstance, were shown to Mr. Foreman who, we believe, correctly advised that the information was public. As a technical matter, we believe Altman's participation should have been cleared by an RTC ethics official, but as discussed above in connection with the October 14 meeting, we are aware of the manner in which Treasury officials were used to assist Altman in fulfilling his RTC responsibilities and believe his reliance on the advice of Treasury's, rather than RTC's, ethics official, is inconsequential in this case.

The second half of the meeting involved a discussion prompted by Mr. Altman's statement that he was thinking of recusing or had decided to recuse. In evaluating Mr. Altman's conduct, we do not view as a matter of any consequence the differing perceptions of the meeting participants as to whether Mr. Altman held any conviction with respect to recusal at the outset of the discussion. We know of nothing that would have prohibited Altman from discussing, even publicly, his thoughts about recusal and do not believe his discussion of recusal involved a violation of the standards of conduct.

Because it was the topic of the discussion during the second part of the February 2 meeting, this may be an appropriate point at

which to comment upon the subject of Mr. Altman's recusal and recusal in general. This Office concurred in the written advice Mr. Altman received from the RTC's Designated Agency Ethics Official which is provided as Exhibit 16 and we continue to regard that advice as correct. Mr. Altman's friendship with the President is not a covered relationship that would necessarily trigger the recusal procedures in § 2635.502 of the standards. It was within Mr. Altman's discretion to elect to use those procedures if he was concerned that the circumstances, including his relationship with the President, would raise a question concerning his impartiality. Under the applicable provisions of the standards of conduct, including § 2635.102(b), it was ultimately his decision to make, in consultation with the RTC's Designated Agency Ethics Official.

While we would never find fault with an individual's sensitivity to conflicts or appearances of conflicts, Mr. Altman's actions in this regard are somewhat confusing. "Recusal" is simply another word for nonparticipation and is used synonymously with the word "disqualification." One recuses or disqualifies by not acting in a matter. There is no need for actual recusal unless the circumstances would call for an employee's participation in some matter. As indicated in the memorandum Mr. Altman received from the RTC's Designated Agency Ethics Official, it is not necessary for an employee to decide whether to participate in any particular matter until such time as the matter comes before him. However, an employee can announce his intent to recuse in the event something should arise. This may have been what Mr. Altman thought he should do given questions that were being raised by Members of Congress.

It is important to note, however, that the impartiality provisions of the standards of conduct may not be relied upon by an employee as the basis for recusing himself from a matter because he simply does not wish to be involved or to exert the effort required. Under the standards of conduct, employees are expected to perform their duties fully unless there is a reason that their participation in a matter will result in an actual conflict, including an inability to act impartially, or will result in an appearance of conflict significantly detrimental to the public's legitimate perception of the fairness of the Governmental processes involved.

2/2 or 3 Telephone call from Altman to McLarty

Mr. Altman stated that he called Mr. McLarty to advise him that he had decided not to recuse for the time being. Mr. McLarty recalls only that Mr. Altman called him to acknowledge that the previous day's meeting had taken place and that they discussed his dilemma about whether to recuse. Just as Mr. Altman was free to discuss the issue of his possible recusal with anyone he chose, he was free to advise anyone, including Mr. McLarty, as to his state of mind on the subject. This does not appear to have involved a

violation of the standards of conduct, nor would any conversation for the purpose of informing Mr. McLarty that the meeting had taken place. The above analysis with respect to Mr. Altman's participation in the February 2 meeting should apply to any discussion of the substantive content of the meeting he may have had with Mr. McLarty and, thus, the discussion does not appear to have involved a violation of the standards of conduct.

2/3 Meeting between Altman and Nussbaum

During their brief encounter on February 3, Mr. Nussbaum recalls that Mr. Altman advised him that he probably wasn't going to recuse. Although Mr. Altman does not recall this discussion, any statements he may have made for the purpose of conveying his state of mind on the subject would not appear to have involved a violation of the standards of conduct.

2/3 Fax from Hanson to Nussbaum

The document sent to Mr. Nussbaum on February 3 from a fax machine in Treasury's Office of the General Counsel is a copy of Mr. Leach's letter of the same date and its attachments. Ms. Hanson does not recall having sent the fax.

This document appears to have been made public by Mr. Leach on the date that it was dispatched and, thus, its transmittal to Mr. Nussbaum does not raise issues under the standards of conduct. An article entitled "Leach releases documents to show Whitewater's role" appears in the February 4, 1994 edition of The Washington Times. The article states that the letter was released the prior day, February 3, 1994, along with a staff memorandum and other documents, which we assume are the attachments to the letter. Copies of the checks that appear in the attachments were reproduced with the article. This transmission of a copy of Mr. Leach's letter does not appear to involve a violation of the standards of conduct.

2/3 and 4 Telephone calls between Hanson and Nussbaum

We believe there were two telephone calls between Mr. Nussbaum and Ms. Hanson on February 2 or 3, although the list of contacts includes only one contact.

The first telephone call appears to have taken place on February 3. It is unclear who placed the telephone call. In the course of the ensuing conversation, Ms. Hanson told Mr. Nussbaum that she was continuing to research the issue of recusal. Mr. Nussbaum referred Ms. Hanson to the White House ethics expert, Ms. Nolan, and raised the possibility of turning the Madison civil case over to the Independent Counsel, whose charter covers civil matters.

The discussion between Ms. Hanson and Mr. Nussbaum on the subject of recusal was in the nature of discussions that occur routinely between attorneys with a common interest in research being undertaken. Ms. Hanson's role as the recipient of Mr. Nussbaum's suggestion to contact Ms. Nolan and of his observation about possibilities raised by the Independent Counsel's charter does not appear to have involved a violation of the standards of conduct.

In what would appear to be another telephone conversation that took place on February 3 or 4, Ms. Hanson was informed by Mr. Nussbaum that the Independent Counsel's charter was published in that day's Federal Register. She also may have been asked by Mr. Nussbaum how Ms. Kulka was hired for her position as RTC General Counsel. If so, it would have been in this conversation that she explained to Mr. Nussbaum that Mr. Altman had made the decision to hire Ms. Kulka.

The receipt of information in the nature of that conveyed by Mr. Nussbaum does not implicate the standards of conduct and we are not aware of anything inappropriate in Ms. Hanson's explanation that Mr. Altman had hired Ms. Kulka. Ms. Hanson's role in this telephone conversation does not appear to have involved a violation of the standards of conduct.

2/3 Meeting between Altman, Ickes and Eggleston

In this brief meeting that took place in the White House, Mr. Altman recalls that he advised Mr. Ickes that he had decided not to recuse. Mr. Ickes recalls a discussion of this nature and believes Ms. Williams may have been present. Mr. Eggleston recalls that both he and Mr. Ickes were present. Although the precise number of participants is in doubt, this discussion by Mr. Altman of his state of mind does not appear to involve a violation of the standards of conduct.

2/3 Meeting between Hanson, Ickes, Eggleston and Williams

Had the scheduling worked out as intended by Mr. Altman, Ms. Hanson would have been a party to his meeting with Mr. Ickes and others. Because Ms. Hanson was late in arriving, Mr. Altman had already related his decision not to recuse and Ms. Hanson's only role in the discussion that took place in the White House on February 3 was as the recipient of and respondent to a question from Mr. Ickes about who knew she had advised Mr. Altman to recuse. Ms. Hanson's factual response to Mr. Ickes' question does not appear to involve a violation of the standards of conduct.

2/4 Telephone call from Foreman to Nolan

Mr. Foreman's first telephone call to Ms. Nolan on February 4 involved a discussion of Mr. Altman's Vacancy Act appointment, application of the standards of conduct relevant to recusal and Mr. Foreman's own view of a personal appearance standard for recusal.

Mr. Foreman's discussion with Ms. Nolan was similar to the types of discussions that take place daily between executive branch ethics officials and the White House ethics expert on matters involving Presidential appointees. It does not appear to have involved a violation of the standards of conduct.

2/4 Telephone call from Foreman to Nolan

In the follow-up telephone conversation that took place on February 4, Mr. Foreman advised Ms. Nolan that he had contacted the RTC ethics official and had scheduled a meeting with OGE to discuss the recusal issue. There was some discussion of Mr. Leach's letter, portions of which would have been relevant to Mr. Foreman's and Ms. Nolan's discussions about recusal. As noted with respect to the telephone discussion that took place between Mr. Foreman and Ms. Nolan earlier the same day, the discussion was of a routine nature for employees with their respective ethics responsibilities. It does not appear to have involved a violation of the standards of conduct.

2/8 Telephone call between Hanson and Nussbaum

Ms. Hanson's thanks to Mr. Nussbaum for information about the Independent Counsel's charter does not appear to involve a violation of the standards of conduct.

2/9 Telephone call from Foreman to Nolan

In the February 9 follow-up on his previous telephone conversations with Ms. Nolan, Mr. Foreman asked whether the recusal to which Ms. Tigert had agreed in the course of her confirmation hearings should affect Mr. Altman's recusal decision. Mr. Foreman's call to coordinate recusal policy with the White House ethics expert does not appear to have involved a violation of the standards of conduct.

Week of 2/14-18 Telephone call from Podesta or Stern to Steiner

Mr. Steiner recalls that, during the week of February 14 through 18, he engaged in a telephone conversation with either Mr. Podesta or Mr. Stern and that one of them asked how the RTC had come to hire Mr. Stephens to handle the Madison case. Mr.

Steiner's role as the recipient of this inquiry does not appear to have involved a violation of the standards of conduct. Messrs. Podesta and Stern were not interviewed.

Week of 2/14-18 Telephone call from Steiner to Podesta or Stern

Mr. Steiner recalls that, during the week of February 14 through 18, he responded to Mr. Podesta's or Mr. Stern's earlier inquiry by advising them that Mr. Stephens had been selected in accordance with normal procedures by a panel which reviews bids. This seems to be information about the award of an RTC contract that the agency would have provided to any member of the public. Thus, Mr. Steiner's response does not appear to have involved a violation of the standards of conduct.

2/16 or 17 Meeting between Steiner and Stephanopolous

Mr. Steiner recalls a discussion with Mr. Stephanopolous on the Crime Bill and other issues that took place in the White House on February 16. In the course of the conversation, he sought Mr. Stephanopolous' opinion about Mr. Altman's possible recusal. Mr. Stephanopolous does not recall the discussion. Since Mr. Altman was free to discuss his thoughts on recusal with whomever he pleased, his subordinate's participation in those discussions does not appear to involve a violation of the standards of conduct.

2/23 Telephone call from Eggleston to Hanson

In the telephone call placed by Mr. Eggleston during the week of February 14, he cautioned Ms. Hanson to be prepared with an appropriate answer in case Mr. Altman were to receive a question about the February 2 meeting during the Oversight Board hearings scheduled for the following week. Ms. Hanson's role as the recipient of this caution does not appear to involve a violation of the standards of conduct.

2/23 Telephone call from Steiner to Griffin

Mr. Steiner's telephone call on February 23 to advise the White House that Mr. Altman might announce during the next day's hearings that he was stepping down as CEO conveys information relating to a Vacancy Act Presidential appointment that the White House should be made aware of. It does not appear to involve a violation of the standards of conduct.

2/23 Telephone call from Altman to Ickes

Mr. Altman's call on February 23 to advise Mr. Ickes that he would announce during the next day's hearings that he would be stepping down as CEO upon the expiration of his Vacancy Act

appointment was an appropriate communication for a Presidential appointee. Mr. Ickes' understanding of this telephone conversation was that Mr. Altman was talking about recusal. The call, in either event, does not appear to involve a violation of the standards of conduct.

2/23 Telephone call from Ickes to Steiner

The exchange that took place during this telephone conversation on February 23 was the result of a return call made by Mr. Ickes to continue the above conversation with Mr. Altman. The call was transferred to Mr. Steiner in Mr. Altman's absence. The only way we can reconcile the two accounts of the conversation that took place is to assume that, because of his involvement in prior recusal discussions, Mr. Ickes thought Mr. Altman's previous call had been about recusal, whereas Mr. Steiner understood correctly that Mr. Altman had been discussing "stepping down" at the termination of his Vacancy Act appointment. Mr. Steiner's role as the recipient of information to be conveyed to Altman does not appear to involve a violation of the standards of conduct.

2/23 Telephone call from Hanson to Nussbaum

Ms. Hanson stated that, pursuant to Mr. Altman's request, she called Mr. Nussbaum to tell him that Mr. Altman would be stepping down as CEO of the RTC at the end of March. This telephone call regarding the termination of Ms. Hanson's superior's Vacancy Act appointment does not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Steiner to Podesta

Mr. Steiner recalls that the telephone call he made on February 25 was for the purpose of advising Mr. Podesta that Mr. Altman was again considering recusal. Mr. Steiner's role in conveying this information to Mr. Podesta does not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Steiner to Podesta

According to Mr. Steiner, the second telephone call he made to Mr. Podesta on February 25 was for the purpose of reporting, after the fact, that Mr. Altman had announced his recusal. This factual report by Mr. Steiner does not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Stephanopolous to Steiner

On February 25, while Mr. Altman was in his office, Mr. Steiner received a telephone call from Mr. Stephanopolous who expressed his concern about the manner in which Mr. Altman had

announced his recusal and about the circumstances under which Mr. Stephens had been chosen. Mr. Steiner understood that Mr. Stephanopolous was concerned that Mr. Stephens' involvement in the Madison case was a conflict of interest, given Mr. Stephens' vocal criticism of the Administration. Mr. Steiner's response to the concern about Mr. Stephens was to explain to Mr. Stephanopolous how Mr. Stephens had been selected, a fact he had ascertained in order to respond to a prior inquiry from either Mr. Podesta or Mr. Stern. Mr. Steiner recalls that he advised Mr. Stephanopolous it would be unwise to raise the issue of conflicts any further.

Just as in response to the previous inquiry from Mr. Podesta or Mr. Stern on the same matter, the information that Mr. Steiner conveyed to Mr. Stephanopolous about Mr. Stephens' selection by the RTC seems to be information about a contract award that the agency would have provided to the public. Mr. Steiner's role in providing that information and any subsequent advice he may have offered regarding the Stephens contract would not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Stephanopolous and Ickes to Altman

Mr. Altman learned in this telephone conversation with Messrs. Stephanopolous and Ickes on February 25 that they felt he should have advised the White House before announcing his recusal to a reporter. According to Mr. Altman, he was also asked about Mr. Stephens' appointment. He did not know who Mr. Stephens was and the ensuing conversation involved Mr. Stephanopolous explaining Mr. Stephens' background. Mr. Altman's participation in this telephone conversation does not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Eggleston to Hanson

Ms. Hanson's role in this telephone call received from Mr. Eggleston on February 25 was as the recipient of an inquiry as to whether Mr. Stephens was the lead attorney for the law firm representing RTC on the Madison matter. Her response that she would check into the matter does not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Lindsey to Altman

During the telephone call Mr. Lindsey placed on February 25, Mr. Altman was asked about a press inquiry regarding Mr. Altman's possible receipt of instructions to provide a briefing to the President's personal lawyer. He told Mr. Lindsey about the February 2 meeting, that he had not received any such instructions and that no such briefing had taken place. Mr. Altman was asked by Mr. Lindsey to handle the reporter's inquiry. Mr. Altman's explanation of what occurred during and as a consequence of the

The Honorable Lloyd Bentsen
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February 2 meeting does not appear to involve a violation of the standards of conduct.

2/25 Telephone call from Nolan to Foreman

In the course of a telephone conversation on another matter that occurred in February 25, Mr. Foreman suggested that Ms. Nolan might wish to see Mr. Altman's testimony from the prior day and he explained that Mr. Altman had been given Mr. Kusinski's memorandum on recusal. Neither the suggestion Mr. Foreman made nor the explanation he provided appears to involve a violation of the standards of conduct.

3/1 Telephone call from Podesta to Altman

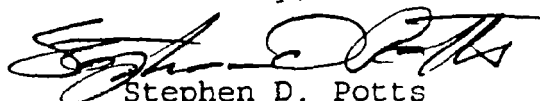
In the telephone conversation that occurred on March 1, Mr. Altman received an inquiry from Mr. Podesta regarding the fact that, in his testimony on February 24 he had not mentioned the two Fall meetings between Treasury and White House officials. This discussion, which also may involved Ms. Hanson, raises no standards of conduct issues.

Additional contacts

The chronology of contacts provided by Mr. Cutler as part of his testimony before the House Banking, Finance and Urban Affairs Committee on July 26 indicates that, in the days preceding the February 24 hearing, there may have been two additional contacts between Messrs. Steiner and Podesta that are not reflected in the report. One contact may have involved Mr. Steiner advising Mr. Podesta that Mr. Altman was considering announcing in his opening statement at the hearing that he expected to step down as CEO of the RTC on March 30. Any such contact would appear to be similar to that which took place between Mr. Steiner and Ms. Griffin on February 23 and would not seem to involve a violation of the standards of conduct. The other contact may have involved Mr. Podesta speaking to Mr. Steiner to ensure that Mr. Altman was adequately prepared for any questions about the February 2 meeting that might arise during the hearing. Any such contact would appear to be similar to that which occurred between Ms. Hanson and Mr. Eggleston on February 23 and would not appear to involve a violation of the standards of conduct.

I trust this analysis is of use to you in reaching your own conclusions.

Sincerely,



Stephen D. Potts
Director

Treasury/White House Contacts
Regarding
Madison Guaranty
Savings and Loan

Vol 1

Office of Inspector General

Department of the Treasury



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

July 29, 1994



Mr. Lloyd Bentsen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Room 3330
Washington, D.C. 20220

Dear Mr. Bentsen:

On March 3, 1994, you requested the Office of Government Ethics (OGE), to conduct an investigation to determine the ethical propriety of contacts made between officials of the Resolution Trust Corporation (RTC), the Treasury Department, and the White House, with respect to RTC's work at Madison Guaranty Savings and Loan Association. The enclosed report has been submitted to OGE in response to your request.

OGE will respond directly to you with their opinion. This report provided to you contains exhibits which have been redacted to protect legal privileges of the Resolution Trust Corporation relating to the criminal investigation. Therefore, this report is available for public release.

The investigative staffs of both the Treasury Inspector General and the RTC Inspector General are available if you have any questions regarding the enclosed material.

Sincerely,

John J. Adair
Inspector General
Resolution Trust Corporation

Robert P. Cesca
Deputy Inspector General
Department of the Treasury

Enclosure

EXECUTIVE SUMMARY

PURPOSE

This was a joint investigation conducted by the Offices of the Inspectors General (OIG) of the Department of the Treasury and the Resolution Trust Corporation (RTC). The purpose was to provide the facts necessary for the Office of the Government Ethics (OGE) to advise the Secretary of the Treasury on the application of the standards of ethical conduct for executive branch officials to the conduct of Department of Treasury officials in their contacts with White House officials regarding the RTC's resolution of matters involving Madison Guaranty Savings and Loan Association (Madison) beginning in the fall, 1993.

BACKGROUND

On March 3, 1994, Secretary Bentsen sought the views of the OGE as to whether any ethics or conflicts of interest issues were raised by the facts and circumstances surrounding meetings between Treasury and White House officials pertaining to an RTC criminal referral(s) relating to Madison Guaranty Savings & Loan. OGE is not an investigatory agency. Therefore, the Secretary requested the Treasury OIG to conduct such an investigation for the OGE.

On March 4, 1994, Independent Counsel Robert Fiske subpoenaed a number of individuals who had been present at those meetings. Mr. Fiske met with OGE and he subsequently wrote to the OGE indicating that the administrative investigation necessary to respond to Secretary Bentsen would be detrimental to his investigation. Mr. Fiske also communicated the same information to Treasury OIG.

The Inspectors General of Treasury and RTC agreed to begin the administrative investigation after Mr. Fiske completed his own criminal review of the alleged Treasury/White House contacts. OGE stated that upon receiving an investigative report, it would provide the Secretary with its findings.

On June 30, 1994, Mr. Fiske announced that he had completed the portion of his investigation related to the contacts between White House and Treasury officials concerning the RTC and its work with respect to Madison. On July 1, 1994, the Offices of the Inspectors General from the Department of the Treasury and the RTC initiated a joint investigation. That day, the OIG received copies of 6,000 Treasury documents provided to the Independent Counsel. On July 7, 1994, the White House provided redacted copies of 1,500 documents.

During the period covered by this investigation, RTC was headed by Roger Altman, Deputy Secretary of the Treasury, acting in the capacity of interim Chief Executive Officer (CEO) of RTC. Following the departure of RTC's prior CEO, and at the recommendation of the Treasury Department, the President appointed Altman to serve as CEO of RTC effective March 16, 1993. The appointment was made under the terms of the Vacancy Act (5 U.S.C. 3347), which provides that when the head of an executive agency dies, resigns, or is sick or absent, the President may direct another executive officer, who has been appointed by the President with the advice and consent of the Senate, to perform the duties of the vacant office until a successor is appointed. Mr. Altman's term as RTC's interim CEO was originally due to expire on July 14, 1993. However, after the individual who had been nominated to become the new CEO withdrew his name from consideration, and in accordance with the provisions of the Vacancy Act, Altman's term was extended until March 30, 1994.

While serving in his temporary appointment as RTC's interim CEO, Altman maintained his responsibilities as Deputy Secretary of Treasury. In his testimony, Altman indicated that during his tenure as interim CEO, he spent an average of 3 hours a week at RTC, mainly attending biweekly luncheon meetings. He testified that RTC Senior Vice Presidents William Roelle and Lamar Kelly were responsible for RTC's day-to-day operations. According to Altman, his decision-making role with respect to RTC was limited to broad public issues, such as legislation, Congressional testimony, and filling senior RTC positions. He indicated that all other decisions were the responsibility of Roelle and Kelly.

According to Altman, none of his staff at Treasury were given any responsibility or had any authority to make decisions for RTC. However, he said some Treasury staff, including General Counsel Jean Hanson, did serve in an advisory capacity to him on RTC matters. He said he did not require RTC employees to report to his Treasury staff. However, two former RTC employees who served as Acting General Counsel of RTC while Altman was interim CEO, indicated that in practice, they reported to Hanson, rather than to Altman. Additionally, the Director of RTC's Office of Corporate Communications, Steven Katsanos, indicated that after Altman became interim CEO, he was directed to report significant RTC press issues to Treasury's Public Affairs Office.

Roelle indicated that while Altman was interim CEO, he viewed Altman as his boss and therefore reported directly to him, especially on high profile RTC cases.

RESULTS

During our investigation, conducted between July 1, 1994 and July 29, 1994, six employees of RTC, nine current or former employees of Treasury, one OGE employee and ten current or former White House officials were interviewed under oath. Through their testimony and through the review of documents obtained from the RTC, Treasury, and the White House, the investigation identified 40 contacts between Treasury officials and the White House on this matter. (Exhibit 1) These contacts consisted of meetings, telephone calls and facsimile transmissions. A name list identifying all of the individuals named in the chronology is attached. (Exhibit 2) The attached chronology details these contacts and the relevant events surrounding them. The chronology references pertinent portions of the transcripts of interviews conducted during the investigation. Documents pertinent to our inquiry, are attached as Exhibits 3 through 52.¹

¹ Upon completion of the investigation, the testimony of the witnesses was reviewed to determine the propriety of release under the Freedom of Information Act. The RTC Office of General Counsel identified certain information regarding the specifics of the criminal referral which required redaction to protect the legal privileges of the RTC. In addition to the information redacted, the RTC General Counsel contended that information concerning witnesses was privileged and should be redacted. The RTC and Treasury Offices of Inspectors General determined that this redaction could not be done because the identity of these witnesses, President and Mrs. Clinton, went to the heart of the events being investigated, has been confirmed in the public testimony of White House Counsel Lloyd Cutler and goes only to the issue of status as witnesses and does not reveal information concerning the merits or subjects of the referral.

CHRONOLOGY OF WHITE HOUSE CONTACTS

9/23/93 James Dudine, Director, Office of Investigations, RTC, stated that he advised Steve Katsanos, Director, Office of Corporate Communications, RTC, that RTC had criminal referrals relating to the collapse of Madison Guaranty about ready to go and that Sue Schmidt, Reporter, Washington Post, was getting close to something. (Dudine, pgs. 20-22)

9/93 Dudine indicated that sometime during this period at a weekly briefing on PLS matters, he apprised Bill Roelle, then Senior Vice President of RTC, and Glion Curtis, then Acting General Counsel of RTC, that RTC had criminal referrals ready to go and that reporters were asking questions, although they didn't know about the referrals at this point. Roelle instructed the staff to make the referrals as fast as they could and to handle them in a normal manner. (Dudine, pgs. 20 and 22)

9/27/93 Dennis Cavinaw, Vice President, Kansas City (KC) Regional Office, faxed to Roelle a brief synopsis of the criminal referrals. (Roelle, pgs. 8-11)

Roelle stated that he called Roger Altman, Deputy Secretary of Treasury and then Acting CEO of RTC, to advise him of the criminal referrals relating to Madison Guaranty. Roelle stated that he started describing each referral, but Altman stopped him after about five minutes and told him that he really didn't understand what this was all about and that he would have Jean Hanson, General Counsel, Treasury, call him to get the information. Roelle explained that he had called Altman because the referrals mentioned the Clintons and it was RTC policy to keep the CEO informed of high profile cases. He noted that he had previously briefed RTC's prior CEO on a 1992 criminal referral relating to Madison (Roelle, pgs. 1-13).

Altman stated that he had no recollection of telling Roelle to contact Hanson. (Altman (1), pg. 22)

Indicates no specific date.

Roelle stated that sometime later that day, he spoke telephonically to Hanson and advised her that RTC was preparing criminal referrals relating to Madison which named the Clintons as witnesses. Hanson asked Roelle what he thought the consequences of the referrals would be. Roelle indicated he told Hanson he did not know, and explained to her, "I'm just telling you guys because it's my duty to report to the CEO." Roelle said he advised Hanson to "Just let it go. You know, I mean, you can't do anything. You're being told this so you'll be notified, so just forget it. It will do what it's going to do and take its course." (Roelle, pgs. 12-13 and 31)

Hanson related the following concerning her telephone conversation with Roelle:

- Although she couldn't recall the exact words that were used, she "understood from the conversation that information relating to these referrals would be leaked to the press when the referrals reached Washington." Hanson said Roelle indicated the leak would come from RTC. (Hanson (1), pgs. 26 and 30-31)
- She took notes during her conversation with Roelle. She stated that she disposed of her notes sometime last fall after the press actually printed the story. (Hanson (1), pg. 31)
- She could not recall receiving any advice from Roelle on the proper handling of the criminal referrals. (Hanson (1), pg. 36)
- Hanson did not recall asking Roelle what the consequences of the referrals would be. (Hanson (1) pg. 38)

Roelle stated, in response to a question regarding whether there was an expectation that the referrals might be leaked in some form or fashion, that there was always an expectation of that. He stated that "Everything was leaked here (RTC)." (Roelle, pgs. 15 and 34)

Roelle stated that he advised Hanson that no one else in Treasury, except for Altman, should be made aware of this information. Roelle also advised Hanson that these referrals should be kept confidential. (Roelle, pgs. 20-26)

When asked if he was concerned with what Altman might do with the information, Roelle stated: "I never dreamed they would discuss it

with the White House. I was concerned they might talk it over at Treasury and then it would get out. My concern was that it would get talked around Treasury, and it would get leaked, and everybody in the world would know about it....I never said don't talk to anybody at the White House because it never occurred to me they would." (Roelle, pg. 28)

Roelle stated that he considered the information pertaining to the criminal referrals to be non-public. (Roelle, pgs. 41 and 42)

Dudine stated that he considered the information pertaining to the criminal referrals to be non-public. (Dudine, pgs. 33-38)

According to Dudine, "Unless directed by Counsel, in connection with one of our civil matters, any disclosure of any investigative matter is prohibited without my authorization". (Dudine, pg. 35)

Reference is made to RTC memorandum dated 6/17/93, from Dudine, subject criminal referrals Section 3 § 1, "All referrals are sensitive and must be handled with appropriate confidentiality." (Exhibit 3)

Altman recalled that in the Fall of 1993 Hanson or Roelle, or both, advised him there may be a criminal referral which could mention the President and the First Lady. He believed the information was brought to him because of potential publicity. He told either Hanson or Roelle that the matter should be handled in accordance with normal RTC procedures. He did not recall directing anyone to contact the White House. (Altman (1), pgs. 19-22 and 28-29)

Shortly after her conversation with Roelle concerning the criminal referrals, Hanson stated that she went to Altman's office and related the substance of the conversation she had with Roelle. Hanson indicated that at some point in the conversation it became "clear to me that I had the responsibility of notifying Mr. Nussbaum that these referrals were likely to be leaked." (Hanson (1), pg. 35)

9/29/93 Meeting at the White House with Hanson, Nussbaum, Clifford Sloan, White House Associate Counsel.

According to Hanson, following a meeting at the White House regarding the WACO matter, she advised Bernard Nussbaum, then White House Chief Counsel, of the existence of the referrals that were going to be leaked to the press, including her understanding that the President and Mrs. Clinton were named in the referrals solely as

possible witnesses. (Hanson (1), pg. 41)

According to Nussbaum, following the WACO meeting, Hanson pulled Nussbaum aside and advised him that there might be press inquiries concerning a possible criminal referral out of the RTC KC Office of Investigations. Hanson stated that the Clintons were not an object or subject of the investigation, but that the Clintons could be possible witnesses in this investigation. Hanson indicated that she was informing him so the White House would be prepared to respond in the event of press inquiries. She stated that based on leaks which had occurred in the past, it was likely that the referrals would be leaked and that press inquiries would be received. At this point in the conversation, Nussbaum said he called Sloan into his office and asked Hanson to tell Sloan what she had just told him. Nussbaum said he instructed Sloan to work with Hanson on press inquiries relating to Madison. During their conversation, Nussbaum said Hanson indicated that Altman may have previously sent him some materials on the subject. Nussbaum said he told Hanson he had no recollection of receiving any such materials from Altman. Nussbaum said he later learned that Hanson called Sloan to tell him she had been mistaken, and that Altman had not provided any materials on the subject. Nussbaum stated that his files reflected that in March 1993, he received via fax from Altman a New York Times article by Jeff Gerth on Whitewater. (Nussbaum, pgs. 8-12)

Sloan recalled that during the meeting, Hanson stated that there had been a criminal referral and that the Clintons were mentioned as potential witnesses. (Sloan, pgs. 7-8)

Nussbaum and Sloan recalled that Hanson related some additional details concerning the criminal referral that Hanson did not recall discussing. (Nussbaum, pg. 9; Sloan, pg. 8; Hanson, pg. 41)

Hanson stated: "When I left the meeting, I felt that I had fulfilled my responsibility as authorized by Mr. Altman as the interim CEO to relay to Mr. Nussbaum that there were likely to be press leaks on a story that would affect the Office of the President." (Hanson (1), pg. 60)

Hanson stated that "the information was conveyed lawyer-to-lawyer to apprise Mr. Nussbaum in his capacity as the senior lawyer for the Administration, that he could expect to receive press inquiries on an issue that could affect the Office of the President." (Hanson (2), pg. 35)

Altman stated he had no knowledge of this meeting until after his February 24th testimony before Congress. (Altman (1), pgs. 52-53)

9/30/93 The Following item appeared in an RTC Early Bird:

The Rose Law Firm's alleged undisclosed conflicts of interest, and internal RTC sources' suggestions that multiple referrals to the Justice Department link the firm's members, friends, and loans to insolvent S&Ls, are being pursued by the Washington Post and the Associated Press.

-- Steve Katsanos

Hanson stated that Roelle faxed a copy of the RTC Early Bird to her, on or about 9/30/93, and it was Hanson's understanding that it pertained to the criminal referrals and the Clintons, not the Rose Law Firm. In a memorandum dated 9/30/93 to Roger Altman, titled "The Rose Law Firm," Hanson wrote that she had spoken to Secretary Bentsen, Nussbaum, and Sloan. She had asked Roelle to keep her informed and asked Altman "Is there anything further you want me to do ???". Attached to the memorandum was the RTC Early Bird dated 9/30/93. (Exhibit 4)

When questioned concerning this memorandum, Hanson acknowledged it was her work product, but she could not recall preparing it. She advised that the subject of her memorandum, the Rose Law Firm, was a code for the criminal referrals on Madison. Although referenced in the memorandum, she did not recall speaking with the Secretary on the matter. (Hanson (1), pg. 59)

Altman said he did not recall receiving Hanson's memorandum and did not recall the 9/30/93 Early Bird. He noted that the Early Bird was published frequently and he never read it very carefully. Altman also said he had no recollection of asking Hanson to contact the White House or the Secretary on the matter. (Altman (1), pgs. 5-6)

Secretary Bentsen said he did not recall any discussion or conversations with Hanson or Altman on 9/30/93 on any of these issues or the Rose Law Firm. He also stated that he had never seen the 9/30/93 RTC Early Bird. (Exhibit 5)

Hanson stated that she faxed a copy of the Early Bird to Sloan. However, she did not recall when that occurred or which Early Bird it was. (Hanson (1), pg. 75)

Sloan said he did not receive a copy of the Early Bird from Hanson, but did recall a telephone conversation in which he and Hanson discussed the Early Bird. Sloan's notes from his telephone conversations with Hanson are attached. (Sloan, pgs. 16-25) (Exhibit 6)

10/6/93 Hanson stated that Roelle called her and advised her that Schmidt contacted RTC KC Office of Investigations and requested the names and telephone numbers of the investigators. The request was denied by the RTC KC Office of Investigations. Hanson stated that she may have conveyed this information to Altman. (Hanson (1), pgs. 72-73, 75)

Altman stated he did not recall receiving information pertaining to Schmidt contacting RTC KC Office of Investigations and her wanting names and telephone numbers of the investigators. (Altman (2), pgs. 10-11)

10/7/93 Roelle stated that, during a scheduled RTC meeting at the Treasury building, he advised Altman of press inquiries relating to the criminal referral. According to Roelle, during his meeting with Altman, Altman called Hanson and told Hanson to notify "Jack (DeVore), the Secretary, Bernie, and some other names I can't recall." (Exhibit 7)

Altman stated that he did not recall a meeting at which he asked Hanson to call DeVore, Nussbaum and Secretary Bentsen. (Altman (2), pgs. 11-13)

When asked if she remembered Altman telling her, while Roelle was present, that she had better let some people know about the pending press inquiries on criminal referrals, including DeVore, Nussbaum and Secretary Bentsen, Hanson stated: "No." (Hanson (2), pg. 41)

According to Hanson, she spoke to Sloan to give him the follow-up on the development of the press inquiries. (Hanson (1) pg. 74)

Sloan stated that he had spoken to Hanson on the phone regarding the press inquiries. Sloan's notes from this telephone conversation are attached. (Sloan, pgs. 16-30) (Exhibit 6)

10/8/93 Dudine stated that the RTC referrals (criminal referrals relating to Madison Guaranty) were submitted to the U.S. Attorney's Office and FBI in Little Rock, Arkansas. (Dudine, pg. 27)

10/11/93 According to DeVore, he received a call from Jeff Gerth, Reporter, New York Times. Gerth said RTC was investigating Madison Guaranty and there were checks involving a 1985 fundraiser for Governor Clinton. Gerth felt the investigation was unusual because it had been referred to Washington for review rather than being directly referred to the U.S. Attorney's Office in Little Rock, Arkansas. Additionally, he indicated it had not yet been forwarded on to the U.S. Attorney in Little Rock. (DeVore, pgs. 9-10)

10/12/93-
10/13/93

According to Steiner, DeVore advised him of the press inquiry from Gerth. Either Steiner or DeVore consulted with Hanson. One of the three suggested that the White House be contacted. (Steiner, pgs. 10-13)

Hanson stated that she went to Altman's office to meet with DeVore and Altman. DeVore advised of press inquiries pertaining to Madison Guaranty S&L. They discussed the fact that criminal referrals did exist. (Hanson (1), pg. 77)

Altman stated that he did not remember any meetings held in his office with DeVore and Hanson. Altman also stated that he did not recall that DeVore advised him that the criminal referral had been either sent or referred. Altman stated that he didn't know how DeVore would have known that. (Altman (2), pgs. 13-14)

DeVore stated that although his calendar reflected that he was scheduled to attend a meeting in Altman's office, to prepare for the White House meeting, he did not recall attending such a meeting and thought it had been cancelled. (DeVore, pg. 31)

According to Katsanos, DeVore called him in mid-October and advised him of the press inquiry from Gerth. DeVore advised Katsanos that he was going to be meeting with Mark Gearan, White House Director of Communications, and asked whether the referrals had been sent or whether they were still being prepared. Katsanos indicated that after checking, he advised DeVore that the referrals had been sent on October 8, 1993. (Katsanos (1), pgs. 43, 50-52)

According to Nussbaum, Gearan advised him that DeVore called to set up the 10/14/93 meeting on how Treasury or RTC was going to respond to press inquiries pertaining to the criminal referrals to the Department of Justice (DOJ). (Nussbaum, pgs. 17-18)

Gearan stated that he did not remember receiving a telephone call from DeVore to arrange a meeting nor did he make arrangements for the meeting. (Gearan, pgs. 12-13)

DeVore stated that he spoke to Gearan, but not for the purposes of arranging the meeting. He stated that he believed that, after learning there was going to be a meeting, he talked to Gearan to tell him it was important that Gearan attend. DeVore stated that he learned of the meeting from Steiner. (DeVore, pgs. 11-13)

Steiner stated that he could not recall who set up the meeting. (Steiner, pgs. 11-14)

10/14/93 Meeting in Nussbaum's Office - White House: Nussbaum, Sloan, Gearan, Eggleston and Bruce Lindsey, Senior Advisor to the President; Treasury: DeVore, Steiner and Hanson.

Nussbaum stated that during the meeting, DeVore advised them of the questions Gerth had raised in his October 11, 1993, call to DeVore. DeVore indicated that Gerth was asking about four checks from Madison to the Clinton gubernatorial campaign and had inquired about the endorsements of the four checks. Additionally, according to Nussbaum, DeVore told the group that Gerth was asking why the referral had been sent from Kansas City to Washington D.C., rather than directly to Little Rock. Nussbaum said that DeVore told the group that he was going to confirm to Gerth that there was a criminal referral and that the referral had been sent to Little Rock before Gerth had ever called. Nussbaum recalled that some discussion ensued regarding whether a criminal referral should be confirmed to the press. According to Nussbaum, DeVore indicated to the group that he believed it was normal procedure to confirm criminal referrals in response to press inquiries. (Nussbaum pgs 18-21) Nussbaum also recalled that there was some discussion at the meeting regarding an RTC Early Bird which indicated in some fashion that the press could be inquiring about the criminal referral. Nussbaum was under the impression that the Early Bird was an RTC document which was distributed to all RTC employees. (Nussbaum, pgs. 22-23)

Gearan indicated that there was a discussion of press inquiries made by Gerth and by Schmidt. There was some mention during the meeting that Schmidt had been to see the RTC investigator who was working on the referrals. (Gearan, pgs. 7-9) (Exhibit 8)

Based on a review of his notes, Gearan indicated that discussions in the meeting included: (1) Jean Lewis, Chief Investigator, RTC, the criminal referrals sent from regions to D.C. 3 weeks ago; (2) Last Friday, referred to U.S. Attorney in Little Rock; (3) Sue Schmidt, HRC [Mrs. Clinton], Rose Law Firm retained for 85 by Madison Guaranty; (4) Jeff Gerth, cashiers checks in criminal referrals, checks 4/4 or 5, 1980, two payable to BC [Bill Clinton], two payable to BC campaign, each for \$3,000. BC is not a target of investigation according to Gerth. (Gearan, pgs. 7-8) (Exhibit 8)

DeVore indicated that the meeting was held in reaction to the inquiry from Gerth. During the meeting, he shared details of his conversation with Gerth. Additionally, he learned during the meeting that Sue Schmidt of the Washington Post and an AP reporter whose name he did not recall, were "chasing" similar stories. In addition, he recalled that during the meeting someone related that the criminal referral had been made on October 8. According to DeVore, he was not aware of this fact prior to the meeting. (DeVore, pgs. 14, 17, and 18)

DeVore stated that he believed that all the information shared with the White House was public because a reporter had it. (DeVore, pg. 45)

Lindsey stated that the purpose of the meeting was to discuss a telephone call DeVore received from Gerth, New York Times. Lindsey stated that, during the meeting they discussed the RTC Early Bird, the criminal referrals and what the press was saying about them, and how DeVore was to respond to Gerth. (Lindsey, pgs. 8-16)

Eggleston stated that it was his understanding that this meeting had been called by DeVore, because he had gotten press inquiries from Gerth. Eggleston stated that DeVore discussed the checks that Gerth had, Gerth's questions about the criminal referral, and basically how to deal with the press. (Eggleston, pgs. 5-9)

Steiner stated that during the meeting it was decided that DeVore would advise the reporter that the criminal referral had been sent. Steiner also believed that Gerth was told that the 10/14/93 White House meeting had taken place. (Steiner, pg. 24)

DeVore indicated that the only decision or conclusion reached at the meeting was his personal decision to contact Gerth and correct him by advising that the referrals had been forwarded. DeVore indicated he did subsequently call Gerth and "set him straight" on the fact that the referrals had been sent. (DeVore, pgs. 17-19)

According to Hanson, DeVore confirmed to the press that the criminal referrals had been referred to DOJ. Hanson stated that DeVore understood that Treasury OIG did confirm referrals to DOJ. Hanson stated that DeVore released the information to the press prior to her confirming the Treasury OIG policy on disclosure of information pertaining to criminal matters. (Hanson (1), pgs. 97-99, 113)

Altman stated he had no knowledge of the 10/14/93 meeting at the White House until after his 2/24/94 testimony before Congress. (Altman (1), pgs. 52-53)

10/14/94 or
10/15/93

Steiner indicated that within a day or two of the 10/14/93 meeting, he believed he went to see the Secretary to tell him the meeting had taken place. Steiner recalled that during their discussion, he told the Secretary a press inquiry had been received concerning Madison Guaranty. The Secretary asked him where Madison was located. Steiner said he clearly recalled this, because he did not know the answer to the Secretary's question. Steiner indicated that when the Secretary posed the question, Steiner stopped the discussion because he realized he did not know much about the subject. (Steiner, pgs. 24-26)

According to Curtis, he met with Hanson and John Bowman, Treasury Assistant General Counsel for Banking and Finance, sometime in October. Hanson's calendar indicated this meeting occurred at 5:00 p.m. on 10/14/93. During the meeting, Curtis said he showed them a copy of a legal opinion summarizing the criminal referrals on the Madison case. According to Curtis, "I showed them the copy I had and they made a copy from that, I recall." (Curtis-revised, pg 26).

Bowman said he met regularly with Curtis and Hanson but did not recall any meeting during which the substance of the criminal referral was discussed. Further, he said he was sure he had never seen the legal opinion summarizing the criminal referrals. (Bowman, pgs. 11-12)

Hanson said she met with Curtis numerous times, but did not recall discussing issues pertaining to the criminal referral with him. Additionally, she said she had never seen the legal opinion summarizing the criminal referral (Hanson (1) pgs. 136-137).

During this time period, Hanson said she did recall at one point a suggestion being made by DeVore that, due to the possibility of continued press inquiries on the subject, Altman or Hanson should read the referrals. She said she called Roelle on the subject, who told her, "Jean, you don't want to do that." According to Hanson, she concluded that it would have been "completely inappropriate for me to read the criminal referrals, particularly before they went to the Justice Department, but even after they went to the Justice Department." As a result, Hanson said she had never seen anything in writing about the criminal referrals. (Hanson pgs. 119-121)

- 10/20/93 Lindsey prepared a memorandum to file summarizing the 10/14/93 discussions concerning a telephone call that DeVore received from Gerth. Lindsey's memorandum is entitled Whitewater Development Corporation. (Exhibit 9)
- 10/31/93 According to Hanson, as a result of Schmidt's inquiries, an article in the Washington Post was published (Lexis/Nexis report) with the byline, "Susan Schmidt, Washington Post Staff Reporter," and the headline of, "U.S. Is Asked To Probe Failed Arkansas S&L, RTC Questions Thrift's Mid-Eighties Check Flow." (Hanson (1), pgs. 140-141) (Exhibit 10)
- 12/29/93 Eugene Ludwig, Comptroller of the Currency, advised that during the Renaissance weekend he was approached by the President. According to Ludwig, "he said to me and this is not a quote, I don't understand what all this fuss is about Whitewater; I haven't done anything wrong, all I did was lose some money." The President then asked Ludwig for legal advice on regulatory aspects of Madison/Whitewater. Ludwig stated that this conversation lasted 30 seconds.

After Ludwig met with the President, he telephonically contacted Steiner in an effort to determine the following:

could he provide advice to the President on Madison/Whitewater; and

to obtain an understanding of Madison/Whitewater through available public information.

Steiner recommended that Ludwig speak to Hanson on these issues. Steiner advised Ludwig that since Hanson was the Chief Legal Officer for the Department of Treasury, he felt that she was the appropriate person to speak with on this matter. (Ludwig, pgs 7-9)

Ludwig contacted Hanson by telephone and she recommended that he speak to Nussbaum for additional information. (Ludwig, pg. 9)

Hanson advised that she received a telephone call from Ludwig in late 1993 or New Year's weekend of 1994. Ludwig advised her that he was at Renaissance weekend and the President asked him a question regarding Madison. Ludwig did not provide Hanson with details of his conversation with the President. According to Hanson, Ludwig contacted her to get an understanding "of what was happening in the process." Hanson advised Ludwig that she only knew what she read in the press and apologized for not being more helpful. (Hanson (2), pgs. 47-48)

According to Ludwig, he attempted to contact Nussbaum but was unsuccessful. (Ludwig, pgs. 10-11)

Sloan stated that he returned a call from Ludwig. Sloan stated that Ludwig was at Renaissance weekend at the time. Ludwig told Sloan that the President had mentioned something about the Madison matter in the newspapers and Ludwig indicated that he (Ludwig) wanted newspaper articles on the subject in case it came up in a subsequent conversation with the President. Sloan relayed the request to someone else in his office, but he did not think that any materials were ever provided to Ludwig by the White House. (Sloan, pgs. 47-49)

Eggleston stated that during the week between Christmas and New Year's, he received a telephone call from Sloan. Sloan told Eggleston that he had spoken to or received a message from Ludwig. Ludwig was attending Renaissance weekend. Sloan told Eggleston that Ludwig had indicated that he had a conversation with the President in which the Madison matter was raised. According to Eggleston, when Sloan called, the two agreed that the President should not be talking to Ludwig on the Madison matter. Eggleston indicated that he and Sloan were concerned that, although Ludwig had nothing to do with

Madison, any conversation between the President and any regulator on this matter could be misinterpreted. Therefore, Eggleston said he paged Joel Klein, Deputy White House Counsel, who was attending Renaissance weekend, and informed Klein of Ludwig's conversation with the President. Eggleston told Klein he should tell Ludwig if he saw the President again that they should not talk about Madison. (Eggleston pgs 22-24)

After attempting to speak with Nussbaum, Ludwig was successful with speaking to William Kennedy, of the White House Counsel's Office. Ludwig's conversation with Kennedy was short, very cursory, and fairly cautionary about Madison/Whitewater. Kennedy suggested to Ludwig that he should contact Klein. (Ludwig, pgs. 12-13)

Ludwig spoke to Klein, either telephonically or in person, at the Renaissance weekend. Ludwig said that Klein was very negative about the idea of Ludwig discussing Madison/Whitewater with the President. (Ludwig, pg. 13)

Ludwig stated that he thought about it overnight and concluded in his own mind that "I really couldn't have any contacts on this with the President." (Ludwig, pg. 14)

McLarty stated that Klein told him that Ludwig and the President had a brief visit during Renaissance weekend in which the Madison issue was discussed. Klein indicated to McLarty that he did not believe that the communication between Ludwig and the President on this matter was substantive. (McLarty, pgs. 16-17)

Ludwig did not recall discussing the Madison/Whitewater issue with Sloan or Eggleston. (Ludwig, pg. 12)

12/30/93 Ludwig stated that he passed the President and Klein in the hall at the Renaissance weekend and he advised them, "I don't think we ought to talk about this. Ludwig recollected that the President and Klein said the same thing and that was it." (Ludwig, pg. 15)

*1/94 Ludwig stated that sometime after the Renaissance weekend, he telephonically contacted Maggie Williams to provide unsolicited advice on Madison/Whitewater. Ludwig advised Williams to "have a lawyer involved full-time and to disclose, disclose, disclose." (Ludwig, pg. 17)

*1/94 Altman made various handwritten notes relating to Madison/Whitewater. (Exhibit 11)

2/1/94 Hanson stated that she suggested recusal on the tolling agreement for Altman was appropriate because he was a close, personal friend of the President and Mrs. Clinton. (Hanson (1), pg. 154)

During a meeting with Michael Levy, Assistant Secretary, Legislative Affairs, Frank Newman, Under Secretary of Treasury, and Altman, Hanson stated that she discussed Altman's recusal from the civil case pertaining to Madison Guaranty S&L. Hanson recommended Altman recuse himself from the civil case and Altman concurred. (Hanson (1), pgs. 151-152)

Altman stated he did not recall this meeting. (Altman (2), pg. 25)

Hanson stated that she and Altman briefed Secretary Bentsen on the statute of limitations issues concerning the civil case and Altman advised Secretary Bentsen of his decision to recuse himself. According to Hanson, Altman indicated to Bentsen that he wanted to "tell the White House". Hanson interpreted this to mean that Altman would discuss both the statute of limitations issue and his recusal with the White House. According to Hanson, Bentsen raised no objection to them going to the White House. (Hanson (1), pgs. 153-154 and Hanson (2) pg. 4)

Altman stated that at some point before 2/2/94, he did discuss his possible disqualification with Secretary Bentsen, but he didn't know when. Altman stated that he remembers this because when he went to the meeting, he advised the White House officials that the Secretary had advised him to recuse himself. Altman stated he does not believe he advised Secretary Bentsen that he would be meeting with White House officials. (Altman (2), pgs. 26-27)

Secretary Bentsen stated that he recalled a discussion with Hanson and Altman concerning the statute of limitation issue and that Altman was considering recusing himself. Secretary Bentsen stated that it would be Altman's personal decision. Secretary Bentsen stated that he had no knowledge of the 2/2/94 White House meeting until he learned about it from the press. (Exhibit 5)

Altman stated he spoke to Thomas McLarty, White House Chief of Staff, to set up the 2/2/94 White House meeting. Although he could

not recall his precise words, Altman said he told McLarty of the purpose of the meeting "in some fashion." According to Altman, the purpose of the meeting was to provide the White House with the same information previously provided to Congress and the media on the procedures RTC followed when there was an expiring statute of limitations. He did not think it was inappropriate to provide such information because (1) it had been provided to Congress and the media and (2) because it could affect the operations of the White House. (Altman (2), pg. 25)

McLarty stated that he did not recall Altman calling him to arrange the meeting. He believed that Harold Ickes, Deputy Chief of Staff, White House, arranged the meeting in response to a call from Altman. (McLarty, pgs. 8-9)

Ickes stated that Altman telephoned him to set up a meeting with him, Hanson and McLarty. Ickes could not recall the purpose for the meeting. (Ickes, pgs. 7-15)

Altman could not recall speaking to Ickes on 2/1/94. (Altman (2), pgs. 25-26)

2/2/94

Meeting at the White House - White House: Nussbaum, Eggleston, Ickes, Maggie Williams, Chief of Staff to the First Lady; Treasury: Altman, Hanson

Hanson stated that she prepared talking points for the 2/2/94 meeting. She could not remember if she gave them to Altman directly or if they were delivered to his office. Hanson stated that she did point out to Altman that the last talking point said that he had decided to recuse himself from the decision-making process as interim CEO of the RTC because of his relationship with the President and Mrs. Clinton. Hanson said that she asked Altman if he were inclined to move away from that position that she would either delete or change that talking point and that Altman indicated that they were fine. (Hanson (1), pg. 155)

According to Dennis Foreman, Deputy General Counsel and Ethics Officer, Treasury, prior to Hanson and Altman leaving Treasury to go to the White House, Hanson requested Foreman to review the one-page paper entitled "Talking Points." Based upon a 2-minute review of the "Talking Points", Foreman offered the opinion that no non-public information was included in the "Talking Points." According to Foreman, all of this information was in the media, being discussed in

Congress, and the rest was procedures that RTC would follow in running up against a statute of limitations. All of the information appeared to be "standard operating stuff" that was publicly known. The "Talking Points" included the paragraph about Altman's recusal. (Foreman, pgs. 14-24) (Exhibit 12)

Altman stated that on his way to the meeting, Hanson handed him a version of talking points for the meeting which included a reference to recusal. According to Altman, Hanson added this to the talking points because she thought he should recuse himself. This was not put in there at his request. Altman stated that at that point he had not yet decided to recuse himself and he had not intended to discuss his recusal at the meeting. During the meeting, however, he "blurted" out that he was considering recusal, that Secretary Bentsen had recommended recusal and that he was going to take that advice, but did not say when. (Altman (1), pg. 39) He stated, "No one asked me not to recuse myself." (Altman (1), pg.29)

Altman stated that he attended the meeting with Hanson, Nussbaum, Eggleston, Williams and Ickes to brief them on procedures which RTC would follow relative to the statute of limitations. Altman stated that his reason in providing the briefing to the White House was because the same information had been provided to the Congress and because whatever decisions the RTC made could have an important impact on the White House. (Altman (1), pgs. 30, 40, and 42)

Nussbaum stated that he attended the meeting after receiving a call from McLarty's office. Present at the meeting were Altman, Hanson, Ickes, Williams and Eggleston. Nussbaum stated that Altman discussed the statute of limitations issue regarding the Madison Guaranty civil matter and the possible use of tolling agreements. Nussbaum stated that Altman also discussed recusing himself from the decision process. Because of events surrounding the confirmation hearing held the day before for Rikki Tigert, the nominee for the FDIC chairmanship, Nussbaum was concerned about the prospect of Administration nominees automatically recusing themselves from Madison or Whitewater matters just because they were nominated by the President. During her confirmation hearings, Tigert took the position that she would recuse herself if ethically or legally required to do so. The White House was supporting that position. Based on these concerns, Nussbaum told Altman that if Altman was not required to recuse himself, he should continue to act and, that his review of staff recommendations could affect the discipline, fairness and professionalism of the process. Nussbaum also said the White

House would not give him any instructions regarding recusal.
(Nussbaum, pgs. 28-38)

According to Hanson, at the 2/2/94 meeting, Altman went through the "Talking Points" and stated that he had decided he would recuse himself. Nussbaum asked whether Ellen Kulka or Jack Ryan, who were supervising the work, would decide the issues. Nussbaum stated that Kulka was tough, or something similar. Nussbaum said if Altman were to stay in the process and not recuse himself there would be discipline imposed on the process to produce a thorough and fair result. Hanson also recalled that Williams asked if the investigation couldn't be completed by the end of February would it mean that there would have to be tolling agreements. Williams also asked if counsel to the parties could be contacted. Altman said he thought so, but didn't know when. (Hanson (1) pgs. 173-174)

Steiner said he believed Altman advised him of what happened at the meeting either on 2/2/94 or 2/3/94. Steiner said Altman told him that during the meeting Nussbaum voiced displeasure over the idea of Altman's recusing himself. Steiner said he was under the impression that Altman had gone to the meeting with the intention of recusing himself, but deferred to Nussbaum's "political judgement" on the issue. Steiner's diary reflects that Altman had gone to brief the White House on the impending statute of limitations deadline and also to tell them of his recusal decision. Steiner wrote in his diary, "They reacted very negatively to the recusal and RA backed down the next day and agreed to a de facto recusal where the RTC would handle this case like any other and RA would have no involvement." Steiner's diary also indicated that Altman originally decided to recuse himself but under "intense pressure" from the White House he said he would make the final determination on the tolling agreement based on a recommendation from Kulka. (Exhibit 13)

In describing his diary, Steiner explained that several weeks often passed before he wrote in his diary, and it was not intended to be a verbatim account of what took place. He said his reference to "intense pressure," was "obviously a feeling I may have had. It was words that I chose quickly to describe a complicated meeting." The words in his diary were not the words used by Altman to describe the meeting, according to Steiner. (Steiner, pgs. 45-47).

Altman stated that he did not know where Steiner "gets that" in regard to Steiner's diary references on the recusal issue. He denied

that anyone at the 2/2/94 meeting asked him not to recuse himself. (Altman (2), pgs. 29, 42-43)

Nussbaum stated that Williams questioned Altman as to whether private counsel to the President and Mrs. Clinton could be briefed by the RTC on the civil case. (Nussbaum, pg. 39)

Williams stated that she did not remember bringing up the issue of briefing private counsel. (Williams, pg. 10)

Altman stated that he did not know why Williams was at this meeting. (Altman (2), pg. 26)

Williams stated that she did not know why she was invited to this meeting. She stated that it was on her calendar so she attended. She stated that the meeting was to discuss the statute of limitations issue and Altman's recusal. (Williams, pgs. 5-8)

Altman stated that he was asked whether the information from the 2/2/94 meeting would be provided to the private attorneys for the parties at interest. According to Altman, Hanson subsequently checked with Kulka, who indicated she was not going to be contacting private attorneys at that time. Kulka stated that she was contacted on this issue by Hanson and told Hanson that she did not think that it was a good idea to contact the private attorneys at that time. (Altman (1), pgs. 36-37, 45-46; Altman (2), pgs. 24-25; Kulka, pgs. 19-21)

Ickes, though not recalling the time or place, stated he probably reported "about the meeting to the President and First Lady." (Ickes, pg. 19)

Hanson stated that Altman called her on 2/3/94 and advised that the previous evening, 2/2/94, he had spoken to McLarty, who wanted to be filled in on the meeting that had taken place that day. Altman told Hanson that he advised McLarty he had decided not to recuse himself for the time being. He also indicated to Hanson that he had a couple of other phone calls. Altman advised Hanson that "he did not believe that it made any difference to the decision in the investigation, but that it had made them happy." (Hanson (1) pg. 185)

Altman said he called McLarty, but believed he made the call a day or two after the 2/2/94 meeting. He said he called McLarty because McLarty was the person who had set up the meeting. He said he

spoke to McLarty only for about a minute. He told him that he had decided he was not going to recuse himself for the time being, but that it was irrelevant because Kulka was going to be making this decision. (Altman (1), pg. 49).

McLarty remembered returning a telephone call from Altman sometime following the 2/2/94 meeting. He believed the purpose of Altman's call was to acknowledge that the meeting had taken place. During the call, McLarty said that Altman "conveyed that it was a dilemma whether he should recuse or not given that he had responsibility for the RTC in his Treasury position." McLarty said he told Altman he understood the dilemma he was facing. McLarty told Altman that although he hoped he would not have to recuse, Altman would have to make the decision he felt was right. (McLarty pgs 12-13)

2/3/94

Nussbaum stated that he received a fax from Hanson, which transmitted a letter of the same date from Congressman James Leach to Altman. Nussbaum stated that Hanson later called him regarding: (1) Altman's recusal and that Treasury could consult with the White House ethics person; (2) the concern for independent investigation and Nussbaum advised her that she should look at the charter of the Special Counsel. (Nussbaum, pgs. 45-48) (Exhibit 14)

Although the cover sheet depicts Hanson's name, she does not recall faxing the letter from Mr. Leach. Hanson stated that she received a telephone call from Nussbaum pointing out that the Independent Counsel's charter had been published and asking if she had seen it. Nussbaum suggested that Altman might want to consider the charter in any decision-making that he was going to do on the Madison matter. She believed that this conversation occurred on 2/4/94. (Hanson (2), pgs. 9-13)

According to Altman, he called Ickes to arrange to meet him briefly before another meeting he was scheduled to attend at the White House. He then met briefly with Ickes and advised him that he was not going to recuse himself for the time being. According to Altman, Ickes had no particular reaction other than thanking Altman for telling him. (Altman (1), pgs. 48-49)

Eggleston stated that he was in Williams' office with Ickes, but that Williams was not there, and Altman stuck his head in and said that he had decided not to recuse himself for now. (Eggleston, pg. 37)

Ickes stated that he recalled that several days after the 2/2/94 meeting, Altman came by the White House and told him he had decided that he was not going to recuse himself. Ickes stated that Williams may have been present; he did not recall Eggleston being present. (Ickes, pgs. 17-18)

Hanson stated that she went to the White House to meet with Altman but missed the appointment. Hanson stated that she met with Ickes, Eggleston, and Williams. According to Hanson, Ickes asked her, "Who knew that I (Hanson) recommended that Altman recuse himself." Hanson stated that she had told three people, and was told that was good because if that got out it would look terrible. (Hanson (1), pg. 188)

Ickes stated that he recalled a very brief "hello/goodbye" meeting with Hanson, but did not recall asking her who knew she'd recommended Altman's recusal. (Ickes, pg. 21)

Eggleston stated that he remembered Ickes asking Hanson how many people knew that she had recommended that Altman recuse himself. (Eggleston, pgs. 39-40)

According to Nussbaum, Altman ran into him at the White House and Altman advised that: "He was probably not going to recuse himself". (Nussbaum, pg. 45) Altman said he recalled running into Nussbaum at a later date, around February 23, at which time Nussbaum told him that the White House had a nominee for the RTC chairmanship. Altman did not indicate that any discussion regarding recusal took place during this encounter. (Altman (1) pg. 49)

Hanson stated she had a follow-up meeting with Altman and Secretary Bentsen. Altman recounted the discussion at the White House. Hanson stated the Secretary commented to Altman that he (Altman) would take some political heat for having made that decision, but that it was his (Altman's) decision to make. (Hanson (2) pg. 7)

Secretary Bentsen does not recall a meeting with Altman and Hanson on 2/3/94. However, his daily schedule reflects a meeting with Altman and Hanson at 11:53 a.m. on 2/3/94. (Exhibit 15)

Altman stated, sometime after the 2/2/94 White House meeting, he may have had a discussion with Secretary Bentsen about his recusal, but he doesn't know when. (Altman (2), pgs. 27-28)

2/4/94 Foreman stated that he spoke to Beth Nolan, Associate Counsel to the President and Alternate Designate Agency Ethics Official, White House, at the direction of Hanson, about ethics and recusal issues. (Foreman, pgs. 26-27; Nolan, pgs. 7-14)

According to Nolan, she and Foreman had another telephone conversation regarding recusal. (Nolan, pgs. 14-17)

2/8/94 Hanson stated that during a telephone conversation with Nussbaum on an unrelated subject, Hanson thanked Nussbaum for bringing the Independent Counsel's charter to her attention. (Hanson (2), pg 14)

2/9/94 According to Nolan, Foreman called because Tigert had announced that she, in her confirmation hearing, would recuse herself from Madison matters at the FDIC. Foreman wanted to know if Tigert's recusal decision should affect Altman's decision. (Nolan, pgs. 18-25)

Foreman stated that he met with Gary Davis, OGE, to discuss Altman's recusal. No determination was made and it was agreed that Foreman would get back with a written analysis. (Foreman, pgs. 45-48; Davis, pgs. 4-7)

2/16/94 or
2/17/94 According to Steiner, he stopped by to see George Stephanopoulos, Senior Policy Advisor to the President, and discussed Altman's recusal. Steiner stated the meeting was self-generated, not at anyone's request. (Steiner, pgs. 55-57)

Stephanopoulos does not recall any specific contact with Steiner, but stated it was conceivable that they ran into each other at that time. He might have asked my opinion about Altman's recusal, and "I know that my general opinion at that time was whatever you want to do, do." (Stephanopoulos, pg. 11)

*Week of:
2/14-2/18 According to Steiner, John Podesta, Staff Secretary, White House, or Todd Stearn, Associate Counsel to the President, called him and asked how RTC came to hire Jay Stephens, former U.S. Attorney for the District of Columbia, to handle the Madison case. Steiner stated that he checked with Hanson or Hanson's Special Assistant on the

matter, who in turn contacted RTC to determine how Stephens had been hired. (Steiner, pg. 57)

- 2/18/94 Arthur Kusinski, RTC Ethics Officer, issued an opinion concerning Altman's possible recusal. (Exhibit 16)
- *2/94 According to Steiner, he called Podesta or Stearn back and advised of RTC's process in selecting Stephens. (Steiner, pg. 57)
- 2/23/94 Eggleston said that at some point in preparation for the 2/24/94 hearing, he called Hanson to make sure Treasury was prepared in case Altman got a question about the 2/2/94 meeting at the White House. (Eggleston pgs. 47-48)

According to Steiner, he telephonically advised Pat Griffin, Staff Secretary at the White House, that Altman might be announcing during the hearing that he was stepping down as Interim CEO. (Steiner, pg. 90)

Altman stated that he telephoned Ickes to tell him that he would be announcing during his testimony the following day that he would be stepping down as RTC chairman on 3/30/94. Altman did not indicate that the recusal issue was addressed. (Altman (1), pg. 50)

According to Ickes, Altman called him to advise that he was going to be testifying before the Senate Banking Committee and that he was considering recusal. Altman stated that he was leaving for a meeting, but asked Ickes to call him back with any thoughts on the subject. (Ickes, pgs. 21-23)

Ickes stated that he subsequently called Steiner and asked Steiner to tell Altman that the recusal decision was entirely up to Altman. Ickes stated that he did not recall discussing with Steiner whether or not Altman would announce his decision to step down as interim CEO during the hearing. (Ickes, pgs. 21-23)

According to Steiner, Ickes called to speak with Altman, but he received the call in Altman's absence. Steiner stated that Ickes told him that Altman should not be definitive during the hearing about his intentions to step down as Interim CEO. Steiner also stated that Ickes said if Altman felt he should recuse himself either before the hearing or at the hearing, he should go ahead and do that. (Steiner, pgs. 67-69).

At Altman's request, Hanson said she called Nussbaum to tell him that Altman's testimony at the hearing the next day would state that Altman's Vacancy Act appointment was going to lapse on March 31, 1994, that Altman intended to allow the appointment to lapse, and that he would not be involved in making a decision on the civil investigation involving Madison. According to Hanson, Nussbaum replied that "he's going to leave us with Ellen Kulka." Hanson also recalled that she and Nussbaum discussed some of the mechanics of the Vacancy Act. (Hanson (2), pg. 17).

2/24/94 Altman testified at the Congressional hearing.

2/25/94 Steiner stated that during a morning telephone conversation with Podesta, they discussed that Altman was considering recusing himself. Steiner stated that he did not recall who initiated the call. (Steiner, pg. 69)

Steiner stated that Altman recused himself in the afternoon. Steiner stated that he called Podesta to inform him of Altman's recusal. (Steiner, pg. 72)

Eggleston stated he called Hanson concerning Jay Stephen's law firm handling the Madison civil matter for the RTC. (Eggleston, pgs. 51-52)

Hanson stated she received a call from Eggleston asking if Stephens was the outside counsel representing the RTC in the Madison civil matter. (Hanson (2), pg. 19)

Steiner stated that he had a telephone conversation with Stephanopoulos. Steiner stated that he could not recall who initiated the call, but that Altman was present in Steiner's office during the call. According to Steiner, Stephanopoulos raised concern regarding the manner in which Altman recused himself and Stephens' role on the Madison case. According to Steiner, Stephanopoulos thought it was a conflict of interest for Stephens to be involved in this case since he had been dismissed by this Administration and had been a vocal critic of the Administration. Steiner said Stephanopoulos suggested that the conflict of interest should prevent him from being involved in the case. In his diary, Steiner wrote that Stephanopoulos had suggested "we" need to "find a way to get rid of him" (Stephens). (Steiner, pgs. 59-62)

Stephanopoulos stated that he recalled the above conversation with Steiner. He categorized his remarks regarding Stephens as "blowing off steam." (Stephanopoulos, pgs. 6-10)

Altman stated that he was telephonically contacted by Stephanopoulos and Ickes, who expressed concern over the way Altman recused himself. Altman said he was also questioned about the Stephens matter. Altman stated that Stephanopoulos told him to write a letter to the President regarding the recusal. (Altman (1), pg. 51) (Exhibit 17)

Stephanopoulos stated that he did not recall addressing the Stephens' issue again. However, he did recall suggesting that Altman write a letter to the President regarding his recusal. (Stephanopoulos, pgs. 6-10)

Nolan stated that she called Foreman concerning Altman's memo regarding CEO expiration on 3/30/94 and recusal. (Nolan, pgs 27-30)

Lindsey stated he called Altman to inquire about a press inquiry about whether Altman had received any instructions from anybody at the White House to do anything with various lawyers concerning the statute of limitations and recusal. (Lindsey, pgs. 21-23)

- 3/1/94 Altman stated that he received a call from Podesta and was advised that there were two other White House meetings besides the 2/2/94 that he testified to. (Altman (1), pgs. 56-58).
- 3/2/94 Altman submitted a follow-up letter to Senator Riegle clarifying his testimony on 2/24/94. (Exhibit 18)
- 3/3/94 Altman submitted a follow-up letter to Senator Riegle clarifying his testimony on 2/24/94. (Exhibit 19)
- 3/11/94 Ludwig prepared a memorandum detailing his contacts with the White House on the Madison matter. (Exhibit 20)
- 3/21/94 Altman submitted a follow-up letter to Senator Riegle clarifying his testimony on 2/24/94. (Exhibit 21)

EXHIBITS

1. Summary of White House Contacts.
2. Name List.
3. RTC Memorandum dated June 17, 1993, regarding guidance on the subject of criminal referrals.
4. Memorandum dated September 30, 1993, to Roger C. Altman, Deputy Secretary, from Jean E. Hanson regarding The Rose Law Firm.
5. Lloyd M. Bentsen, Secretary, Department of Treasury, Memorandum of Interview dated July 20, 1994.
6. Clifford Sloan's notes dated September 30, 1993 and October 7, 1993.
7. Memorandum to File dated July 27, 1994, from Joan M. Dwyer, Special Agent regarding Addendum to William Roelle's Testimony.
8. Mark Gearan's notes reflecting the discussion of the October 14, 1993 meeting.
9. Memorandum to File dated October 20, 1993, from Bruce R. Lindsey regarding Whitewater Development Corporation.
10. Nexis/Lexis report dated October 31, 1993.
Nexis/Lexis report dated November 2, 1993.
11. Roger Altman's redacted diary.
12. Talking Points for Roger Altman: information meeting with Mack McLarty February 2, 1994.
13. Diary of Joshua L. Steiner covering the period December 12, 1993 through February 27, 1994.
14. Fax dated February 3, 1994, to Mr. Bernie Nussbaum from Jean Hanson transmitting letter Roger Altman from James Leach.
15. Memorandum dated July 22 1994, to Francine Kerner from Stephen McHale with documents pertaining to the Secretary's schedule.
16. Memorandum dated February 23, 1994, to Roger Altman from Dennis I. Foreman regarding recusal on RTC matters relating to Madison Guaranty S & L. Attached to Foreman's memorandum is a memorandum dated February 18, 1994, to Roger Altman from Arthur Kusinski relating to RTC Madison Guaranty matters.

17. Letter to Bill Clinton from Roger Altman.
18. Letter dated March 2, 1994, to Riegle from Altman.
19. Letter dated March 3, 1994, to Riegle from Altman.
20. Memorandum dated March 11, 1994, to Edward Knight from Eugene Ludwig.
21. Letter dated March 21, 1994, to Riegle from Altman.
22. July 22, 1994, Treasury Memorandum on Legal Questions relating to the OIG inquiry.
23. July 22, 1994, RTC Memorandum on Legal questions relating to the OIG inquiry.

Transcripts:

24. Aboussie, Richard
25. Altman, Roger (1)
26. Altman, Roger (2)
27. Bowman, John
28. Curtis, Glion
29. Davis, Gary
30. DeVore, Jack
31. Dudine, James
32. Eggleston, Neil
33. Foreman, Dennis
34. Gearan, Mark
35. Hanson, Jean (1)
36. Hanson, Jean (2)

37. Ickes, Harold
38. Katsanos, Steve (1)
39. Katsanos, Steve (2)
40. Kulka, Ellen
41. Lindsey, Bruce
42. Ludwig, Eugene
43. McLarty, Thomas
44. Nolan, Beth
45. Nussbaum, Bernard
46. Nye, Ben
47. Roelle, Bill
48. Sloan, Cliff
49. Steiner, Joshua
50. Stephanopoulos, George
51. William, Maggie
52. List of selected newspaper articles relating to Madison Guaranty S & L.

Exhibit 1

Summary of White House Contacts

CONTACTS

	<u>DATE</u>	<u>PARTICIPANTS</u>	<u>TYPE</u>
1.	9/29/93	Hanson/Nussbaum/Sloan	Meeting WhiteHouse
2.	9/30/93	Hanson/Sloan	Telephone Call
3.	9/30/93	Hanson/Sloan *(Sloan denies receipt of faxes)	Fax
4.	10/7/93	Hanson/Sloan	Telephone Call
5.	10/13/93	DeVore/Gearon	Telephone Call
6.	10/14/93	Nussbaum/Sloan/Gearon Steiner/Eggleston/Lindsey Devore/Hanson	Meeting WhiteHouse
7.	12/29/93	Clinton/Ludwig	Meeting Renaissance Weekend
8.	12/29/93	Ludwig/Sloan	Telephone Call
9.	12/29/93	Ludwig/Kennedy	Telephone Call
10.	12/29/93	Ludwig/Klein	Telephone Call
11.	12/30/93	Ludwig/Klein/Clinton	Meeting Renaissance
12.	1/94	Ludwig/Williams	Telephone Call
13.	2/1/94	Altman/McLarty or Ickes	Telephone Call
14.	2/2/94	Nussbaum/Hanson/Altman Ickes/Williams/Eggleston	Meeting WhiteHouse
15.	2/2/94 or 2/3/94	Altman/McLarty	Telephone Call
16.	2/3/94	Altman/Nussbaum	West Wing WhiteHouse

17.	2/3/94	Hanson/Nussbaum *Hanson denies	Fax (14 pages)
18.	2/3/94	Hanson/Nussbaum	Telephone Call
19.	2/3/94	Altman/Ickes/Eggleston	Meeting WhiteHouse
20.	2/3/94	Hanson/Ickes/Eggleston Williams	Meeting WhiteHouse
21.	2/4/94	Foreman/Nolan	Telephone Call
22.	2/4/94	Foreman/Nolan	Telephone Call
23.	2/8/94	Hanson/Nussbaum	Telephone Call
24.	2/9/94	Foreman/Nolan	Telephone Call
25.	Wk of 2/14/94	Podesta or Stern/Steiner	Telephone Call
26.	Wk of 2/14/94	Steiner/Podesta or Stern	Telephone Call
27.	2/16/94 or 2/17/94	Steiner/Stephanopoulos	Meeting WhiteHouse
28.	2/23/94	Eggleston/Hanson	Telephone Call
29.	2/23/94	Steiner/Pat Griffin	Telephone Call
30.	2/23/94	Altman/Ickes	Telephone Call
31.	2/23/94	Ickes/Steiner	Telephone Call
32.	2/23/94	Hanson/Nussbaum	Telephone Call
33.	2/25/94	Podesta/Steiner	Telephone Call
34.	2/25/94	Podesta/Steiner	Telephone Call
35.	2/25/94	Stephanopoulos/Steiner	Telephone Call
36.	2/25/94	Ickes/Stephanopoulos/ Altman	Telephone Call
37.	2/25/94	Eggleston/Hanson	Telephone Call

- | | | | |
|-----|---------|----------------|----------------|
| 38. | 2/25/94 | Lindsey/Altman | Telephone Call |
| 39. | 2/25/94 | Foreman/Nolan | Telephone Call |
| 40. | 3/1/94 | Podesta/Altman | Telephone Call |

Exhibit 2

Name List

NAME LIST

Lloyd M. Bentsen, Secretary of the Treasury

Joshua Steiner, Chief of Staff to Secretary Bentsen

William Roelle, then Senior Vice President of RTC

Cliff Sloan, White House Associate Counsel

John Bowman, Assistant General Counsel for Banking and Finance, Treasury

Jean Hanson, General Counsel, Treasury

Bernard Nussbaum, then White House Counsel

Benjamin Nye, Special Assistant to the Deputy Secretary, Treasury

Richard Aboussie, then Acting General Counsel of RTC

Ellen Kulka, General Counsel of RTC

Dennis Foreman, Deputy General Counsel and Ethics Officer, Treasury

James Dudine, Director, Office of Investigations, RTC

Mark Gearan, White House Director of Communication

E. Glion Curtis, then Acting General Counsel of RTC

Bruce Lindsey, Senior Advisor to the President

Michael Levy, Assistant Secretary, Legislative Affairs

Frank Newman, Under Secretary of Treasury

Thomas McLarty, White House Chief of Staff

Maggie Williams, Chief of Staff to the First Lady

Dennis Cavinaw, Vice President, Kansas City Regional Office

Roger Altman, Deputy Secretary of Treasury and then Acting CEO of RTC

Neil Eggleston, Associate Counsel to the President

**Jack Devore, formerly Assistant Secretary of Public Affairs and
Public Liaison, Treasury**

Steve Katsanos, Director, Office of Corporate Communications

Harold Ickes, Deputy Chief of Staff, White House

**Congressman James Leach, Banking Minority Member, Committee on
Banking, Finance, and Urban Affairs**

Ken Shmalzbach, Assistant General Counsel for Administration

**Beth Nolan, Associate Counsel to the President and Alternate
Designate Agency Ethics Official, White House**

Rikki Tigert, designate for FDIC CEO

Todd Stearn, Associate Counsel to the President

George Stephanopoulos, Senior Policy Advisor to the President

John Podesta, Staff Secretary, White House

Eugene Ludwig, Comptroller of the Currency, Treasury

Pat Griffin, Staff Secretary, White House

William Kennedy, White House Staff Attorney

Exhibit 3

RTC Memorandum dated June 17, 1993,
regarding guidance on
the subject of criminal referrals



REVOLUTION TRUST CORPORATION
Resolving The Crisis
Restoring The Confidence

June 17, 1993

MEMORANDUM TO: All RTC Investigations Department Heads (Field Sites)
All Investigations Staff (Washington)
All Assistant General Counsel (Field Sites)
All Litigation, Professional Liability, and Complex Litigation Section Chiefs (Field Sites)
All Litigation, Professional Liability, and Complex Litigation Attorneys (Washington)

FROM:

James R. Dudine *J. Dudine*
Director
Office of Investigations

Thomas V. Kinds *T. Kinds*
Assistant General Counsel
Professional Liability Section

James M. Barker *J. Barker*
Assistant General Counsel
Litigation Section

Jerry Patchan *J. Patchan*
Assistant General Counsel
Complex Litigation Section

SUBJECT: Criminal Referrals

1. **PURPOSE:** To consolidate instructions and guidance on making criminal referrals to the U. S. Department of Justice and other agencies.

- 1 -

2. Policy: Whenever an investigator, attorney, or contractor for RTC discovers "suspected criminal activity," that person shall prepare a criminal referral, using the standard Interagency Criminal Referral Form, in accordance with filing instructions and the following guidelines. For purposes of making a referral, "suspected criminal activity" means that there is a reasonable basis to believe that a crime has or may have been committed, i.e. there's evidence of wrongdoing or a factual basis for the belief (not merely a suspicion). Except in rare circumstances, criminal referrals shall be reviewed by RTC Investigations and Legal Division or Criminal Coordinators ("RTC Criminal Coordinators") before they are delivered to the U.S. Attorney and the FBI or other investigative agency. RTC Criminal Coordinators shall make certain that all required information and support documents are provided.

3. Handling of Criminal Referrals: All referrals are sensitive and must be handled with appropriate confidentiality and care. Most RTC criminal referrals are made to the U.S. Department of Justice (including the U.S. Attorney's Office and the FBI). In such cases, each referral should be accompanied by a cover letter signed by a supervisory official; this may be a Section Chief, Department Head, or, in appropriate cases, the Criminal Coordinator. When the criminal referral includes records or information derived from the records of a customer who is an individual or a partnership consisting of five or fewer individuals, the signing official must make the following certification in the cover

- 3 -

letter, as required by the Right to Financial Privacy Act,
12 U.S.C. § 3412(f):

The information pertaining to this matter may have been derived from the financial records of customers of federally insured financial institutions. I hereby certify that (A) there is reason to believe that these records may be relevant to a violation of a federal criminal law, and (B) the records were obtained in the exercise of RTC's supervisory or regulatory functions.

Referrals for money laundering and other financial crimes may also be made in this manner to components of the Treasury Department (e.g. the Secret Service). In cases of referrals to other federal agencies, the Legal Division Criminal Coordinator should be consulted to ensure compliance with the other requirements of the Right to Financial Privacy Act.

Copies of significant criminal referrals should also be sent to the Office of Investigations, Washington, D.C. Significant referrals are those which qualify to become "major" cases under DOJ guidelines: (1) Loss due to apparent criminal conduct is \$100,000 or more; (2) The apparent criminal conduct involves a director, officer, professional (e.g., attorney or accountant), or shareholder of the institution; or (3) Other compelling reasons (e.g., the apparent misconduct is part of a pattern or practice involving other financial institutions or the scheme or

- 4 -

suspects pose a threat to operating financial institutions). As with all other criminal referrals, official file copies must be retained in the field office.

4. Coordination with Other Agencies: In accordance with a recent agreement, RTC-generated criminal referrals will be forwarded to the Department of the Treasury's FINCEN office, to be included in a national database of referrals submitted from financial institution regulators, banks, credit unions and savings associations. Refer to the filing instructions contained on page 3 of the Interagency Criminal Referral Form.

5. Compliance with Senior Interagency Group Policy Statement Regarding National Policy on Collection and Reporting Procedures for Restitution Payable to Financial Institution Regulatory Agencies ("SIG Policy Statement"): RTC Criminal Coordinators shall be responsible for contact with other agencies to insure compliance with the SIG policy statement adopted June 25, 1992. It is essential that all communication with the appropriate investigative agency and/or the USAO or DOJ trial attorney be coordinated in advance between the Legal and Investigations Criminal Coordinators. The line of communication should remain open from the time the referral is made through final disposition, including collection of any amounts due under a criminal restitution order.

6. Record Keeping It is very important that all criminal referrals and the subsequent case and sentencing status be entered into the Thrift Investigations Management System (TIMS). Referrals which were filed by an RTC institution before it failed or by a regulatory agency (OTS or FDIC) which name specific individual(s); and for which the statute of limitations has not expired or for which a criminal case has been initiated (via indictment or information filing) must be entered into TIMS as well. Do not enter inherited referrals which do not name the suspect (e.g. naming "unknown," or "unidentified employees").

A file must be maintained in the field office by the designated Investigations Criminal Coordinator for each referral with supporting documentation and subsequent correspondence. These records are highly confidential and should be treated accordingly (e.g., kept in secured/locked cabinet).

The completed referral form and some related records are subject to the applicable provisions of the Privacy Act of 1974, 5 U.S.C. § 552a, and may not be disclosed to the public in response to a request under the Freedom of Information Act, 5 U.S.C. § 552, or as part of a litigation discovery process. Any requests for referral information from non-regulators or non-RTC investigative or legal staff should be promptly referred or forwarded to the field office Legal Division Criminal Coordinator and the attorney(s) with litigating responsibility (Litigation, PLS, and/or Complex Litigation) for the institution. Outside counsel and

investigative contractors may have access to these records under the close supervision of the attorney with litigating responsibility for the matter or Investigations, as appropriate. Outside contractors should be advised of the sensitivity of case materials and that disclosures are prohibited.

7. Attachments and References This directive replaces all others previously issued on this subject. A sample Interagency Criminal Referral Form and SIG Policy Statement are attached. Please review the Investigations Section of the Conservators' Operating Manual and Directive 91-097 issued by OIG. Most of the relevant federal bank fraud statutes are contained in Title 18, U. S. Code.

Attachments

Exhibit 4

Memorandum dated September 30, 1993, to
Roger C. Altman, Deputy Secretary,
from Jean E. Hanson regarding
The Rose Law Firm.




GENERAL COUNSEL

DEPARTMENT OF THE TREASURY
WASHINGTON

September 30, 1993

MEMORANDUM FOR ROGER C. ALTMAN
DEPUTY SECRETARY

FROM: JEAN E. HANSEN 
SUBJECT: The Rose Law Firm

Steve Katsanos has talked with Sue Schmidt (See attached RTC Early Bird).

I have spoken with the Secretary and also with Bernie Nussbaum and Cliff Sloan.

I have asked Bill Roelle to keep me informed. Is there anything else you think we should be doing?

Attachment



622-2800

RTC Early Bird



Washington, D.C

Thursday, September 30, 1993

The following are emerging news stories the Office of Corporate Communications anticipates will be published in the days and weeks ahead. This report is for internal use only. Staff should not inform reporters of stories identified here that are being prepared by competitors.

The opposition of Jesse Jackson's Rainbow Coalition to Stanley Tate's nomination will be reported in tomorrow's Washington Post.

Senator Riegle's demand that Stanley Tate meet with each of the "whistleblowers" in last week's hearing should get significant speculative coverage concerning whether Riegle's move will frustrate the nominee and provoke his withdrawal.

The Rose Law Firm's alleged undisclosed conflicts of interest, and internal RTC sources' suggestions that multiple referrals to the Justice Department link the firm's members, friends, and loans to insolvent S&Ls, are being pursued by the Washington Post and the Associated Press.

-- Steve Katsanos

Several news organizations will likely report that today's deadline for RTC resolution authority will be an uneventful passage due to the fact that the Senate has named conferees and funding legislation should be approved soon.

-- Office of Corporate Communications

Sandra Nobles' promotion to Acting Director of Securitization should be the focus of an upcoming National Mortgage News story on the RTC's securitization program.

-- Anne Freeman

The RTC's use of the law firm Holland and Hart in a suit against Deloitte and Touche for its involvement with Otero Savings and Loan, Colorado Springs, is being explored by Westword, a Denver newspaper. According to Deloitte's counsel, Holland and Hart may have represented Otero Savings on transactions that caused losses to the institution.

-- Felisa Neuringer

Exhibit 5

**Lloyd M. Bentsen, Secretary,
Department of the Treasury,
Memorandum of Interview dated
July 20, 1994.**

**U.S. Department Of The Treasury
Office Of Inspector General
Office Of Investigations**

**Memorandum Of Interview
Lloyd M. Bentsen
Secretary
U.S. Department of The Treasury
Washington, D.C.**

Mr. BENTSEN, was interviewed on July 19, 1994, at 4:20pm at his office located at the Department of the Treasury, Main Treasury Building. Mr. BENTSEN was advised of the identity of the interviewers and questioned about his knowledge about contacts between Treasury Officials and the White House concerning the Madison Savings and Loan/Whitewater matter. Also present were Robert McNamara, Jr., Assistant General Counsel for Enforcement and, Special Agent Joan DWYER of the Resolution Trust Corporation, (RTC) Office of the Inspector General. Mr. BENTSEN was placed under oath and provided the following information, in substance:

BENTSEN did not recall ever being advised on the 9 criminal referrals or the existence of the referrals submitted to the Department of Justice. BENTSEN first became aware of the referrals and that the CLINTON's were potential witnesses in this matter from newsmedia accounts and could not recall the date.

BENTSEN did not have any contacts with the White House, had made no plans to contact the White House and had no knowledge of any Treasury officials contacting the White House on this matter. BENTSEN stated that he did not authorize anyone to contact the White House on this issue.

BENTSEN did not recall any discussion or conversations with Jean E. HANSON, General Counsel or Roger C. ALTMAN, Deputy Secretary on or about September 30, 1993, on any of these issues or on the ROSE LAW FIRM. BENTSEN was shown a memorandum dated September 30, 1993, from HANSON to ALTMAN, referring to "The ROSE LAW FIRM", which is marked as Treasury document #149 & #150, which are attached to this report. BENTSEN had no recollection of any such discussion and stated he certainly had never seen Treasury document #150, which is a September 30, 1993, RTC, EARLY BIRD article in which the ROSE LAW FIRM is mentioned.

BENTSEN remembered a February 1, 1994, briefing or discussion with ALTMAN and HANSON regarding the statute of limitations of the civil case on Madison Savings and Loan. BENTSEN did not recall any discussion on tolling agreements. BENTSEN also recalled a brief discussion by ALTMAN that he (ALTMAN) was considering recusing himself from this matter and asked for his (BENTSEN) advice. BENTSEN stated, he advised ALTMAN that it was a personal decision for ALTMAN since he (BENTSEN) did not have any of the details.

**NO PORTION OF THIS REPORT MAY BE REPRODUCED WITHOUT THE WRITTEN
AUTHORIZATION OF THE INSPECTOR GENERAL OR DESIGNEE. THIS REPORT IS MADE
AVAILABLE ONLY ON A NEED TO KNOW BASIS.**

**U.S. Department Of The Treasury
Office Of Inspector General
Office Of Investigations**

BENTSEN was not advised of the February 2, 1994, White House meeting and had no knowledge of that meeting until he learned of it in the press.

BENTSEN had no knowledge of any meetings between White House and Treasury Officials until learning of those contacts while providing Congressional testimony. BENTSEN could not recall the date he testified before Congress.

BENTSEN had no knowledge as to whether HANSON or ALTMAN had received an ethics opinion from Dennis FOREMAN, Deputy General Counsel, prior to briefing the White House.

Date of Interview: 07/19/94 **Place:** Washington, D.C.
Date report prepared: 07/20/94
By: S/A Alfred J. Coco *AJC* **Case Number:** 94-1-031-I
Also Present: Joan Dwyer, RTC, *JD*

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GENERAL COUNSEL

DEPARTMENT OF THE TREASURY
WASHINGTON

September 30, 1993

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DEPUTY SECRETARY

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-- Felisa Neuringer

Exhibit 6

Clifford Sloan's notes dated
September 30, 1993 and
October 7, 1993

9130

Alman's files

- NYT - 3/19/92

Alman + W

X000983

piece of news

- Bill Gates - etc

- UP 7 KC RTC office - office which funded
9 referrals - phone - Sue Schindler - W. 105+
vital info suppressed - date 4 months ago
5 referrals -

• denied interested #s for RT
investigators

- 9 cr. referrals

check - Crim referrals to D.C.

- apparently - K.C. to D.C. -

D.C. to CL on Friday -

- cr. referral since last September -

- referral last September - Whitehouse Co -
K. Clint, p. report

- 9 referral - allegations re: Fulbright -
Sammy Tucker
'attempt' to divert funds

- worst allegations - compare to diverted funds -

9 new referrals

X000924

- conspiracy to div. to find for copies of Clinton's -

• Mackayall

• Pearson

• Clinton '85 campaign as co-camp. refs

Clinton's mental in other change as per the w. time

1017

X000985

showed up at the

- Sue Schmidt - was out in l.c. - considered & next year
at home - asked gis - ¹ - witness

- Jeff Geeth working on it

(1) ^{Whitaker} Develop - interview for party - FU?
 10/18 - SF said per 7 part 3 W-6-18

(2) Seth Wood = wife's father - in l.c. >

(3) know 3 senior parties in l.c. in Fu in l.c. at
JOE - because he ~~was~~ made new 880?

(4) Vince Foster involved in 7 of the >

-> interviewed Tom McDougall day before

1000985

State Court rather public
- See Schmidt - ~~is~~ p.r. person - RTC also

RTC Early Bond - Wash Post & AP

person like Firm's undisclosed

like news for public

The case law firm is alleged without
Conflict of interest, and internal RTC
sources suggest that multiple
refers to the Justice Dept, like
the firm's rules

NO CONTEMPT

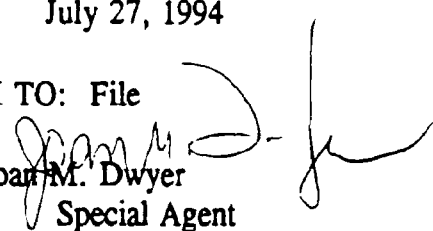
Exhibit 7

**Memorandum to File dated July 27, 1994,
from Joan M. Dwyer, Special Agent regarding
Addendum to William Roelle's Testimony**

CN: 94-1-031-1

DATE: July 27, 1994

MEMORANDUM TO: File

FROM:  Joan M. Dwyer
Special Agent
Office of Inspector General
Resolution Trust Corporation

SUBJECT: Addendum to William Roelle's Testimony

On July 6, 1994, William Roelle, Deputy to the Director, Federal Deposit Insurance Corporation, was interviewed under oath at the Resolution Trust Corporation, 801 17th Street, Washington, D.C. The purpose of this interview was to discuss alleged Treasury officials contacts with the White House regarding Madison Guaranty Savings and Loan/Whitewater.

As the writer was escorting Mr. Roelle back to his office to pick up documents relative to this investigation, he remembered additional information which he requested to be added to his testimony. The attached document prepared by Mr. Roelle provides the changes to his testimony.

In addition, Mr. Roelle advised the writer that he believed that Altman's reference to "Bernie" to mean Bernie Nussbaum.

Attachment

[Insert]

When MS Dwyer went with me to the FOIC to get a copy of the information that Mr. Cavanaugh had sent me - I told her that I had not completed my statement with regard to the meeting with me Altman when I told him about Lee Schindling in Kansas City, because I had been distracted by a follow-up question.

"During the meeting with me Altman he called MS Hansen and told her what I had told him as he was hanging up he told her to notify - Jack, The Secretary, Bernie and some other names I can't recall."

Walt Loebe

Exhibit 8

Mark Gearan's notes
reflecting the discussion of
the October 14, 1993 meeting

Jean Lewis - chief civ rights etc
 9 criminal referrals
 - sent each regions to DC
 3 wks ago
 - Last Friday: referred to
 US Atty = Little Rock

Sue Schmidt:

HRC + Rose Law retained
 4/85 by Melissa Guaranty

↳ that S+L normally had
 another law firm represent them

- Sue Schmidt went to see Jean Lewis about investigation.

Jeff Guth:

Cashiers' Checks

In criminal referrals: checks April 4-5, 1986

2 pay@ to BC

2 pay@ to AC Campaign

↳ each for \$3,000

BC is not a target of civ rights, acady to get

⇒ wants to know who made endorsed checks

X001048

Checks deposited to Cherry Valley Bank

↳ CEO is Maurice Smith
who owns bank + was BC - cos

US Atty looking into McDougal
- this was a criminal referral

↳ involves '1986 \$3,000 loan from SBIC
= LR - run by judge under indictment

Current Gov of Ark - may be indicted.

Somehow Webb Hubbell named

Gersh wants to know who endorsed checks?

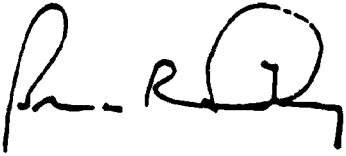
Jeff Gersh - little Red sq who was
in RC - now partner.

Exhibit 9

**Memorandum to File dated
October 20, 1993, from Bruce R. Lindsey
regarding Whitewater Development
Corporation**

Personal and Confidential**MEMORANDUM**

To: File

From: Bruce R. Lindsey 

Date: October 20, 1993

Re: Whitewater Development Corporation

On Thursday, October 14, 1993, Bernie Nussbaum, Neil Eggleston, and Cliff Sloan of the White House Counsel's office, Mark Gearan and I met with Jack DeVore, Josh Steiner, and Jean Hanson of the Treasury Department. The purpose of the meeting was to discuss a telephone call that Jack had received the day before from Jeff Gerth of *The New York Times*.

Gerth informed DeVore that he is aware that a number of criminal referrals involving Jim McDougal and Madison Guaranty had been forwarded from RTC's Kansas City field office to its Washington office. (Apparently, the "normal" procedure is for a criminal referral to be sent from a field office directly to the appropriate U.S. Attorney's office. DeVore did not know why these referrals came to Washington instead.) Gerth stated that, to his knowledge, President Clinton was not a target of the referrals, although Governor Jim Guy Tucker might be.

One of the referrals, however, involved four cashiers checks – each for \$3,000 two made payable to the Clinton for Governor Campaign and two made payable to Bill Clinton. The checks were dated April 4 or 5, 1985. All four checks were deposited in the Bank of Cherry Valley. Gerth wanted DeVore to find out who had endorsed the checks. (A check of our campaign records turned up three cashiers checks for \$3,000 each from J. W. Fulbright, Ken Peacock, and Dea Landrum, and a personal check for \$3,000 from Jim McDougal, signed by Susa McDougal.)

DeVore confirmed with the RTC that the referrals had been received in the Washington office, but had already been forwarded on to the Little Rock U.S. Attorney's office. DeVore wanted to make it clear to Gerth that the referrals had been sent to Little Rock before his call. DeVore's inclination was also to confirm to Gerth the fact of the referrals. He indicated that such confirmation was normal procedure. We suggested that instead of confirming the referrals, DeVore should indicate "off the record" that whatever had been received in Washington had been forwarded to the U.S. Attorney's office prior to Gerth's call.

The RTC believes that the funds for the cashiers checks came from a loan from Madison Guaranty to a Republican, but supposedly the Republican was unaware that some of the loan funds had been diverted.

cc: Maggie Williams
Bill Kennedy
Mark Gearan

Exhibit 10

Nexis/Lexis report dated
October 31, 1993.

Nexis/Lexis report dated
November 2, 1993.

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Exhibit 11

Roger Altman's redacted diary

1/5/94

D

- Sadly, the Whitewater affair is exploding into a ~~press~~ press frenzy
- its mollycoddled testimony to the press mania and crazed world of Washington
- its so unlikely that there's anything there; BC never thought about economic self interest in his life
- the allegations are: (1) that Madison Co. diverted funds to pay off a \$500 Clinton campaign debt; (2) that it also illegally diverted ITC funds into the Whitewater real estate venture; (3) that as Governor, BC leased to his state banking regulator to pay off Madison (a local Kentucky affair), which contributed to its collapse
- unfortunately, we've muddled parts of this: handling of the Clinton personal files from poor Vince Foster's office to BC's personal lawyer; delays in providing them to DOJ; refusal to support an independent prosecutor
- thank God that the JRC had been kept out of this; because, in a stroke of luck, the JRC referred this matter to DOJ for possible criminal prosecution a few months ago; and that not happened, the JRC would have been engulfed in all this

1/1/91

D

- This Whitewater Situation is one big mess
- Administration perceived as stonewalling; "there must be something to hide"
- big issue is independent prosecutor; don't we need one? does it require reauthorizing the Special Prosecutor law or should Justice Reno just pick someone to advise Justice?
- lots of speculation that HRC is the one who handled this in Arkansas (who knows?)
- meanwhile, the President's mother died, and he flew off to Arkansas
- W.H. seems engulfed in this and mishandling it; for the President's lawyer to persuade DOJ to issue a subpoena for the documents, so they won't be subject to FOIA, ~~it~~ looks very weak
- L.A. called me yesterday to discuss it; as usual, his judgment is superb; the situation required a "cut your losses" strategy, tells me how he did that during the "Breakfast Club" imbroglio; talked about Nixon's incredible failure to cut his losses; about the press getting "too invested" in a situation not deserving itself to bringing someone down
- he had been asked to come to W.H. to speak to President about Whitewater (together with Reich, Riley and Babbitt); but Christine Vanev rushed over to urge him not to do it because the reports through me to her, he took that advice

1/14/94

DIARY

- on whitewater, Maggie told me that HRC was "paralyzed" by it
- if we don't solve this "within the next two days", you don't have to worry about her schedule or health care
- WMB went over to see George on whitewater yesterday; to argue for "letting the boil"
- Maggie's strong inference was that the W.H. was trying to negotiate the scope of an independent counsel with fear of having serious difficulty
- HRC "don't want (the counsel) poking into 20 years of public life in Arkansas"

Exhibit 12

Talking Points for Roger Altman:
information meeting with Mack McLarty,
February 2, 1994

Talking points for Roger Altman: informational meeting with Mack McLarty 2/2/94

o RTC has been requested by eight Republican Senators and Congressmen, including Dole and Michel, to seek tolling agreements from President and Mrs. Clinton, the McDougals, David Hale, Jim Guy Tucker, Seth Ward and the Rose law firm, relating to Madison Guaranty.

o Under the RTC Completion Act, the statute of limitations has been extended to five years. The extension is retroactive for claims involving fraud or intentional misconduct resulting in unjust enrichment or substantial loss to the institution.

o The retroactive five-year extension relating to Madison Guaranty will expire on February 28, 1994.

o The only claims that could still exist as a result of the five year retroactive extension are those relating to fraud or intentional misconduct. All other claims, including any based on negligence or gross negligence, have lapsed.

o If any claim relating to fraud or intentional misconduct does exist, the RTC has three choices: (1) allow the claim to lapse on 2/28/94; (2) commence litigation to preserve it; or (3) enter into a tolling agreement with the relevant party to extend the statute of limitations, giving the RTC additional time to investigate and determine whether to commence litigation.

o The RTC can enter into a tolling agreement only if the other party agrees.

o There must be a basis to bring a lawsuit; frivolous claims will be dismissed and can subject the attorneys bringing the suit to sanctions by the court.

o The RTC is currently reviewing the Madison Guaranty situation to determine if any claims exist under the Completion Act. (See 2/1/94 letter to Dole.)

o If it is decided that any claim does exist, the RTC will have to determine which of the three alternatives to choose.

o The work is being supervised by Ellen Kulka, the new General Counsel, and by Jack Ryan, the new interim Deputy C.E.O.

o It is not certain when the analysis will be completed, but it will be before February 28.

o I have decided that I will recuse myself from the decision making process, as interim C.E.O. of the RTC, because of my relationship with the President and Mrs. Clinton.

Outline of RTC/Madison Guaranty Issues:

*Subsequent to
Revision of
February 2nd, '94
Jal King*

o RTC has been requested by eight Republican Senators and Congressmen, including Dole and Michel, to seek tolling agreements from President and Mrs. Clinton, the McDougals, David Hale, Jim Guy Tucker, Seth Ward and the Rose law firm, relating to Madison Guaranty.

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o It is not certain when the analysis will be completed, but it will be before February 28.

Exhibit 13

Diary of Joshua L. Steiner
covering the period December 12, 1993
through February 27, 1994

DIARY OF JOSHUA L. STEINER

I. 12/2/93 - 1/9/94, lines 1-3: Whitewater (Clinton's real estate investments) and Madison S&L dominate the news. Clear lesson: release everything right away.

II. 1/24-2/12/94, lines 1 forward: In DC spent long hours with RA going over how he should handle the RTC's investigation of Whitewater. The statute of limitations on Madison Guaranty cases was supposed to expire 2/28. Should RA recuse himself or should he stay involved. The hurdle was so high (fraud) that it seemed unlikely the RTC would bring such or seek a tolling agreement from BC/HRC, but the chance existed. RA originally decided to recuse himself but under intense pressure from the WH, he said he would make the final determination based on a recommendation from Ellen Kulka, the GC. The GOP through D'Amato began a countdown to the 29th which was particularly ironic since he had voted against extending the statute during the RTC reauthorization period. As it turns out, RA's problem will probably pass when the Congress decides to extend the statute once again. Pressure on RA will certainly mound next week when Congress holds hearings on the RTC given that Ricki Tiegert the FDIC nominee declared that she would recuse herself from all Madison related issues due to her friendship with the Clintons. The WSJ also got into the act with a scathing attack on RA and Gene Ludwig.

III. and IV. 2/13-2/27/94, line 7 forward: Every now and again you watch a disaster unfold and seem powerless to stop it. For weeks we have been battling over how RA should handle the RTC investigation of Madison Guaranty S&L. Initially, we all felt that he should recuse himself to prevent even the appearance of a conflict. At a fateful WH meeting with Nussbaum, Ickes and Williams, however, the WH told RA that it was unacceptable. RA had gone to brief them on the impending statute of limitations deadline and also to tell them of his recusal decision. They reacted very negatively to the recusal and RA backed down the next day and agreed to a defacto recusal where the RTC would handle this case like any other and RA would have no involvement. We are very concerned that at the RTC oversight hearings the GOP would hammer away at the recusal issue so we renewed discussions with the WH about what RA would do when his term expired on March 30. Once again they were very concerned about him turning the RTC people they didn't know so RA did not formally commit himself to stepping down (he could stay on if we had formally nominated a successor). At the hearing, the recusal amazingly did not come up. The GOP did hammer away at whether RA had had any meetings with WH. He admitted to having had one to brief them on the statute deadline. They also asked if staff had met, but RA gracefully ducked the question and did not refer to phone calls he had had. The next day, the NYT ran a front page story on the meeting. The heat was on. We spent a tortured day trying to decide if he should recuse himself. I spoke with Podesta to let

him know of our deliberations. Very frustrating that he was the chosen point of contact since he clearly was not in the complete confidence of George and Harold. After Howell Rains of the NYT called to say that they were going to write a brutal editorial, RA decided to recuse himself. Harold and George then called to say that BC was furious. They also asked how Jay Stephens, the former USA, had been hired to be outside counsel on this case. Simply outrageous that RTC had hired him, but even more amazing when George then suggested to me that we needed to find a way to get rid of him. Persuaded George that firing him would be incredibly stupid and improper. The NYT ran a very mean editorial which referred to "bone headed conclave convened by RA." Lessons: Do what you think is the right thing early (recuse); remember that everything might eventually be asked about under oath; don't let the WH get involved in any way.

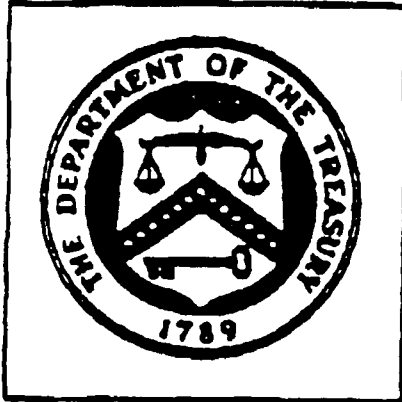
V. 2/13-27/94: Such an incredible city. Been battling with the RTC/Madison. Wrote two pages about what has been going on, suddenly realized that I could be subpoenaed like Packwood and the most innocuous comments could be taken out of context. So on that subject, nothing.

Exhibit 14

Fax dated February 3, 1994,
to Mr. Bernie Nussbaum from Jean Hanson
transmitting letter to Roger Altman
from James Leach

X001130

FAX TRANSMITTAL



Office of the General Counsel
 DEPARTMENT OF THE TREASURY
 1500 Pennsylvania Ave., N.W., Room 3000
 Washington, DC 20220
 Telephone: (202) 622-0287
 FAX: (202) 622-2882

DATE: Feb. 3, 1994

TO: Mr. Bernie Nussbaum

PAGES TO FOLLOW: 14

FROM: Jean Hanson

SUBJECT: BTC

Addressee FAX No.: 456-6279 Confirmation No.: 456-2632

Notes and Special Instructions:

X001131

HENRY B. GONZALEZ, TEXAS, CHAIRMAN
 STEPHEN L. BEEB, NORTH CAROLINA
 JOHN A. LAMALLE, NEW YORK
 BRUCE A. VENTO, MISSOURI
 CHARLES E. SCHUMER, NEW YORK
 GARRY PEARL, MARYLAND
 PAUL E. CARLSON, PENNSYLVANIA
 JOSEPH P. KENNEDY II, MASSACHUSETTS
 ALVIN K. PLAIN, NEW YORK
 DWIGHT DUNFORD, MARYLAND
 MARVIN TRATFEL, CALIFORNIA
 LARRY LAROCK, TEXAS
 BILL OSTEEN, TEXAS
 JIM BANGROUS, FLORIDA
 HARVEY C. CLAR, NEW JERSEY
 CAROLYN S. MALONEY, NEW YORK
 PETER BOUTCHER, FLORIDA
 LUIS V. GUTIERREZ, ALABAMA
 ROBERT L. BISH, ALABAMA
 LUCILLE ROYAL ALLARD, CALIFORNIA
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 ELIZABETH FURBER, OREGON
 HYMAN H. VELAZQUEZ, NEW YORK
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 BOB CLINE, PENNSYLVANIA
 GREG FRENKEL, OHIO

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
 ONE HUNDRED THIRD CONGRESS
 2128 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, DC 20518-8060

February 3, 1994

JAMES A. LEACH
 BILL BRIDGES
 MARK SOBELOFF
 BOB CROWLEY, MICHIGAN
 THOMAS ROBEY, PENNSYLVANIA
 ROY BROWN, MISSISSIPPI
 ALBERT A. BUCKLEY, CALIFORNIA
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 JIM BUSH, TEXAS
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 BOB GRAM, MISSOURI
 SPENCER BACCHUS, ALABAMA
 WES CLAYTON, CALIFORNIA
 MERRILL CASTLE, DELAWARE
 PETER KING, NEW YORK
 DONALD SANDERS, VERMONT
 002 229-4847

Mr. Roger C. Altman
 Interim CEO
 Resolution Trust Corporation
 801 17th Street, NW
 Washington, DC 20434

Dear Mr. Altman:

I am in receipt of your February 1, 1994 response to the letter initiated by Senate Republican leadership concerning Madison Savings and Loan and I am pleased to learn that the RTC "will vigorously pursue all appropriate remedies" with regard to Madison's failure. It seems self-apparent that in order for the RTC to pursue vigorously all remedies it must have all relevant information at its disposal. Accordingly, I urge the RTC to seek and review all Whitewater Development Corporation documents turned over by the White House to the Justice Department.

In its investigation of Madison, the Minority has uncovered links between Madison and Whitewater, some of which may have contributed to the thrift's failure. Not only did James and Susan McDougal hold significant ownership interest in both entities (approximately two thirds in Madison and one half in Whitewater), but the other joint owners of Whitewater (Bill and Hillary Clinton) appear to have benefited directly and indirectly from the application of Madison resources. [See the attached memo.]

If the White House chooses to use the Justice Department to shield Whitewater documents not only from the public and Congress, but from other government agencies, such as the RTC, which have legitimate public law enforcement responsibilities, it is hard to believe a responsible resolution of the issues involved can be made by regulatory authorities.

I have high regard for your personal integrity, but as you know, from the beginning, it has been an awkward situation to have a presidentially appointed and confirmed officer of the Treasury Department also head an independent federal agency, the Resolution Trust Corporation (RTC). When this prospect was first suggested at the beginning of the Clinton Administration, it did

X001132

Mr. Roger C. Altman
Page 2
February 3, 1994

not strike the Minority as overly unreasonable for a month or two given the fact that no RTC head had been selected.

However, it has been over a year since the Administration has been in office and it can only be described as structurally unseemly for a political appointee of an Executive branch department to make what are in effect, law enforcement decisions for an independent federal agency as they may touch upon the President.

Accordingly, I would urge that you request from the Department of Treasury's General Counsel and Ethics Office advice as to whether you, as interim CEO of the RTC, are obligated to recuse yourself from any decisions concerning the resolution of Madison Guaranty. Just as the special counsel law was designed to relieve the Attorney General from an ethical dilemma of being both chief law enforcement officer for the nation and chief legal advisor to the President in circumstances when the President or a high level Administration officer is the subject of investigation, so it would appear ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions.

In this regard, it should be clear that the issue is not whether a presidentially appointed official can oversee an investigation involving the President. Rather the issue is that officials with this responsibility should be confirmed for the job with that particular accountability. As you will recall it was a political appointee confirmed by the Senate that issued a cease and desist order for engaging in conflicts of interest against the son of a former President.

As you know, despite your strong letter to the Chairman of the House Banking Committee recommending against extension, Congress last year extended the statute of limitations for civil lawsuits brought against S&L wrongdoers. As you pointed out in your most recent letter, this extension "has afforded the RTC an opportunity to investigate further any civil claims which may be asserted against individuals or entities associated with Madison Guaranty for fraud, intentional misconduct resulting in unjust enrichment, or intentional misconduct resulting in substantial loss to the institution." Given, however, the impending running of the statute of limitations for certain kinds of actions, time is clearly of the essence for the RTC to make judgments about civil accountability in the failure of Madison.

Finally, I would like to reiterate my request, pursuant to Rules X and XI of the House Rules for all documents related to Madison Guaranty Savings and Loan, Little Rock, Arkansas. As you know,

X001133

Mr. Roger C. Altman

Page 3

February 3, 1994

on December 9, 1993, I wrote the RTC requesting access to all documents related to Madison Guaranty and its subsidiaries.

House and Committee Rules, House practices, and judicial precedent support the proposition that the Ranking Minority Member is the functional counterpart to the Chairman for Committee action. This being the case, a request for documents made by the Ranking Minority Member has parallel standing with a request made by the Chairman of the Committee. The Ranking Minority Member clearly has a voice in the process and is entitled to information that will enable the Ranking Minority Member to carry out his constitutionally mandated oversight responsibilities.

Therefore, the courtesy of a definitive reply to this document request is requested by 12 noon, Monday, February 7, 1994. On this matter, it is urged that you also consult with the Ethics Office as to the relevance of the previously discussed recusal issue.

Again, let me stress that to the degree a conflict situation may exist in this matter in no way reflects on your personal integrity. It is simply an awkward circumstance in contrast to a personal embarrassment.

Sincerely,



JAMES A. LEACH
Ranking Member

JAL:gp

Enclosure

X001134

MEMORANDUM

TO: Congressman Leach
FROM: Banking Minority Staff
RE: Madison Guaranty ("Madison")

In reviewing documents related to Madison in the possession of Minority Banking, we have come across material which may indicate direct payment of a loan of Bill Clinton's by Madison through a subsidiary.

Since the Minority's investigation is concerned with the possible misuse of federally insured funds to assist Whitewater and/or the former Governor, we thought we should share the following information with you.

SUMMARY

Based on documentary evidence available to the Minority, it appears that Madison Marketing served, in at least one instance, as a conduit of funds from Madison Guaranty to Whitewater and Governor Clinton. If this is correct, it would appear that insured funds from the failed Madison Guaranty were diverted and directly benefitted the Governor and his investment in Whitewater, a claim Clinton had denied.

DOCUMENTATION

- In 1983, Bill Clinton obtained a loan from Security Bank of Paragould, Arkansas for approximately \$30,800 (loan #975-585, Bill Clinton). The money from this loan was used to pay off the remaining balance of a loan at Madison Bank and Trust of Kingston, Arkansas that was provided for the purpose of constructing a modular home on lot #13 at Whitewater Estates. The loan at Madison Bank was provided in 1980 to Hillary Clinton in the amount of \$30,000.
- On November 8, 1985, James McDougal sent a letter accompanied by a check to Charles Campbell, Vice President of Security Bank of Paragould, for \$7,322.42. The letter from McDougal states that the check is principal and interest payment on "Note #957-585, Bill Clinton." [Note: It appears that the loan number is a typographical error with the superimposing of numbers 5 and 7 in the first three digits.]

X001135

(2)

- The check McDougal enclosed with his letter to Mr. Campbell is a Whitewater Development Corporation check dated November 7, 1985. The loan number referenced on the memo portion of the check is "Note #975-585."
- According to the check ledgers for the Whitewater Development Corporation (WDC), the corporation's checking account had the following balances: \$189.50 on 10-10-85; and, \$11.49 on 10-31-85. However, in order to cover the payment of \$7,322.42 on the Clinton loan, a deposit is recorded on November 8, 1985 in the amount of \$7,500.00. The deposit is listed as coming from "Madison Marketing."
- A 1986 Federal Home Loan Bank Board exam gives the impression that Madison Marketing was largely a sham corporation used to divert federally insured resources to insiders. The exam notes that "Until 1986, Susan McDougal owned Madison Marketing." The report also states the following:

"Madison Marketing is paid for doing all the general advertising for Madison Guaranty and most of the advertising for Madison Financial's land development projects. All of Madison Marketing's business is derived from Madison Guaranty or its subsidiaries. Since 1983 these payments total \$1,532,000."

"Given the evidence of Madison Marketing's invoices, it is questionable how much of these advertising services are actually performed by the firm. The actual work ... appears to be performed by others. It would appear that Madison Guaranty could have an employee perform similar work for much less money."

"Mr. Latham [an officer of Madison] stated that Madison Marketing made no payments to any stockholders. This statement is false. As part of a test for such payments, the examiners discovered two remittances from Madison Marketing to Susan McDougal [a large stockholder of Madison] which total \$50,000. This was a test, and there may be additional payments."

CONCLUSION

Given the above circumstances, it would appear that federally insured deposits (i.e., funds from Madison Guaranty through Madison Marketing), which, with the later failure of Madison became, in effect, taxpayer obligations, were transferred for the direct personal benefit of the former Governor.

X001136

(3)

was treated as an affiliate or related interest of Madison Guaranty and therefore subject to conflict of interest statutes. From a legal perspective, it could be argued that the McDougals' controlling interest in Madison Guaranty and their substantial ownership interest in Whitewater could qualify Whitewater as an "affiliate" of Madison Guaranty. Even if Whitewater is not considered a subsidiary, related interest, or affiliate of Madison Guaranty, such an extension of funds to a presumably "unaffiliated" entity would be very unusual and suspect.

It has been publicly reported, with respect to this loan repayment, that both Whitewater and the Clintons took a tax deduction related to interest paid on the same loan -- which the Clintons later recognized as improper double deduction after an article ran in the New York Times. What remains unclear is the larger question of whether the funds provided by Madison to reduce the Clinton's liability were proper or properly reported as income for income tax purposes.

As you know, we have received broad hints from within the RTC that the agency has had under review money transfers from Madison to Whitewater. We will not know whether this type of activity was more pervasive and part of a larger pattern unless, and until, the agency provides us the documents we have requested. If Madison provided any direct or indirect assistance to Whitewater, presumably half the value of such would redound to the advantage of each of the half owners. In any regard, the above money transfer underscores that then Governor Clinton had personal liabilities reduced by a payment from Madison. Such payment presumably carries ethical as well as tax implications and is part and parcel of the \$47 to \$60 million estimated taxpayer loss at Madison.

Attachments

02/03/94

17:55

29 302 632 2882

GENERAL COUNSEL

008/1

Bank

X0091

P. O. BOX 670

PARAGOULO, ARKANSAS 72450

901-239-9371

September 30, 1983

Governor Bill Clinton
1800 Center
Little Rock, AR 72205

Dear Governor Clinton:

Enclosed is a copy of our check #12677 in the amount of \$20,800.00 representing the proceeds of your note. The original was mailed to: Madison Bank & Trust, Kingston, Arkansas.

Sincerely,



Charles D. Campbell
Vice President

CDC/lam

No 12677

9-30

01-21-84



Security Bank

P. O. BOX 670
PARAGOULO, ARKANSAS 72450

PAY

\$ 20,800.00

TO THE ORDER OF Madison Bank & Trust

208

NOT NEGOTIABLE

JR Loan proceeds for Gov. Bill Clinton

10843008291

2725-8510

X001138

JIM McDOUGAL

P. O. Box 1583

Little Rock, Arkansas 72203

November 8, 1985

Handwritten signature/initials

Mr. Charles D. Campbell
Vice President
Security Bank
P. O. Box 670
Paragould, Arkansas 72450

Re: Note #957-585, Bill Clinton

Dear Mr. Campbell:

Enclosed is a White Water Development Corporation check for \$7,322.42, representing principal payment of \$5,000 and interest payment of \$2,322.42, on the above note.

Thank you for your attention to this matter.

Sincerely,

Handwritten signature of Jim McDougal

Jim McDougal

JM/ss
Enc

X001140

000143		BAL LEFT	3 57
10-10		AMOUNT THIS CHECK	4 57
Fluoridation		BALANCE	289 13
TOTAL			289 57
AMOUNT THIS CHECK			110 06
BALANCE			189 51

This is the
white
water clarifier
layer
Drawn on Madison

000144		TOTAL	
10-14-1985		AMOUNT THIS CHECK	177 4
Madison County Collector		BALANCE	11 9
TOTAL			177 4
AMOUNT THIS CHECK			12 4
BALANCE			11 9

000145		TOTAL	
11-7-1985		AMOUNT THIS CHECK	7500 00
Security Bank of		BALANCE	
TOTAL			7512
AMOUNT THIS CHECK			7322
BALANCE			190

4

X001141

FILE

IN THE CIRCUIT COURT OF POLK COUNTY, ARIZONA
SECOND DIVISION

MAR 14 1991

MADISON GUARANTY SAVINGS AND
LOAN ASSOCIATION, a state
chartered savings and loan;
MADISON FINANCIAL CORPORATION,
a wholly owned subsidiary of
Madison Guaranty Savings and
Loan Association.

Plaintiffs.

vs.

No. 88-1193

FRANK BUTTS, as Arizona
Professional Association, and
its directors James Alford,
Michael Robinson, Gary Gray,
Gaines Norton, Tim Gibbon,
Steve Humphries, Alan Dunson,
Frank Butts, Marjorie
Itzkovitz, John Dees A,
B, C, D

Defendant.

FIRST AMENDED COMPLAINT

COMES NOW, Plaintiffs, and for cause of action as
follows:

1

FACTS

1. Plaintiff Madison Guaranty Savings and Loan Ass
(hereinafter, Madison Guaranty) is a state savings
association duly chartered under the laws of the
Arizona. Plaintiff Madison Financial Corporation (here
Madison Financial) is a state chartered corporation and
owned subsidiary of Madison Guaranty.

2. Defendant Frank & Company is a professional as
or partnership of public accountants with its principal
business in Little Rock, Arizona, comprised of the
individual partners who are set forth as Defendants in
3.

3. Defendants James Alford, Michael Robinson, G
Gaines Norton, Tim Gibbon, Steve Humphries, Alan Dun
Butts, Marjorie Itzkovitz, John Dees A, B, C, D are di

X00:142

7. JOHN LACHAM at all relevant times was the President, Chief Executive Officer of Madison Guaranty and a member of Board of Directors; and a member of the Board of Directors and Secretary of NFC.

* 8. Susan McDougal was at all relevant times wife of Jan McDougal, member of the Board of Directors of Madison Guaranty, President of Madison Real Estate, a division of NFC, and Pres of Madison Marketing, a service provider to Madison Guaranty NFC.

* 9. Madison Real Estate was a real estate brokerage operated and operated by Madison Financial with its principal officer Susan McDougal.

* 10. Madison Marketing was an advertising agency to which Madison Financial and Madison Guaranty purchased all advertising for itself and NFC's real estate developments.

11. Jim, David and Bill Hanley ("Hanley Brothers") were estate agents and/or developers for Madison Real Estate, who property and received substantial commissions and/or development fees from Madison Financial.

12. Frost & Company purported to serve as independent auditor of Madison Guaranty and its consolidated subsidiary Madison Financial for the years 1984 and 1985.

13. James B. Alford at all relevant times was the auditing partner of Frost & Company in charge of the Madison Guaranty audit.

14. Federal Home Loan Bank Board ("FHLBB") is the federal regulator of Madison Guaranty. FHLBB has oversight of Federal Home Loan Bank of Dallas which has direct supervisory responsibility for Madison Guaranty.

IV

LEGAL AND AUDITING FRAMEWORK

15. This action arises from Frost & Company's breach of duty and agreement to provide professional services in that defendant Frost & Company violated Generally Accepted Accounting Standards ("GAAS") in connection with its audits of, and

Exhibit 15

Memorandum dated July 22, 1994, to
Francine Kerner from Stephen McHale with
documents pertaining to
the Secretary's schedule



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 22, 1994

MEMORANDUM FOR FRANCINE KERNER
COUNSEL TO THE INSPECTOR GENERAL

FROM: STEPHEN J. McHALE *[Signature]*
DEPUTY ASSISTANT GENERAL COUNSEL
(ADMINISTRATIVE & GENERAL LAW)

Attached for your review, are documents reflecting the Secretary's schedule. We have just become aware of the existence of these records and provide them to you so that you may determine whether they are relevant to your inquiry.

Attachments

February 1994

Hook 5

1 Tuesday

8:00 AM

8:30 AM

9:15 AM

10:30 AM.

11:20 AM.

11:30 AM.

12:00 PM.

12:45 PM Altman, Hanson & Steiner

2:15 PM

3:00 PM

4:20 PM

4:50 PM

6:45 PM

Redacted

Senator Lloyd Bentsen
began his day at _____

Date: Feb. 1, 1994

TIME	TELEPHONE LOCAL/ L.D.	ACTIVITY
8:05		
8:30		
9:16		
10:30		
11:23		
11:26		
11:42	F	
12:00	T	
12:15	T	
12:45		Altman, Hanson & Steiner
1:15		
1:41	T	
2:12	T	
2:15	F	
2:16		
2:45	T	
3:00		
4:19		
4:23		
4:50		
4:55	T	
5:20	F	
6:05	F	
6:40		

Redacted

February 1994

Week 5

3 Thursday

7:30 AM

10:20 AM

10:30 AM

11:10 AM

11:50 AM Roger Altman & Jean Hanson

12:45 PM

1:45 PM

3:00 PM

3:30 PM

4:20 PM

4:40 PM

6:10 PM

Redacted

Senator Lloyd Bentsen
began his day at _____

Date: 2/3/94

TIME	TELEPHONE LOCAL/ L.D.	ACTIVITY
9:30		
10:20		
10:24		
11:10		
11:53		Roger Altman, Jean Hanson
12:39	T	
12:45		
1:46		
3:05		
3:30		
4:19		
4:40		
6:10		
		Redacted

Exhibit 16

Memorandum dated February 23, 1994, to Roger Altman from Dennis I. Foreman regarding recusal on RTC matters relating to Madison Guaranty S&L. Attached to Foreman's memorandum is a memorandum dated February 18, 1994, to Roger Altman from Arthur Kusinski relating to RTC Madison Guaranty matters



DEPARTMENT OF THE TREASURY
WASHINGTON

February 23, 1994

MEMORANDUM FOR DEPUTY SECRETARY ROGER C. ALTMAN

FROM: DENNIS I. FOREMAN
DEPUTY GENERAL COUNSEL and *DF*
DESIGNATED AGENCY ETHICS OFFICIAL

SUBJECT: Recusal on RTC Matters Relating to Madison
Guaranty Savings & Loan Association

I have carefully reviewed the attached memorandum of February 18 to you from Arthur Kucinski, RTC's Senior Ethics Official. I concur fully in the analysis and the conclusions of that memorandum.

Attachment



RESOLUTION TRUST CORPORATION

Removing The Crisis
Restoring The Confidence

February 18, 1994

MEMORANDUM TO: Roger G. Altman
Interim Chief Executive Officer

FROM: Arthur J. Kusinski
Ethics Officer *Arthur J. Kusinski*
and
Designated Agency Ethics Official

SUBJECT: RTC Madison Guaranty Matters

SUMMARY:

You have sought advice from your RTC ethics counselor as to whether your longstanding personal relationship with the President gives rise to a legal obligation to recuse yourself from matters that may come before the RTC that may affect financial interests of the President or his family. I have carefully considered your inquiry, and conclude that the decision whether to participate in such matters is not mandated by ethics statutes or regulations. Thus, you have the discretion to participate or not, as you determine to be appropriate. I note, however, that it is not necessary for you to decide whether to participate in any particular matter until such time as the matter comes before you.

DISCUSSION:

The only ethics statute or regulation which is relevant to your request for advice is 5 CFR 2635.502 ("section 502"), which is entitled "Personal and Business Relationships". That provision encourages an official who has a relationship with a person who is a party to a Government matter in which the official is called upon to act, and is concerned that the relationship would raise an issue of impartiality, to contact the agency's ethics officials. You have done so.

Ethics officials then must determine whether your relationship with the President is a "covered relationship" as that term is defined by 5 CFR 2635.502(b)(1). Officials have a "covered relationship" with: (1) a "person" with whom the official has or seeks a business, contractual or other financial relationship; (2) a member of their household or a relative with whom they have a close personal relationship; (3) a "person" with whom certain of the

official's relatives has or seeks employment or similar relationships; (4) a "person" for whom the official has served as an employee, attorney or in a similar capacity within the last year; and (5) an organization other than a political party in which the official is an active participant such as a chairman of one of the organization's committees. For purposes of these regulations, the term "person" does not include the Federal Government and/or officials of the Federal Government acting in their official capacities. 5 CFR 2635.102(k). You clearly have none of these relationships with the President, and therefore you are not in a "covered relationship" with him. As the section 502 regulation operates, only "covered relationships" standing alone raise questions of appearances of loss of impartiality as a statutory or regulatory matter.

In considering your request for advice, I am aware that your only relationship with the President is one that would be fairly characterized as a longstanding personal friendship. However, you and the President do not now and have not in the past participated together in business or financial transactions¹. While a personal relationship such as yours with the President is a factor to be considered (along with others) in deciding whether the circumstances raise a question as to your impartiality in a matter that may affect the President's interests, standing alone it is not determinative. In its Preamble to the publication of the final Executive branch standards of conduct regulations, OGE specifically considered whether a "close personal friendship," standing alone, should be considered a "covered relationship," and decided that it should not. 97 FR 35026 (1993).

I have consulted with the Office of Government Ethics concerning this issue. OGE believes that your decision, as to whether to participate in an RTC matter that may affect a financial interest of the President, is not a matter that is mandated by ethics statutes and regulations. OGE also believes that the ethics advice I provided to you in these circumstances is within the discretion

¹ Title 18 U.S. Code, section 208 prevents an official from participating for the Government in a matter affecting a financial interest of the official or certain other persons and organizations. You have neither a personal financial interest in the matters before the RTC nor a relationship with the President (who may have such an interest) of the kind that is relevant for purposes of 18 U.S.C. 208. Section 208 would impute to you the financial interest of the President only if he were your general partner or a person with whom you were negotiating or had an arrangement for prospective employment. Thus, that provision does not create any bar to your participation in the RTC's decisions concerning those matters.

of the ethics official of the affected agency; and that the decision whether to participate in RTC matters that may involve the interests of the President is within your discretion. I have also consulted with the Designated Agency Ethics Official at the Department of the Treasury who concurs with me in this analysis.

In summary, it is my opinion that there is no legal reason to preclude you from acting on such matters. Regardless of whether you decide to recuse yourself, there will be no legal objection to that decision.

RECOMMENDATION:

In deciding whether to recuse yourself, I recommend that you consider certain factors in making your decision. Certainly, you should take into consideration your longstanding personal relationship with the President. You should also consider the nature and importance of your role as the RTC's CEO in the Madison matter; the sensitivity of this matter; the difficulty in assigning this matter to another individual at the RTC; the likelihood that a reasonable person with full knowledge of the facts would question your impartiality; and the effect that this matter may have upon the President's financial interests. This listing is not exclusive, and you may have other factors which you may want to consider as well. That is within your discretion. In considering these factors, I of course stand ready to advise you if you should so desire.

Finally, the regulations do not require government officials to recuse themselves from actions which are not specifically before them. Therefore, you may wish to defer a decision on your recusal until such time as a particular aspect of the Madison Guaranty matter is presented to you for consideration or decision.¹

3472

¹ I understand that the statute of limitations may be extended.

Exhibit 17

**Letter to Bill Clinton
from Roger Altman**



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

Handwritten: Wally Howard

Handwritten: Roger - Vintage
Alford - you are from one of our country's first. *Ulf*

DEAR MR. PRESIDENT, I WANTED TO EXPLAIN MY DECISION ON THE RTC REUSAL AND TO ASSURE YOU THAT I TRIED TO ACT WITH THE ADMINISTRATION'S BEST INTERESTS IN MIND.

THE DECISION TO HAVE THAT MEETING WITH YOUR STAFF WAS DUMB. I TAKE FULL RESPONSIBILITY FOR IT. MY INTENTION WAS O.K. - EXPLAIN THE PROCEDURES THE RTC WOULD BE FOLLOWING (NO DISCUSSION OF THE SUBSTANCE OF THE CASE) - BUT THE APPEARANCES ESCAPED ME AND NEVER SHOULD HAVE.

RELATIVE TO REUSAL, IT HAS BEEN UNDER CONSIDERATION FOR SEVERAL WEEKS. SECRETARY BENTON, TREASURY GENERAL COUNSEL AND THE RTC COUNSEL HAD URGED IT IN THE STRONGEST TERMS.

NEVERTHELESS, I HAD THOUGHT IT SUPERFLUOUS AND HAD DECLINED TO TAKE THAT STEP. MY APPOINTMENT WAS SCHEDULED TO EXPIRE ON MARCH 30. AND MY INSTRUCTIONS TO RTC STAFF HAD BEEN TO HANDLE THIS MATTER IN IDENTICAL FASHION TO ANY OTHER CASE. THIS WAS TO ENSURE AN IMPARTIAL PROCESS.

BUT, AFTER MY TESTIMONY ON THURSDAY, IT BECAME CLEAR THAT APPEARANCES OF A CONFLICT WERE TAKING HOLD. I WAS ADVISED THAT THE ADMINISTRATION COULD BE HAMMERED OVER THIS FOR SOME TIME.

I CONCLUDED, THEN, THAT SUCH ONGOING CRITICISM WOULD BE MORE HARMFUL THAN ANY BENEFITS



WASHINGTON

- 2 -

ASSOCIATED WITH MY REMAINING UNRECEIVED FOR FOUR MORE WEEKS.

HAVING RESISTED THE INITIAL ADVICE, THIS WAS A HARD DECISION TO MAKE. I HOPE YOU UNDERSTAND MY MOTIVATIONS. I APOLOGIZE FOR THE EMBARRASSMENT THIS HAS CAUSED.

SINCERELY,

2993

Exhibit 18

Letter dated March 2, 1994, to Riegle
from Altman



RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

FAXED
3/2/94

March 2, 1994

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

I testified before your Committee last Thursday in connection with the semi-annual Oversight hearings on the RTC. There was a discussion, as you remember, of a meeting which I had with representatives of the White House. As I indicated, no non-public information was provided at that meeting on any aspect of the Madison Guaranty matter.

When Senator Bond asked me at that hearing whether any other communications had taken place between the RTC and the White House, my response was "not to my knowledge". I still have no knowledge that any such discussions occurred.

But, I have learned today of two conversations which did take place between Treasury staff and White House personnel on this matter. My information is that both related to the handling of press inquiries.

I would appreciate the opportunity to amend the record accordingly.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Altman".

Roger C. Altman

3365

Exhibit 19

Letter dated March 3, 1994, to Riegle
from Altman



RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

March 3, 1994

The Honorable Donald W. Riegle, Jr.
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

As you know, I testified before your Committee last week in connection with the semi-annual Oversight hearings on the RTC. I was asked about any contacts which I had with representatives of the White House on RTC matters and described a meeting which I had.

I would like to expand the record as follows. First, to the best of my recollection, no non-public information was provided on this case to representatives of the White House during that discussion. Second, it is my understanding that RTC staff had already had discussions with Senator D'Amato's staff on statute of limitations issues. Third, the Treasury General Counsel, who also attended the meeting, has advised me that before that meeting she sat down with this Department's designated Ethics Officer. She informed him of the purposes of the meeting and asked his view. He advised her that he saw no problem.

In short, there was no discussion whatsoever on the substance of this case. That's because I never have had, nor have, any knowledge of the substance. I have received no documents in that regard, nor otherwise received any information on the substance of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger C. Altman", written in a cursive style.

Roger C. Altman

Exhibit 20

Memorandum dated March 11, 1994,
to Edward Knight from Eugene Ludwig



MEMORANDUM

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

To: EDWARD S. KNIGHT, EXECUTIVE SECRETARY

From: EUGENE A. LUDWIG, COMPTROLLER OF THE CURRENCY

Date: March 11, 1994

Subject: GRAND JURY SUBPOENA

As indicated in my March 10, 1994 memorandum to you, I have directed the OCC's Chief Counsel's Office to conduct a thorough review of all OCC records for any document or communication which may be responsive to the Grand Jury Subpoena to the Department of the Treasury from the Office of the Independent Counsel. The Chief Counsel's Office was already conducting a review pursuant to a request for information made by Senator Bond during the recent Senate Banking Committee hearings concerning the Administration's banking agency consolidation proposal. Senator Bond's inquiry was whether I or any member of my staff had discussed the consolidation proposal with any member of the White House staff and, if so, whether questions relating to Worthen Banking Corporation, Worthen Bank of Little Rock, Worthen Financial, Madison Guaranty Savings and Loan or Whitewater were ever raised. The Chief Counsel's Office review is now complete, and the information in this memorandum is based on that review and my own best recollection.

Enclosed are copies of my daily meeting schedules, my telephone logs, both incoming and outgoing, and a summary sheet indicating calls between myself and the White House staff, from February 1993 to the present. I am supplying these records of meetings and calls to be as fully responsive to the subpoena as possible.

Although I am certain that the Whitewater matter was mentioned in a number of meetings and calls referred to in these materials, to the best of my recollection it was mentioned only in passing or in generalities, except as described below. Similarly, Whitewater was mentioned in passing in a number of informal conversations and on social occasions in which I participated with various members of the White House staff which are not reflected in the enclosed official meeting schedules and telephone logs. The only occasions on which Whitewater was discussed other than in passing or in generalities are also discussed below. To the best of my knowledge, no information was exchanged by me or by the White House except a passing reference to public information.

3796
JAM

I can only recollect two discussions in which the subject of Whitewater or Madison Guaranty was mentioned other than in passing. On the first occasion, during the Renaissance Weekend gathering that took place at Hilton Head, South Carolina over the most recent New Year holidays, the President asked me whether it would be permissible for me, as a lawyer knowledgeable about banking law, to provide advice and counsel on any of the legal/regulatory issues relative to the Whitewater matter. Beyond asking this question, the only information I recollect that he imparted to me was that he had done nothing wrong, and moreover had lost money in the transaction.

Prior to discussing the matter with the President, I sought the advice of the White House Counsel's Office and others regarding the permissibility of discussing Whitewater with the President. I spoke with Treasury General Counsel Jean Hanson and White House Counsel Bill Kennedy and Joel Klein. If my memory serves me correctly, I might have spoken with Joshua Steiner or others briefly, trying to track down Ms. Hanson or the White House since this was a holiday weekend. I told them that I was not certain whether to discuss the matter with the President, and knew very little about the matter or the White House response to it. Based on the advice I obtained, I determined that it would be impermissible for me to discuss the matter with the President or the First Lady. Accordingly, we did not discuss the matter.

The other occasion occurred on January 19, 1994, when I contacted Margaret Williams of the White House staff and offered my own unsolicited view that the White House should promptly provide full public disclosure of all materials associated with Whitewater, if that had not already been done. I also said that I thought they should devote one full-time lawyer and/or other full-time staff to the matter because of the great public visibility it was getting. Otherwise, we did not exchange any information.

As part of the Chief Counsel's Office review, we also interviewed other OCC staff members and had them review their meeting schedules and telephone logs. As a result of that review, a number of references to routine meetings and other contacts with various members of the White House or Treasury staffs have also been identified. Because none of my staff members can recall any substantive conversations about Whitewater with anyone from the White House or Treasury, I am not enclosing any of these schedules or logs.

The only other documents we have found that are responsive to the inquiry are the copies of FOIA requests from The Baltimore Sun and The Washington Post to the FDIC requesting documents concerning Madison Guaranty Savings and Loan. Both letters were sent to me as a courtesy by the FDIC, after I was assured that they were public documents. I forwarded these letters for information only to Messrs. Bruce Lindsey and David Dreyer at the White House and Messrs. Frank Newman and Joshua Steiner at the Treasury Department.

3797

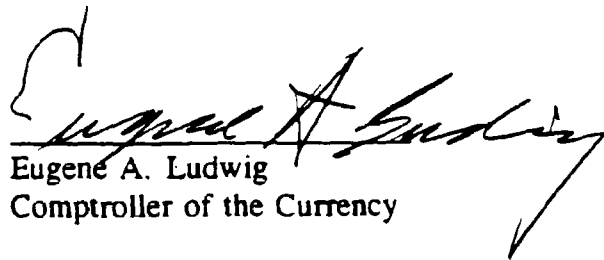
YDM

As you know, as Comptroller of the Currency I am an ex officio member of the board of directors of the FDIC. As part of his review, my Chief Counsel's Office has reviewed whether or not any matters or non-public information relating to Whitewater came before the FDIC board or were otherwise brought to my attention during my tenure, and has confirmed they did not. Likewise, as Comptroller of the Currency and FDIC board member I have no responsibility for any matters which may have come before the Office of Thrift Supervision or the Resolution Trust Corporation. To the best of our knowledge, there was no contact between me or any member of my staff on any Whitewater-related matters which may have been pending before those organizations.

As previously indicated, neither my staff nor I have destroyed or otherwise disposed of any document or communication which may be responsive to the subpoena since receiving your March 7 and 9, 1994 memoranda.

My staff and I understand that we have a continuing obligation to preserve any document or communication found or created which may be responsive to the subpoena, and we understand that we have a continuing obligation to inform you if any such document or communication is found or created. Accordingly, we will provide a copy of our response to Senator Bond's inquiry and any other document or communications which may be responsive to the subpoena, as soon as possible.

I would be pleased to provide any additional information I can concerning any of the above to the Office of the Independent Counsel. Please contact William P. Bowden, Jr. the OCC's Chief Counsel, if we may be of any further assistance.



Eugene A. Ludwig
Comptroller of the Currency

Exhibit 21

Letter dated March 21, 1994 to Riegle
from Altman



RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

March 21, 1994

The Honorable Donald Riegle
United States Senate
105 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Riegle:

I have been continuing an exhaustive review of all my files, phone logs and other information, with the assistance of Counsel. Every contact, regardless of significance, is being reviewed. As you may know, I generally attend meetings in the White House three or more times a day, and am on the telephone with White House staff even more often. It is difficult to recall every brief encounter. But, I would like to add to the record.

In my testimony, I referred to one substantive communication, and, upon further review, that is still my view. The meeting at the White House on February 2 related to procedural issues which pertain to any RTC claim or case. There was not, and could not have been, any discussion on the substance of the case. I never had any information on it, or any other RTC case.

Before that meeting ended, I also informed those in attendance that I was weighing the issue of recusal. A few days after that meeting, I spoke with Mr. McLarty briefly on the telephone with the same message. As you know, on February 25, I decided to recuse myself and did so.

The night before my February 24 testimony, I informed Mr. Ickes by phone that I would announce that I was stepping down from the RTC the next morning. That was, indeed, announced on schedule. Also, around the same time, I literally bumped into Mr. Nusebaum in a White House corridor. He told me that the Administration would soon be submitting its nominee for permanent RTC head.

6108

The Honorable Donald Riegle
March 21, 1994
Page Two

I have done my best to recall every communication with White House staff on anything which could be connected to this matter. I hope that this is helpful.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Altman", with a stylized flourish at the end.

Roger C. Altman

6199

** TOTAL PAGE.067 **

Exhibit 22

July 22, 1994, Treasury Memorandum
on Legal Questions relating to the OIG
inquiry



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 22, 1994

MEMORANDUM FOR FRANCINE J. KERNER
COUNSEL TO THE INSPECTOR GENERAL

FROM: KENNETH R. SCHMALZBACH *KRS*
ASSISTANT GENERAL COUNSEL (AGL)

SUBJECT: *Legal Questions Relating to OIG Inquiry*

This responds to your July 6, 1994 request for background information and legal opinions in connection with the inquiry by the Office of Inspector General into communications between Treasury and the White House concerning Madison Guaranty Savings & Loan Association and related matters. You asked that I not discuss your questions or my proposed answers with a number of individuals who were prospective agency witnesses. However, when I pointed out to you that a great deal of the information related to Oversight Board and RTC-related work done by, and which was readily available in, the office of Assistant General Counsel John Bowman, you withdrew your objection to discussion of these matters with Mr. Bowman. In addition, at my request, after OIG completed its interview of Deputy General Counsel Dennis Foreman, you withdrew your objection to discussion with Mr. Foreman.

My responses to your inquiries are set forth below following the bulleted headings you used. Except as otherwise noted, each of the questions you posed under a bulleted heading is responded to although I have not restated the specific questions in each case.

- General Background

You have asked for a legal/historical perspective on the responsibilities of the Department of the Treasury ("Treasury"), as a Cabinet agency, related to matters involving the Resolution Trust Corporation ("RTC"). That perspective is most accurately reflected in a review of the broad range of the Department's responsibilities for financial institutions policy.¹

¹See, e.g., Office of the Federal Register, National Archives and Records Administration, The United States Government Manual 1993/94 492-494 (1993) ("the Secretary has primary responsibility for formulating and recommending domestic and international financial, economic, and tax policy ... and managing the public debt. *** The Under Secretary for Finance advises and assists the Secretary and Deputy Secretary ... in domestic, finance, banking and economic matters. These responsibilities include the development of policies and guidance of Treasury Department activities in the areas of monetary affairs, management of public debt [and] financial institutions policy")

- Treasury's Role in Financial Institutions Policy

Treasury has important and pervasive roles in overseeing the financial services marketplace. We address here only Treasury's role in domestic issues. In addition to the role of overseer of the financial services marketplace, the Treasury has a historic interest as keeper of the "fisc," i.e., the Treasury is the entity responsible for raising the funds used to satisfy various governmental commitments, including full faith and credit obligations. Because the government's financial institutions responsibilities, such as maintenance of deposit insurance, entail substantial commitments of government resources, Treasury's fiscal responsibilities often are in the background of its financial institutions work.

In addition, the Secretary is specifically authorized by statute to provide general direction or oversight of two financial institution regulators, the Office of the Comptroller of the Currency, 12 U.S.C. 1 and 31 U.S.C. 307, and the Office of Thrift Supervision, 12 U.S.C. 1462a(b)(1) and 31 U.S.C. 309. Whatever else that supervisory function authorizes, it includes the authority to establish general policy for the performance of those bureaus' functions. 29 Op. Atty. Gen. 555, 562 (1912). The placement of these bureaus in the Department is a reflection of the Department's longstanding role in financial institutions policy.

Further evidence of general policy responsibility in these areas is provided by numerous statutory and other assignments for Treasury over the years. Such assignments include, but are not limited to:

1. service as the Chairman of the Depository Institutions Deregulation Committee established under the Depository Institutions Deregulation Act of 1980, Pub. L. 96-221("DIDA");
2. a role in the restructuring of the farm credit funding and banking system through membership on the Farm Credit System Assistance Board (12 U.S.C. 2278a et seq.);
3. the initial capitalization of the Federal Deposit Insurance Corporation and issuance of a standby letter of credit for the deposit insurance funds (12 U.S.C. 1824) (in addition to financing the statutorily mandated pledge of the full faith and credit of the United States provided to support the insurance funds [12 U.S.C. 1825]);
4. a role in the oversight of the securities markets and various anomalies in the securities industry through its membership on the Board of Directors of the Securities Investment Protection Corporation (15 U.S.C. 78ccc);
5. membership on the Working Group on Financial Markets created by

Executive Order in 1987 to review the precipitous October 1987 market decline. This Working Group has subsequently been used to review other events which might impact the economy, including the Drexel Burnham bankruptcy and, recently, the growing use of derivatives by various entities; and

6. service as Vice-Chairman of the Task Group on Regulation of Financial Services (popularly known as the "Bush Deregulation Task Force" named after the then Vice President who served as the Chairman).

Various statutes also have assigned Treasury responsibility for studies of various components of the financial services market. For example, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Pub. L. 101-73)("FIRREA") required a series of Treasury studies including: (1) a report on Financial Institutions Directors' and Officers' Liability; (2) a report titled, "Modernizing the Financial System: Recommendations for Safer, More Competitive Banks," mandated by section 1001; (3) the May, 1990 Treasury report titled "The Report of the Secretary of the Treasury on Government Sponsored Enterprises," required by section 1404; and (4) a followup report of the same title dated April 1991, required by FIRREA and the Omnibus Budget Reconciliation Act of 1990 (Pub. L. 101-508). The Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. 102-242)("FDICIA") required a series of studies by the Treasury and other agencies including a review of "Risk Based Insurance Premiums" to be used by the FDIC and the deposit insurance funds and a study of the need for a "Secondary Market for Small Business Securitized Loans".

Treasury has taken the lead role for the Executive branch in drafting a variety of legislative proposals in the financial services area including DIDA, the Competitive Equality Banking Act of 1987 (Pub. L. 100-261)("CEBA"), the Farm Credit Act Amendments of 1985 (Pub. L. 99-190, 99-198, 99-205) and 1987 (Pub. L. 100-233), FIRREA, FDICIA, the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (Pub. L. 102-233) ("RTCRIA"), the Resolution Trust Corporation Completion Act (Pub. L. 103-204)("Completion Act"), the Community Development, Credit Enhancement, and Regulatory Improvement Act of 1994 (currently under consideration in the Congress), as well as numerous initiatives related to the regulation of Government Sponsored Enterprises such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Mortgage Association (which now is regulated by the Treasury for purposes of capital) and regulation of the Government Securities market.

Each of these initiatives involved examination of activities or practices which, either directly or indirectly, affected or could have affected the economy and the functioning of its various financial markets. In the case of FIRREA, the Department assumed the lead advocacy role because destruction of the savings and loan industry was determined to have a potential impact on the financial services industry and the economy as a whole

for which a federal response was needed.

Shortly after his inauguration, President Bush asked the Treasury to immediately begin drafting legislation which would deal with the crisis in the savings and loan industry in such a way as to protect depositors, dispose of the assets received by the Federal Savings and Loan Insurance Corporation ("FSLIC") from insolvent institutions, and ensure that the crisis would not be repeated in the future. Treasury took the lead in drafting the legislation which became the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Although the legislation reflected the views of many agencies, including the Federal Reserve, the FDIC and the Justice Department, Treasury acted as the principal advocate for the Administration's views during the approximately seven months of the legislative process.

- Treasury's Relationships with the RTC

- Summary

This longstanding Treasury role in financial institution issues serves as background for the practice of successive Administrations in looking to the Department for work on RTC-related issues. It is useful to summarize here the various areas of RTC-related work for which the Treasury has been responsible. They are discussed in greater detail below. First, as noted above, Treasury was the principal advocate for FIRREA, the legislation that created the RTC. Second, the Secretary of the Treasury is the Chairman of the Oversight Board (later renamed the Thrift Depositor Protection Oversight Board),² which is to "oversee and be accountable for the Resolution Trust Corporation." 12 U.S.C. Section 1441a(a)(2). The Oversight Board is responsible for reviewing general policies the RTC adopts, and, in addition, has specific authority to require changes in "overall strategies, policies and goals"³ Third, Treasury repeatedly had the lead in the Bush Administration, and again had the lead in the Clinton Administration, for seeking from the Congress legislation to increase funding for the RTC. Fourth, section 2 of the Completion Act prohibits the RTC from spending funds that had been appropriated beyond a certain amount until the Secretary of the Treasury (not the Chairman of the Oversight Board) certifies that satisfactory progress is being made by the RTC in management reform.⁴ Fifth, Deputy Secretary of the Treasury Roger Altman was detailed pursuant to the Vacancy Act to the position of Chief Executive Officer of the RTC to address Congress' concerns about RTC operations. (Those concerns were

²The Completion Act, section 302(a).

³RTCRIA, section 305 (12 U.S.C. 1441a(a)(6)), authorizes the Oversight Board to require modifications of RTC's strategies, policies and goals, but requires that the Oversight Board provide 'explanation' of the reasons for doing so to the House and Senate banking committees.

⁴The Completion Act, section 2 (12 U.S.C. 1441a(i)(4)).

frustrating enactment of RTC funding.) Finally, to assist the Secretary of the Treasury as Chairman of the Oversight Board and to assist the Deputy Secretary as CEO of the RTC, Treasury staff worked on a variety of RTC-related matters.

- Discussion
- Oversight Board

As enacted, FIRREA provided Treasury with many continuing responsibilities in handling the savings and loan industry crisis, including placing within the Department as a Treasury bureau a new regulator of federal savings associations (the Office of Thrift Supervision) 12 U.S.C. 1462a. In addition, the Oversight Board was established to "oversee and be accountable for the Resolution Trust Corporation" (12 U.S.C. Section 1441a(a)(2)), and the Secretary of the Treasury serves *ex officio* as the Oversight Board's Chairman (12 U.S.C. 1441a(a)(3)(A)(i)).

Because the Secretary of the Treasury was serving as the Chairman of the Oversight Board, the task of starting up the Oversight Board fell to the Department. The task required, among other things, drafting the Oversight Board's bylaws and operating procedures, hiring Board employees including a President of the Oversight Board (the Deputy Secretary of the Treasury temporarily served in that capacity), and generally establishing a relationship with the RTC (which at that time was being managed by FDIC) that would permit the Oversight Board to carry out its oversight responsibilities. These tasks clearly had to be, and were, undertaken by Treasury employees because the Oversight Board had no employees to start it up.

Again, because the Secretary served as the Chairman of the Oversight Board, which was "accountable for the RTC," and because the Secretary cannot personally fulfill each of the innumerable responsibilities imposed upon him, Treasury employees served in a support capacity for the Secretary as Chairman and continue to do so.

Support for the Secretary in his Oversight Board Chairman role and his innumerable other roles is authorized by the general authority of the Secretary of the Treasury. Under 31 U.S.C. 325(b)(2), the Secretary may go so far as to delegate one or more of his duties and powers entirely to another employee of the Department. That statute does not restrict the powers and duties that can be delegated to those conferred upon the Secretary in his role as head of the Treasury Department; those powers vested in the Secretary by virtue of his *ex officio* responsibilities also may be delegated unless delegation is specifically restricted.⁵ Certainly if he may delegate an authority entirely, he is free to use support from Treasury staff in performing a function for which he retains responsibility.

⁵See, e.g., 12 U.S.C. 1441a(a)(9).

In supporting the Secretary's performance of his Oversight Board responsibilities, Treasury was required to familiarize itself with the policies and practices established by the RTC in carrying out its duties. In addition to the work of the Oversight Board in approving various proposals of the RTC, numerous hearings before the relevant committees in Congress were required on a semiannual basis, as well as public meetings of the Oversight Board. Each of these activities demanded the attention of the Secretary and thus his staff.

- Legislation

In mid-1990, when the Bush Administration recognized that RTC needed additional funds to complete cleanup of the "crisis" of the S&L industry, Treasury was again thrust to the forefront of the legislative efforts to secure the needed monies. This effort culminated in the passage of RTCRRIA in September of 1991, which provided additional funds, and restructured the RTC and its relationship with the Oversight Board. As part of that restructuring, RTCRRIA created the position of Chief Executive Officer. Treasury later took the lead in identifying and then recommending to the President a candidate for the position; namely, Albert Casey. In addition, RTCRRIA, section 305, preserved the Oversight Board's authority to review and disapprove RTC's procedures and guidelines. 12 U.S.C. 1441a(a)(6)(C).

The RTCRRIA-restructured relationship between RTC and the Oversight Board somewhat limited the Board's oversight of the RTC, but it also left to the Oversight Board the authority to approve (or disapprove) RTC budgets, i.e., RTC's expenditure of appropriated funds. Thus, it was of concern to Treasury that the availability of the funds provided by RTCRRIA was to expire on April 1, 1992. RTCRRIA, section 101. As the expiration approached early in 1992, Treasury, OMB and RTC staff examined whether any options to avoid the expiration were available, but concluded that there were none. The feasibility of obtaining legislative relief was discussed, but no legislation was drafted before the end of the Bush Administration.

Treasury once again assumed the role of leadership in securing funds to complete the mission of the RTC in February of 1993. That effort succeeded in December of 1993 with the passage of the Completion Act.

- Completion Act

Section 2 of the Completion Act imposed an additional responsibility on the Treasury with respect to RTC. RTC would be unable to spend more than \$10 billion (of the approximately \$18 billion made available by the Act) --

before the date on which the Secretary of the Treasury certifies to the Congress that, since the date of enactment of the Resolution Trust Corporation Completion Act, the Corporation has taken such action as

may be necessary to comply with the requirements of subsection (w) or that, as of the date of the certification, the Corporation is continuing to make adequate progress toward full compliance with such requirements. (Emphasis added.)

Note that the certification is required of the Secretary of the Treasury, and not the Chairman of the Oversight Board. Subsection (w)⁶ required of the RTC a series of management reforms that were similar to a management reform program announced for the RTC by the Secretary of the Treasury in his role as Chairman of the Oversight Board in March, 1993. Thus, the Secretary was asked by Congress to make determinations regarding RTC's conduct, operations and management. Section 2 of RTCRRLA also calls upon the Secretary of the Treasury, and not the Chairman of the Oversight Board, to respond to a request from the Congressional banking committees for a report on the required certification.

- Altman's Role as CEO of the RTC

There was substantial Congressional resistance to additional funding for RTC in 1992 and 1993. When Treasury in 1993 confronted the problem, it determined that a necessary part of addressing Congress' concerns was reform of RTC operations. Such reform could not be achieved from a distance; it required more active involvement in the RTC than previously had been the case for Treasury.⁷

On March 12, 1993, Treasury recommended that the President detail Mr. Altman to the RTC CEO position so that "the Administration's efforts on RTC funding legislation will not be impeded."⁸ In a memorandum dated March 15, 1993, the President directed Mr. Altman to "perform the duties of the office of Chief Executive Officer, Resolution Trust Corporation, effective March 16, 1993," pursuant to 5 U.S.C. 3347. That statute, commonly known as the Vacancy Act, provides that when the head of an executive agency dies, resigns, or is sick or absent, the President may direct another executive officer, who has been appointed by the President with the advice and consent of the Senate, to perform the duties of the vacant office until a successor is appointed.

You have asked us to describe the terms of Mr. Altman's "appointment."⁹ By virtue of the Vacancy Act detail, Mr. Altman was to "perform the duties of the office" of Chief

⁵RTCRLA, section 3.

⁷Treasury's view that Congress linked funding for the RTC with management reforms was confirmed by the Completion Act's explicit linkage, discussed above.

⁸Memorandum from Lloyd Bentsen to the President, dated March 12, 1993 (attached).

⁹The Vacancy Act uses the term "detail," rather than "appointment." 5 U.S.C. 3347.

Executive Officer (CEO) of the RTC. 5 U.S.C. 3345, 3347. In legal effect, although temporarily, Mr. Altman was the CEO, and his duties and powers were defined by the statutes creating the CEO position. That is, he had "all the powers of the Corporation" 12 U.S.C. 1441a(b)(9)(C) and (D). In addition, the law regarding the powers of a person detailed pursuant to section 3347 is well established and has been unchallenged in this century. See Ryan v. United States, 136 U.S. 70 (1890) (in the absence of the Secretary of War, the authority with which he was invested could be exercised by the official who became the Acting Secretary); 20 Op.Atty.Gen. 483 (1892) (an Executive Order authorizing the performance of the duties of a vacant office by another officer conveys all the duties pertaining to the office).

However, as noted above, Mr. Altman's tenure was temporary. Title 5 U.S. Code, section 3348, limits details under the Vacancy Act to 120 days, except that if a first or second nomination for the position is submitted to the Senate before the expiration of 120 days, the detailee may continue to serve "until 120 days after the date on which either the Senate rejects the nomination or the nomination is withdrawn." 5 U.S.C. 3348(a)(1).

Accordingly, Mr. Altman's detail was originally due to expire on July 14, 1993. However, Stanley Tate's nomination was submitted to the Senate during the first 120 days of Mr. Altman's detail, thus invoking the extension of the Vacancy Act's period under section 3348. Mr. Tate announced on November 30, 1993, that he was withdrawing his name from consideration. The Office of Legal Counsel at the Department of Justice advised Treasury that the date of Mr. Tate's withdrawal should be considered to be November 30, and that, pursuant to section 3348, Mr. Altman could continue to serve in his detail as RTC CEO for 120 days subsequent to Mr. Tate's withdrawal, that is until the end of March 30, 1994.

You asked whether the Office of Legal Counsel ("OLC") at the Justice Department gave advice regarding Mr. Altman's appointment or duties. The OLC advises that Assistant General Counsel John Bowman consulted with them in late February 1993 as to whether the Vacancy Act was available to detail a Presidential appointee into the CEO position. (Information had reached the Department that then-CEO Albert Casey was advising Congress that no lawful arrangement for continuing RTC leadership could be made if Mr. Casey resigned. Treasury consulted with OLC to determine if that was a correct view of the law.) OLC advised orally that the Vacancy Act would authorize detailing a Presidential appointee to the CEO position.

OLC again was consulted in July of 1993 regarding the application of the Vacancy Act to Mr. Altman's detail. They provided advice regarding possible outcomes in various situations that might occur if Mr. Altman's detail ended by law before the President sent a nomination to the Senate. However, in the event, Stanley Tate was nominated for the CEO position before Mr. Altman's detail expired.

You also asked whether Treasury's Office of General Counsel gave Mr. Altman any advice about performing his RTC responsibilities. Before Mr. Altman's detail began, Treasury counsel did a preliminary review of the holdings reflected on Mr. Altman's public financial disclosure statement to determine whether they posed any conflicts that would be so significant that he would be unable to perform the CEO's duties. We advised that they did not. RTC ethics officials then conducted a separate review with a more detailed appreciation of the CEO's duties and the RTC's special ethics requirements, and they reached the same conclusion.

Neither Mr. Bowman nor I provided advice to Mr. Altman regarding use of Treasury staff. You have asked us not to discuss your inquiry with Ms. Hanson, and we have not done so. Accordingly, I do not know what, if any, advice on that issue she may have provided. However, Treasury staff, including Ms. Hanson and Office of General Counsel lawyers, who worked from time to time on RTC issues frequently reminded each other that they had no decisionmaking authority on behalf of the RTC; they were merely advisers to Mr. Altman. It is important to recognize that Mr. Altman not only served as CEO and continued to perform the duties of Deputy Secretary of the Treasury, but that, in addition, he took on a number of White House assignments such as coordinating the Administration's efforts to achieve a budget deficit reduction legislative package and a significant part in trade negotiations with Japan. Clearly, he could not, and in fact he did not, devote full-time to the CEO responsibilities. In that context, it would have been anomalous for him not to turn to the Treasury legal, domestic finance, legislative affairs and public affairs advisers to whom he turned every day for advice just because an issue focussed more immediately on the RTC's interests than on Treasury's. As noted below, such use of Treasury staff was authorized.¹⁰ This was all the more appropriate because the RTC at the time lacked a permanent CEO and General Counsel.

Similarly, we know of no direction that Secretary Bentsen or the White House may have given to Mr. Altman regarding his performance of CEO duties because we have not inquired. Of course, as Chairman of the Oversight Board, the Secretary participated in performance of the Oversight Board's functions, including those prescribed at 12 U.S.C. 1441a(a)(6).

- Bentsen's Role at RTC

The roles of Secretaries of the Treasury with respect to the RTC, including Secretary Bentsen, are restricted to the normal economic policy and financial institutions policy responsibilities of the Secretary of the Treasury and the responsibilities of the Chair of the Thrift Depositor Protection Oversight Board. The duties assigned to the Oversight Board included, among other things:

¹⁰ See, discussion below under General Authority for Treasury Employees to Serve at the RTC or Work on RTC Matters.

(A) To develop and establish overall strategies, policies, and goals for the RTC's activities . . . (B) To approve prior to implementation periodic financing requests developed by the [RTC] . . . (D) To review the overall performance of the [RTC] on a periodic basis, including its work, management activities, and internal controls, and the performance of the [RTC] relative to approved budget plans. . . . (FIRREA, section 501).

The focus of the Oversight Board's activities related to the fact that RTC was spending taxpayer monies, a role that Treasury has assumed in numerous other situations, as discussed above.

The only statute that has the effect of establishing a limitation on the authority of the Oversight Board is at 12 U.S.C. 1441a(a)(8)(A), which provided:

The [RTC] shall have the authority, without any prior review, approval, or disapproval by the Oversight Board, to make such determinations and take such actions as it deems appropriate with respect to case-specific matters (i) involving individual case resolutions, (ii) asset liquidations; or (iii) day-to-day operations of the [RTC]. The preceding sentence in no way limits the authority of the Oversight Board to provide general policies and procedures.

RTCRRIA reduced the Oversight Board's role in the operations of the RTC, but it did not limit the requirement that the RTC seek the approval of the Oversight Board for budgets and the expenditures of taxpayer funds.

In addition, as Secretary Bentsen testified on March 8, 1994 before a subcommittee of the House Appropriations Committee, he has adhered scrupulously to the Congressional intent described in the Conference Report that accompanied FIRREA.

The Oversight Board will review and have overall responsibility for the RTC's activities. The Oversight Board will not, however, be involved in or responsible for case specific matters involving individual institutions, specific asset dispositions or generally the day-to-day operations of the RTC.¹¹

As is evident from these restrictions, the Secretary of the Treasury has no decisionmaking role in case-specific enforcement matters pending at the RTC.

- General Authority for Treasury Employees to Serve at the RTC or Work on RTC Matters

¹¹H.R. Rep. No. 222, 101st Cong., 1st Sess., at 410 (1989).

When an agency makes an administrative determination that work is necessary and appropriate to advance its mission, it is authorized to spend the money appropriated for the support of its mission for the ordinary and necessary expenses of performing that work, including the salaries of the employees who perform it. Clearly, the Treasury Department had for at least five years administratively determined that providing for completing the resolution of the savings and loan industry crisis was part of Treasury's mission. Thus, Treasury repeatedly worked on securing legislation to provide for that resolution by creating and later seeking increased funding for the RTC. As it assumed that task again early in 1993, Treasury was receiving information from Congress that indicated that reviving the stalled efforts to achieve sufficient funding for resolution required more detailed attention to RTC's management. *See, Appendix A.* Treasury's responses to that need included the recommendation that the President detail Mr. Altman to the CEO position and the use of Treasury staff to support Mr. Altman's performance of those duties. In legal effect, Treasury staff were performing Treasury work. No specific statutory authority beyond Treasury's appropriations was required.

In addition, as employees of an executive department, Treasury employees are expressly authorized to serve at the RTC or work on RTC matters by 12 U.S.C. 1441a(b)(9)(B)(ii), if Treasury agrees to such service. This statute authorizes RTC to "utilize the personnel of any ... executive department" It makes no distinction between service at the RTC, e.g., serving in a formal detail, and working on RTC matters, i.e., performing duties in support of RTC functions while continuing to perform the duties of a Treasury position. This authority exists without regard to whether Mr. Altman at the time of such service was under a Vacancy Act detail to the CEO position at the RTC. However, while Mr. Altman served as CEO, he was, in that capacity, authorized to request that Treasury make its staff available, and, at the same time, in his continuing position as Deputy Secretary of the Treasury, he was authorized to "agree" on behalf of the Treasury to Treasury staff serving at the RTC or working on RTC matters. Treasury Order No. 101-05 (attached).¹²

The language of section 1441a(b)(9)(B)(ii) imposes no limitations on the ways in which employees of executive departments may be "utilized." We would not suggest that its authority could be used to circumvent restrictions otherwise applicable to the Secretary of the Treasury in his role as Oversight Board Chairman, *see, e.g.,* 12 U.S.C. 1441a(a)(8)(A), and there has been no suggestion that Secretary Bentsen in any way directed the services of Treasury employees assisting the RTC in its operations. Further, we are aware of no basis for such a suggestion. To the contrary, Secretary Bentsen has observed Congress' wishes that, as Oversight Board Chairman, he not become involved

¹²It is clear that a Presidential appointee may perform the duties of a position to which he has been appointed by the President at the same time as he performs those of a position to which he is detailed under the authority of the Vacancy Act; a statute merely prohibits receiving additional pay "for performing the duties of a vacant office as authorized by [5 U.S.C.] 3345-3347" 5 U.S.C. 5535(a).

in "case specific matters involving individual institutions, specific asset dispositions or generally the day-to-day operations of the RTC."¹³

You asked whether there were any limitations on, or procedures to be followed in exercising the authority for Treasury employees to work on RTC matters. The statute does not impose any limitation or require any procedures to be followed. Although the statute refers to reimbursement for the services provided by another agency, we do not read that as a limitation on the authority to provide such services.¹⁴

Treasury became aware in January of 1994 of the procedures RTC followed in referring potential criminal matters for determination as to whether to prosecute. When the CEO received a request for all documents regarding the failure of Madison Guaranty Savings & Loan from Congressman Leach dated December 9, 1993 (attached), the CEO made clear that he wanted to be as responsive as possible.¹⁵ We understand that RTC gave Leach's staff access to Madison documents over a period of time and informed them as to documents that could not be released because of RTC policy. This and other Congressional requests for information about Madison¹⁶ led to discussions among the CEO, RTC officials and Treasury officials who were assisting the CEO as to what procedures RTC followed in handling criminal referrals and information about such referrals. In those discussions, the CEO and Treasury officials assisting him were informally advised by RTC officials that RTC's procedures called for criminal referrals to

¹³H.R. Rep. No. 222, 101st Cong., 1st Sess., at 410 (1989).

¹⁴12 U.S.C. 1441a(a)(9)(B)(ii) provides: "With the agreement of any executive department or agency, the Corporation may utilize the personnel of any such executive department or agency on a reimbursable basis to cover actual and reasonable expenses." Treasury has not sought reimbursement from the RTC for the work done on RTC matters. Even if specific authority is necessary for Treasury employees to support the CEO, such authority for Treasury staff to do such work is clear from the statute, and we do not believe that reimbursement is required.

The Comptroller General has recognized authority to detail an employee from one agency to another without requiring reimbursement when the detail involves a matter which is related to the detailing agency's appropriation and which would aid the detailing agency in accomplishing a purpose for which its appropriations are provided. 64 Comp. Gen. 370, 380-81(1985); 65 Comp. Gen. 635, 637 (1986). In doing so, he concluded that another statute requiring reimbursement for work done by one agency for another, 31 U.S.C. 1535 (the so-called "Economy Act"), did not apply because the work done was in the detailing agency's interest. That conclusion is all the more appropriate for Treasury staff working on RTC matters because the Treasury employees were not detailed to the RTC. They continued to perform duties in support of those parts of Treasury's missions which had nothing to do with the RTC.

¹⁵Letter from CEO Roger Altman to Congressman James A. Leach, dated December 22, 1993 (attached).

¹⁶See, e.g., Letter from Bob Dolc, Alfonse D'Amato, Jan Meyers, James A. Leach, Bill Clinger, Larry Pressler, Bob Michel and Hamilton Fish, Jr. to Roger Altman dated January 10, 1994 (attached).

be made in the field directly to the prosecuting office. At about the same time, in January of 1994, as the CEO and the Department continued to receive Congressional inquiries concerning work on Madison Guaranty Savings and Loan, we inquired of RTC as to the existence of any written policies on criminal referrals. In response, we obtained a copy of RTC's policy. We do not know that any Treasury officials working on RTC matters, including the CEO, were ever briefed on the policies reflected in that document.

- Role of Other Treasury Employees at RTC

You have inquired as to whether any Treasury officials working on RTC matters had an "official status" at the RTC. We are unaware of any such status for anyone other than Mr. Altman, who, as discussed earlier, was detailed to the CEO position pursuant to the Vacancy Act. Moreover, it is our general understanding that Treasury officials working on RTC matters were careful to point out that they did not have such status; that they were merely advisors to Mr. Altman.

Rather, as noted earlier, at Mr. Altman's request as CEO and as the Deputy Secretary of the Treasury, various Treasury officials assisted Mr. Altman in performing his CEO duties with the overall objective of ensuring that Congress had sufficient confidence in RTC's operations to provide required funding for resolution of failed thrift institutions. Appendix A provides a statement of some of the activities engaged in by Treasury officials to assist the CEO in addressing Congressional concerns with RTC operations. It also provides substantial evidence of the pervasiveness of Congressional concerns which had frustrated additional RTC funding, particularly in the banking committees.

The question as to whether there were RTC employees who normally would have filled the roles filled by Treasury employees is difficult. Certainly the judgment made at the time was that RTC was not accomplishing one of the critical requirements for it to complete its work, i.e., obtaining funding. The Department's understanding of the information it was receiving from the Congress early in 1993 was that it would take Treasury actively working on RTC management reforms to give Congress sufficient confidence to make additional funding available for the RTC. With the benefit of hindsight, in light of the Congressional contacts detailed in Appendix A, and the Completion Act's emphasis on management reform and its requirement that the Secretary of the Treasury provide assurances with respect to RTC management reform efforts, Treasury's understanding must be seen as correct.

We are not aware of direct contacts between Treasury and the White House over the past three to four years relating to "RTC enforcement actions," by which we presume you mean criminal referrals, other than those that occurred in connection with the Madison matter.

Treasury routinely furnishes to the White House public information about arrests, asset seizures and convictions that result from investigations conducted by Treasury law

enforcement bureaus (ATF, Customs, IRS and Secret Service). In addition, on at least one recent occasion, nonpublic information about a law enforcement matter with national security implications was provided to the White House.

- Treasury Policy on Disclosure

You have asked for any written guidance applicable to Treasury employees with regard to participating in and disclosing information about enforcement cases or criminal matters being referred to the Department of Justice. The June 22, 1994 requests of the Senate's Committee on Banking, Housing and Urban Affairs seek information about

"... any written policies or descriptions of policies, in effect now or to your knowledge previously, concerning communications between the Department of the Treasury and other executive branch or independent agencies, including the White House and the Resolution Trust Corporation."

A copy of the Committee's request to Secretary Bentsen is attached. On July 11, 1994, the Department dispatched a tasker seeking such information from bureaus that might have such policies. We await responses to that tasker. To the extent that we receive information that is responsive to your request and is not subject to restrictions on disclosure, we will provide it to you.

You also have inquired as to whether, if there is no such written policy, there is a policy or practice that is made known to employees engaged in cases that are referred to the Department of Justice for consideration of criminal prosecution. If Treasury bureaus' responses to the taskers produce no written policies, we will inquire as to practices and inform you of any about which we learn.

- Policy on Contacts with the White House

Attached is a copy of a memorandum that Secretary Bentsen issued on March , 1994, which established a procedure for review of White House contacts. We do not believe there was any written guidance at the Treasury regarding contacts with the White House either generally or on pending enforcement cases before that memorandum was issued.

cc: Jim Cottos (without attachments and Appendix A and its attachments)

BY ORDER OF THE
SECRETARY OF THE TREASURY



DATE: May 11, 1994
TREASURY ORDER 101-05

Sunset Review: May 11, 1999

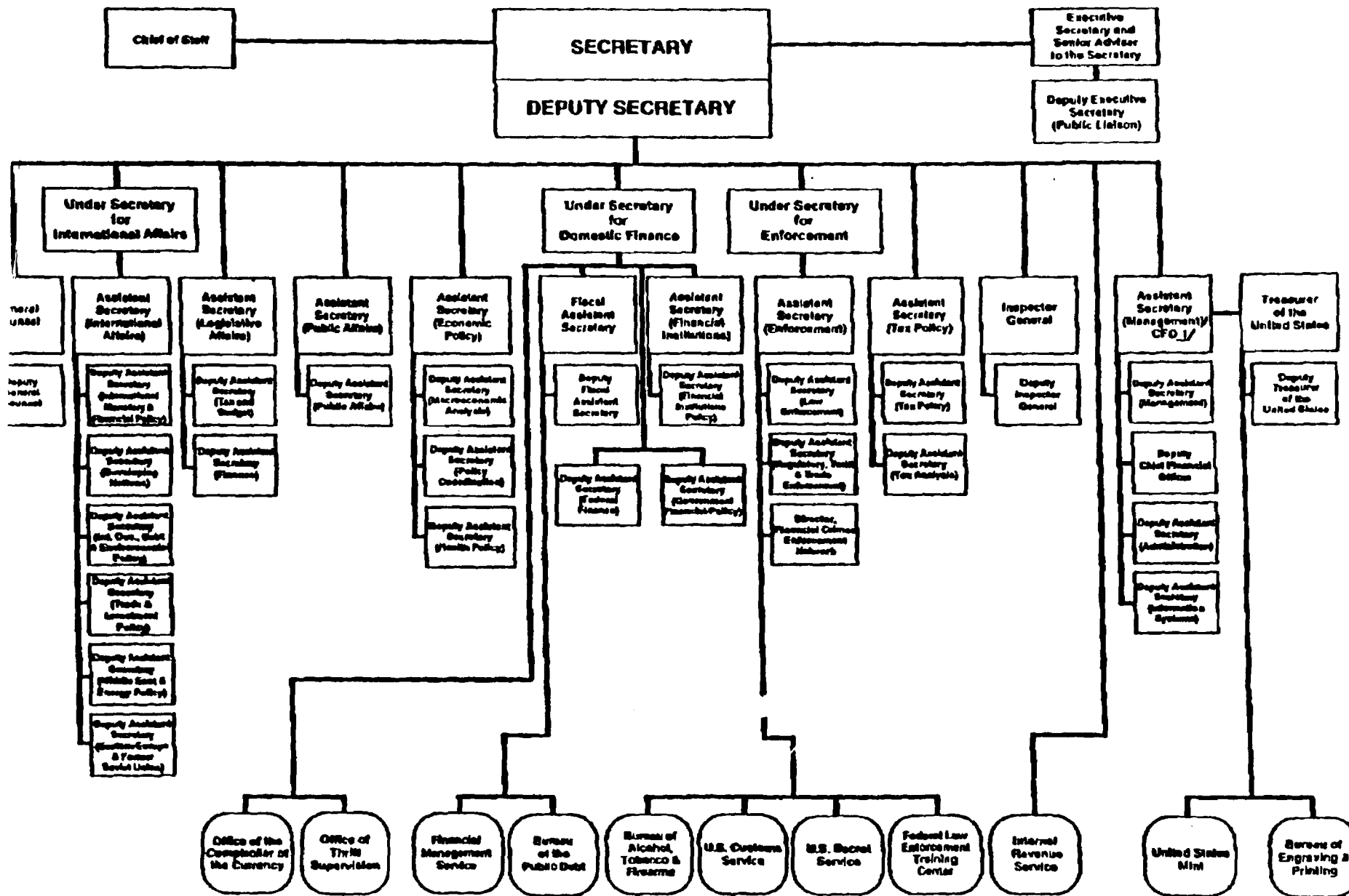
SUBJECT: Reporting Relationships and Supervision of Officials, Offices and Bureaus, Delegation of Certain Authority, and Order of Succession in the Department of the Treasury

By virtue of the authority vested in the Secretary of the Treasury, including the authority vested by 31 U.S.C. 321(b), 31 U.S.C. 301(d), as amended, dated February 12, 1994, and Executive Order 11822, dated December 10, 1974, it is ordered that:

1. The Deputy Secretary shall report directly to the Secretary.
2. The Chief of Staff shall report directly to the Secretary and shall exercise supervision over the Director, Secretary's Scheduling Office.
3. The Executive Secretary and Senior Adviser to the Secretary shall report directly to the Secretary and shall exercise supervision over the functions of the Executive Secretariat; the Deputy Executive Secretary (Public Liaison); and, for purposes of administrative and managerial control, over the Special Assistant to the Secretary (National Security). The Special Assistant to the Secretary (National Security) shall report to the Secretary and the Deputy Secretary.
4. The following officials shall report through the Deputy Secretary to the Secretary and shall exercise supervision over those officers and organizational entities set forth on the attached organizational chart:
 - Under Secretary (International Affairs)
 - Under Secretary (Domestic Finance)
 - Under Secretary (Enforcement)
 - General Counsel
 - Assistant Secretary (Economic Policy)
 - Assistant Secretary (Legislative Affairs)
 - Assistant Secretary (Management)
 - Assistant Secretary (Public Affairs)
 - Assistant Secretary (Tax Policy)
 - Inspector General
 - Commissioner of Internal Revenue
5. The Assistant Secretary (Management) serves as the Department's Chief Financial Officer pursuant to the Chief Financial Officers Act of 1990, Public Law 101-576.
6. The Deputy Secretary is authorized, in that official's own capacity and that official's own title, to perform any functions the Secretary is authorized to perform and shall be responsible for referring to the Secretary any matter on which action would appropriately be taken by the Secretary.

THE DEPARTMENT OF THE TREASURY

TO 101-05
05-11-94



Attachment

TREASURY BUREAUS

✓ Assistant Secretary (Management) is the Chief Financial Officer (CFO).

Approved: *Floyd Benteen*
Secretary of the Treasury

MAY 11 1994

Date



118791

THE SECRETARY OF THE TREASURY
WASHINGTON

March 12, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Lloyd Bentsen *LB*

SUBJECT: Chief Executive Officer ("CEO") for the Resolution Trust Corporation ("RTC")

ACTION FORCING EVENT:

Albert V. Casey, the CEO of the RTC, has indicated his desire to return promptly to the private sector. As you previously authorized, I intend to accept Mr. Casey's resignation on your behalf. I expect the effective date of his resignation will be March 15, 1993.

An interim CEO of the RTC should be ready to assume responsibility at the time I accept Mr. Casey's resignation. When we find a permanent candidate for the position, all authority can then be redelegated to him or her.

The temporary CEO must be a Presidential appointee confirmed by the Senate. However, Presidential appointees to independent agencies, such as the Federal Reserve Board, are not eligible for this type of appointment.

I believe that Deputy Secretary Altman is the most logical choice for the interim CEO. That way, the Administration's efforts on RTC funding legislation will not be impeded.

RECOMMENDATION:

That you sign an appropriate executive order, in substantially the attached form, making the Deputy Secretary of the Department of the Treasury, Roger C. Altman, the temporary CEO of the RTC, pursuant to 5 U.S.C. 3347. The order would be effective the earlier of March 13, 1993, or on Mr. Casey's resignation.

Agree _____

Disagree _____

Executive Order _____ of March _____, 1993

Direction to the Deputy Secretary of the Department of the Treasury to perform, temporarily, the duties of Chief Executive Officer of the Resolution Trust Corporation.

By the authority vested in me as President by the Constitution and the laws of the United States, including the Vacancy Act (5 U.S.C. 3345 et seq.), it is hereby ordered as follows:

Section 1. In the event of a vacancy in the Office of the Chief Executive Officer of the Resolution Trust Corporation, or during the absence or disability of such Chief Executive Officer, the Deputy Secretary of the Department of the Treasury shall perform the duties of the office of Chief Executive Officer of the Resolution Trust Corporation, subject to the limitations of 5 U.S.C. 3348.

Section 2. The President may at any time, pursuant to law but without regard to the foregoing provisions of this Order, direct that an officer specified by the President perform the duties of the Chief Executive Officer of the Resolution Trust Corporation.

THE WHITE HOUSE
March _____, 1993

93-118791

Department
of the Treasury

to: John Podesta

Executive Secretary

room: _____ date: 3/12/93

This is a memo to the President regarding Roger C. Altman temporarily replacing Al Casey as CEO for RTC. I would like for the President to get this as soon as possible.

If you have any questions please call me.

cc: Bob Damus

Edward S. Knight

room 3408

phone 622-0027

سید علی حسینی

COMMUNICATIONS SECTION
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-6000

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
ONE HUNDRED THIRD CONGRESS
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6000

COMMUNICATIONS SECTION
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-6000

December 9, 1993

The Honorable Roger C. Altman
Interim Chief Executive Officer
Resolution Trust Corporation
15th and Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Mr. Altman:

I am writing in reference to the House Banking Committee Minority investigation of the failure of Madison Guaranty Savings and Loan (Madison). As you know, Madison was taken over by federal regulators in March of 1989 and resolved by the Resolution Trust Corporation (RTC) in November, 1990.

To assist in this investigation, I request that the RTC provide access to all documents related to Madison and its subsidiaries. Such documents would include, but not be limited to, administrative files, examination reports, interoffice memorandums, notes and minutes of meetings (including telephonic meetings), correspondence, electronic mail, and agreements the RTC entered into with private sector contractors during the resolution of Madison. In addition to documents in possession at RTC-Washington, I request access to all documents related to Madison held at RTC field offices. Furthermore, please provide the names and titles of all RTC employees involved with the disposition of Madison.

Please have your staff contact Mike McGarry at 202-225-1258 to discuss arrangements to review the aforementioned documents as soon as possible.

I appreciate your assistance and look forward to your cooperation.

Sincerely,

James A. Leach
Ranking Member



RESOLUTION TRUST CORPORATION

**Restoring The Crisis
Restoring The Confidence**

December 22, 1993

The Honorable James A. Leach
Ranking Minority Member
Committee on Banking, Finance & Urban Affairs
U. S. House of Representatives
Washington DC 20515

Dear Jim:

I am writing in response to your letter dated December 9, 1993, requesting that the Resolution Trust Corporation provide certain documents and records for the House Banking Committee Minority investigation of the failure of Madison Guaranty Savings and Loan Association located in McCrory, Arkansas. Madison Guaranty is an institution in receivership with the RTC.

Let me reassure you that the RTC will thoroughly cooperate in this investigation. Indeed, it was the RTC which originally referred this matter to the Justice Department. RTC staff has been instructed to assemble the relevant documents, which are voluminous, as quickly as possible.

Ideally we would forward all of these materials to you today, and I expect to supply most of them in short order. I am advised by the RTC General Counsel, however, that there may be limits on our ability to provide certain of them. These limits involve the Privacy Act and legal privilege or other restrictions on the ability of the RTC to release them. This will have to be coordinated with the Justice Department. I have instructed the RTC staff to work with your staff on appropriate procedures for handling these issues.

Sincerely,

Roger C. Altman
Interim CEO

DONALD W. RUBLE, JR. CHIEF CLERK

PAUL S. BARBARO, MASSACHUSETTS
 CHRISTOPHER J. BROWN, CONNECTICUT
 BOB CASE, TEXAS
 GEORGE E. SHAW, ALABAMA
 JOHN F. LEWIS, MISSISSIPPI
 THOMAS H. COVIELL, NEVADA
 BARBARA H. BROWN, CALIFORNIA
 DON CHRISTENSEN, COLORADO
 CAROL MURPHY, ARIZONA
 PATTY GIBNEY, WASHINGTON

ALAN R. WADSWORTH, NEW YORK
 PAUL BRADY, TEXAS
 CHRISTOPHER F. BROWN, MISSOURI
 GEORGE BROWN, FLORIDA
 LARRY SANDERS, NORTH CAROLINA
 ROBERT F. BENTLEY, UTAH
 WILLIAM V. VICK, DELAWARE
 RITA V. SCHNEIDER, NEW MEXICO

STEVE F. HARRIS, STAFF DIRECTOR AND CHIEF COUNSEL
 HOWARD A. UFFAL, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510-8071

January 10, 1994

Mr. Roger Altman
 Acting Chief Executive Officer
 Resolution Trust Corporation
 801 17th Street N.W.
 Washington, D.C. 20434

RECEIVED
 JAN 21 1994
 OFFICE OF GOVERNMENTAL RELATIONS
 RTC

Dear Mr. Altman:

Enclosed please find a copy of a letter we sent today to Attorney General Reno. We would appreciate it if you would consider the request we made therein with respect to our concern that the running of the statute of limitations may prevent the final resolution of all allegations relating to Madison Guaranty Savings and Loan.

Thank you.

Sincerely,

Bob Dole
Jim Meyers
Bill Clinton
Larry Bruner

Alfred D'Amato
James B. Duke
William V. Roth
Bob Michel

conservator or receiver of a failed institution. Thus, the ability of the RTC to take civil action may expire as early as March, 1994. The statute of limitations for criminal actions involving bank fraud is 10 years from the date of the occurrence of the criminal activity.

In order to resolve any and all questions regarding Madison and Whitewater, we urge you and the RTC to seek voluntary agreements with all relevant parties, including the President and Mrs. Clinton, the McDougals, David Hale, Jim Guy Tucker, Seth Ward, and the Rose Law Firm, to toll the running of the statutes of limitations - in other words, to seek their agreement to voluntarily waive these defenses. These agreements will allow time for a complete and independent investigation and permit the orderly operation of the legal and judicial processes. It will also remove any doubt that the above named parties may seek to use the statute of limitations as a procedural defense. Furthermore it will reassure the American public that anyone implicated in any wrongdoing will answer these allegations on their merits.

Attorney General Reno, thank you for your consideration of this request.

Sincerely,

Bob Dale

Alfonse D'Amato

Jan Meyers

James Runk

Bill Clinger
Larry Pender

Harold Fiedler
Bob Michel

cc: Roger Altman
Resolution Trust Corporation

Exhibit 23

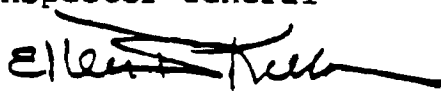
July 22, 1994, RTC Memorandum on
Legal questions relating to the OIG
inquiry



RESOLUTION TRUST CORPORATION

Resolving The Crisis
Restoring The Confidence

TO: Patricia M. Black
Counsel to the Inspector General

FROM: Ellen B. Kulka 
General Counsel
Resolution Trust Corporation

DATE: July 22, 1994

SUBJECT: Legal Questions Relating to OIG Inquiry

This memorandum responds to your memorandum dated July 15, 1994 requesting "background information and legal opinions" with respect to the involvement of Roger C. Altman as interim Chief Executive Officer (CEO) of the Resolution Trust Corporation (RTC) and other officials and employees of the Department of the Treasury in the operation of the RTC. You have indicated that this information has been requested by the Office of Government Ethics in connection with an inquiry into communications between Treasury and RTC employees and White House staff concerning Madison Guaranty Savings and Loan and related matters.

Most of the information you have requested relates to events which predate my becoming General Counsel of the RTC. As you know, my predecessors as General Counsel and Acting General Counsel are no longer with the RTC (with the exception of James Barker who served briefly as Acting General Counsel for several weeks in early January, 1994). Moreover, we believe that much of the information and legal analysis you seek could more appropriately and readily be supplied by the Department of Treasury, and you have indicated that a similar inquiry has in fact been addressed to Kenneth R. Schmalzbach, Assistant General Counsel for Administration, Department of Treasury.

Nevertheless, we have attempted to answer your questions as accurately and completely as possible, based on the information available to us.

I. Mr. Altman's Role at the RTC.

(1) Roger C. Altman, Deputy Secretary of the Treasury, was appointed as interim Chief Executive Officer of the RTC pursuant to 5 U.S.C. Section 3347, which permits the President to direct an officer of an Executive Department whose appointment is vested in the President, by and with the advice and consent of the Senate, to

perform the duties of a vacant office.

(2) The term of such an appointment is specified by 5 U.S.C. Section 3348 (120 days, except that if a first or second nomination to fill the vacancy has been submitted to the Senate, the position can be filled until the Senate confirms the nomination or until 120 days after the date on which either the Senate rejects the nomination or the nomination is withdrawn).

(3) We are not aware of any legal advice rendered by the Office of Legal Counsel (Department of Justice) with regard to the appointment or the duties of the CEO.

(4) While the RTC Office of General Counsel gave Mr. Altman legal advice from time to time about specific matters related to the operations and activities of the RTC, we are not aware that any legal advice was given concerning the use of Treasury staff.

II. General Authority for Treasury Employees to Serve at RTC or Work on RTC Matters.

(1) As indicated above, RTC attorneys apparently did not provide advice to the interim CEO concerning the use of Treasury staff on RTC matters or the legal authority for Treasury employees to serve at the RTC or work on RTC matters. We are aware, however, of certain statutory provisions pertaining to the RTC which relate to such matters. Section 21A of the Federal Home Loan Bank Act (12 U.S.C. 1441a) provides that, with the agreement of any executive department or agency, the RTC may utilize the personnel of any such department or agency on a reimbursable basis (21A(b)(8)(B)(ii)). Furthermore, the CEO may delegate such authority as he deems appropriate to persons designated by the CEO who provide services for the Corporation (21A(b)(8)(D)). In addition, the Secretary of the Treasury serves as Chairman of the Thrift Depositor Protection Oversight Board, which has certain oversight duties and powers under Section 21A(a). The Board is authorized to utilize the information, services, staff, and facilities of any executive department, on a reimbursable or other basis (21A(a)(5)(F)).

(2) We are not aware of any limitations on the authority of the CEO to utilize persons from other agencies or departments other than those expressed in Section 21A.

(3) We are not aware of the nature or extent of any formal or informal procedures, agreements or delegations of authority, which were implemented with respect to the involvement of Treasury employees in RTC matters, all of which would have been within the jurisdiction of the Department of Treasury and the CEO of the RTC to determine.

III. Role of Other Treasury Employees at RTC.

(1) We are unaware of any official status at the RTC of any Treasury employees who may have provided support to Mr. Altman

with regard to his RTC responsibilities. It is our understanding that various Treasury employees served in advisory capacities and provided liaison with those officials and employees assigned to the RTC who had the authority and responsibility to carry out the functions of the Corporation under authority delegated by the CEO. When I arrived at the RTC in January, 1994, and for a brief period thereafter, Jean Hanson and John Bowman were performing advisory and liaison functions with respect to the RTC Office of the General Counsel. We have no knowledge of the precise roles of the other individuals named in your memorandum.

(2) We are not aware that any Treasury employees actually filled roles that normally would have been performed by RTC-assigned employees. As stated above, no Treasury employee other than Mr. Altman occupied any official position at the RTC. With respect to the Legal Division, we understand that those Treasury employees who were performing advisory and liaison functions worked with the acting General Counsel and others in the RTC Legal Division who were carrying out their responsibilities as FDIC employees assigned to the RTC. However, it is also our understanding that, due to Mr. Altman's position as interim CEO and his other responsibilities as Deputy Secretary of Treasury, he frequently utilized Treasury staff to maintain the flow of information from him to regular RTC staff and from RTC staff to him. As a result, I am advised that in certain circumstances it was not always apparent whether authority had actually been delegated to Treasury employees to make decisions or whether these employees were merely carrying out the CEO's decisions.

IV. White House Contacts on Other RTC Matters.

With respect to direct contacts between the RTC and the White House involving PLS enforcement actions (other than actions involving Madison Guaranty), the RTC responds from time to time to inquiries forwarded by the White House concerning the status of pending PLS litigation. (The RTC receives similar inquiries forwarded by members of Congress.) Responses are typically sent by the RTC's Director of the Office of Governmental Relations directly to the individuals making the inquiries, and the White House receives copies of the responses. In addition, the RTC Inspector General routinely receives information copies of these responses. We are attaching copies of eight examples of such correspondence during 1993 and 1994. Correspondence regarding PLS matters from earlier years was not filed separately from other correspondence, but if you would like to receive copies of such earlier correspondence, we could undertake a search of RTC files and provide copies to you.

We have no knowledge of any other contacts between the RTC and the White House over the past 3 to 4 years regarding RTC PLS enforcement actions. Those persons previously serving as General Counsel or acting General Counsel and/or those persons previously serving as CEO, Executive Director, or Senior Vice President of the RTC (none of whom are currently at the RTC), prior to the arrival of John E. Ryan as Deputy CEO of the RTC on January 4, 1994 and

prior to my arrival on January 17, 1994, may be able to provide such information.

V. RTC Policy on Disclosure.

(1) Attached are copies of the policies and procedures currently in place at the RTC pertaining to disclosure of confidential information, including information about PLS enforcement cases and criminal matters referred to the Department of Justice. For your convenience, we have also provided an inventory of the attachments.

(2) All persons working on PLS matters at the RTC are expected to be familiar with all directives and policies of the RTC dealing with the disclosure of such information.

(3) We have no knowledge of whether those Treasury employees who may have provided support to Mr. Altman in his official capacity as the RTC CEO were aware of or were made aware of the RTC policies with respect to disclosure of information.

VI. Policy on Contacts with the White House.

Other than the policies and procedures referred to above, we are not aware of any written guidance at the RTC regarding contacts with the White House about pending PLS enforcement cases.

If you need additional information about any of the matters discussed above, please let me know.

Exhibit 52

(Appears in base report following Exhibit 23)

**List of selected newspaper articles
relating to Madison Guaranty S&L.**

Selected Newspaper Articles

1. Schmidt, *U.S. Is Asked to Probe Failed Arkansas S&L; RTC Questions Thrift's Mid-80's Check Flow*, The Washington Post, October 31, 1993, A1.
2. Isikoff, *Clintons' Former Real Estate Firm Probed; Federal Inquiries Focus on Financial Activities of Other Arkansans*, The Washington Post, November 2, 1993, A1.
3. Gerth, *Chief of House Panel Ends Inquiry on Arkansas S&L*, The New York Times, Section 1, Page 11, Column 5.
4. Gerth, *Head of Failing S&L Helped Clinton Pay a \$50,000 Personal Debt in 1985*, The New York Times, December 15, 1993, Section B, Page 8, Column 1.
5. Schmidt, *Businessman Denies Giving a Donation at '85 Clinton Fund-Raiser*, The Washington Post, December 16, 1993, A6.
6. Murray, *Clinton stalls on records, Leach charges; Aides say preparation will take weeks*, The Washington Times, January 4, 1994, Part A, Pg. A1.
7. Schmidt, *Arkansas Probe Sensitive From Start; Investigation of Collapsed S&L Affected by Links with the Clintons*, The Washington Post, January 5, 1994, A1.
8. Moss, *7 Democrats join the call for Whitewater counsel*, The Washington Times, January 12, 1994, A1.
9. Engelberg, *The Whitewater Case: Finding the Connections*, The New York Times, January 16, 1994, Section 1, Page 20, Column 1.
10. Schmidt, *With Political Connections, Arkansas S&L Lived and Died*, The Washington Post, A1.
11. Bacon, *FDIC Nominee Vows Regulatory Relief, Repels GOP Pressure Over Madison S&L*, The Wall Street Journal, February 2, 1994, A6.
12. Schmidt, *Hill Democrats Promise Hearings on Thrifts*, The Washington Post, February 2, 1994, A6.
13. Rodriguez, *Gonzalez flip-flops on Whitewater hearings*, The Washington Times, February 2, 1994, A1.
14. Scally, *Documents raise new Whitewater questions; papers may show Clinton benefitted from diversion of funds from failed S&L*, Rocky Mountain News, February 5, 1994, Ed. F, Page 45A.

TREASURY



NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 3:00 p.m.
August 1, 1994

Contact: Jon Murchinson
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department on Monday announced that its net market borrowing for the July-September 1994 quarter is estimated to be \$45 billion, with a \$40 billion cash balance on September 30. The Treasury also announced that its net market borrowing for the October-December 1994 quarter is estimated to be in a range of \$45 billion to \$50 billion, with a \$30 billion cash balance at the end of December.

In the quarterly announcement of its borrowing needs on May 2, 1994, the Treasury estimated net market borrowing during the July-September 1994 quarter to be in a range of \$55 billion to \$60 billion, assuming a \$40 billion cash balance on September 30. The \$51 billion June 30 cash balance -- compared with \$40 billion that had been estimated in May -- accounts for most of the difference between the May and August market borrowing estimates for the July-September quarter.

Actual net market borrowing in the quarter ended June 30, 1994 was \$8.1 billion, while the end-of-quarter cash balance was \$51.0 billion. On May 2, the Treasury had estimated net market borrowing for the April-June quarter to be \$8 billion, with a \$40 billion cash balance on June 30. The higher-than-expected end-of-June cash balance reflected a reduction in the cash deficit.



PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 1, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for \$12,565 million of 13-week bills to be issued August 4, 1994 and to mature November 3, 1994 were accepted today (CUSIP: 912794N83).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount Rate</u>	<u>Investment Rate</u>	<u>Price</u>
Low	4.32%	4.43%	98.908
High	4.35%	4.46%	98.900
Average	4.35%	4.46%	98.900

\$10,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 23%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$48,863,490	\$12,564,536
Type		
Competitive	\$43,495,548	\$7,196,594
Noncompetitive	<u>1,375,011</u>	<u>1,375,011</u>
Subtotal, Public	\$44,870,559	\$8,571,605
Federal Reserve	3,108,715	3,108,715
Foreign Official		
Institutions	<u>884,216</u>	<u>884,216</u>
TOTALS	\$48,863,490	\$12,564,536

An additional \$160,684 thousand of bills will be issued to foreign official institutions for new cash.

**AUCTION
RESULTS**

PUBLIC DEBT NEWS



Department of the Treasury • Bureau of the Public Debt • Washington, DC 20239

FOR IMMEDIATE RELEASE
August 1, 1994

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for \$12,403 million of 26-week bills to be issued August 4, 1994 and to mature February 2, 1995 were accepted today (CUSIP: 912794Q31).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	<u>Discount</u> <u>Rate</u>	<u>Investment</u> <u>Rate</u>	<u>Price</u>
Low	4.73%	4.91%	97.609
High	4.75%	4.93%	97.599
Average	4.75%	4.93%	97.599

Tenders at the high discount rate were allotted 58%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	<u>Received</u>	<u>Accepted</u>
TOTALS	\$45,243,790	\$12,403,166
Type		
Competitive	\$39,885,079	\$7,044,455
Noncompetitive	<u>1,276,967</u>	<u>1,276,967</u>
Subtotal, Public	\$41,162,046	\$8,321,422
Federal Reserve	3,050,000	3,050,000
Foreign Official Institutions	<u>1,031,744</u>	<u>1,031,744</u>
TOTALS	\$45,243,790	\$12,403,166

An additional \$187,256 thousand of bills will be issued to foreign official institutions for new cash.

TREASURY



NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE

August 1, 1994

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
BRADY LAW 100-DAY REPORT

Before the Brady Law was passed, I heard its opponents say: you put Brady into effect, you'll punish the law-abiding citizens who want to buy guns. The preliminary numbers are in. They were wrong.

One hundred days after Brady went into effect, the law has punished those it meant to punish: the criminals. It hasn't touched the good and honest gun buyers -- not for a minute.

We work under the premise that most gun buyers are good, honest people. We found 19 out of 20 had no problems passing the background check. But there's always one bad apple. In this case it was one in 20. About 5 percent of the gun buyers were stopped by Brady. They were stopped because they were armed robbers, or convicted felons, or drug dealers, or rapists, or killers. We stopped them from buying guns, and we probably stopped them from committing some terrible crimes. There's no way to prove that, but I doubt bad guys buy guns to duck hunt.

The story of the Brady Law isn't just in the numbers. It's also in the real life police investigations behind the numbers. Here's an example: in March, an accused stalker went to Prairie Village, Kansas, (a suburb of Kansas City) to buy a gun. This man was the subject of a restraining order for allegedly stalking his wife and threatening to kill her. On the Brady form, he lied. He said he was a resident of Missouri, not Kansas, and that's how we stopped him. According to the Prairie Village police, without the Brady Law, he would have bought the gun on the spot and possibly killed his wife and himself.

This 100-day study is a report card. We're still in the first term, but I don't know how anyone can look at these statistics, can read these stories, and not say the Brady Law gets an A. It's working.

Copies of the report "The Brady Law: The First 100 Days" are available by calling (202) 622-2960.

**THE
BRADY
LAW:**

THE FIRST 100 DAYS

**United States Department of the Treasury
Bureau of Alcohol, Tobacco and Firearms**



DEPARTMENT OF THE TREASURY
WASHINGTON, D. C.

UNDER SECRETARY

July 27, 1994

The Honorable Lloyd Bentsen
Secretary
Department of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

The attached report sets forth the findings of a survey conducted by the Treasury Department's Bureau of Alcohol, Tobacco and Firearms (ATF) regarding the impact of the Brady Law. The survey covers the 100-day period following the Law's implementation, and contains information voluntarily submitted by Federally-licensed firearms dealers and law enforcement authorities in nine selected cities.

The 100-day survey represents only a preliminary assessment of the Brady Law's efficacy. Still, the results are extremely promising. In the 100 days after the Brady Law became effective, approximately five percent of persons who applied to purchase handguns in the participating cities had their applications denied. Moreover, this denial rate was achieved without affecting the overall volume of handgun sales. This suggests that the Brady Law is keeping handguns out of the reach of that small percentage of persons who use handguns criminally, while not unduly inconveniencing law-abiding handgun owners.

The anecdotal evidence accompanying the 100-day survey bolsters the conclusion that the Brady Law is working. Brady has alerted law enforcement authorities to attempts by convicted and potential offenders to purchase handguns -- including convicted rapists, murderers and drug dealers. In one notable case, the Brady Law was instrumental in preventing an accused stalker from acquiring a handgun.

The Office of Enforcement and ATF will continue to monitor the Brady Law's impact as implementation proceeds. We are confident that the initial evidence of Brady's success, as reflected in the 100-day survey, will be corroborated further over time.

Sincerely,

Ronald K. Noble
Under Secretary (Enforcement)

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The Brady Law: The First 100 Days

At the instruction of Treasury Secretary Lloyd Bentsen, the Bureau of Alcohol, Tobacco, and Firearms (ATF) has conducted a preliminary review of the practical impact and efficacy of the Brady Law during its first 100 days of full implementation, from February 28 through June 6, 1994. This report includes brief summaries of cases involving the Brady Law, background on the Brady Law, a survey of licensed gun dealers and police in nine cities across the country, a summary of Brady-related inquiries to the FBI's criminal history data base, observations on how the Law is being implemented, and conclusions about its effectiveness.

The initial evidence suggests that the Brady Law effectively alerts law enforcement authorities to criminals and other prohibited individuals attempting to purchase handguns, while protecting the rights of law-abiding citizens.

These results, however, are only preliminary. Nationwide data is not available because the Brady Law does not require law enforcement agencies or gun dealers to maintain records on the overall numbers or results of Brady background checks. The survey information in this report was provided voluntarily by licensed gun dealers and police departments in the nine cities, and ATF is grateful for their cooperation. ATF will continue to monitor closely Brady's effectiveness and to gather information from the field in order to better enforce the Law, make it more difficult for criminals to buy handguns, and protect the rights of law-abiding citizens.

Brady at Work

Some of the most compelling evidence of Brady's effectiveness are the actual cases where Brady enabled licensed gun dealers to deny guns to prohibited buyers or even led to the arrest of wanted criminals:

- In February 1994, the then newly-enacted Brady Law enabled the Morehouse Parish Sheriff in Louisiana to stop the sale of a handgun to an individual convicted of armed robbery.
- In March 1994, the Brady Law prevented an accused stalker in Prairie Village, Kansas, from purchasing a handgun. The attempted handgun purchase was stopped by the Prairie Village Police Department when a Brady background check conducted by the Department revealed that the prospective purchaser, who was the subject of a restraining order for allegedly stalking his wife and threatening to kill her, was a resident of Missouri, not Kansas, as he had represented in his Brady form.
- Also in March 1994, the Brady Law played an integral role in disrupting a gun-running operation shipping weapons from Georgia to New York. ATF, working in conjunction with the Savannah, Georgia, Police Department, arrested a man who had purchased 16 handguns after a Brady background check raised significant questions about the man's identity and state of residence. Subsequent investigation confirmed that the man used an

alias on his form to purchase the guns and that he was a resident of New York, not Georgia. A search warrant was executed at the trafficker's Georgia base of operations, and the 16 handguns he had purchased were recovered.

- In April 1994, a suspected drug dealer was arrested in San Antonio, Texas, after a Brady background check performed by the Uvalde County Sheriff's Office indicated that the alleged dealer was the subject of outstanding warrants for possession of cocaine with intent to distribute, possession of heroin with intent to distribute and failure to appear in court.
- This spring, a man wanted by police in Orange County, Florida, for battery of a law enforcement officer was arrested while attempting to purchase a handgun in Columbia, South Carolina. Florida authorities had been unable to locate him, but the disclosure of his current address on the Brady form enabled agents of the South Carolina State Law Enforcement Division to locate and arrest him.
- In the first three months of the Brady Law, the Ohio Attorney General's office conducted 16,499 background checks. It reports that 129 convicted felons — among them convicted rapists, killers, and drug dealers — were prohibited from purchasing guns.

These are but some of the results reported by law enforcement authorities across the country which illustrate that the Brady Law is working to keep handguns out of the hands of criminals.

ATF's survey of licensed gun dealers and police in nine cities during the first 100 days of the Brady Law supports these anecdotal reports of the Law's success. The survey indicates that during that time approximately five percent of the individuals who applied to purchase handguns were prevented from making such purchases. At the same time, this denial rate had little impact on the overall volume of handgun sales. The Brady Law is having its intended effect — targeting that small percentage of persons who use handguns in furtherance of criminal activity while simultaneously protecting the rights of law-abiding citizens.

Background

Nearly 7.5 million firearms are sold through retail outlets in the United States annually. Of these, almost half are handguns. Under the Federal Gun Control Act of 1968 and under most state laws, criminals, the mentally ill and others are barred from owning guns. However, prior to February 28, 1994, the effective date of the Brady Law, there was no nationwide system in place to check the backgrounds of persons legally precluded from owning such weapons. The prospective purchaser merely had to sign a statement attesting that he or she was not legally forbidden from purchasing a firearm. Handguns were sold on the honor system — there was no nationwide system for law enforcement officials to verify purchaser statements.

The Brady Law addressed this ineffective system of enforcement by requiring that every retail sale of a handgun be referred to a law enforcement agency for a possible background check. Under Brady, a prospective handgun purchaser must fill out a form stating that he or she intends to purchase a handgun and certifying that he or she does not fall within one of a number of enumerated categories of persons prohibited from making such a purchase.¹ These categories include convicted felons, illegal drug users or addicts, persons under indictment, fugitives, illegal aliens and persons who have renounced their U.S. citizenship. The gun dealer must transmit the form to the "Chief Law Enforcement Officer"² (CLEO) in the gun buyer's home jurisdiction within one day. The Chief Law Enforcement Officer then makes a reasonable effort to ascertain within five business days whether receipt or possession of a handgun would be in violation of the law. If the Chief Law Enforcement Officer does not inform the dealer within five working days that the sale cannot go forward, the sale may be consummated.

The Brady Law establishes exemptions to the background check provision in states that already require a permit to purchase a handgun, or in states that already have in place a background check system comparable to Brady's. As of August 1, 1994, 29 states and territories will be subject to the Brady Law. One of these, Arizona, is considering legislation which would remove it from Brady's scope. In addition to the state law exemptions, certain types of handgun transactions may be removed from the purview of Brady (for example, if ATF determines that remote geographic location combined with a lack of telecommunications facilities render a background check impractical).

Brady Survey

Scope

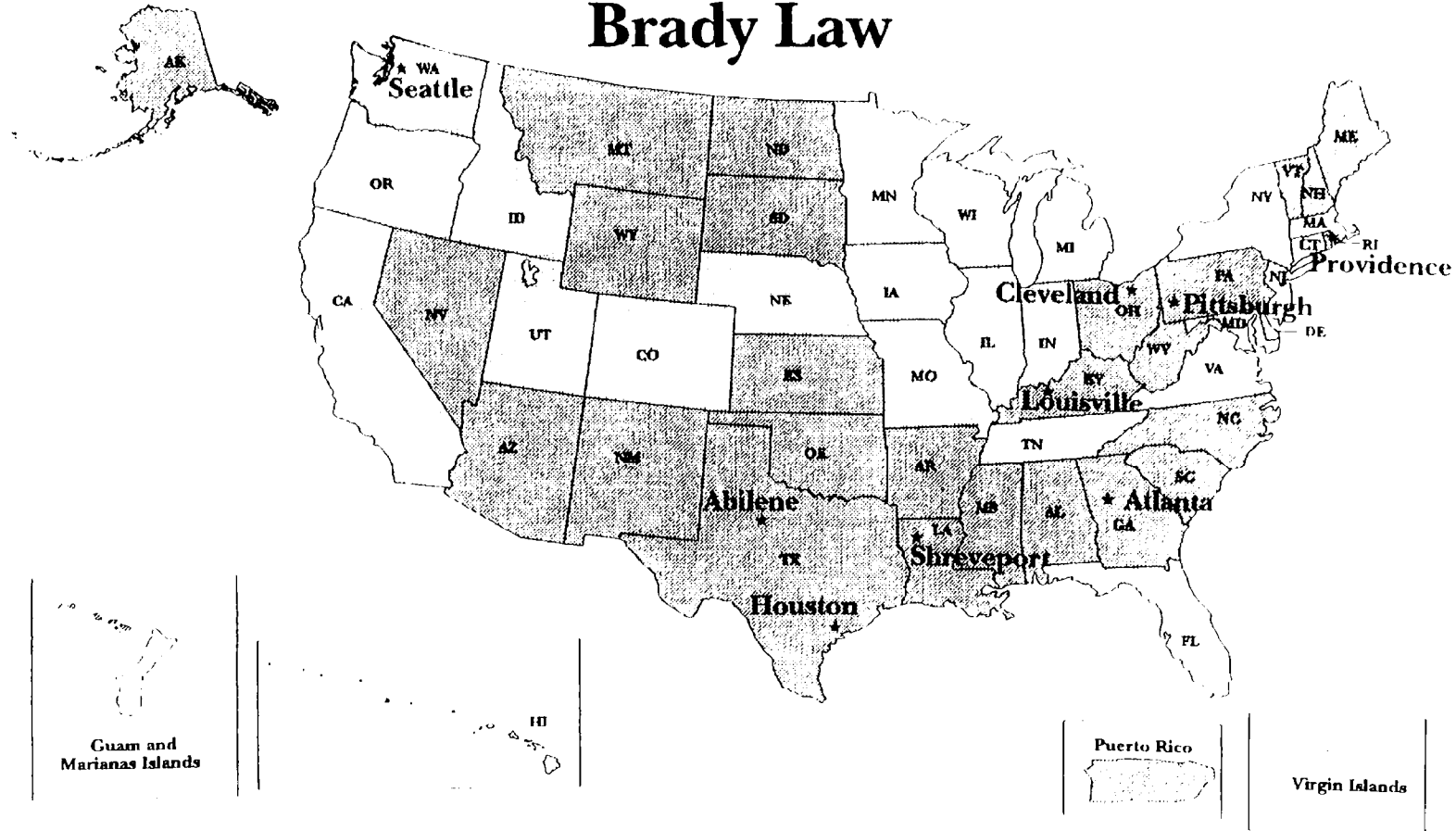
The Brady Law itself does not authorize ATF to require any kind of reports from federal firearms licensees (FFLs) concerning the implementation of the Brady Law. Consequently, there is no mechanism to track trends of handgun purchases and denials. A number of law enforcement agencies and gun dealers agreed, however, to cooperate in a comprehensive survey of Brady form submissions and denials during the 100-day period following the Law's activation.

ATF, in conjunction with the Department of Justice, selected the cities participating in the Brady Law 100-day survey. They are Houston, Texas; Louisville, Kentucky; Seattle, Washington; Pittsburgh, Pennsylvania; Providence, Rhode Island; Abilene, Texas; Atlanta, Georgia; Shreveport, Louisiana; and Cleveland, Ohio. ATF surveyed 70 of the largest volume gun dealers and 16 Chief Law Enforcement Officers located in the designated cities. The FFL numbers and law enforcement numbers for each city do not match because: a) not all gun dealers in the participating cities were surveyed; and b) the law enforcement officers performed background checks on local residents buying guns from dealers in other jurisdictions as well as those buying guns from local dealers.

¹ A copy of the Brady form is attached to this report.

² "Chief Law Enforcement Officer" is statutorily defined as a "chief of police, or sheriff, or equivalent officer, or their designee."

Department Of The Treasury Bureau Of Alcohol, Tobacco and Firearms Brady Law



States which must comply with the Federal requirements

States which meet the Federal requirements through an alternative

★ Survey Participants

Results

1. Gun Dealer Survey

The chart below sets forth the number of applications for handgun purchases that were submitted during the relevant period and the corresponding number of denials, as reported by the FFLs surveyed:

Survey City	Number of FFLs Interviewed	Number of Applications Initiated	Number of Applications Denied	Denial Rate (%)
Houston, TX	5	2,104	345	16.4
Louisville, KY	10	1,670	100	6
Seattle, WA	8	2,135	9	.4
Pittsburgh, PA	10	2,204	39	1.8
Providence, RI	5	113	13	11.5
Abilene, TX	8	437	6	1.4
Atlanta, GA	10	1,385	33	2.4
Shreveport, LA	9	1,377	65	4.7
Cleveland, OH	5	302	14	4.6
Totals	70	11,727	624	5.3

2. Chief Law Enforcement Officers

The chart below covers the same categories and sets forth data obtained from Chief Law Enforcement Officers in the surveyed cities.

Survey City	Number of Chief Law Enforcement Officers Interviewed	Number of Applications Initiated	Number of Applications Denied	Denial Rate (%)
Houston, TX	3	12,832	1220	9.5
Louisville, KY	1	17,440	624	3.6
Seattle, WA	1	2,200	36	1.6
Pittsburgh, PA	1	8,600	533	6.2
Providence, RI	1	348	5	1.4
Abilene, TX	1	501	12	2.4
Atlanta, GA	5	7,054	365	5.2
Shreveport, LA	2	1,835	100	5.4
Cleveland, OH	1	13,622	113	.8
Totals	16	64,432	3008	4.7

Firearm Criminal Record Queries Through NCIC

The FBI's criminal history data base, the National Criminal Information Center (NCIC), provides an accounting of the number of queries made by law enforcement authorities regarding firearms transactions. In general, the first step a law enforcement officer takes in processing a Brady background check application is to check it against the NCIC. When the initial check turns up an indication that the prospective buyer may be prohibited from buying a gun, the officer will usually run a follow-up query to confirm it. This makes NCIC checks a rough but useful measurement of the number of possible denials of handgun purchases under Brady.

As the chart below indicates, a total of 1,146,644 such queries were made between March 1 and May 31. Of these queries, 73,945, or 6.4 percent, resulted in follow-up queries. This does not mean that 6.4 percent of the original query subjects had backgrounds that rendered them ineligible to purchase a firearm, but it does indicate that the number of *potential* denials was around 6.4 percent and that the actual denials reported in our survey (4.7 - 5.3 percent), is consistent with actual use of the system nationwide.

States/Territories Firearms Transaction Checks Second Level Queries Potential Denials (%)
(for the period 3/1/94 - 5/31/94)

States/Territories	Firearms Transaction Checks	Second Level Queries	Potential Denials (%)
Alabama (B)	46,809	3,177	6.8
Alaska (B)	3,318	538	16.2
Arizona (B)	37,998	4,275	11.3
Arkansas (B)	7,830	146	1.9
California	248,756	1	0.0
Colorado	20,445	1,387	6.8
Connecticut	989	80	8.1
Delaware	4,572	268	5.9
District of Columbia***	0	0	0.0
Florida	76,880	6,483	8.4
Georgia (B)	23,624	7,920	33.5
Hawaii	2,648	259	9.8
Idaho (B)	10,959	1,343	12.3
Illinois	117,099	0	0.0
Indiana	881	74	8.4
Iowa	3,131	246	7.9
Kansas (B)	6,649	1,066	16.0
Kentucky (B)	18,124	1,874	10.3
Louisiana (B)	14,670	1,435	9.8
Maine (B)	2,955	179	6.1
Maryland	22,502	1,479	6.6
Massachusetts	3,172	44	1.4
Michigan	27,023	608	2.2

Observations

Business Impact

In addition to the foregoing evidence of the Brady Law's effectiveness, the ATF 100-day survey has yielded other valuable insights. For example, the majority of FFLs interviewed felt that business, which had decreased at the beginning of Brady Law's activation, has returned to normal. The initial decline in sales can be attributed to the surge of buying that preceded implementation of the Brady Law.

Moreover, all of the Chief Law Enforcement Officers interviewed stated that five business days is sufficient time to conduct Brady background checks. The Chief Law Enforcement Officers generally have been flexible and creative in their approaches to receiving Brady forms. Forms are being accepted by telephone, fax, mail or in person.

A growing number of states have decided to employ instant point-of-sale checks. Since Brady became effective, three states have implemented such systems. Two other states are considering adopting similar measures. In addition, a national instant check system is under development and is scheduled to be in place by the end of 1998.

Making Compliance Easier

Numerous FFLs and Chief Law Enforcement Officers have discussed the need to have the Brady form published in Spanish. ATF is following up on this suggestion. ATF is continuing to work with FFLs and Chief Law Enforcement Officers to facilitate the smooth implementation of the Brady Law. Seminars are being offered throughout the United States to ensure that FFLs and Chief Law Enforcement Officers know the Brady Law's requirements and to provide the FFLs and Chief Law Enforcement Officers with an opportunity to offer suggestions and raise questions. ATF also is in the process of publishing a newsletter to apprise FFLs of current issues and items of concern regarding the Brady Law.

Court Challenges

Sheriffs in seven states, who were designated as Chief Law Enforcement Officers for their respective jurisdictions, have filed separate actions in federal district courts seeking to have the Brady Law declared unconstitutional. The sheriffs have argued that the provision regarding Chief Law Enforcement Officers conducting background checks of prospective handgun purchasers violates the Tenth Amendment. To date, four courts have issued decisions. The United States District Court for the Western District of Texas held that the Brady Law is

constitutional since it does not interfere with a state's sovereignty, but rather places only de minimis duties on the Chief Law Enforcement Officer. United States District Courts in Montana, Mississippi and Arizona, however, ruled that requiring the Chief Law Enforcement Officer to carry out background checks impermissibly commandeers state executive officers to administer a federal program, a violation of the Tenth Amendment. Notably, the courts in these adverse decisions still left intact the core elements of the Brady Law. For example, the five-day waiting period was not deemed violative of the Constitution.

Conclusion

ATF's goal in conducting the 100-day survey was to gather empirical evidence of the Brady Law's success from representative FFLs and Chief Law Enforcement Officers. Preliminary data demonstrates that the Law is achieving its intended results. In the 100-day period following the Brady Law's inception, approximately five percent of all individuals trying to purchase handguns were precluded from doing so. This rate of preclusion, moreover, was realized without disrupting sales to legitimate handgun purchasers. Thus, Brady is successfully targeting the small number of persons who use handguns criminally, and is doing so at a minimum of inconvenience to responsible, law-abiding handgun users. ATF will continue monitoring the Law's implementation to measure its impact and to ensure ongoing compliance.

Appendix

Sample Brady Form

DEPARTMENT OF THE TREASURY

TREASURY



NEWS

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Statement of Roger Altman

Deputy Secretary of the Treasury

Before the Committee on Banking, Housing
and Urban Affairs of the United States Senate

August 2, 1994



Mr. Chairman and Members of the Committee: My name is Roger Altman. On January 21, 1993, I was unanimously confirmed by the Senate as Deputy Secretary of the Treasury and have served in that capacity since then. That was the second time I was unanimously confirmed to serve in the Treasury. Over the four years of the Carter Administration, I served as Assistant Secretary for Domestic Finance and worked closely with this Committee at that time, especially on the Chrysler and New York City rescues.

I feel privileged to have served in these capacities. Public service has always been an important part of my life, as it was for my parents. Over those years, and in those positions, I may have made some poor decisions or other mistakes, but my integrity has never been questioned.

Let me address first the very basic issue as to whether any effort was made by Treasury or White House staff to impede or alter in any way the criminal or civil processes of the RTC as they relate to Madison Guaranty. I include within that question, the issue of whether any information was improperly imparted to the White House.

To the best of my knowledge, there was no effort on the part of any White House or Treasury staff to impede or affect in any way the RTC investigations. Moreover, no member of the RTC or Treasury staff, to my knowledge improperly imparted any information about Madison Guaranty to the White House. I did not do it myself, and I am not aware of anyone else doing so.

Three independent investigations have addressed these questions. First, we have the results of the legal investigation by the independent counsel, Mr. Fiske. All issues involved in his investigation were fully and thoroughly investigated, including a review of my testimony before this Committee. And we are all familiar with his conclusions.

There is also the report of the Office of Government Ethics which Secretary Bentsen released on Sunday. This concluded that there had been no unethical activities on the part of any Treasury personnel. The Office of Government Ethics is an independent body. As with Mr. Fiske, it had access to all documents and took testimony, under oath, from all those involved, including your witnesses.

There is also the report of Mr. Cutler, White House Counsel, on the question of any unethical behavior by White House staff. He concluded there was none.

These investigations have confirmed that the Clinton Administration did not interfere in any aspect of the Madison Guaranty case. There is no evidence, I repeat, no evidence that either

the criminal or civil aspects were compromised, delayed or altered in any way. Simply none.

I believe that the conclusions of these three separate investigations are absolutely correct. And I ask the Committee to bear in mind the larger context of my involvement in the handling of the Madison matter by the RTC:

- . Most importantly, I never made any decisions with respect to the Madison case;
- . I was committed, as I told the White House staff and others, to have the RTC General Counsel, Ellen Kulka, make whatever determination was necessary with respect to any civil claims arising from Madison;
- . My meeting with the White House staff on February 2 was cleared by both Treasury General Counsel and the designated Treasury Ethics Officer;
- . I obtained two written ethics opinions stating that my recusal was not required; and
- . I recused myself from the Madison matter on February 25th without ever having made any decision in that case.

Secondly, let me turn to what I believe is the most important issue between this Committee and me; i.e. my testimony of February 24.

I do not have perfect recall, and I may have heard or understood questions in a way that was not intended by the Senator asking the question. If I did so, I sincerely apologize to all members of the Committee.

But I want to be clear. In no way did I intend to mislead or not to provide complete and forthright answers. I have too much respect for this Committee, for our system of government and for the need for full and forthright communications between the executive and legislative branches of our government.

The Treasury/RTC Relationship

Let me turn to describing the interaction between the Clinton Administration and the RTC.

First, when Mr. Casey resigned as CEO in March 1993, the Administration had only taken office five or six weeks beforehand and had not yet chosen its nominee for this position. Indeed, only two U.S. Treasury officials had even been confirmed -- Secretary Bentsen and me.

Secretary Bentsen asked me to assume this position until a permanent CEO was nominated and confirmed. As others will attest, I neither sought nor wanted this assignment, but

accepted it because there was no one else. And, during the discussions about my appointment, there was no mention by anyone of Madison Guaranty.

In June 1993, we submitted a nomination for permanent chairperson of the RTC. Our expectation was that he would be promptly confirmed, and I could leave the agency.

Our nominee was a Republican, and an active one. He was well qualified for this position, and the Administration supported his nomination throughout the Congressional session. But, the nomination was not taken up by the Senate. After Congress completed its work last Fall, he withdrew his name from further consideration.

Let me make an observation about this situation. The Administration nominated an active Republican for the top RTC job. That is not consistent with trying to exert undue control over the agency or one of its investigations.

When I became RTC Chairman, the agency was managed on a day to day basis by its two Senior Vice Presidents -- Bill Roelle and Lamar Kelly. Almost all members of the RTC senior staff reported to one or the other. These two men were appointees of Mr. Casey, who, in turn, had been appointed by President Bush. They were thoroughly professional and were retained throughout all of 1993. Each then left at his own initiative to rejoin the FDIC.

Retaining the two Senior Vice Presidents who we inherited is also not consistent with trying to exert political control over the agency. Moreover, these two individuals had no motivation to show favoritism on Madison Guaranty, and I do not believe that they did so.

During my tenure at the RTC, I was also serving as Deputy Secretary of the Treasury. In that role, I was deeply involved in policy initiatives ranging from passage of the President's Economic Plan to co-chairing the U.S.-Japan framework negotiations. These responsibilities permitted me limited time for RTC matters.

My RTC involvement typically related to broad public issues, like the long struggle to pass the RTC Completion Act last year. At no time did I ever ask to be briefed, or was I briefed, on any investigation or the status or outlook for any case. Not once. My role was to provide general oversight at twice-weekly RTC Senior Staff meetings. These involved 8 - 10 RTC officials. They were the only RTC employees with whom I ever had personal contact of any kind.

The Criminal Referral

Last Fall, Bill Roelle or Jean Hanson, or both, advised me, because of impending publicity, that the RTC was considering referring the Madison matter to the Justice Department for criminal investigation and that the referral could mention the President and First Lady in some capacity. I had never asked to be involved in Madison-related matters or any other RTC investigation. Indeed, until that time, I had known nothing about Madison except through the press. And, as I said, I believe they advised me because publicity was imminent.

I was also advised that such referral decisions are typically made at the regional office level. I responded by saying that this referral decision should be made in exactly the same fashion as in any other case. If that meant the regional office level, then that's where the decision would be made.

There were no further conversations with me on this subject. I ultimately learned through the press that the case indeed had been referred to the Justice Department.

I do not believe that I suggested that the White House be informed on any facts relating to this referral. But, if Ms. Hanson did advise the White House of an impending press leak on it, I see nothing improper in that.

Mr. Roelle has testified that he advised me of a possible criminal referral as early as March 1993. I respect him but I do not recall it.

There have also been questions on press articles on Madison which I may have faxed to Mr. Nussbaum. He has said that he has no recollection of receiving them. I don't recall sending them either. But there would be nothing wrong with sending press articles to anyone. And, there isn't a shred of evidence that I conveyed sensitive information then or at any other time.

The February 2 Meeting

During our meeting at the White House on February 2, we conveyed no information on the facts, merits or outlook for the case or the statute of limitations decision. That would have been impossible because I had no information on those matters. I never had such information on Madison, or any other case, and don't have any today.

The only information we provided which related to the case involved a description of the generic and procedural alternatives which face the RTC on any expiring statute of limitations situation, and indeed faced it on Madison. All of that information was in the public domain. It had previously been provided to representatives of the Congress, upon request. And, it

was in the hands of the media. The Washington Times, for example, had already printed a summary of these procedural alternatives.

During the months of December and January, there were at least seven meetings or conversations between RTC officials and House and Senate staff, all requested by the latter. Three of these involved Senator D'Amato's staff. All of these centered around the statute of limitations issues and the supplying to Congress of documents related to Madison.

Moreover, from December 1993 through February 1994, a series of Congressional inquiries regarding the pursuit of civil claims arising from the Madison failure came directly to me.

They included a letter on January 11 from forty-one Republican Senators and a letter on January 25 from Senator D'Amato and a letter from Congressman Leach. These urged, in Senator D'Amato's words, "take action to voluntarily seek agreements from potential parties to pre-initiated legal action . . . I can see no reason for further delay on your part . . . please provide me with your conclusion immediately."

The Congressional inquiries directed to me, of course, required a response. Prior to receiving them, I was not familiar with the statute of limitations issues. I am not a lawyer and, for example, had never previously heard of a tolling agreement.

To assist in preparing responses to Congressional inquiries, Ellen Kulka, RTC General Counsel, briefed me on these issues. I learned that the RTC had to make a decision by February 28. The alternatives were: (1) seeking a tolling agreement with the parties against whom a claim might be brought; or (2) failing that, filing a claim in court; or (3) concluding that no basis existed for pursuing a claim. This information, together with the facts relating to the criminal referral, was the sum total of information relating to Madison which was known to me.

My responses to Members of Congress were very direct. We pledged an impartial process, a thorough review and "if such (civil) claims do exist, the RTC will vigorously pursue all appropriate remedies using standard procedures in such cases, which could include seeking agreements to toll the statute of limitations."

With the volume of Congressional and press inquiries rising, it seemed to me that, first, the White House should have the same information which was being provided to Congressional Staff and the press; and second, it was appropriate to advise the White House of events which could affect its function. Those were my only motivations.

On February 2, Jean Hanson and I went to the White House. She attended because, as Treasury's senior lawyer, she had been helping me on various RTC legal matters, and the subject matter was inherently legal. She saw nothing wrong with providing this information

to the White House. I later learned that she also had the good judgment to check the ethical issues with Dennis Foreman, Treasury's chief ethics officer, who also saw nothing improper. Mr. Foreman is a career appointee who preceded the Clinton Administration.

In other words, Treasury's General Counsel and its senior ethics officer both approved this meeting.

The meeting lasted no more than twenty minutes. Initially, Ms. Hanson and I described the generic procedures which the RTC used in this or any other case facing an expiring statute of limitations. We recited the three alternatives, following talking points which she had prepared. This Committee has a copy of those.

This was the total information provided which related to the case. We provided no information on the status or outlook for the case. That would have been impossible because we possessed none.

The Office of Government Ethics, which took testimony under oath from all participants, said in its report that "nothing . . . suggests that (this) part of the meeting involved a disclosure of nonpublic information."

The Question of Recusal

Toward the end of the February 2 meeting, I also raised the question of recusal. Let me now address that. The issue of recusal is a false one. Whether I recused myself or not would have had no impact on the case. None at all.

The facts are that I began thinking about recusal around February 1, and on February 25, I did recuse myself. No matter came to me for decision on any case, including Madison.

Moreover, prior to recusing myself, I was de facto recused. Decisions on cases never came to me at any time during my RTC tenure. And, I had specifically reaffirmed to the RTC General Counsel, before the February 2 meeting, that she would be making all decisions related to Madison, not me. Indeed, I had told her that more than once and with others present.

On February 2 when I informed the White House that I was thinking about recusal, I told them that it was irrelevant because the RTC General Counsel would be making all decisions on Madison, not me. The Office of Government Ethics report confirms my de facto recusal. It states that "recusal is just another word for nonparticipation." I had already chosen non-participation.

Nine days after the February 2 meeting, Congress passed a two-year extension of the statute of limitations on Madison Guaranty. That made recusal entirely moot. My term as RTC Chairman was to expire (and did expire) on March 30. With such additional time, it was almost certain that the RTC would not be making any Madison decisions by my March 30 termination date.

In retrospect, I perhaps should have recused myself right off the bat. Some of this controversy would have been avoided.

But, before February 2, I had been advised that there was no legal or ethical requirement to recuse myself. I later received two written opinions from ethics officers to that effect. Moreover, it isn't clear whether recusing oneself in the absence of such requirements is entirely appropriate either. The Office of Government Ethics Report questions whether I made the right decision to recuse or, instead, had a duty to serve.

I don't think that taking three weeks to make such a complex decision is all that surprising. But, again, the important point is that I recused myself without ever having participated in any decisions on Madison.

The February 24 Testimony

Let me address now the issues which have been raised about my February 24 testimony.

I have a deep respect for our system of government, the role of the Congress and the importance of testimony by the Executive Branch. Our system cannot function properly without honest communication among the three branches. It is the equivalent of a sacred trust.

I testified many times during my four years in the Carter Administration and during my service in this Administration. And, I have always tried my best to testify in the most forthright way.

I realize that, in retrospect, my testimony of February 24 may appear too narrow or perhaps incomplete. I regret that perception and apologize for it.

I want to emphasize, however, that there was never any intent to mislead this Committee. I prepared for that testimony with 10 or 15 members of RTC and Treasury Staff, and my answers were in line with the responses developed by that group.

The relevant exchanges on Madison Guaranty that day consumed less than ten minutes. I thought that my answers were responsive to the questions I was asked. Given an opportunity

to do it over again, I would have added more information. But, my intention was to testify forthrightly, as I have always tried to do. I hope I can reassure you of that today.

Testimony on the Fall 1993 Treasury/White House Meetings

Let me be specific about my testimony on February 24th. Senator Gramm asked me if I or any member of my staff had any communication with the White House regarding Whitewater or Madison Guaranty. I answered that I had one substantive contact. Senator Gramm asked me to describe the substance of that one contact. I described the February 2 meeting at the White House and the discussion about the generic procedures that the RTC would follow when a statute of limitations was about to expire.

I did not mention the meetings between Ms. Hanson and others at the White House on September 29 and October 14 because I was not aware of them at the time of my testimony on February 24.

On March 2, one week later, I received a call from Mr. Podesta of the White House. He asked me, in effect, about "the other two meetings." I had never heard of them and told him so. Mr. Cutler's chronology is clear on this point.

I promptly called Ms. Hanson and Mr. Steiner, who confirmed the existence of two Fall meetings. Neither challenged my statement to them that I'd not heard of those meetings.

I then prepared and sent a letter to the Chairman of this Committee indicating that I had just learned of two meetings in the Fall, my impression that they related to press inquiries and that I wanted to expand the record accordingly. I believe that I also spoke by telephone to Senator Riegle before sending that letter. I wanted this Committee to have this new information immediately.

I also telephoned Senator Bond, who had asked the original question. I also wanted to advise him immediately. We had a cordial conversation and he thanked me for alerting him.

Ms. Hanson testified yesterday that her discussion in September 1993, was at my request. I do not believe that to be the case. Recollections can differ, of course, especially on events which occurred five months earlier. There is nothing unusual in that. I just disagree with Ms. Hanson's recollection.

Let me buttress that point this way. Ms. Hanson helped prepare the questions and answers for my testimony about White House contacts. Ms. Hanson sat directly behind me during my testimony. Just after my response to Senator Bond, I turned to her and she confirmed my answer. Then, she and I had lunch together afterwards. A week passed before Mr. Podesta's call, which alerted me to the Fall meetings. She then precleared my letter to

Senator Riegle which stated that I had no prior knowledge of these meetings. At none of those times did she suggest that my recollection was faulty.

We also know that Ms. Hanson earlier prepared Q's & A's indicating that I had not asked her to brief the White House last Fall. The Office of Government Ethics report, released yesterday, indicated that she also answered "no" to a similar question which OGE or its representatives asked.

I believe, Mr. Chairman and Senator Bond, that these facts confirm my testimony on February 24 that I had no knowledge of such meetings at the time of my testimony.

The February 2 Meeting

The Office of Government Ethics report concluded that no non-public information on the case was provided to the White House at the February 2 meeting. Its investigation included testimony, taken under oath, from all participants in that meeting. Mr. Cutler's report, based on a separate set of interviews with the same individuals, reached the same conclusion. In addition, had sensitive information on any aspect of the case been conveyed, Mr. Fiske might not have reached the conclusion which he did.

Last Friday, Senator D'Amato charged that we had somehow advised the White House that the RTC would be unable to complete its investigation of Madison by the February 28 statute of limitations deadline. And, that this somehow signalled the President that he need not enter into a tolling agreement because the deadline otherwise would lapse.

This is categorically false. Senator D'Amato is wrong. My testimony on this point was wholly accurate. The record makes that clear.

- . What I told the White House about RTC procedures is documented in my Talking Points for that meeting, which I know you have. Those Talking Points say: "It is not certain where the analysis will be completed, but it will be before February 28."
- . And the OGE report found no non-public information was disclosed on February 2.
- . Mr. Cutler's report and chronology state that no such information was given on February 2.
- . Ellen Kulka, RTC General Counsel, made perfectly clear that no matter what, she and the RTC would be ready to make a decision by February 28.

I believe, and you can ask Mr. Ickes yourself when he appears before you, that he did not intend to say I had told the White House the investigation could not be concluded by February 28.

Supplements to the Record

Much has been made of my supplements to the record after the February 24 hearing. I do not entirely understand this. The Chairman said at the conclusion of the hearing that the record was open for additional information. It has always been my impression that supplementing the record was a constructive act, not a bad one.

I want to stress to this Committee that there was not a pattern of withholding or concealing information. It's really the opposite. As soon as I learned or received information, I immediately provided it to the Committee. It could not all have been provided in the first letter because I did not have it all then.

Only through a comprehensive review of files and logs was more information uncovered. Ultimately, an exhaustive review by counsel turned up the final information.

I believe that providing such information to this Committee, as soon as it was available, was the right step to take. It was not a case of dribbling out information which I had all along. Now, let me get to the specifics.

There was only one discussion which related to the case itself and factors which would affect its outcome. That was the discussion of generic alternatives facing the RTC in regard to the expiring statute of limitations.

On February 24, Senator Domenici asked me if there were other contacts beyond the February 2 meeting. My response was, in effect, that I am not counting bumping into someone in the hall or debating stories in the morning newspapers. This clearly indicated that there may have been other contacts but that I regarded them as incidental. Had Senator Domenici or any other member of the Committee then asked me to review any other contacts, I would have tried to recall them.

But, those additional contacts after February 2 indeed were incidental. They could not have had any bearing whatsoever on the case.

But, in the days and weeks following my testimony, it became clear that any contacts which could be remotely tied to the catch-all term "Whitewater" could be regarded differently. As a result, I carefully reviewed my calendar and my telephone calls and incidental contacts with White House personnel. I wanted to bend over backwards to be as complete as possible.

I amended the record to include other incidental contacts although I did not consider them related to the substance of Madison. Initially, there was a brief telephone call to Mr. McLarty a few days after the February 2 meeting to the effect that I was still considering the issue of recusal. Similarly, around the same time, I had a brief discussion with Harold Ickes to tell him essentially the same thing. Those brief conversations on recusal could not, under any circumstances, have had a bearing on the case. I already had removed myself from any possible role on the case.

Finally, the record was also amended to advise the committee that I had a brief discussion with Mr. Ickes the night before my testimony. I told him that I intended to announce during my testimony that I was stepping down as CEO of the RTC, as I did announce the next day. That had nothing to do with Madison.

Around the same time, I literally ran into Mr. Nussbaum in a corridor of the White House. He told me the Administration would soon be submitting its nominee for permanent RTC head. That had nothing to do with Madison either. But, I nevertheless amended the record on a voluntary basis so that there would be no question.

Some think that I consciously failed to mention these other incidental contacts. That isn't true. When we were here five months ago, I believed that I was responding properly to the questions. I assure you, Mr. Chairman, that there was no intent to mislead.

Testimony on Recusal

Questions also have been raised as to why the subject of recusal was not discussed in the February 24 testimony.

I was not asked about recusal. There were several Q's and A's in my briefing book on recusal. A team of ten or fifteen members of Treasury and RTC staff helped to prepare them. Had there been any attempt to intentionally withhold information on the recusal, one surely wouldn't have rehearsed answers on that subject with such a large group.

Had I been asked about recusal, I would have responded forthrightly. While I have reservations about Mr. Steiner's diary, as you can imagine, it confirms the view that recusal wasn't asked.

I did not mention recusal in my testimony because I did not think it was responsive to the question asked. I may have been wrong in this regard, but I had no intention to mislead or withhold information from the Committee. I believed at the time that the Committee was interested in knowing whether Treasury or the RTC had improperly provided information to the White House on the substance of the Madison case. I was anxious to tell this

Committee that I had informed the White House only about the generic procedures the RTC would employ in such circumstances and about nothing else concerning the Madison Case. Indeed, I remember saying "that was the whole conversation." And what I meant by that was that was the whole conversation with respect to what I believed was the substance of the case. No one asked me to describe everything that happened at the February 2 meeting.

I did not -- and still do not -- consider recusal to touch upon the substance of the Madison case. Now, of course, I see that Committee members may feel that I was being too precise in my answer. I assure the committee that it was not my intent to mislead or to withhold information. Indeed, I had with me on February 24 in my briefing book a series of questions and answers on recusal which I was prepared to give in response to questions about recusal. I had anticipated being asked directly about recusal, just as Ricki Tigert had been by the Committee a few weeks earlier, but I was asked no such questions.

I have read news accounts of a battle over my recusal. The total discussions which I had on recusal with White House personnel consumed approximately ten or fifteen minutes. I said that I'd been advised to recuse myself and that I intended to take that advice. I didn't say when. No one asked me not to recuse. Mr. Steiner's diary points out that, after the February 2 meeting, everyone knew that I wasn't going to play any role in the case. Yes, I did waver on the timing, but then executed the recusal three weeks later.

Conclusion

In closing, I would like to reiterate the key facts. Three separate investigations have concluded that no legal or ethical violations occurred. No one interfered in any way with the Madison Case nor improperly imparted information on it. And, I believe that my testimony of February 24 was truthful.

I hope that these points, and the answers I'll now provide to your questions, will satisfy this Committee that my conduct was proper. Thank you.

DEPARTMENT OF THE TREASURY

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STATEMENT OF JEAN HANSON, TREASURY DEPARTMENT GENERAL
COUNSEL, BEFORE THE COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS, UNITED STATES SENATE, 103D CONGRESS, 2D SESSION,
ON SENATE RESOLUTION 229

(August 1, 1994)

LB-990



STATEMENT OF JEAN HANSON, TREASURY DEPARTMENT GENERAL COUNSEL, BEFORE THE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS, UNITED STATES SENATE, 103D CONGRESS, 2D SESSION, ON SENATE RESOLUTION 229

(August 1, 1994)

Introduction

Mr. Chairman, Members of the Committee:

I am Jean Hanson, General Counsel of the Treasury Department. I have been privileged to hold that position since June 1993. I am testifying today pursuant to Senate Resolution 229, exploring communications between Treasury officials, including me, and White House personnel relating to Madison Guaranty Savings & Loan ("Madison").

Out of respect for this Committee and for the investigations that preceded this Committee's work, I have refrained from speaking with reporters about this matter. There have been many recent leaks of my testimony and documents, which include numerous misstatements and mischaracterizations. I welcome this opportunity to testify publicly and to speak for myself. I hope you will make your judgments based on my testimony today.

I have tried my best to recollect everything that occurred about this matter. I have also reflected on the reasons for these conversations. I know that these conversations violated no law, no rule and no ethical standard. I also know that they were appropriate, and that they furthered legitimate governmental interests.

Background

Before I turn to Madison, I want to tell you a little about myself. For nearly two decades before coming to Washington, I practiced law in New York, and worked on complex corporate transactions. I came to New York from Minnesota, where I was born, and where I was reared to do things in a straightforward mid-Western way — honestly and by dint of hard work. I am neither a "Beltway Insider" nor a political person; prior to coming to Washington, I had no

contact whatsoever with the President or the First Lady; I did not campaign for them, or for any candidate, and I do not owe my Treasury appointment to political activism. I was recruited for my position. My husband is a Republican.

I did not know Secretary Bentsen before I accepted his offer to become Treasury General Counsel; indeed, I did not know anyone at Treasury or in the White House. I accepted Secretary Bentsen's offer for one reason — I wanted to contribute to the important work of the Government, and give something back to my Country. I still do.

My Role at Treasury and My Involvement in RTC Matters

At the outset, I would like to address my role in RTC matters. As Treasury General Counsel, I am charged with carrying out duties and assignments given to me by Secretary Bentsen or Deputy Secretary Altman. I fulfilled assignments relating to the RTC given to me by Mr. Altman and, at times, Secretary Bentsen, but at no time did I ever hold any position at the RTC, nor have I ever been acting RTC General Counsel.

To say the least, the RTC is an unusual entity, and people often misdescribe it and its functions. For example, it is a corporation, not an "agency," except for limited purposes. It is *not* a regulatory body, because it does not regulate anything. And, it is *not* independent — the RTC CEO serves solely at the President's pleasure, unlike independent agencies, such as the SEC and the CFTC. It has a finite life span, now scheduled to end next year. Except for its CEO, it has no employees and must carry out its functions by utilizing FDIC and executive branch personnel, including Treasury employees.

As Interim RTC CEO, Mr. Altman had statutory authority to seek the assistance of Treasury personnel on matters related to RTC functions, and as Deputy Treasury Secretary he had the authority to grant the assistance of such personnel. Mr. Altman asked me to assist him with policy-related and other issues involving the RTC, and I did so. Mr. Altman undertook to serve in two jobs, for a limited period. He was entitled to all the assistance he could muster. It was entirely appropriate for me to assist him in any legitimate way he requested.

How I Learned about Madison, and Why

I now turn to Madison, and what I learned, how, from whom and to whom I imparted that knowledge. Given time constraints, I will not cover every meeting or conversation that I discussed in my deposition before the Committee. Rather, I address the principal contacts regarding Madison in which I was involved.

To put this into context, it is important to understand that there were two distinct phases to the RTC's consideration of Madison — first, was the preparation of multiple criminal referrals relating to Madison that I ultimately learned were forwarded to the Justice Department, and second, was the consideration by the RTC of potential civil claims that might be brought against various persons who had had some involvement with Madison. From the last few days of September 1993, through the second week of October 1993, the limited discussions in which I participated related to concerns about leaks to the press of the Madison criminal referrals.

In December, the passage of the RTC Completion Act revived the previously lapsed statute of limitations for many potential civil cases, including Madison. From mid-January of this year, until the end of February, the limited discussions in which I participated related to the

statute of limitations and other procedural matters surrounding possible civil claims related to Madison.

The September 1993 Discussions. On September 27, 1993, RTC Senior Vice President William Roelle called to tell me that nine criminal referrals related to Madison were on their way from the RTC in Kansas City to Washington, after which they would be forwarded to the Justice Department; I clearly understood from Mr. Roelle that the referrals, and the information about them that Mr. Roelle imparted to me, would be leaked to the press when they arrived in Washington — which in fact did occur very close in time to Mr. Roelle's call to me. Mr. Roelle summarized the referrals, and said the President and Mrs. Clinton were mentioned as *possible witnesses*. I reported this conversation to Mr. Altman, who tasked me to advise Bernard Nussbaum, then Counsel to the President, of the imminent press leaks. On September 29, I did so, after a meeting that both Mr. Nussbaum and I had attended to discuss the Treasury's report on the handling of the Waco situation.

A few observations are in order. First, before Mr. Roelle's unsolicited call, I had no prior knowledge of Madison, other than a news story that had appeared during the campaign. Second, my task — to alert White House Counsel Nussbaum to imminent press leaks so he could deal with them intelligently — was entirely appropriate and necessary; the existence and substance of the criminal referrals *was* leaked, and the Administration *did* have to deal with the ensuing inquiries. Third, no preferential treatment or benefit was intended for anyone and, as far as I know, no one received preferential treatment. The President and First Lady were not the subject of any proposed governmental action; they were merely possible witnesses.

It has been reported that Mr. Altman does not recall tasking me to advise Mr. Nussbaum of what the RTC professional staff believed would be imminent press leaks. In my view, the difference between Mr. Altman's and my recollections on this point is not significant. If I had thought it was inappropriate to brief Mr. Nussbaum, I would not have done it. I take full responsibility for the decision to do so. What I think is significant is that Mr. Altman and I agree that it was entirely appropriate to brief Mr. Nussbaum about the expected leaks.

When the search was done to locate documents responsive to the Independent Counsel's subpoena, a September 30, 1993 memorandum I prepared was found in my secretary's chron files, as well as my own RTC files. That memorandum, addressed to Mr. Altman, had attached to it a document confirming that the referrals had been leaked to the press and reported that I had spoken to Mr. Nussbaum and Mr. Sloan, had briefed Secretary Bentsen, and inquired of Mr. Altman whether there was anything else he thought we should be doing regarding these press leaks. I do not have an independent recollection of writing this memorandum, but, I am confident I prepared it — it bears my initials and is the kind of memorandum I write to report back on matters I have been asked to handle. Although I have no recollection of having briefed Secretary Bentsen as the memorandum states, I am sure my memorandum accurately reflects that I did. The memorandum does not specify the subject of the briefing; I may have told Secretary Bentsen of the meeting or, as is more likely, I may have alerted him to the fact that there would be press leaks relating to the Madison criminal referrals, and the nature of the anticipated leaks.

The October 1993 Discussions. On October 14, I attended a meeting at the White House, arranged either by Mr. DeVore or Mr. Steiner, two senior Treasury officials, to discuss the handling of press inquiries Mr. DeVore, then Treasury's Assistant Secretary for Public Affairs, had received with regard to the Madison criminal referrals. The issue I recall Mr. DeVore saying the press had raised then was whether the referrals were being held up at the RTC and not being forwarded to the Justice Department. Implicit in the question was a suggestion of misconduct by Treasury or White House officials.

I have no doubt that the meeting was appropriate. First, the press inquiries Treasury had received confirmed that information about the criminal referrals had been leaked now to at least two reporters, a significant breach of government regulations that gave Administration officials no choice but to be prepared to respond. Indeed, I was struck, when the articles in question appeared at the end of October and the beginning of November, by how much more the reporters knew about these referrals than I ever did. Second, the inquiry was based on false information that cast the Administration in an inaccurate and decidedly prejudicial light, which the government had an obligation to correct. Again, there was no intent, and certainly I know of no effort, to interfere in any way with the referrals which, I believe I subsequently learned, had already been forwarded by the RTC to the Department of Justice.

The February 1994 Discussions. By mid-January, Congressional attention became focused on upcoming deadlines under the statute of limitations for the filing of any *civil* claims the RTC might bring in the Madison matter. At the time, civil claims involving Madison had to be filed on or before February 28, 1994, unless the RTC either decided not to pursue any civil claims,

or obtained tolling agreements from the parties who might be the subject of a civil suit. Various members of Congress were pressing the RTC to obtain tolling agreements if the RTC could not complete its Madison investigation by February 28. In the face of the fast-approaching deadline, Mr. Altman considered whether he would recuse himself from substantive decisionmaking regarding Madison-related civil claims.

On February 1, Mr. Altman and I briefed Secretary Bentsen on the operation of the statute of limitations in the Madison matter. In that meeting, Mr. Altman stated that he had decided to recuse himself from any substantive decisionmaking regarding Madison civil claims, a course I had recommended to Mr. Altman, and one in which Secretary Bentsen concurred during our meeting. Mr. Altman stated that he wanted to meet with appropriate White House officials to apprise them of his decision to recuse himself. I said that I would attend the meeting with him.

To assist Mr. Altman, I prepared talking points to guide him through both the statute of limitations and recusal issues. Prior to leaving Treasury for the White House, out of an abundance of caution, I also consulted with my Deputy General Counsel, who is also Treasury's Designated Agency Ethics Officer, to see whether he had any pragmatic or other concerns regarding the topics Mr. Altman proposed to discuss. He had none.

The meeting took place in Mr. McLarty's office, although Mr. McLarty left before the meeting began. In addition to Mr. Altman and me, the meeting was attended by Messrs. Nussbaum, Ickes and Eggleston, and Ms. Williams. Mr. Altman read the talking points, including the last point — that he had decided to recuse himself from any substantive

decisionmaking in the Madison civil matter. There was no discussion regarding the substance of the RTC's investigation of the civil claims, and I was not capable of such a discussion, since I had no knowledge of the substance of the RTC's investigation.

After Mr. Altman's statement on recusal, a discussion ensued. Mr. Nussbaum asked if the matter would be decided by Ellen Kulka, the RTC General Counsel, and Jack Ryan, the Interim Deputy CEO of the RTC, to whom Mr. Altman had referred in his discussion. Mr. Altman responded, "Yes." Mr. Nussbaum also asked why Mr. Altman was recusing himself, since no one appeared to believe that there was any legal or ethical requirement that he do so. Mr. Altman indicated that I had recommended that he recuse himself. I added that Secretary Bentsen had concurred in that judgment.

Mr. Nussbaum said that he knew Ellen Kulka, or knew of her from her prior tenure at OTS. Mr. Nussbaum said that he was not saying that Ms. Kulka was not a good lawyer, but that she was tough. Mr. Altman responded by saying he had enormous confidence in Ms. Kulka, and that he would follow any recommendation he received from her anyway, so his involvement was irrelevant. Mr. Nussbaum expressed the view that even if Mr. Altman intended to follow his staff's recommendation, Mr. Altman's presence as RTC CEO would ensure that the RTC staff pursued any claims with thoroughness and professionalism.

Mr. Ickes expressed the view that, if Mr. Altman were going to disqualify himself, it would be better if he did that sooner, rather than later. Ms. Williams asked whether, if the investigation could not be completed by the end of February, that would mean that tolling agreements would have to be signed. Mr. Altman indicated that he thought so. She also asked

if counsel for the private parties would be briefed; Mr. Altman indicated that he thought so, but was not sure. The meeting ended with Mr. Altman stating that he would think about the recusal issue overnight, and Mr. Nussbaum told him that was all they could ask. The following morning, Mr. Altman told me that he had decided not to recuse himself for the time being.

The White House meeting on February 2 was proper. First, the briefing on the operation of the statute of limitations did not impart any nonpublic information; it merely apprised the White House of how the law operated, a briefing also given to Congressional personnel.

Second, the briefing served a legitimate governmental purpose. By the February 2 meeting, Senator D'Amato and others were counting down the days, wondering whether the RTC would make a decision in connection with possible Madison civil claims before the statute of limitations expired, and what that decision would be. Mr. Altman was aware of the recusal issue, and acted appropriately in considering whether to exercise his discretion to recuse himself — a decision that ethics officers advised was entirely up to him and was “not mandated by ethics statutes or regulations.” When he reached a conclusion, it was entirely appropriate for him to tell Mr. Nussbaum and other White House officials.

Third, no discussion took place regarding the substance of any civil claims. I was not in a position to have such a discussion.

Fourth, and most importantly, Mr. Altman viewed the issue of recusal as one of process, not substance, because, as he repeatedly said to me, to Ellen Kulka, and to others, Mr. Altman intended to follow whatever recommendation he might receive from Ms. Kulka. I believed him then, and I believe him now.

In recounting the events of February 1-2, I am aware that others' recollections differ from my own. I do not question the good faith of anyone who has a differing recollection. Most importantly, I think these differences in recollection are irrelevant. What matters is that each of the events in which I was a participant pursued legitimate objectives and was appropriate. Despite differences in recollections, no one to my knowledge intended to do, or did, anything wrong or unethical.

The Oversight Hearings. On February 24 of this year, this Committee held RTC Oversight Hearings. It was the first time, in about a year, that those hearings had been held, so the scope of the topics to be covered was enormous. For over a week, often working around the clock, a team of RTC, Oversight Board and Treasury officials prepared testimony, questions and answers, and otherwise researched issues that were thought likely to arise at the hearings. Ultimately, a substantial briefing book was put together for Secretary Bentsen and Mr. Altman. When the day of the hearings came, Secretary Bentsen and Mr. Altman testified on a panel of witnesses, and I was seated in the row behind them, along with other Treasury and RTC officials. The hearings went on for four-and-one-half hours, without a break.

During the hearings, I was aware of a number of responses that Mr. Altman gave that I believed would require further elaboration. I expected and understood that, in the ordinary course, the record would be supplemented and, if necessary, corrected, and that we would have the opportunity to do so in a careful, professional and thoughtful way, following a review of the transcript. But the events of the next week overtook us. A March 3 WASHINGTON POST article discussed the September and October White House meetings I have described for you this

afternoon. Rather than awaiting a complete review of the transcript, piecemeal corrective efforts began. The next day, March 4, grand jury subpoenas were issued by Independent Counsel Fiske. This effectively ended the normal processes that would have occurred to review and supplement testimony.

Two questions that Mr. Altman was asked during his testimony have been the focus of some attention. I have been asked why I did not speak up at the hearings, or have Mr. Altman supplement his February 24 testimony. I want to address those issues directly.

At page 69 of the printed record of the Committee's hearings, the following question was asked and answered:

“SENATOR BOND. How was the White House notified of the referral?”

“MR. ALTMAN. They were not notified by the RTC, to the best of my knowledge.”

When this question was posed, I realized that there had been no consideration of this question in preparing Mr. Altman's briefing materials and that I had not thought about the fall events relating to the criminal referrals in many months. Although I remembered that I had spoken with Mr. Nussbaum about the referrals, I did not have a clear recollection of the meeting, or the events surrounding it. Listening to the question in the context of the questions that came before and after, it appeared that it related to *RTC* contacts with the White House about the criminal referrals. Moreover, Mr. Altman was asked, and answered, about the extent of his own knowledge. I did not know, sitting there, what he knew or recalled knowing.

Without discussing the matter with Mr. Altman and others at Treasury, I did not believe that I could suggest to Mr. Altman on the spot that he change his response.

At page 55 of the printed record of the Committee's hearings, the following question was asked by Senator Gramm:

“Have you or any member of your staff had any communication with the President, the First Lady, or any of their representatives, including their legal counsel, or any member of their White House staff, concerning Whitewater or the Madison Savings & Loan?”

Although Mr. Altman responded affirmatively to this question, and described his discussion at the February 2nd White House meeting about the statute of limitations, his answer did not include a description of the recusal discussion. I believed it was appropriate to wait until we could discuss his answer and the reasons that he had not mentioned the subject of recusal, to decide how best to supplement the record. As I have indicated, that opportunity never arrived.

As I left the hearing on February 24, I spoke with Steven Harris, the Committee's Staff Director and Chief Counsel. Mr. Harris told me that there were going to be follow-up questions for Mr. Altman from the Committee. The next day, Mr. Harris emphasized that we should expect *many* follow-up questions. On the following Tuesday, I was given a copy of a Reuter's transcription of a colloquy between Senators Riegle and D'Amato, in which Senator D'Amato set forth over a dozen questions that he wanted answered about the White House meetings described in Mr. Altman's testimony. Senator Riegle responded to Senator D'Amato that “the Committee record is still open,” and that Senator D'Amato's questions should be submitted to Mr. Altman so that they could be answered and included in the record.

Based on this and on what Mr. Harris told me the previous week, I fully expected that we would receive written follow-up questions, which would be answered in conjunction with a thorough review of the transcript of the testimony. There was no doubt in my mind that all of these conversations and meetings would be disclosed and described fully to the Committee, and every question would be answered. However, as I stated, with the service of grand jury subpoenas by the Independent Counsel, the normal process of reviewing and, if necessary, correcting the record was overtaken by the many investigations that ensued.

Conclusion

As my description of the events of last fall and this past winter makes clear, each of the conversations between White House and Treasury officials at which I was present served a legitimate governmental purpose, and was not intended to, and in fact did not, further any private interests or bestow any benefit on any individual. The same cannot be said for the RTC employee, or employees, who leaked information about the criminal referrals to news reporters, breaching the OGE's Ethical Standards and RTC regulations. No action was ever taken against them.

I think it is important for all of us to maintain our focus. Much has been made in the press about purported inconsistencies between some of my recollections and those of Secretary Bentsen and Deputy Secretary Altman. I have the highest respect for both Secretary Bentsen and Deputy Secretary Altman, and it is my honor and privilege to serve with them, and report to them. The fact that we have differences in recollection should come as no surprise. Witnesses to events often have differing recollections. And, frankly, the differences here are

not important — they are not important because no one, not me, not anyone at Treasury, and no one at the White House, attempted to interfere in the substance or processes of any criminal referrals, or the substance or processes of any potential civil claims involving Madison. The criminal referrals were made; the civil claims continue to be explored; and Mr. Altman recused himself from any involvement in the Madison matter almost a half year ago, never having made, or having been asked to make, a substantive decision.

At the outset, I indicated that I only know one way to do things — with honesty, and consistent with legal and ethical requirements. I testified extensively before the Staff of this Committee, and this is the seventh day I have given sworn testimony before a governmental investigative body. I have tried to give this Committee — albeit in abbreviated form today — my best recollection of what occurred, and why. I am satisfied that I have given you my best recollection, as I have done on each prior occasion that I have testified, and the numerous additional times I have been interviewed. I have no doubt about the propriety of my actions. I have no reason to doubt the propriety of anyone else's actions.

I thank the Committee for the opportunity to make this Statement. I welcome any questions the Committee may have.