

**Subject:** Night Note 4/10  
**Sent:** Mon, 10 Apr 2006 19:55:59 -0400  
**From:** "Katz, Jeremy L." <Jeremy\_L.\_Katz@who.eop.gov>  
**To:** "Bolten, Joshua B." <Joshua\_B.\_Bolten@omb.eop.gov>, <kr@rove.com>, "Rove, Karl C." <K\_Rove@who.eop.gov>, "Dick, Denise Y." <Denise\_Y.\_Dick@omb.eop.gov>, "Hughes, Taylor A." <Taylor\_A.\_Hughes@who.eop.gov>, "Jackson, Barry S." <Barry\_S.\_Jackson@who.eop.gov>, "Smith, Heidi M." <Heidi\_M.\_Smith@who.eop.gov>, "Kavanaugh, Brett M." <Brett\_M.\_Kavanaugh@who.eop.gov>, "West, Christal R." <Christal\_R.\_West@who.eop.gov>, "Weinstein, Jared B." <Jared\_B.\_Weinstein@who.eop.gov>, "Boyer, Matthew W." <Matthew\_W.\_Boyer@who.eop.gov>, "Kropp, Emily L." <Emily\_L.\_Kropp@who.eop.gov>, "Ralston, Susan B." <Susan\_B.\_Ralston@who.eop.gov>, "Kane, M. Lauren" <Mary\_L.\_Kane@who.eop.gov>, "Hoare, Thomas H." <Thomas\_H.\_Hoare@who.eop.gov>, "Jordan, Myriah L." <Myriah\_L.\_Jordan@who.eop.gov>, "McMillin, Stephen S." <Stephen\_S.\_McMillin@who.eop.gov>, "Langdon, James C." <James\_C.\_Langdon@who.eop.gov>  
[Policy Time Calendar 4-10.doc](#)  
[Working Group Calendar 4-10.doc](#)  
[Cabinet Member Schedule 4-10.doc](#)  
[Pending Issues 4-10.doc](#)

**Please Note - This Information is Sensitive; Eyes Only**

Attached are the Pending Issues, the Policy Time Calendar for this month, the Working Group Calendar for this week and next, and the Cabinet Member Schedule for the following week.

Thanks,  
Jeremy  
x61412

## POLICY TIME – APRIL/MAY 2006

SUN	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT
9	10 8:35-9:20 NEC/NSC: DOHA Round (45 min)  2:45-3:30 NEC: Economic Update (45 min)	11 NO TIME	12 NO TIME	13 1:05-1:50 NEC/NSC: Canadian Lumber (45 min)*	14 NO TIME	15
16	17 1:30-2:15 NSC/NEC: China (45 min)	18 NO TIME	19 NO TIME	20 2:55-3:40 NEC: Energy Update (45 min)*	21 NO TIME	22
23	24 NO TIME	25 2:10-2:55 Rove (45 min)	26 3:00-3:30 NEC: Katrina Periodic Update (30 min)	27 NO TIME	28 1:05-1:50 Rove (45 min)	29
30	1 TBD Rove (45 min)	2 TBD Rove (45 min)	3 TBD Rove (45 min)	4 TBD Rove (45 min)	5 TBD Rove (45 min)	6
7	8 TBD	9 TBD	10 TBD	11 TBD	12 TBD	13

4/10/06

**Possible April Policy Times: AMT; Endangered Species Act; Flood Insurance Reform; Medicaid Comm; Voting Rights Act  
Regular Reports: Competitiveness, Energy, and Health; Economic Update (every 5 weeks); Katrina Update (every 3 weeks)**

\* Indicates Cabinet Member Attendance

## Working Group Calendar

### WORKING GROUP CALENDAR

Monday, April 10 <sup>th</sup>	Tuesday, April 11 <sup>th</sup>	Wednesday, April 12 <sup>th</sup>	Thursday, April 13 <sup>th</sup>	Friday, April 14 <sup>th</sup>
<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p><b>9:30 NEC: Weekly American Energy Initiative Action Team (JK)</b></p> <p><b>11:00 NEC: Weekly Health Care Action Team (JK)</b></p> <p><b>2:30 NEC: Weekly Entitlement Action Team (JK)</b></p> <p><b>3:30 DPC: Weekly ACI Action Team Meeting (MJ)</b></p> <p>4:00 NEC: Meeting on NOLA Financial Situation (JK)</p> <p>5:00 DPC: Conf Call on Aviation Foreign Investment Rule (MJ)</p> <p>5:00 NEC: Principals Meeting on Katrina Levee/ Flood Maps (MJ)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p>9:15 DPC: Weekly DOT Call – PCC (MJ)</p> <p>11:00 DPC: Meeting on Enzi AHP Bill – PCC (JK)</p> <p>3:00 DPC: Weekly ED Call – PCC (MJ)</p> <p>4:00 NEC: Principals Meeting on Energy (JK)</p> <p>5:30 DPC: Weekly DOJ Call – PCC (MJ)</p> <p>6:15 NEC: Meeting on CFIUS Legislation (JK)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p>11:00 DPC: Weekly Conf Call w/ DOL (MJ)</p> <p>2:15 DPC: Meeting on Synthetic Drug Control Strategy – PCC (JK)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p>10:00 DPC: Weekly Call w/ HHS (JK)</p> <p>3:30 NEC: Weekly Medicare Meeting – PCC (JK)</p> <p>4:00 NEC: Weekly Medicaid Meeting – PCC (JK)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p>

## Working Group Calendar

Monday, April 17 <sup>th</sup>	Tuesday, April 18 <sup>th</sup>	Wednesday, April 19 <sup>th</sup>	Thursday, April 20 <sup>th</sup>	Friday, April 21 <sup>st</sup>
<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p><b>9:30 NEC: Weekly American Energy Initiative Action Team (JK)</b></p> <p><b>11:00 NEC: Weekly Health Care Action Team (JK)</b></p> <p><b>2:30 NEC: Weekly Entitlement Action Team (JK)</b></p> <p><b>3:30 DPC: Weekly ACI Action Team Meeting (MJ)</b></p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p>9:15 DPC: Weekly DOT Call – PCC (MJ)</p> <p>11:00 DPC: Meeting on Enzi AHP Bill – PCC (JK)</p> <p>3:00 DPC: Weekly ED Call – PCC (MJ)</p> <p>5:30 DPC: Weekly DOJ Call – PCC (MJ)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p>11:00 DPC: Weekly Conf Call w/ DOL (MJ)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p> <p>10:00 DPC: Weekly Call w/ HHS (JK)</p> <p>3:30 NEC: Weekly Medicare Meeting – PCC (JK)</p> <p>4:00 NEC: Weekly Medicaid Meeting – PCC (JK)</p>	<p><b>8:00 OLA: Daily Immigration Legislative Update (MJ)</b></p>

OFFICE OF CABINET LIAISON



CABINET MEMBER SCHEDULE

---

TUESDAY 04/11/2006

---

**Secretary Mineta, Secretary Bodman, Director Bolten & Administrator Johnson**

4:00pm – 5:00pm      **Roosevelt Room**      Energy Principals Meeting on High Energy Prices

*Invited Participants:*

White House

Karl Rove, DCoS

Dan Bartlett, Counselor

Candi Wolff, OLA

Scott McClellan, Press Secretary

David Addington, OVP

Nicolle Wallace, Communications

Al Hubbard, NEC

Ed Lazear, CEA

Steve McMillin, CoS Office

Keith Hennessey, NEC

Jim Connaughton, CEQ

Lisa Epifani, NEC

---

WEDNESDAY 04/12/2006

---

**Secretary Rice**

12:25pm – 1:15pm      **Yellow Oval Room**      Social Lunch with the President of Ghana and Mrs. Kufuor

**Secretary Rumsfeld & Attorney General Gonzales**

7:00pm – 8:30pm      **State Floor**      Retirement Dinner in Honor of Supreme Court Justice Sandra Day O'Connor

---

THURSDAY 04/13/2006

---

No Events Scheduled.

---

FRIDAY 04/14/2006

---

**Secretary Leavitt**

11:15am – 11:45am      **Room 164**      Meeting with Dr. Ed Lazear

b(6)

---

MONDAY 04 / 17 / 2006

---

**Cabinet Members Reading at Easter Egg Roll**

10:00am – 10:15am	<b>South Lawn</b>	Secretary Jackson
10:15am – 10:30am	<b>South Lawn</b>	Administrator Johnson
10:45am – 11:00am	<b>South Lawn</b>	Secretary Mineta
11:00am – 11:15am	<b>South Lawn</b>	Secretary Gutierrez
12:15pm – 12:30pm	<b>South Lawn</b>	Ambassador Portman
1:15pm – 1:30pm	<b>South Lawn</b>	Secretary Chao
1:30pm – 1:45pm	<b>South Lawn</b>	Attorney General Gonzales

**Secretary Bodman**

3:00pm – 3:30pm	<b>1FL/WW</b>	Meeting with Steve Hadley
-----------------	---------------	---------------------------

April 10, 2006

MEMORANDUM FOR ANDY CARD, KARL ROVE, JOE HAGIN, and MIKE GERSON

FROM: STEVE MCMILLIN, JEREMY KATZ, and MYRIAH JORDAN

RE: NIGHT NOTE

**Katrina Flood Maps/Levees.** NEC held a principals meeting today to make final decisions on flood map policy. FEMA has drafted new flood advisories, covering everything except the lower Plaquemines. The plan is to roll out the advisories on Wednesday, April 12, from the FEMA area field office in New Orleans. Don Powell and Gen. Strock will make the announcement, along with USACE and FEMA representatives. The Corps' revised additional costs are at \$2.5 billion. Because its previous estimate was \$6.2 billion, there will likely be questions about the numbers. Principals decided not to take a position on cost share, although FEMA reports that flood control projects such as the 100-year protection have always been cost-shared. There was concern that not insisting on a cost share could set a bad precedent for dealing with levees across the country, but principals also did not want to announce that they would insist on cost share and then have to back off later. They ultimately decided to say they would work with Congress on the issue. They will also not be placing an exact timeline or amount on the funding, but will say that they will be working with Congress as soon as they return from recess.

**Airlines Foreign Investment Rule.** DPC hosted a conference call with DOT, NSC, OVP, OLA, WHC, and Communications/Press to determine our next step with this rule. Last week the Senate added an amendment to its version of the Supplemental Appropriations bill that would prohibit DOT from finalizing its rule. Senators are concerned about the security implications of foreign investment in U.S. airlines, but are also upset because they feel as though they have not been consulted in the rulemaking process. The group agreed to allow DOT to publish a supplemental proposed rule, rather than a final rule, in the next month as a show of good faith to Senators who are inclined to support our policy position, but need to feel as though their concerns are being heard and addressed before the rule is finalized. A supplemental rule will allow for another short round of public comments, and DOT believes this intermediate step will make it easier to argue against the prohibitive amendment. On this schedule, DOT will not be able to deliver a final rule in time to conclude a US/EU open skies air services agreement for the June summit.

**Immigration Reform.** The Senate Judiciary Committee (SJC) is planning a hearing for the afternoon of April 25th concerning the "workability" of immigration reform proposals. Chairman Specter's staff has indicated they plan to invite the Attorney General, Secretary Chertoff, and Secretary Chao to appear on the first panel, followed by a second panel comprised of governors from the southwest border states. SJC staff is also considering a morning hearing focused on the economic issues related to immigration.

**Gas Prices.** Tomorrow the Energy Department will release its 2006 short-term energy outlook and 2006 summer gasoline report. Summer (4/1 to 9/30) gasoline pump prices are expected to average \$2.62 per gallon, 25 cents higher than last summer's average of \$2.37 per gallon. Al Hubbard will host a Principals meeting tomorrow on high gasoline prices.

## Other Issues

- Administrative Reforms (Troy/DPC; Jordan)
- *Advanced Energy Initiative (Epifani/NEC; Katz)* – Lisa Epifani hosted a very brief (15 minutes) action team meeting today on the AEI.
- Air Traffic Control Negotiations (Sharp/DPC; Jordan) – On 4/5, the FAA and the air traffic controllers union (NATCA) reached impasse in their collective bargaining negotiations. DOT will send the paperwork to Congress triggering a 60-day review of the two sides' final offers. If Congress does not act within that time period, FAA can impose its contract terms.
- Airlines: Delta Labor Cutbacks (Sharp/DPC; Jordan) – On 4/4, Delta pilots voted to authorize a strike if the airline is allowed to impose cuts over their objections. The decision to break the current collective bargaining agreement while in bankruptcy is in the hands of a three-member arbitration panel. Delta initially asked the U.S. Bankruptcy Court to let it reject its contract with the pilots, but the two sides reached a deal in December to have the issue decided by the arbitrators if they failed to negotiate a permanent agreement by 3/1. The panel is scheduled to rule on 4/15.
- AHPs (Leggitt/DPC; Katz) – DPC, OLA, and the Department of Labor met with the AHP coalition to discuss prospects for AHP legislation. The Senate plans to take up Senator Enzi's AHP bill (S. 1955) during its "health week" in the first week of May. The coalition is surveying Senators to finalize a target list for the weeks leading up to the vote, and is planning a grassroots campaign using constituent mail and advertising in key states. DPC, OLA, and DOL will meet with the coalition again in mid-April to see where their efforts stand and how we might be of help. DPC, HHS, DOL, and DOJ continue to develop a list of concerns regarding the Enzi bill, for use in the conference process should the bill pass the Senate. OLA advises no further intervention that might hurt the bill's chances of passage at this point.
- Amtrak (Sharp/DPC; Jordan)
- Asbestos (Ho/DPC; Jordan)
- Avian Flu (Venkayya/HSC; Katz)
- Aviation Security (Baker/HSC; Jordan)
- BSE (Hermann/NSC; Katz)
- Boycott Countries (Shirzad/NSC; Katz) – US law requires Treasury to publish quarterly a list of countries that require or may require participation in an international boycott. It has not done so since Dec. 2004, but indicates that it is prepared to list 11 countries, including Iraq and Oman, as participating in the Arab League boycott of Israel. State and STR oppose listing Oman (a potential FTA partner) in view of steps taken by Oman to rescind/suspend its participation in the boycott. State opposes listing Iraq because they believe Iraq's new government, once formed, ought to be given an opportunity to take action on its participation in the boycott. Iraq's law enforcing the Arab League Boycott still exists, but the Embassy receives different messages from different ministries on whether it is enforced. State is concerned that once Iraq is listed on the Treasury report, it will be difficult to de-list them, as the current experience with Oman indicates. NSC is sympathetic to USTR and State's point of view. Faryar will likely host a Deputies meeting on Thursday.
- CAFE (Sharp/DPC; Katz)
- CALEA (Russell/NEC; Katz)
- Campaign Finance Reform (Ho/DPC; Jordan) – The House passed H.R. 513 (the "Shays-Meehan bill") on 4/5, 218-209. The bill amends the Federal Election Campaign Act to include applicable "527" organizations in the definition of a "political committee." The bill subjects 527

groups to the contribution and spending limits and disclosure obligations enacted in BCRA. We supported the bill in a SAP.

- *Canadian Lumber (Shirzad/NSC; Katz)* – On 4/7, in a surprise ruling that may eliminate whatever leverage we had in the lumber dispute, the U.S. Court of International Trade found that the U.S. federal government had violated NAFTA's implementing legislation when applying the Byrd Amendment to anti-dumping and countervailing duties collected on Canadian imports. The U.S. lumber industry had hoped to pocket, as a result of the Byrd Amendment which channels such duties to complaining U.S. industries, some of the \$4 billion in collected lumber duties. Indeed, the U.S. industry's claim to these duties was our main source of leverage in negotiations. In addition, the court ordered the litigants to brief the issue of whether the collected duties should now be disgorged to the importers from Canada (i.e., as opposed to being held by the U.S. Treasury). USTR and Justice believe we have grounds for appeal, but any such appeal would of course take months. Policy time with the President is scheduled on the subject this Thursday.
- Career Advancement Accounts (Sharp/DPC; Jordan) – On 3/21 DPC, OLA, and OMB, met with DOL to discuss the Administration's strategy for advancing CAAs. DOL is meeting with workforce boards, think tanks, and community colleges in key states and talking to Senators and Members of Congress with interest in job training reform. DOL is also preparing the legislative package for OMB clearance and transmission to the Hill. Ideally, CAAs would be inserted into the pending Workforce Investment Act (WIA) reform legislation, but that bill has been held by Senator Durbin since August. On a parallel track, DOL is preparing the paperwork for an administrative demonstration of CAAs (which would not require legislation) and is preparing to submit a WIA reform regulation to OMB for clearance.
- Cargo Security/TWIC (Baker/HSC); Jordan
- CDBG (Streeter/DPC; Jordan) – DPC and OMB have been working with HUD on the 3rd aspect of their CDBG reform proposal, the challenge fund that will be proposed in legislation to structure incentives in the program (we have already reached agreement on the first 2 elements, namely a new formula and performance indicators for the formula grants). At issue is how to establish criteria in the challenge fund by which a limited number of CDBG communities will qualify for the awards, and how to apportion the awards so that communities have enough incentive to compete. We have reached general agreement on the criteria, which will include that communities take measurable steps to reduce crime, improve educational outcomes, and improve the economic well-being of lower income residents, among other criteria. HUD is doing some modeling on how awards will be structured to provide maximum incentive. We are pushing HUD to finalize all outstanding items so that we can have a draft into clearance some time this week and introduced on the Hill by the end of the month.
- CFIUS Possible Review Alcatel (France)/Lucent (US) (Shirzad/NSC; Katz) – The companies have announced the merger. They plan to form an independent U.S. subsidiary with a U.S. board to handle USG contracts. Lucent operates Bell Labs, and Alcatel is currently operating under a Special Security Agreement for U.S. operations. Next Steps: There will be a policy meeting on 4/20 to discuss this case.
- *CFIUS DP World (Shirzad/NSC; Katz)* – The companies and the Hill were notified on 3/31 of the termination of the review. The Hill is comfortable with the Administration's approach as is the UAE government. Next Steps: 1) DHS is taking responsibility for monitoring the notice of termination requirements (including separate management of the ports and the sale to a U.S. company); 2) *DNI may brief the intel Committee staff on the case this or next week.*

- *CFIUS Investigation of Dubai Holdings (Shirzad/NSC; Katz)* – Day 45 of the investigation is 4/13. No CFIUS agency has indicated they will object the transaction, and we will see a unanimous report to the President approving the transaction. *Based on feedback from the Hill, the plan is to send the President's report to the Hill when it comes back in session the week of April 24th. Next Steps: 1) DoD is briefing the Hill (solo) regarding their relationship with Doncasters (the UK company being purchased by Dubai Holdings) – specifically what they purchase. The briefings began last Friday and go through next Wednesday. DoD is also working on a mitigation agreement with Dubai Holdings, and should complete that tomorrow. 2) Regarding the Report – Treasury circulated its 3rd draft to agencies on 4/6 and will send a final draft for review tomorrow morning. On Thursday the White House will get both the complete recommendation and the report of the President.*
- *CFIUS Review of Frere Bourgois SA (Belgium)/US Oil & Refining (Shirzad/NSC; Katz)* – All agencies have determined not to block the transaction. 4/3 was Day 30. Next Steps: 1) The company has been notified that CFIUS has made a determination not to block the transaction, 2) the Hill will also be notified of the determination
- *CFIUS Possible Review of Toshiba (Japan)/Westinghouse (UK) (Shirzad/NSC; Katz)* – The companies plan to file with CFIUS this week. However, Treasury has suggested that they file after working through security agreements with the DOE and NRC (this could take a couple of weeks). The problem is timing, given the Japanese PM's visit in July. Should companies file this week; Day 45 of a potential investigation would occur in the last week of June; the President would then have 15 days to make a determination; putting us well into July and it would be advantageous for them to hold for a week or two.
- Civil Rights (Ho/DPC; Jordan)
- Clean Air Act (Stolpe/CEQ; Jordan)
- Climate Control (Cohen/CEQ; Jordan)
- Community Service Executive Order (Troy/DPC; Jordan) – On 4/5, Tevi convened a meeting to discuss USA Freedom Corps' recommended Community Service Executive Order, which would strengthen an existing but largely dormant EO from the 41 Administration calling for a point person on volunteerism in each executive agency. The Deputies proposed a number of revisions and agreed to put the revised draft into the initial agency clearance required for an Executive Order. It was difficult to see significant differences between the proposed EO and the 41 EO, and what might keep the proposed EO from ending up in the same dormant state after this Administration.
- Competitiveness (Wilson/DPC; Jordan)
- Cooperative Conservation (Butler/CEQ; Jordan)
- Critical Infrastructures Protection (Nielson/HSC; Jordan)
- Drug Reimportation (Leggitt/DPC; Katz)
- Endangered Species Act (Schildwacher/CEQ; Jordan) – Chairman Connaughton met with House Resources Chairman Pombo on 4/6 and discussed the legislative situation on ESA. The two acknowledged the difficulties in the way of any further action in this Congress and the possibilities for an ESA rule proposal and other moves to capture at least some of the progress toward bipartisan improvements that have been achieved.
- Entitlement Commission (Blahous/NEC; Katz)
- Everglades (Connaughton/CEQ; Jordan)
- Farm Bill (Hennessey/NEC; Katz)
- FDA (Leggitt/DPC; Katz)
- Federal Sentencing Guidelines (Ho/DPC; Jordan)

- *FHA Reform (Streeter/DPC; Jordan) – Congressman Ney introduced the Expanding American Homeownership Act of 2006 on 4/5, which is nearly identical to the bill we proposed two weeks ago and about which Financial Services held a hearing on 4/5. Original cosponsors are Gary Miller, Tiberi, and Waters. Markup is expected in mid-May. Because the bill would give FHA the flexibility to insure mortgages without down payment requirements and offer help to borrowers with a wider range of creditworthiness, FHA would, for instance, be able to offer a safer refinancing option for lower and moderate income families with adjustable rate mortgages who may experience high reset rates in the next couple of years. In a cooling housing market, this would be particularly advantageous, since, as recent articles have indicated, a large portion of borrowers are facing reset rates in the next few years, just as the market cools down.*
- Flood Insurance Program (Kupfer/NEC; McMillin)
- Foster Care Waivers (Pardue/DPC; Jordan) – OMB approved 5-year waivers on 3/31 by OMB for the foster care program in Florida (state-wide) and 5 counties in California. ACF and OMB have been in negotiations for several months regarding this waiver authority, which is broader and on a larger scale than the current waiver authority that ACF has had since 1996. This existing waiver authority expired on 3/31. At issue in the negotiations was the cost of the Foster Care waivers, as well as the effect that the waivers would have on the Adoption Assistance program as children are transitioned out of Foster Care and into Adoption Assistance. The Florida waiver was approved by allowing for up to a 3% increase per year in the foster care program and up to a 20% increase/year in the Adoption Assistance program for 2 years, and up to a 15% increase/year for the remaining 3 years of the waiver. The California waiver (affecting 5 counties) will include up to a 2% increase/year in the Foster Care program and up to a 15% increase/year in the Adoption Assistance program. Both waivers go into effect for FY07. The negotiations involved multiple conversations between the Administration and the states, including ones between Gov. Bush and Joel Kaplan.
- Gangs (Ho/DPC; Jordan)
- Global Internet Freedom (Shirzad/NSC; Katz)
- GSEs (Kupfer/NEC; Katz)
- Health Action Team (Ramthun/NEC; Katz)
- *Health IT (Leggitt/DPC; Katz) – The next AHIC meeting was scheduled for 4/25, however HHS has decided that given that the first set of HIT standards are due from the work groups in May, they would prefer to have the work groups continue to work on the standards instead of preparing to discuss ancillary items this month. Thus the next meeting is in May.*
- Helping America's Youth (Parker/DPC; Jordan)
- HHS Vouchers (Towey/OFBI; Jordan)
- HIV/AIDS (Pardue/DPC; Jordan)
- Homelessness (Pardue/DPC; Jordan)
- *Housing Concerns (Streeter/DPC; Jordan) - DPC, along with CEA, has been looking into the issue of a potential housing market "bubble" highlighted in several recent articles. CEA does not believe that we are experiencing a bubble, although they expect the unusually high appreciation in house prices (11% in 2005) to slow, probably to 4% in the next year. They expect this to put GDP growth at 3 to 3.5 percent. Also, we are not seeing a combination of sharp jumps in interest rates, sharp drops in housing starts and sales, and increasing risk premiums in securities markets, indications of a bursting housing bubble. CEA expects a soft landing in the housing market, a view shared by other administration economists. What is less clear is how much risk the current pool of ARM mortgages presents to the economy as a whole as house prices slow and in the event that they begin to fall. DPC is working with Treasury to*

*get an assessment of the data on these mortgages and is examining possible responses to a slowing market, including emergency measures in the event of a bursting bubble.*

- Immigration Assimilation (Ho/DPC; Jordan)
- Immigration Refugees/Material Support (Ho/DPC; Jordan) – Jim Towey has expressed frustration directly to NSC about the slow pace of resolving this issue. JD has had initial discussions with NSC staff and may convene a meeting soon. DOJ circulated a memo on 4/4 further explaining their objections to the proposed solutions, mainly based on litigation risks.
- Immigration Task Forces (Baker/HSC; Jordan) – On 4/4, officials from the Departments of Homeland Security, Justice, Labor, and State announced the creation of task forces in 10 major U.S. cities to combat document fraud and immigration benefits fraud. The announcement follows the President's directive, in his March 27th speech on comprehensive immigration reform, that his Administration would launch task forces to "dismantle document fraud rings." The new task forces will be located in Atlanta, Boston, Dallas, Denver, Detroit, Los Angeles, New York, Newark, Philadelphia, and St. Paul. The task forces will build on existing partnerships to bring investigators together from a variety of agencies with expertise in different aspects of document and benefit fraud. These agents will also partner with U.S. Attorney's Offices to develop a comprehensive approach to targeting the criminal organizations behind these schemes.
- Immigration Worksite Enforcement (Baker/HSC; Jordan)
- Indian Gaming (Ho/DPC; Jordan)
- Indian Trust/Cobell (Ho/DPC; Jordan)
- Intellectual Property Rights (Shirzad/NSC; Katz)
- Internet Gambling (Shirzad/NSC; Katz)
- Katrina Mobile Homes (Streeter/DPC; McMillin) – DHS' plan envisions moving 5,000 of the 10,000 units into MS and LA by late June. The MS units should be in place by mid-May, but the LA units will take longer to deploy given the challenges of siting them. Given the historical average annual rate for using these type of units, OMB's projection is that less than 1,000 units will be deployed for upcoming 2006 storms, leaving more than 4,000 units to disperse elsewhere.
- Legal Reform (Ho/DPC; Jordan)
- Levees (Hannegan/CEQ; McMillin)
- LNG (Hannegan/CEQ; Katz)
- Lobbying Reform (Kelley/WHC; Jordan)
- Medicaid Clawback (Ramthun/NEC; Katz)
- Medicaid Commission (Ramthun/NEC; Katz) – The next meeting is 5/17-18, in Dallas.
- Medical Liability Reform (Ho/DPC; Jordan)
- Mine Safety (Sharp/DPC; Jordan)
- MS Homeowner Compensation Plan (Streeter/DPC; McMillin)
- NASA (Russell/OSTP; Katz)
- National Ambient Air Quality Standards (Stolpe/CEQ; Jordan) – EPA released on 4/3, recommendations from EPA staff to Marcus Peacock, Deputy Administrator, on how the process of setting the national air quality standards could be improved. The recommendations were requested by the Deputy Administrator in January following the EPA proposal to tighten air quality standards for fine and coarse particulate matter (PM). The recommendations cover all aspects of the process for setting air quality standards. EPA plans to take public comment on

the recommendations and determine what changes should be made. This is an administrative action; however, because of the pending PM standard, there will be press coverage.

- Native Hawaiian (Ho/DPC; Jordan)
- NCLB (Medina/DPC; Jordan) – The No Child Left Behind Act required the U.S. Department of Education to produce a report assessing Title 1. This Interim Report is based on data from all fifty states and examines the first few years of NCLB implementation. The Department released the report on 4/5. Highlights of the report show: 1) student achievement is improving in the United States and student achievement gaps are closing; 2) schools identified for improvement most commonly missed adequate yearly progress (AYP) in more than one category or subgroup, challenging the argument that schools are identified on the basis of achievement of only one subgroup; 3) participation rates for public school choice and supplemental educational services (SES) have been increasing each year for both programs, but remain low (school choice participation = 1% of eligible population, SES participation = 20% of eligible population); 4) the report found that 86 percent of classes were taught by highly qualified teachers (more recent data show that this number increased to 91 percent for the 2004-05 school year). However, the students most in need – students attending schools in need of improvement as well as schools with high concentrations of minority and poverty students – are taught at higher rates by teachers that do not meet the highly qualified teacher requirements. The Department of Education is working to address the issue of low participation in public school choice and SES along with the remaining concerns of getting a highly qualified teacher into every classroom.
- New Orleans Elections (Ho/DPC; Jordan)
- New Source Review (Stolpe/CEQ; Jordan)
- Northwestern Hawaiian (Kuska/CEQ; Jordan) – CEQ is drafting an informational memo to update COS on the Northwestern Hawaiian Marine Sanctuary process. The decision has already been made to create a marine sanctuary in the Northwestern Hawaiian Islands that rivals the levels of protection of Australia's Great Barrier Reef. However, within that decision, there are several different options, and CEQ advocates an option which would make the sanctuary the largest marine sanctuary in the world. NOAA has not yet made a decision about which option to support. *The President* highlighted the effort at Wednesday night's screening of the Voyage to Kure documentary. CEQ would still like to make a formal announcement of their chosen course by Earth Day (April 22), and they are convinced that the President's announcement will move this process along.
- OCS (Epifani/NEC; Katz) – *Keith Hennessey hosted a meeting on OCS revenue sharing on 4/7. MMS was tasked with determining revenue potential under different sharing scenarios.*
- Online Pharmacies (Ho/DPC; Jordan)
- Online Predators (Ho/DPC; Jordan) – *DPC and Communications are developing a proposal for an initiative focused on protecting children from online predators. The Departments of Justice, Homeland Security, and Education have been tasked with forwarding information to DPC on current efforts, programs, and successes, along with ideas for new policies and proposals. The initiative would encompass parent education, prevention, and enhanced law enforcement/strengthening of existing laws. DPC will be meeting early this week with the National Center for Missing and Exploited Children to explore additional options for protecting vulnerable children from online predators. Communications is considering a late April/early May timeframe for rolling out the new initiative.*
- Part D (Ramthun/NEC; Katz) – *Tomorrow the President will make publicly state that more than 29 million people have Medicare prescription drug coverage.*

- *Pensions (Blahous/NEC; Katz) – NEC/OLA had a very productive meeting on 4/7 with Leader Boehner. We both expressed agreement on overall goals, as well as on most of the elements of mortality and bond quality provisions. NEC agreed to float some ideas to deal with one Boehner concern on plan-specific mortality. Much of meeting involved discussions of disagreements between House and Senate over credit rating/credit balance provisions. Transition issues were not resolved, but mainly because both sides agreed that they couldn't be until the other parameters of the bill were resolved. NEC/OLA left the meeting feeling that they had achieved a strong step forward in resolving some of the big issues of concern in the conference.*
- Port Security Legislation (Rasicot/HSC; Jordan) – HSC, OLA, and DHS (Policy and Leg Affairs) continue to coordinate with Senate and House Committees on pending port security legislation. The Energy and Infrastructure Subcommittee of the House Homeland Security Committee marked up the SAFE Ports Act, HR 4954 on 30 March. It appears they took most of the Administration's suggestions, however did not accept DHS suggestions to convert Ports Security Grants language to the Targeted Infrastructure Protection Program. DHS is reviewing the sub-committee mark and will provide suggested alternative language to enter the OMB LRM process by COB April 12 with delivery to the committee by COB April 14. On the Senate side, Senator Collins reintroduced her "Green Lane" bill, S 2459, on March 27<sup>th</sup>. Dep Sec Jackson attended the committee hearing on April 5<sup>th</sup> and bill mark up is slated for late April. The Port Security Briefing Team (HSC, OLA, DHS – Leg and Policy) also provided port security and supply chain security briefings to the Senate Majority Leader's staff and members of the Senate Finance Committee staff. Briefings were informational overviews and no new issues were raised. The Majority Leaders Staff was seeking background information on port security in preparation for their role as arbitrator between the various committees seeking jurisdiction over port security legislation. Currently Homeland Security and Governmental Affairs, Finance, and Commerce and Transportation Committees are vying for jurisdiction. The Finance Committee was seeking background information to inform their effort to draft a Customs and Border Protection authorization bill over the next month.
- Postal Reform (Sharp/DPC; Jordan) On 4/6, DPC was scheduled to meet with Senators Collins and Carper to discuss postal legislation at the Senators' request. David Walker, the head of GAO was scheduled to attend as well. Senator Collins insisted Al Hubbard attend even though she knows DPC is the WH lead. Al was unable to attend and she cancelled the meeting.
- Potassium Iodide/KI (Kaplan/OMB; Katz) – A dispute exists regarding an HHS guidance to stockpile sufficient KI for distribution to populations within 20 miles of a nuclear facility (current practice is 10 miles). HSC/HHS believes proceeding with the guidance document is consistent with the law and previous policy decisions. NRC, DOE, NEC and OSTP believe expanding KI stockpiling is an inefficient and ineffective way to protect populations, and that new unnecessary regulatory burdens will hamper the approval of new nuclear plants. OIRA circulated draft compromise language to HSC, OVP, NEC and OSTP for sign-off before sending to the agencies on 3/23. If the Agencies are uncomfortable with the compromise language, McMillin will host a Deputies meeting to resolve.
- Prisons (Ho/DPC; Jordan)
- Pro-Life Agenda (Levin/DPC; Jordan) – DPC hosted a meeting with Wendy Wright of Concerned Women for America, Jonathan Imbody of the Christian Medical Association, and David Christensen and Chris Gacek of the Family Research Council to discuss a number of life agenda issues. The groups expressed their concern about the series of women's deaths resulting from use of the abortion drug RU-486 and discussed strategies for raising public awareness of

the dangers of the drug and the common and irresponsible off-label uses employed by many who administer it. They also expressed interest in taking part in efforts (being developed by DPC) to build support for the President's stem cell funding policy in the coming months, and to make use of recent scientific developments to reshape the stem cell debate in our favor.

- RESPA (Streeter/DPC; Jordan)
- SBInet (Baker/HSC; Jordan) – DHS and OMB continued to work on changes to the request for proposal for SBInet. The major issue outstanding is OMB's suggestion that the contract include a fly-off provision that would require the top bidders to actually implement their proposed solution to a sector of the border and be evaluated on its adequacy prior to award of contract. DHS has agreed with metrics, but has some differences with HSC/OVP on their approach. DHS has also agreed to OMB suggestions on timing and top line contract cost. They hope to have all issues resolved this week.
- *Section 8 Reform (Streeter/DPC; Jordan) – DPC has been discussing with HUD the possibility of trying to achieve reform measures within the Section 8 program through a rule. We have had reform legislation stuck in committee for 3 years running. At \$20 billion, the Section 8 program at HUD is nearly 2/3 of HUD's budget and has remained largely impenetrable to the spirit of welfare reform. Some key reform measures such as setting time limits on housing assistance could be done through a rule, though one key measure on income eligibility requires statutory change. HUD believes there is a possibility that several House Financial Services members may try to move a Section 8 reform bill that would be more administrative and not achieve much reform at all. DPC met with HUD and OLA on 4/7 to discuss a way to address the statutory change we need in whatever the members might do, and then prepare a rule to drop at the end of the year to achieve our remaining reform objectives when the 109th wraps up. OLA is facilitating a meeting with the Speaker's office to engage House leadership on the issue. HUD is already nearly finished with the draft of the rule and will be sending to DPC for review soon.*
- *Sentencing Reform (Ho/DPC; Jordan) – House Judiciary Committee staff are drafting federal sentencing reform legislation, which will respond to the Supreme Court's decision last year striking down the Federal Sentencing Guidelines as unconstitutional. The proposed legislation will answer the Attorney General's call for restoring the mandatory nature of the Guidelines, in the face of growing disparities in federal sentencing across the Nation. The Justice Department expects the House bill to be introduced soon after the House returns from the Easter recess.*
- Smallpox (Venkayya/HSC; Katz)
- Steroids (Ho/DPC; Jordan)
- Stem Cells/Bioethics (Levin/DPC; Jordan)
- TANF (Streeter/DPC; Jordan)
- Tax Reconciliation (Kupfer/NEC; Katz)
- Tax Reform (Kupfer/NEC; Katz)
- Telecom (Russell/OSTP; Katz)
- Telecom Calling Card (Russell/OSTP; Katz) – In 2003, AT&T petitioned the FCC, requesting that it should be exempt from paying into the Universal Service Fund (USF) for its pre-paid calling services, which included several variants that AT&T claimed were "enhanced" services (also known as information services). By rule, information services are exempt from USF. In February 2005, under Chairman Powell, the FCC rejected AT&T's petition, and the Commission applied its decision retroactively. (AT&T had not been paying into USF since 1999). Martin, then a Commissioner, as well as Commissioners Cops and Aldestein voted with Powell on this item. At the same time, the FCC initiated a broader rulemaking to address comprehensively the appropriate regulatory regime for all enhanced calling cards, including two other variations of

AT&T's prepaid card. The FCC likely will approve a decision in the near future requiring all pre-paid "enhanced" calling card providers to pay into USF. The USF defrays the cost of telephone service in "high cost" rural areas and is currently a 10.9% charge on all long distance revenues. Pre-paid cards are sold by retailers such as Wal-Mart and used predominately by lower income customers as well as service men and women and their families. To address the concern of military service men and women, the FCC will exempt those calls used by military personnel from having to pay into USF. FCC estimates that the "enhanced" pre-paid calling service market was approximately \$4-\$5B in 2005. Over 80% of the total revenue of this market, however, is likely international traffic and would be exempt from USF.

- *Telecom Excise Tax (Russell/OSTP; Katz)* – On 4/5, Keith Hennessey hosted a meeting with relevant EOP offices and representatives from the Treasury and the Department of Commerce to discuss the fate of the telecommunications excise tax. The tax has been challenged successfully in court and the AG thinks the US has now exhausted all reasonable court appeals. The tax loss will total roughly \$65 billion over the next ten years. Claims for refunds of prior tax payments will cost another \$12-\$15 billion. It was the consensus of the group that the Administration should support fully repealing the tax and refunding the receipts collected over the last three years. The announcement could be made by the President during one of his upcoming tax speeches (4/13 or 4/17). There was no discussion in the meeting of the impact of such an announcement on the pending tax reconciliation bill. Richard Russell drafted a memo to the President with this proposal (initiated by Secretary Snow), and Hennessey/Russell will seek principals' concurrence before sending the memo forward. *Tomorrow Hennessey/Russell will host a Deputies meetings with Principals convening later this week.*
- Texas Supplemental (Streeter/DPC; McMillin)
- Title IX (Wilson/DPC; Jordan) – National Review Online (NRO) had an article on 4/6 referencing the Title IX issue published in last week's National Journal. The NRO article cautioned the Administration against pursuing Title IX's applications to specific areas of study in which women are typically underrepresented, particularly in math and science. DPC directed the Department of Education (ED) to send the statement issued last week by ED to both the author and editor of National Review. In addition, DPC discovered that the Weekly Standard was planning an article criticizing Assistant Secretary Stephanie Monroe's general approach. DPC sent the Standard ED's statement that ED is not implementing any quota system or new enforcement program, and the story will now apparently be cast as the dangers of Title IX overreach in a less vigilant administration. DPC also asked ED's press shop to reach out to the Standard and work with them as they complete the story.
- Transportation Worker Identification Credential (TWIC) (Baker/HSC; Jordan) – DHS informally provided the TWIC draft Notice of Proposed Rule Making (NPRM) for review last week, and HSC expects the formal submission early this week. The draft NPRM would implement the TWIC program for credentialed merchant mariners and workers who require unescorted access to secure areas at maritime facilities or on vessels. Under this NPRM, the current security threat assessment performed for the hazmat credential program will be extended to apply to merchant mariners and port workers. Under the proposed rule, the Coast Guard will amend its regulations on vessel and facility security to require the use of a TWIC as an access control measure. The proposed fee ranges from \$128 - \$160 and covers information collection and credential issuance, the FBI criminal history record check, and the TSA threat assessment (including waiver and appeal procedures). The proposed NPRM anticipates a phased-in, roll-out schedule over an 18 month period, starting with the 55 strategic ports. HSC BTS is

coordinating with OMB on the draft NPRM and is continuing to push DHS for accelerated implementation of this program.

- Tricare Rx (Leggitt/DPC; Katz) – DOD expects a court ruling in May on its administrative authority to impose federal pricing on retail pharmacies. Although DOD is unsure of the outcome, as a back-up plan it has requested permission to introduce legislation to clarify this authority as part of the FY 2007 National Defense Authorization Act. DPC has raised concerns with introducing such specific pricing legislation and its potential impact on broader federal pricing of drugs related to Medicare. DPC notes that if the federal court rules in DOD's favor, the legislation would be unnecessary. If DOD loses, they could always seek resolution as part of the conference process on the FY 2007 National Defense Authorization Act.
- Universal Service Fund and E-Rate (Russell/NEC; Katz) – OMB and the FCC have almost settled on the text for an exchange of letters stating that the E-Rate program (which funds Internet services for schools and libraries) is now in compliance with the Anti Deficiency Act (ADA). The exchange of letters may help Administration efforts to avoid Congressional passage of another statutory waiver of the ADA. The E-Rate/ADA issue has been cited by Senator Rockefeller as a reason for delaying the confirmation of the final Republican commissioner to the FCC. The letters are expected to be completed and shared with the Hill before Congress is back in session.
- WH Conference on Aging (Leggitt/DPC; Katz)
- WTO (Shirzad/NSC; Katz)
- *Yucca (Epifani/NEC; Katz) – Secretary Bodman will travel to Yucca from Wednesday through Friday to promote the legislation we recently sent to the Hill.*