

FOIA Marker

This is not a textual record. This FOIA Marker indicates that material has been removed during FOIA processing by George W. Bush Presidential Library staff.

Records Management, White House Office of Subject Files - FG006-27 (Office of Senior Advisor - Karl Rove)

Stack:	Row:	Sect.:	Shelf:	Pos.:	FRC ID:	Location or Hollinger ID:	NARA Number:	OA Number:
W	11	4	1	2	9707	22570	10789	10731

Folder Title:

508648 [1] - [2]

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Memorandum	Intergovernmental Conferences - To: Karl Rove - From: Ruben Barrales	3	11/06/2002	P5;
002	Email	Fwd: Bush [page 1] - To: Susan Ralston - From: Karl Rove	1	11/25/2002	P6/b6;
003	Email	[(b)(6)] - To: Susan Ralston - From: Darren Bearson	1	02/26/2003	P2; P5; P6/b6;
004	Draft	Medicare Rollout Timing	5	N.D.	P5;
005	Briefing	Policy Time - Economic	2	02/28/2003	P5;
006	Email	FW: Blogging Strategy - To: Sarah Lockart - From: Karl Rove	1	02/26/2003	P5;
007	Draft	Medicare Rollout Timeline	5	N.D.	P5;

COLLECTION TITLE:

Records Management, White House Office of

SERIES:

Subject Files - FG006-27 (Office of Senior Advisor - Karl Rove)

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508648 [1]

FRC ID:

9707

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Withdrawn/Redacted Material

The George W. Bush Library

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
008	Email	D.C. Visit: Week of March 16-22 - To: Karl Rove - From: Mark Dangerfield	1	02/01/2003	PRM;
009	Memorandum	Jobs and Growth Plan Update - To: Karl Rove, et al. - From: Adam Goldman	4	02/28/2003	P5;

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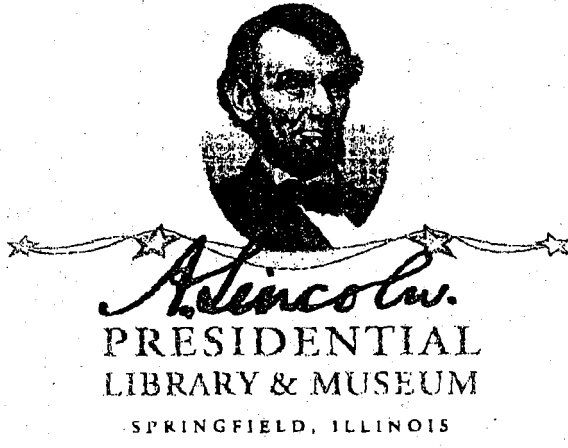
AUG-21-02 WED 04:30 PM

IL-EXECUTIVE-MANSION

FAX:2177822771

PAGE 2

235285
Isaac -
Ken suggested
you bring to KR's
attention for
consideration.
-Leonard
508648



President
Lura Lynn Ryan

Indicates Executive Committee

Secretary
Julie Cellini

August 21, 2002

Treasurer
Pam Daniels

The Honorable George W. Bush
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Board Members

- Norman Bobins
- T. Tolbert Chisum
- Doug Donenfeld
- Shawn Donnelley
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- Doris Kearns Goodwin
- Stedman Graham
- Roberta Gutman
- Joseph Hannon
- Eltie Higginbottom
- Carrie Hightman
- Herbert Mitgang
- Paul Simon
- Louise Taper

Dear President Bush:

On the afternoon of November 18, 2002 in our state capital of Springfield, Speaker Hastert, my husband and I will open the new Abraham Lincoln Presidential Library in honor of Illinois' favorite son and one of our nation's greatest presidents. You may be aware of this invitation through Speaker Hastert, who sent a letter of invitation to you and Mrs. Bush earlier this summer.

It is our sincere hope that you and the First Lady will agree to join us and that you would serve as the keynote speaker for the opening ceremony.

This ceremony is going to be a wonderful celebration of one of our most admired presidents. The presence of you and the First Lady at this event would be extremely meaningful in recognizing Lincoln's legacy to our country and we would be honored if you both could join us. We are also inviting former living presidents to the event as well as nationally renowned historians, world leaders and other dignitaries. I will contact your office shortly to determine the possibility of your attendance. Thank you for your consideration.

Sincerely,

Lura Lynn Ryan
First Lady of Illinois
Chairman, Abraham Lincoln Presidential Library and Museum Foundation

Cc:

J. Dennis Hastert
U.S. Speaker of the House of Representatives
Co-chairman, Abraham Lincoln Presidential Library and Museum Inaugural Committee

I am hoping to see you, Laura, your mom & dad for this event. It would mean a great deal to George & me! Fondly, Lura Lynn
P.S. I hope all is well with you.

THE WHITE HOUSE
WASHINGTON

August 26, 2002

Dear Mrs. Ryan:

Thank you for your letter inviting the President to deliver the keynote address at the opening of The Abraham Lincoln Presidential Library and Museum on November 18, 2002.

We appreciate the invitation and the valuable opportunity it represents. Although we have not made a decision about the President's participation, your comments will certainly be considered as the President's schedule develops. If you have any questions regarding your request, please contact the Presidential Scheduling Office at 202-456-5324.

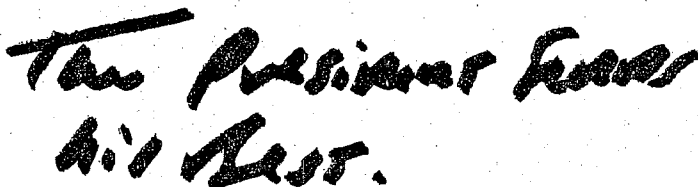
Please be assured that as soon as a final decision has been made regarding your request, my office will contact you directly.

Sincerely,



Bradley A. Blakeman
Deputy Assistant to the President
and Director of Appointments and Scheduling

Mrs. Lura Lynn Ryan,
First Lady of Illinois
Illinois Executive Mansion
410 East Jackson
Springfield, Illinois 62701-1719



Withdrawal Marker

The George W. Bush Library

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Memorandum	Intergovernmental Conferences - To: Karl Rove - From: Ruben Barrales	3	11/06/2002	P5;

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

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2015-0037-F

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FYI

508648

SCHEDULE PROPOSAL

11/6/2002

TO: Bradley A. Blakeman
Deputy Assistant to the President
For Appointments and Scheduling

FROM: Karl Rove
Assistant to the President and Senior Advisor

REQUEST: Departure Photo Opportunity

PURPOSE: Kirk Blalock, Deputy Director of Public Liaison

BACKGROUND: Kirk has worked in the Administration since the Inauguration and is leaving to become the Senior Vice President at Fierce and Isakowitz.

PREVIOUS PARTICIPATION: N/A

DATE AND TIME: Thursday, November 7, 2002 // TBD Time

DURATION: 5 minutes

BRIEFING TIME: N/A

LOCATION: Oval Office

PARTICIPANTS: The President
Karl Rove, Senior Advisor
Kirk Blalock
Kristen Blalock, wife of Kirk Blalock
Madeline Blalock, 18-month-old daughter

OUTLINE OF EVENT: N/A

REMARKS REQUIRED: No

MEDIA COVERAGE: Closed Press

FIRST LADY'S ATTENDANCE: Not Requested

FUNDING SOURCE: N/A

WORKING CONTACT: Israel Hernandez x6-7263

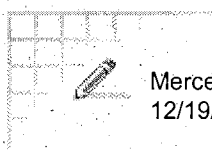
 ACCEPT

 REGRET

 PENDING

508648

FILE: Cuba



Mercedes M. Viana
12/19/2002 10:41:15 AM

Record Type: Record

To: Matthew A. Schlapp/WHO/EOP@EOP, Leonard B. Rodriguez/WHO/EOP@EOP, Paul B. Dyck/WHO/EOP@EOP, Ken Mehlman/WHO/EOP@EOP
cc: Jeanie S. Mamo/WHO/EOP@EOP, Nicolle Devenish/WHO/EOP@EOP, Sean I. McCormack/NSC/EOP@EOP, Emilio T. Gonzalez/NSC/EOP@EOP
Subject: Newsday (New York, NY): Cuban Americans Watch Bush's Appointee

Newsday (New York, NY)
December 19, 2002 Thursday

Cuban Americans Watch Bush's Appointee
Frank del Olmo

You can make a good argument that President George W. Bush owes more to Cuban Americans than to almost any other bloc of U.S. voters. But you surely couldn't tell from the shabby way one of their most outspoken leaders is being treated in Washington.

I refer to Otto J. Reich, the controversial former assistant secretary of State for Western Hemisphere Affairs. He's been left twisting in the wind - and it couldn't happen to a nicer guy - since well before Thanksgiving, when he was abruptly ousted as this country's chief diplomat for Latin America. The nation's capital is a town where the perks and symbols of power mean a lot. So imagine how Reich must have felt Nov. 22 when he returned from an official trip to Brazil to find that his nameplate and picture had been removed from the walls of the State Department.

That's also when Reich learned his office had been moved from the sixth floor to the first floor.

When Bush administration spokesmen hastily explained that Reich's new job would be as Secretary of State Colin L. Powell's "special envoy" to Latin America, no one could explain precisely what his duties would be. And in the last two weeks, Powell has made major trips south of the border to Mexico and Colombia. His new special envoy was not invited. I guess Reich can't take a hint.

But his political supporters in Congress can. That's why U.S. Reps. Ileana Ros-Lehtinen and Lincoln Diaz-Balart, Cuban American Republicans from south Florida, have been pressuring the White House to find another job for Reich, and fast.

Of course, as veterans of Washington politics, they should have seen Reich's downfall coming. To begin with, his yearlong tenure at the State Department's top level was temporary. Because Senate Democrats made it clear they did not consider Reich qualified for his post and would not vote to confirm his appointment, Bush gave the Cuban American what is called a

"recess appointment," meaning it was valid until the most recent Congress adjourned.

Full of his characteristic hubris, Reich assumed that his appointment would become permanent when Republicans won back control of the Senate in November. But then Sen. Richard Lugar, (R-Ind.), a moderate who is likely to replace the retiring North Carolina conservative Sen. Jesse Helms as senior Republican on the Foreign Relations Committee, said he would prefer another candidate for the Latin America post.

Last week, White House sources told me that Reich would soon be named the president's special envoy to Latin America. That may save some face for Reich, but it remains to be seen whether it will repair Bush's standing with those Cuban exiles who consider the brash former lobbyist a hero in the struggle to oust Fidel Castro.

Some of us pointed out all along that Reich's anti-Castro obsession was precisely what made him so ill-suited for a job dealing with the entire Western Hemisphere. With Venezuela teetering on the brink of political chaos, with Brazil, Peru and Ecuador having recently elected populist presidents who are dubious about U.S.-backed economic liberalization and with Mexico still pressing for an immigration deal, we need an envoy who can see farther than Havana.

Then there is the small matter of the Cuban exile terrorist Orlando Bosch, whom Reich tried to help get a U.S. visa in 1987 when he was ambassador to Venezuela. Bosch eventually sneaked into this country on his own and still lives near Miami. The Bush people don't like to talk about him much - and not just because it looks bad to have a convicted terrorist living openly in Florida's sunshine even as the United States wages war on terrorism elsewhere. It's that the president who in 1989 allowed Bosch to stay in this country on indefinite parole is the current president's father. And among the Floridians who urged the senior Bush to let Bosch stay in that state was Jeb Bush, then a political consultant and now the state's governor.

That brings me to what Reich's temporary tenure at the State Department was really all about: domestic politics. Having an avid anti-Castro activist in a highly visible post helped ensure Cuban American support for Jeb Bush in his recent successful gubernatorial re-election campaign.

Reich's temporary appointment was also reward for the Cuban American votes that were pivotal in the 2000 presidential election.

So while Reich's predicament is humiliating for now, expect to hear from him again. After all, Florida is likely to be an important state in the 2004 presidential election too. Frank Del Olmo is associate editor of the Los Angeles Times, where this first appeared.

508648

CHUCK HAGEL
U.S. SENATOR — NEBRASKA

— **FAX** —



To: Karl Rove
Of: White House
Fax: 456-0191
Subject: Hagel Statement
Pages: 2, including this cover sheet.
Date: December 20, 2002

I wanted you to see the statement Senator Hagel made regarding Senator Lott resigning and Senator Frist being the possible new Senate Majority Leader.

Call me if you have any questions. Thanks.

-Beth Lee

From the desk of...
Beth Lee
Press Secretary
Senator Chuck Hagel
248 Senate Russell Bldg.
Washington, D.C. 20510
Phone: (202) 224-3474 Fax: (202) 228-2086
beth_lee@hagel.senate.gov



UNITED STATES SENATOR • NEBRASKA

CHUCK HAGEL

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
Friday, December 20, 2002

Contact: Mike Buttry or Beth Lee
(202) 224-4224

Hagel Endorses Frist for Majority Leader *Praises Lott Decision*


Washington, D.C. – U.S. Senator Chuck Hagel (R-NE) issued the following statement today:

“I respect Senator Lott for his decision to step down as Majority Leader. It was the right thing to do.


“Now the Republican Conference must choose a new Senate Majority Leader. This is an important decision not only for the Republican Party, but for the country. Over the next two years, we will have a responsibility to address the significant foreign and domestic challenges facing our country.

“Bill Frist has the broad support of his colleagues. He has the ability to be an effective leader as we address the challenges of our time. I will enthusiastically support him in his effort to lead the Senate.”

Charlie Walker
call
508648

 Kara G. Figg
12/10/2002 12:16:21 PM

Record Type: Record

To: Susan B. Ralston/WHO/EOP@EOP
cc: Distie Carstensen/WHO/EOP@EOP
bcc:
Subject: Re: University of Texas Center for Deliberative Polling 


You know the President will be in Africa, Susan.
So will Sec Powell & Dr. Rice.

Distie Carstensen

Distie Carstensen

12/10/2002 08:52:00 AM


Record Type: Record

To: Susan B. Ralston/WHO/EOP@EOP
cc: Kara G. Figg/WHO/EOP@EOP
bcc:
Subject: Re: University of Texas Center for Deliberative Polling 

Susan

I don't have any record of a request concerning this group/event. This is the first that I have seen of it.

Susan B. Ralston


 Susan B. Ralston
12/10/2002 08:05:33 AM

Record Type: Record

To: Kara G. Figg/WHO/EOP@EOP
cc: Distie Carstensen/WHO/EOP@EOP
Subject: University of Texas Center for Deliberative Polling

Do you have any record of receiving an invitation from this group? Karl wanted to see any background materials.

----- Forwarded by Susan B. Ralston/WHO/EOP on 12/10/2002 08:02 AM -----

 Karl C. Rove
11/25/2002 08:17:40 AM

Record Type: Record

To: Susan B. Ralston/WHO/EOP@EOP

cc:

Subject: Fwd: Bush

----- Forwarded by Karl C. Rove/WHO/EOP on 11/25/2002 08:18 AM -----



(b)(6)
11/22/2002 05:33:32 PM

Record Type: Record

To: Karl C. Rove/WHO/EOP@EOP

cc: dwerner@newshour.org

Subject: Fwd: Bush

Karl --

I do not agree with Dan Werner's statement that his re-invitation to the President for the Philadelphia foreign policy National Issues Convention is too long -- he says it much better than can I.

Partly for the old days, but more importantly for the here, now and future, I hope very much that the President will accept.

Charly



- att1.htm

Return-path: <dwerner@newshour.org>

Received: from rly-xg03.mx.aol.com (rly-xg03.mail.aol.com (b)(6)) by air-xg05.mail.aol.com (v90.10) with ESMTP id MAILINXG53-1121140006; Thu, 21 Nov 2002 14:00:06 -0500

Received: from gateway.newshour.org (gateway.newshour.org [207.176.25.18]) by rly-xg03.mx.aol.com (v90.10) with ESMTP id MAILRELAYINXG34-1121135914; Thu, 21 Nov 2002 13:59:14 -0500

Received: from [125.1.100.128] by gateway.newshour.org (NTMail 7.00.0022/NU7311.00.093c737d) with ESMTP id cnjopaaa for (b)(6) Thu, 21 Nov 2002 13:59:15 -0500

Date: Thu, 21 Nov 2002 13:59:35 -0500

From: "Dan Werner" <dwerner@newshour.org>

Subject: RE: Bush

In-reply-to: <(b)(6)>

To: <(b)(6)>

Reply-to: <dwerner@newshour.org>

Message-id: <002c01c29190\$22af09d0\$8064017d@newshour.org>

MIME-version: 1.0

X-MIMEOLE: Produced By Microsoft MimeOLE V6.00.2800.1106

X-Mailer: Microsoft Outlook CWS, Build 9.0.2416 (9.0.2911.0)

Content-type: multipart/alternative; boundary="Boundary_(ID_LCNGM0hCfPwsi1ItSZaUCw)"

Importance: Normal

X-Priority: 3 (Normal)

X-MSMail-priority: Normal

My congratulations on your award. Very cool. Looking forward to seeing your remarks. As for the information you might need for Rove, I'm sure you straight to the point contact will give him the information he will need. Here's a more formal and far too wordy draft on an invite. Best, Dan.:

We would like to follow up on the earlier e-mail inviting the President to participate in a nationally televised town meeting on international issues that will be hosted by University of Texas Center for Deliberative Polling working with MacNeil/Lehrer Productions. This Sunday morning, January 12th event will be held in at the Annenberg Center in Philadelphia and will be a virtually unique gathering of citizens from around the nation. Jim Lehrer will be the anchor. This broadcast will be the highly visible culmination of the weekend's Deliberative Opinion Poll that UT Professor Jim Fishkin is overseeing. What makes this town meeting very much out-of-the-ordinary is the fact the audience participants as a group will be an accurate reflection of the American people. They will come to Philadelphia from around the nation, each recruited in a process built around a rigorous set of academic protocols. And, as in the 1996 Deliberative Poll in Austin at UT, the 350 to 400 citizens attending this town meeting live in more than 200 different locations around the nation and, once gathered together, will be a statistically accurate demographic, geographic, economic and educational microcosm of the nation.

These are uniquely special times for the nation. We think the Deliberative Poll provides the President and the administration with a strong communications opportunity to talk with citizens about the values and long term goals underlying policy decisions, not just the more superficial focus of most television coverage. The nature and the immediacy of the challenges facing "America in the World" make this an extremely timely event that provides a unique communications vehicle. The one-on-one conversation of the Philadelphia town meeting makes possible significant connections, always useful and increasingly important as potential conflict nears. Again, as in the 1996 Austin National Issues Convention, where then Governor Bush welcomed the delegates to Texas, this national project has deep local roots -- many of the participants likely to the subjects of local print and broadcast news coverage. Along with its communications and educational components, the Deliberative Opinion Poll, which surveys participants at the beginning and then the end of the process, provides a textured picture of the views of informed citizens.

The Philadelphia town meeting is the first event in a year long local/national television and community project called By the People. Organized by MacNeil/Lehrer Productions, the project's sole purpose is to help broaden the national conversation about foreign affairs issues. Guided by the NewsHour's standards of objectivity and fairness, the project endorses no positions, points-of-view or policy, but rather works to further the national conversation. Other events through the year will include local public broadcasting station programs and community activities organized by partner organizations which so far include the General Federation of Women's Clubs, the Kiwanis Clubs, the National Black Chamber of Commerce, the American Library Association, the 4H Clubs, the National Issues Forums along with the League of Women's Voters and the 90 local World Affairs Councils. Funding for the By the People project comes from the Hewlett Foundation with the broadcasts supported by the Corporation for

Public Broadcasting and PBS.

In our view, the perfect event would be for the President to join the citizen-participants in Philadelphia on Sunday morning, January 12th for an extended conversation that would last slightly less than an hour, covered live. While there are decided benefits of a face-to-face conversation, we would, if you thought more convenient, be able to arrange his participation through an interconnection. We very much hope you find this unusual invitation worthy of Presidential consideration because of the extraordinary opportunity it provides for informal conversation with the American people, assembled in Philadelphia in a highly usual local/national event at a critical time in the administration's and the nation's history.

We understand that the President's intensely busy schedule might make his participation in this event very hard to schedule. That said, and while, of course we very much hope the President could join us, it is critically important that the Philadelphia event provide the administration with a substantive opportunity to talk with the citizen delegates in Philadelphia. Therefore, if this cannot be fit into the President's schedule, we would very much appreciate your support and assistance in our efforts to secure the participation of Vice President Cheney, Secretary of State Powell or National Security Adviser Rice.



- att2.htm

508648

Date: 2/14

To: ~~Sammy~~

From: Strategic Initiatives Susan R.

- FYI
- Appropriate Action
- Direct Response
- Prepare Response For My Signature
- Per Our Conversation
- Let's Discuss
- Per Your Request
- Please Return
- Deadline
- Other

Comments: Karl will
not be attending.
Thnx.



Barry - FYI
Karl will not
be attending.
SM

Congressional Sportsmen's Foundation
110 North Carolina Avenue, SE
Washington, DC 20003
202-543-6850
Fax: 202-543-6853

FACSIMILE COVER PAGE

To: Karl Rove	From: Karen McDonald
Fax #: 4560191	Fax #: 202-543-6853
Company: Executive Office of the President	Tel #: 202-543-6850

Subject: Invitation	
Sent: 2/13/2003 at 4:25:22 PM	Pages: 2 (including cover)

Please find attached an invitation for a Breakfast Briefing on hunters access to public lands. To RSVP (acceptances only), please fax this form to CSF at 202-543-6853 or call Martha de Simon at 202-543-6850.



CSF BREAKFAST BRIEFING

WEDNESDAY, MARCH 12, 2003 ~ 8:00 A.M. ~ B-340 RAYBURN

CONGRESSIONAL SPORTSMEN'S FOUNDATION

THE SPORTSMEN'S LINK TO CONGRESS

SENATE CAUCUS LEADERSHIP

SENATOR MIKE ENZI (R-WY)

SENATOR BLANCHE LINCOLN (D-AR)

SENATOR MIKE CRAPO (R-ID)

SENATOR MAX BAUCUS (D-MT)

HOUSE CAUCUS LEADERSHIP

HON. ROBIN HAYES (R-NC)

HON. MIKE THOMPSON (D-CA)

HON. JIM GIBBONS (R-NV)

HON. LEONARD BOSWELL (D-IA)

HUNTER ACCESS TO PUBLIC LANDS

Federal public lands are an important destination for American hunters with nearly half conducting a portion of their hunting on these lands. In the next ten years, more than 300 management plans for National Forest and BLM lands are expected to be developed. Yet, while management of federal lands is a concern to hunters around the country, there is no coordinated effort to work with the U.S. Congress and federal agencies to evaluate and improve access to these lands for hunting.

CSF will be releasing the results of the first phase of research by Mark Duda of Responsive Management and Jon Haufler of Ecosystem Management Research Institute on the trends impacting hunter access to federal public lands. This research was coordinated in partnership with the Wildlife Management Institute, the National Wild Turkey Federation, the Pope and Young Club and SCI. Please join us for an informative overview on the results of the study.



_____ Yes, I/we will be attending the breakfast briefing on
March 12, B-340 Rayburn at 8:00 a.m.

Name: _____

Organization: _____

Guest: _____

Phone: _____

Congressional Sportsmen's
Foundation

110 N. Carolina Avenue, SE

Washington, DC 20003

Phone: 202.543.6850

Fax: 202.543.6853

csf@sportsmenslink.org

www.sportsmenslink.org

**Please RSVP (acceptances only) by faxing this form to
CSF at 202-543-6853 or by
calling Martha de Simon at 202-543-6850**

508648

THE WHITE HOUSE

WASHINGTON

LUNCH WITH AFRICAN-AMERICAN LEADERS

Friday, February 28, 2003

12:00 p.m. – 1:00 p.m.

Old Family Room

Karl Rove

I. PURPOSE

To meet and have lunch with African-American leaders and African-American elected officials on the last day of African-American History Month.

II. BACKGROUND

February is African-American History Month. There are 30 Republican African-American elected officials in America, the largest amount at any one time in history. For the first time in the history of Maryland and Ohio, an African-American was elected Lieutenant Governor in 2002. In Texas, three African-Americans were elected statewide, and many others were elected to local positions.

Republicans are linked with African-American heritage milestones: Lincoln was the first president to meet with a group of black leaders in 1862, and in 1865, signed the Emancipation Proclamation, one of the greatest documents of human freedom in world history. In the 1860s and 1870s, the Republican Party fought hard to pass important amendments to our Constitution including the 13th Amendment banning slavery, the 14th Amendment, which guaranteed equal protection under the laws, and the 15th Amendment which helped secure voting rights for African-Americans.

The first African-American Senator was Hiram Revels, a Republican from Mississippi, elected in 1870.

The first African American Representative was Joseph Rainey, a Republican from South Carolina, also elected in 1870.

Alonzo Ransier was elected Lieutenant Governor of South Carolina in 1870. [was he first African-American Lt. Gov.?] - Yes

Your Administration has the first African-American Secretary of State, the first African-American Secretary of Education, and the first African-American National Security Advisor.

The Office of Public Liaison has held four briefings at the White House for African-American History Month, one of which you attended yesterday on Africa Initiatives led by Dr. Jenday Frazer National Security Council Africa Affairs. The first three briefings

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included, a Faith-Based and Community Initiatives Briefing led by Rebecca Beynon in the White House Office of Faith-Based and Community Initiatives on February 6, a Small Business Briefing led by Ronald Langston of the Minority Business Development Office at Commerce on February 13, and an Education Briefing led by Secretary Rod Paige on February 26.

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Deleted: four Cabinet Department
Deleted:
Deleted: Faith-Based Office Directors

III. PARTICIPANTS

African-American Elected Officials- List in Attachments Section
African-American Leaders- List in Attachments Section

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African-American Administration Officials

Rod Paige, Secretary of Education
Condoleezza Rice, National Security Advisor
Alphonso Jackson, Deputy Secretary of Housing and Urban Development
Eric Bost, Undersecretary of Agriculture

Ronald Christie, Special Assistant to the President, USA Freedom Corps,
Eric Ciliberti, Associate Director, Intergovernmental Affairs
Tiffany Watkins, Deputy Associate Director, Office of Public Liaison

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Tiffany Watkins, Associate Director,
Office of Public Liaison

IV. PRESS PLAN

Closed

V. SEQUENCE OF EVENTS

- You arrive at the Red Room for individual photos with the African-American Leaders.
- You conclude photos and proceed to the Old Family Dining Room.
- You arrive at the Old Family Dining Room and proceed to the Head Table.
- You deliver brief remarks from your seat at the Head Table (see attached diagram of Head Table).

Note: TBD will be seated to your left, and TBD will be seated to your right.

- You conclude remarks.
- You eat lunch.
- You conclude lunch.
- You conclude event and depart the Old Family Dining Room.

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VI. REMARKS

Talking Points provided by OPL and IGA

VII. ATTACHMENTS

Attachment I: Draft Remarks

Attachment II: List of Republican African-American Elected Officials and African-American Leaders

Attachment III: Seating Chart for the President's Table

LIST OF REPUBLICAN AFRICAN-AMERICAN ELECTED OFFICIALS

Jane Powdrell Culbert, New Mexico State House, Republican
 Lynette Boggs McDonald, City Councilwoman, Las Vegas, Nevada, Republican

Jackie Winters, Oregon State Senator, Republican
 Frank Cousins, Sheriff, Essex County, Massachusetts Democrat
 David Clarke, Sheriff, Milwaukee County, Wisconsin Democrat

Lisa Hembry, Dallas County, Texas Treasurer, Republican

Wayne Curry, Former Prince George's County, Maryland Executive, Democrat

Robert Freeman, Cabarrus County, North Carolina Commissioner, Republican
 Pearl Burris-Floyd, Gaston County, North Carolina Commissioner, Republican

Dickie Atkinson, Youngstown, Ohio Alderman, Republican
 Winsome Earle Sears, Virginia State Delegate, Republican
 James Garner, Mayor of Hempstead, New York, Republican
 Bill Cleveland, Alexandria, VA City Council, Republican
 Mike Rogers, Oakland County, Michigan Commissioner, Republican
 Leon Mosley, Black Hawk County, Iowa Commissioner, Republican
 Michael Steele, Maryland Lieutenant Governor, Republican
 Marvin Norman, Iredell County, North Carolina Commissioner, Republican

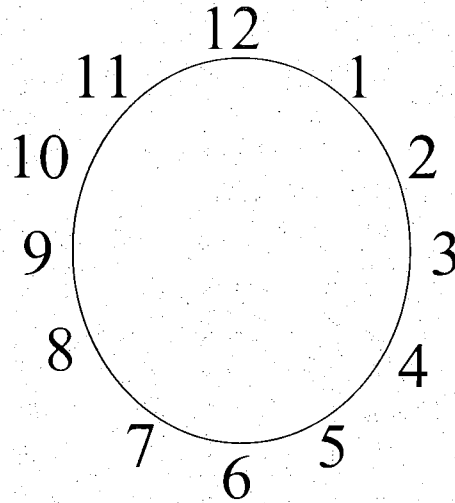
Invited African-American Leaders

Bob Woodson, Sr., Center for Neighborhood Enterprise, Republican
 Kathy Hughes, President of Radio One (Largest Black Owned Radio Station), Republican
 Dr. Ernest Hollaway, President of Langston University, Republican
 Bishop Keith Butler, Word of Faith Ministries
 Dr. Dorothy Height, National Council of Negro Women, Democrat
 Renee Amore, Amore Group, Republican
 Armstrong Williams, Graham Williams Group, Republican
 Reverend John Jenkins, Sr. First Baptist Church of Glenarden, Democrat

- Deleted: Invited Elected Officials
- Deleted: [we need party affiliations for these people]
- Inserted: [we need party affiliations for these people]
- Deleted: Johnny Ford, State ... [1]
- Deleted: Kevin Penix [PHONE] ... [2]
- Inserted: [PHONETIC]
- Deleted: Joe Cellestine, Mayor (... [3]
- Deleted: -
- Deleted: -
- Deleted: Yvonne Brown, Mayor ... [4]
- Deleted: Timothy Scott, Charles ... [5]
- Deleted: Rudy Harmon, Burkeville,
- Deleted: VA
- Deleted: Virginia City Council
- Inserted: Virginia
- Deleted: A
- Deleted: WI
- Deleted: Michael Williams, Tex ... [6]
- Deleted: TX
- Deleted: Dianne Jones, Texas C ... [7]
- Deleted: MD
- Deleted: Roosevelt Dorn, Mayo ... [8]
- Deleted: Bill Hardiman, Michigan
- Inserted: ... ichtigan ... [9]
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- Deleted: State Senate, District 29
- Deleted: Sherman Parker,
- Deleted: MO
- Deleted: Missouri State Rep. ... [10]
- Inserted: Missouri
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Kevin Penix [PHONETIC], Arkansas State Representative		
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Joe Cellestine, Mayor of North Miami		
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Yvonne Brown, Mayor of Tchula, Mississippi		
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Timothy Scott, Charleston County, SC Councilman		
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Michael Williams, Texas Railroad Commission Chair		
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Dianne Jones, Texas County Criminal Court No. 11		
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Dr. Willie Herenton, Mayor of Memphis, Tennessee		
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Missouri State Rep., District 12		
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Jennette Bradley, Ohio Lieutenant Governor		
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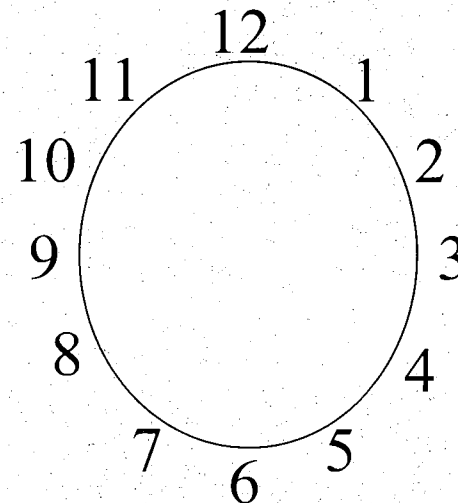
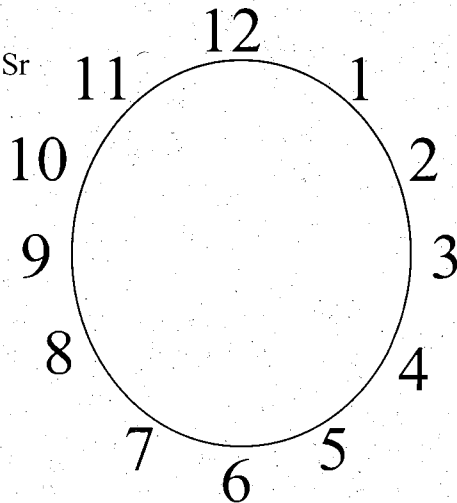
President's Table



1. Dr. Dorothy Height
2. Secretary Rod Paige
3. Robert Woodson Sr.
4. Renee Amoore
5. Mayor James Garner, NY
6. Dr. Condoleezza Rice
7. Lt. Governor Michael Steele
8. Pearl Burris - Floyd
9. Bishop Keith Butler
10. Michael Williams
11. State Senator Jackie Winters
12. POTUS

Senior Advisor's Table Chief of Staff's Table

1. Lynette McDonald
2. Reverend John Jenkins Sr
3. Mike Rogers
4. Bill Cleveland
5. Lisa Hembry
6. Dep. Sec Al Jackson
7. Armstrong Williams
8. Dr. Ernest Holloway
9. Marvin Norman
10. Leon Mosley
11. Dianne Jones
12. Karl Rove



1. Winsome Sears
2. David Clarke
3. Eric Bost
4. Wayne Curry
- 5.
6. Ruben Barrales
7. Mayor Josaphat Joe Cellastine
8. State Senator Bill Hardiman
9. Robert Freeman
10. Frank Cousins
11. Jane Powdrell - Culbert
12. Andrew Card

IGA Pre-Brief
Luncheon with African – American Elected Officials

Event: Luncheon with African American leaders and elected officials

Time: 12pm – 1pm

Date: February 28, 2003

Location: Old Family Dining Room – Residence

Number of Attendees: Approximately 35 elected officials and leaders from the African – American community

Elected Officials:

Lt. Govenor Michael Steele	The Honorable (Mr.) Richard Atkinson, Alderman, Youngstown, Ohio
Jackie Winters (Oregon State Senator)	The Honorable (Mr.) Frank Cousins, Sheriff, Essex County, Massachusetts
James Garner (Mayor of Hempstead, NY)	The Honorable (Mr.) Wayne Curry, Former County Executive, Prince George's County, Maryland
Bill Hardiman (Senator from Michigan)	The Honorable (Ms.) Lisa Hembry, County Treasurer, Dallas County, Texas
The Honorable (Mr.) Leon Mosley, Commissioner, Black Hawk County, Iowa	William Cleveland, Councilman, Alexandria, Virginia City Council
The Honorable (Mr.) Robert Freeman, Commissioner, Cabarrus County, NC	The Honorable (Mrs.) Lynette Boggs McDonald, City Councilwoman, City of Las Vegas
The Honorable (Mrs.) Winsome Earles Sears, Delegate to the Virginia House of Representatives, State of Virginia	The Honorable (Mr.) Marvin Norman, Commissioner, Iredell County, North Carolina
The Honorable (Mr.) Richard Atkinson, Alderman, Youngstown, Ohio	The Honorable (Mr.) David Clarke, Sheriff, Milwaukee County, Wisconsin
Pearl Burris – Floyd (Commissioner from Gaston County, North Carolina)	The Honorable (Mr.) Mike Rogers, Commissioner, Oakland County, Michigan
The Honorable (Ms.) Jane Powdrell-Culbert, Representative, New Mexico State House	

Miscellaneous: Reserved the Kennedy Center box for Friday, February 28, 2003 for the National Symphony Orchestra.

FIVE: Sadler



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12-08, Local: Sadler out of politics, but future is uncertain

By GLENN EVANS

HENDERSON — Don't count Paul Sadler out.

Retiring from the Texas House after six terms in Austin, the Henderson Democrat plans to stick close to his family during his impending absence from state politics. But Sadler already hears calls for future service, possibly from as far away as Washington, D.C., where U.S. Sen. Kay Bailey Hutchison would leave an opening if she makes an anticipated run for either president or Texas governor when her term expires in 2006.

"The U.S. Senate is interesting to me, because it's 100 votes," Sadler told the Longview News-Journal during an interview at his home. Sitting in his study below a 10-point elk trophy he intended for his barn until wife Sherri said it would look better amid the law books, Sadler sounded like a traveler who's glad to be home but accepts there could be more political journeys ahead.

"The lieutenant governor position is interesting to me," he said. "The governor's position is obviously something that interests me, but the truth is it's becoming so expensive."

Sadler, 47, can talk about education funding until the cows come home. For now, though, home is where he'll be as he ponders a fitting future to follow his years as chairman of the House Public Education and Select Teacher Health Insurance committees.

After almost a dozen years as one of the key figures in the ongoing struggle to improve the Texas public school system, Sadler is sure of one thing: If and when he does run for office again, it will only be for a leadership role at the senator level or in statewide office. During his years in Austin, he said, colleagues learned he has a knack for wading chest-deep into issues and emerging with clear proposals.

"I'm not really interested in not being on that level of decision-making," Sadler said.

On the other hand, he says he looks forward to his return to private life as an attorney in Henderson.

Named one of Texas Monthly's Top Ten Legislators during every session since 1993 — the magazine gave him its Touch of Class Award his freshman year in 1991 — Sadler said it's time for new blood in the seemingly never-ending search for a fair way to fund schools.

The father of five said he was particularly interested in staying close to home with his family, a desire that reached critical mass last year when his 11-year-old son, Sam, was critically injured in a traffic accident.

He called his youngest child the "primary reason" for the decision he made after the boy awoke from a four-day coma.

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"He woke up and said, 'You're not my real dad,'" Sadler recalled. "He said, 'My real dad lives in Austin.' That pretty well sums it up for me. It was the thing that tipped the scale, easily, for me."

Sam turns 12 within two weeks. Paul and Sherri Sadler have four sons and a daughter, from young Sam to 27-year-old Erin. In between are sons Joel, 18, Lee, 19 and Brandon, 20.

Sam's ongoing, successful recovery from his injury has pushed at least one public policy issue to the top of Sadler's interests. He praised the health care his son received in the wake of the accident, but was appalled by the difficulties he had in dealing with insurance companies. No one wanted his check for the deductible, which he tried to pay from the start, because of the complexities brought on by myriad doctors, labs, clinics and other participating medical entities. A prompt-pay bill giving insurance companies deadlines to meet bills could have saved him from the confusion many consumers experience, he said.

"That's one thing that could bring me back into politics is health care," he said. "There are only a couple of issues I'm interested in."

It's somewhat understandable if Sadler is burned out on school finance. Having been involved in successive incarnations of Robin Hood since 1991, he co-chaired the Joint Select Committee on Public School Finance this year. But he and fellow chairman Sen. Teel Bivins, R-Amarillo, have said that none of the educators, administrators, taxpayers or other witnesses before the committee brought any viable alternative to the oft-despised practice of taking money from richer districts to give to poorer ones.

"I've yet to see a single, solitary soul walk into the Capitol and say, 'This is a better way to do it,'" he said. "You can't do it (fix school finance) without a tax bill, not without a surplus. I just don't believe the Republicans, who control the House for the first time since Reconstruction, are going to pass a tax bill."

All tax bills have to originate in the House, where Republicans will enjoy an 88-62 majority when the session starts on Jan. 14. The Democratic majority in the House was 78-72 before the general election.

In 1997, then-Gov. George W. Bush took the last serious shot at reforming the school funding system. But the future president's Business Activity Tax, which Sadler said essentially was an income tax for sole proprietorships and partnerships, tanked in the 75th Legislative Session.

When that happened, Bush leveraged a \$5 billion surplus into a pay hike for teachers and improvements in their health insurance coverage — and prominently featured those actions in his bid for the presidency.

Many school districts have reached the constitutional property tax rate cap of \$1.50 per \$100 valuation. Meanwhile, the state's student population grows the equivalent of a new Fort Worth Independent School District each year, Sadler said. Add to that the likelihood that vouchers will become a reality under GOP leadership and the riddle of funding public schools will require serious math skills.

Acting Lt. Gov. Bill Ratliff last spring floated the idea of enacting a statewide property tax dedicated to education, but it was about as well-received as an East Texas ice storm.

"The only way you can do that (Ratliff plan) is if everyone comes down to an average" in per student spending, Sadler said.

And he said the Texas Lottery, aside from its unreliability as a funding source, offers little more than a drop in the bucket compared with the annual cost of education. Sales taxes are too regressive for Sadler's taste, affecting poor people more than the wealthy as a percentage of income.

In the search for an alternative to the Robin Hood plan authored by Ratliff more than a decade ago, one of the few remaining options might be an income tax dedicated to education, a prospect that has more public support than state-run terrorist schools — but not much. And Sadler said he has yet to describe the details of a state income tax to any group that didn't decide after 30 minutes it's the smartest way to go.

He envisions a \$50,000 annual income as the trigger for a state income tax. He also predicts a senior citizens exemption from filing.

"I can see older, retired couples who are adamant against a state income tax," he said. "But they wouldn't pay that tax anyway."

Plus, a state income tax would draw enough revenue, a standard he said other revenue schemes don't meet.

"What the state income tax does is, it has the capacity to raise the funds we need," Sadler said, noting it would take a 14-percent sales tax to meet demand — again, too regressive. "Outside of a state income tax, there really isn't a state tax that has the ability to fund education."

Sadler said he always thought the voucher movement was "hysteria," but in the wake of last month's GOP landslide, he predicts the measure will become law this session.

"You're going to see a voucher program," he said. "There's too much money that's been put into the Republican Party. It doesn't matter, you're going to see it."

He said taking tax dollars out of public schools tells the districts that improvement will not be pushed by the public.

"It is a signal to the school districts that we're not going to make it better," he said. "We're building a system and acknowledging we're not going to make it better, and we're going to make it where you can take your child out of it."

But others will debate those questions in Austin this session.

"I leave with only good feelings," Sadler said. "I'm very proud of what we've accomplished over the last decade. We rewrote the whole education code. We built a whole lot of schools."

And he'll never forget moments like when then-Gov. Bush put his hand on Sadler's shoulder, grinned his George W. grin, and let him know he'd convinced the governor to appoint Mike Moses as education commissioner during the legislative session when Moses could bring his expertise to the education code rewrite. Bush at first had said he'd hold the appointment until the session was over.

Bush initially disagreed with Sadler's hopes to fund prekindergarten classes.

"His exact words to me were, 'You're grabbing a pig in a poke,' and now he thanks me for it," Sadler said. Here again, the source of another presidential campaign booster.

Sadler had decided to retire in 1995, until Libby Linebarger, D-Manchaca, decided to step down as chairwoman of the House Public Education Committee and House Speaker Pete Laney convinced Sherri to convince her husband to run after all.

And he said he'd already missed working with John Sharp, the comptroller of public accounts whose Texas Performance Reviews, creation of the Lone Star Card to attack USDA Food Stamp fraud and other measures "saved our tail" from a multi-billion dollar deficit in 1991, he said.

Sadler called his fellow Democrat, who was defeated by GOP candidates for lieutenant governor in 1998 and for attorney general last month, "clearly the most qualified, most

) what?

knowledgeable individual in the whole state to have been twice rejected by state voters."


Sadler's future? Beyond his family labor of love and his professional labor of law, all he knows is any new foray into politics will have to promise the same level of involvement he's gotten used to by being on the inside.

"I think there is a period in time where you have your maximum influence," Sadler said. "I felt the need to turn the page."

Last week he was in Austin, helping educate freshman lawmakers about education issues. He also tried to let them know they can actually get things done.

"The hardest thing to accomplish, for new legislators, is the belief that they can accomplish something," he said. "The hardest thing from a leadership standpoint in the House is getting members to believe they can do it. (I'll tell them) 'You can accomplish anything. It is a very unique time in your lives.'"

Gienn Evans can be contacted at gevans@coxnews.com

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All the bills have to go through the House, where Republicans have a majority when the session starts on January 14, 2003. The Legislature meets 78-72 before the general election.

In 1997, then-Gov. George W. Bush took the lead on the funding system. But for future prospects, Bushback Auditor General Ken Cuccinelli has a plan for some proposals for the 75th Legislative Session.

When that happened, Bush managed a 50 billion surplus in improvements in their health insurance coverage -- and billions in his bid for the presidency.

Many school districts have rejected the opportunity for a 50% reduction. Meanwhile, the state's student population in Fort Worth Independent School District each year, Sadler said, that voters will become a reality under GOP leadership, schools will require serious math skills.

Acting Lt. Gov. Bill Ratliff last spring floated the idea of a dedicated to education, but it was about as well-received.

"The only way you can do that (Ratliff plan) is if everyone per student spending," Sadler said.

And he said the Texas budget deficit from its unrelenting more than a decade in the budget department will be another are too regressive for Cuccinelli's plan, shifting non-proportional percentage of income.

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EXECUTIVE CHAMBERS
HONOLULU

Susan
Dinner.
KML

LINDA LINGLE
GOVERNOR

February 14, 2003

The Honorable George W. Bush
President of the United States of America
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Bush:

Aloha! On behalf of the State of Hawaii, I am pleased to present you with a sample of the fine gourmet coffees grown in our state. Hawaii holds the distinction of being the only state in the union to grow coffee commercially. As a result, I would like to propose that the White House serve Hawaiian grown coffee at official State dinners and functions. In addition to being a great honor for our state, it would provide guests at the White House with the opportunity to experience a "Taste of Aloha" and the centuries old tradition of Hawaii's coffee industry.

Among the many diversified agricultural products produced in Hawaii, one of our most unique and important crops is coffee. Hawaii's coffee is renown throughout the world for its premium quality. Total farm revenues are estimated at \$19.6 million and rising.

The history of coffee in the islands dates back to the early 1800's when coffee trees first arrived from Brazil. Today, crops are grown on four of Hawaii's major islands, comprising our sixth largest diversified agricultural commodity. Approximately 7,600 acres of coffee is cultivated statewide with an annual production of 8.5 million pounds of beans. The majority of Hawaii's coffee production is distributed throughout the U.S. Mainland and exported to Japan, Canada, and Europe.

We are proud of the coffees grown in our islands and its reputation as one of the finest gourmet specialty coffees in the world. Thank you for your consideration and I look forward to hearing from you regarding this matter.

Sincerely,



LINDA LINGLE



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					OPINION	HELP TOPICS

Opinion

HonoluluAdvertiser.com
February 24, 2003



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Posted on: Monday, February 24, 2003

EDITORIAL

Caffeinate White House with Island homegrown

Anyone who watches "The West Wing" might have surmised that the White House staff and their guests consume gallons of coffee. So it's a good bet that Gov. Linda Lingle has grounds to propose that the real-life White House exclusively serve Hawaiian-grown.

After all, Hawai'i is the only state in the union — as far as we know — that grows coffee commercially. Texas certainly doesn't. We've heard plenty of steak and barbecue is gobbled at the White House, and it's not just a Republican thing. Bill Clinton liked his steak, too.

But back to coffee. The state Department of Business, Economic Development and Tourism suggested Lingle peddle Hawai'i-grown brew to the White House. And we think they should embrace the offer. It's their patriotic duty, is it not? And how about those macadamia nuts? They even make coffee-flavored ones. It's time America tasted the nature's bounty our Islands provide.

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- ENTERTAINMENT: TGIF Calendar | 4-Week Guide | Movie Showtimes | Dining | Visitors | National Arts & Leisure

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Ralston, Susan B.

From: Gray, Adrian G.
Sent: Tuesday, February 25, 2003 6:18 PM
To: Ralston, Susan B.; Goldman, Adam B.
Subject: Friedman Travel Proposal

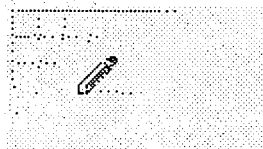
This is what I sent earlier today:

1. Arkansas (Lincoln)
2. Cleveland, Ohio (Voinovich, Dewine)
3. Denver, Colorado (Rep. Beauprez has a request in for Friedman)
4. Maine (Collins, Snowe)
5. Omaha, Nebraska (Nelson, Hagel)

It has gone through OPA and Leg Affairs.

AG

----- Forwarded by Adrian G. Gray/WHO/EOP on 02/25/2003 06:10 PM -----



Ken Mehlman
02/25/2003 05:50:59 PM

Record Type: Record

To: Adrian G. Gray/WHO/EOP@EOP, Adam B. Goldman/WHO/EOP@EOP

cc:

Subject: Friedman Travel Proposal

please email this to susan.

----- Forwarded by Ken Mehlman/WHO/EOP on 02/25/2003 05:45 PM -----

From: Susan B. Ralston/WHO/EOP@Exchange on 02/25/2003 04:55:33 PM

Record Type: Record

To: Ken Mehlman/WHO/EOP@EOP

cc: Katherine M. Walters/WHO/EOP@EOP

Subject: Friedman Travel Proposal

Can you give me an approximate time when you'll have Steve Friedman's travel proposal ready?

Withdrawal Marker

The George W. Bush Library

FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Email	[(b)(6)] - To: Susan Ralston - From: Darren Bearson	1	02/26/2003	P2; P5; P6/b6;

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COLLECTION:

Records Management, White House Office of

SERIES:

Subject Files - FG006-27 (Office of Senior Advisor - Karl Rove)

FOLDER TITLE:

508648 [1]

FRC ID:

9707

OA Num.:

10731

NARA Num.:

10789

FOIA IDs and Segments:

2015-0037-F

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
- C. Closed in accordance with restrictions contained in donor's deed of gift.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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Records Not Subject to FOIA

Court Sealed - The document is withheld under a court seal and is not subject to the Freedom of Information Act.

Lockart, Sarah K.

508648

From: Rove, Karl C.
Sent: Friday, February 28, 2003 8:10 AM
To: Lockart, Sarah K.
Subject: FW: Medicare Rollout Document

-----Original Message-----

From: Lineberry, Stephen M.
Sent: Thursday, February 27, 2003 7:33 PM
To: Rove, Karl C.
Cc: Ralston, Susan B.; Westine, Lezlee J.; Hernandez, Israel; Hager, Henry C.; Badger, William D.; Silverberg, Kristen; Jackson, Barry S.; Wehner, Peter H.
Subject: Medicare Rollout Document

Karl,

Kristen Silverberg and I collaborated on a rollout strategy for the Medicare initiative and it was incorporated into Communication's rollout plan today. The draft document attached below has a timeline for the rollout and my proposed outreach lists below the timeline. Please let me know if you have any questions.

Steve
ext. 56126



Comm-OPL Rollout
Timeline.doc ...

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Draft	Medicare Rollout Timing	5	N.D.	P5;

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Briefing	Policy Time - Economic	2	02/28/2003	P5;

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Email	FW: Blogging Strategy - To: Sarah Lockart - From: Karl Rove	1	02/26/2003	P5;

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Sunday Times (London)
February 24, 2002, Sunday

Out of the ashes, a new way of communicating

Andrew Sullivan

When the war broke out I started writing about my feelings on the website and readers responded with an intensity I've never felt before. The blog, a new kind of website, is pioneering real-time journalism that offers a challenge to the global media

A couple of years ago friends persuaded me I should get a website. It seemed like a nice idea - very 1999 - but what to do with it? A good friend helped design the thing, and very snazzy it looked, too. But as with so much electronic media, a certain question was never quite answered in my mind.

I liked the vanity of a site devoted to me; and to begin with, it was thrilling to get e-mails direct from readers. It was also useful to have a single place where all my work was collected and archived. But I kept asking myself: what is this new medium for? Then I discovered Blogger. No, it's not a new expletive. It's a simple web technology, based on a website called Blogger.com. The word comes from the expression "weblog", which simply means a real-time, online personal diary.

Blogger, pioneered and still run by Evan Williams, makes that easy. Within minutes you can have a website and post to the universe any brilliant or sublimely stupid thought that comes to mind. Blogger even provides an idiot-proof rubric for a simple site.

And all this is free. It was, I realised two years ago, the nascent Napster of the journalism industry. Just as Napster bypassed the record companies and brought music to people with barely any mediation, so Blogger bypassed established magazines, newspapers, editors and proprietors, and allowed direct peer-to-peer journalism to flourish.

That shift began to happen a year ago. Within the past six months, however, the phenomenon has reached a critical mass. The number of "blogs" is growing by tens of thousands a month, and Blogger itself boasts more than 150,000 users. In January, 41,000 new blogs were created, the vast majority small, quirky enterprises, and reading them is like peering at someone's diary over their shoulder. The genre has evolved into a mishmash of links to other stories on the web, personal comments on the news, spirited debates between various pundits, book discussion groups and much else. As the Far Eastern Economic Review noted recently: "Weblogs are where the real action is. They are the creation of individuals, usually musings on national, local or personal events, links to interesting articles, a few lines of comment or discussion collected and presented by one person. Weblogs are a milestone in the short history of the internet."

In fact, blogs could well be a milestone in the long history of journalism. By empowering individual writers, by reducing the cost of entry into publishing to close to zero, the blog revolution has only begun to transform the media world.

Perhaps the best way to explain why I think this is so is to recount my own experience. In October 2000, I started my fledgling site, posting pieces I had written and then writing my own blog, publishing small nuggets of opinion and observation at least twice a day.

I thought of it as a useful vanity site and urged my friends and their friends to read it. But within a couple of weeks something odd happened. A few of my readers started writing back. They picked up on my interests and sent me links and ideas to add to the blog.

Before long, about half the material on my site was suggested by readers. Sometimes they knew far more about any subject than I could. I remember trying to fathom some of the complexities of the Florida election nightmare when I got an e-mail from a Florida politics professor explaining every detail.

If I'd been simply reporting the story in the traditional way, I'd have never found this fount of information. As it was, I found myself scooping major news outlets on arcane electoral details about chads and voting machines. Peer-to-peer journalism, I realised, had a huge advantage over old-style journalism. It could marshal the knowledge and resources of thousands, rather than the few.

And as my blog developed into round-the-clock musing and reporting, its audience grew. I had no advertising or marketing budget to promote it, so I simply put it in my columns and went on television to have the site's name - www.andrewsullivan.com - put on the screen. My readers did the rest. Within six months I was amazed to find I was pulling in 5,000 individual visits a day. From being a fixed piece of written journalism, the blog gradually developed into something more like a 24-hour broadcast. When we had technical glitches (the "we" refers to my web-partner and business adviser) it was like a screw up on television. We had to fix the problem - fast. I also noticed, as other bloggers do, that the site was taking over my life.

If I didn't post for a day or so, I'd get e-mails asking if I were ill. This was getting to be a performance as much as a job. But there was instant gratification. With each month, the numbers grew. Unlike regular journalism, where you write a column in a newspaper or magazine and the only feedback you really get is a few nice (or rough) comments from friends or outraged letters to the editor, each morning I would get up to 100 e-mails about a piece I'd just written and a report telling me how many people had dropped by in the previous 24 hours. By last summer I was getting 8,000 visits a day.

And then the war broke out. I started writing about my feelings and readers responded with an intensity I've never felt before. For a few months, the site was entirely about the war, a place where every possible argument about the conflict could be grappled with. It became a clearing house for reflection on September 11.

The blog seemed designed for this moment. The market for serious news commentary soared but people were not just hungry for news, I realised. They were hungry for communication, for checking their gut against someone they had come to know, for emotional support and psychological bonding. Readers were more sceptical of anonymous news organisations anyway,

and preferred to supplement them with writers they liked. The audience doubled overnight. By November the site was getting more than 500,000 visits a month.

I wasn't the only one. Hundreds of "warblogs" started proliferating. A law professor named Glenn Reynolds set up one called Instapundit.com and fast became a sensation. Established writers such as the libertarian Virginia Postrel (Dynamist.com), the neo-liberal Mickey Kaus (Kausfiles.com) and the left-liberal Josh Marshall saw their traffic jump. Previous unknowns such as Ken Layne and Matt Welch added to the chorus. The Wall Street Journal's excellent online feature OpinionJournal.com added a blog summing up the best of the web today.

Suddenly, old-style opinion columns faced competition from round-the-clock rivals. More and more readers were reading the papers online and using their favourite bloggers as guides to what was interesting or what they might otherwise miss. Bloggers became internet sherpas - experienced guides to all the information out there.

Even more threatening to the old media was the fact that bloggers could read the next day's op-ed columns online the night before and get in pre-emptive rhetorical strikes before readers had even tackled the next day's papers.

But of course, as the phenomenon matured, the golden question about so much online publishing remained: how would this ever make money? Even bloggers like me, who did it for the fun of it alongside their day jobs, found the time and energy required to keep the site constantly crackling was beginning to consume their lives. We were in effect working round the clock - for nothing.

As my traffic soared, costs also grew. But with online advertising in the mother of all slumps and the subject matter controversial, advertisers were even more wary than usual.

So webbloggers simply begged. They put little buttons on their sites that allowed readers to donate money to keep the blogs going. Slowly, cash dribbled in. In 2001 \$ 27,000 came into my site via donations. Almost all of it went to pay for design and bandwidth costs, but before too long a modest income source began to make blogging less like charity and more like minimum-wage labour.

Most major blog sites now have electronic begging bowls - although for most the income is loose change. Another option was what's called "affiliate advertising". The blog runs ads for which the companies pay nothing, but if someone clicks on the ad to buy something, the blogger gets a cut of the proceeds. The commissions are small, but if the volume is sufficient, the income can grow.

The genius of the blogging model, after all, is the lack of overhead. Unlike loss-making online magazines, bloggers have no offices to rent and no staff to pay. So even small amounts can make a difference. This month I tried something else. I started a book club online so that my readers could read a book in real time with me and one another, post their comments as they read and also get the author to write in his opinions.

Amazon co-operated, giving us a 15% commission on every book we sold. In our first month we sold nearly 1,000 books. At roughly \$ 2.50 a book, that's real money. No subscriptions, no pop-

up ads, no advertising, no marketing. Just an online community reading and thinking and paying for itself.

Last month my site racked up more than 800,000 visits from 220,000 people. In terms of eyeballs, that easily rivals the subscription base of many other small opinion magazines. If the goal of opinion journalism is not ultimately money but influence and readers, the blogs are already breathing down the old media's neck. In an attempt to co-opt the trend, National Review Online recently added its own blogging section. Slate and Salon - the two major online magazines - are gradually shifting in the same direction.

This means a writer no longer needs a wealthy proprietor to get his message across to readers. He no longer needs an editor, either.

It means a vast amount of drivel will find its way to the web. But it also means that a writer is finally free of the centuries-old need to suck up to various entities to get an audience. The universe of permissible opinions will expand.

It's no accident that a good plurality of American bloggers, for example, are libertarian or right of centre. With a couple of exceptions, the established newspaper market in America is dominated by left-liberal editors and reporters. What the web has done is allow talented writers to bypass this coterie and write directly to an audience.

If the Drudge Report pioneered the first revolution of his kind, then bloggers are the vanguard of the second wave. Liberal media bias is a favourite topic in Blogland. The exposure of several pundits on Enron's payroll was also pioneered by bloggers (including me). It might never have happened if those pundits' own organs still had a monopoly on media power. But they don't.

So is it a real media revolution? It's way too soon to tell. But it's true that bloggers are perhaps among the first writers to have the medium direct them rather than the other way round. Most non-blogger web journalism is still a little like television in the 1950s when radio show formats were plonked onto the small screen.

Many magazines and newspapers now put online a pixelated version of what they already do on paper. But what bloggers do is completely new - and cannot be replicated on any other medium. It's somewhere in between writing a column and talk radio. And it harnesses the web's real genius - its ability to empower anyone to do what only a few in the past could genuinely pull off.

Blogging is the first journalistic model that harnesses rather than merely exploits the true democratic nature of the web. It's a new medium finally finding a unique voice. Stay tuned as that voice gets louder and louder.

You can blog Andrew Sullivan at www.andrewsullivan.com

LOAD-DATE: February 25, 2002

508648

Ralston, Susan B.

From: Lineberry, Stephen M.
Sent: Thursday, February 27, 2003 7:33 PM
To: Rove, Karl C.
Cc: Ralston, Susan B.; Westine, Lezlee J.; Hernandez, Israel; Hager, Henry C.; Badger, William D.; Silverberg, Kristen; Jackson, Barry S.; Wehner, Peter H.
Subject: Medicare Rollout Document

Karl,

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Steve
ext. 56126



Comm-OPL Rollout
Timeline.doc ...

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Draft	Medicare Rollout Timeline	5	N.D.	P5;

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FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
Email	D.C. Visit: Week of March 16-22 - To: Karl Rove - From: Mark Dangerfield	1	02/01/2003	PRM;

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508648

Date: 2/28

To: ~~DAN~~

From: Strategic Initiatives **KARL**

- FYI
 - Appropriate Action
 - Direct Response
 - Prepare Response For My Signature
 - Per Our Conversation
 - Let's Discuss
 - Per Your Request
 - Please Return
 - Deadline
 - Other
- Comments: re: Slater
-
-

Ralston, Susan B.

From: Rove, Karl C.

Sent: Friday, February 28, 2003 10:33 AM

To: Ralston, Susan B.

Subject: please give Dan the economist review of the two books on me

and the 1986 tracking poll sheet from Wirthlin and the xerox of the Dallas Morning News stories on the Hightower aides.



will send separately

12 of 1297 DOCUMENTS

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The Economist

February 22, 2003 U.S. Edition

SECTION: BOOKS & ART**LENGTH:** 726 words**HEADLINE:** The limits of spin**BODY:**

POLITICAL consultants are familiar figures in America, and not just on "The West Wing". Bill Clinton had the Raging Cajun, James Carville. George Bush senior employed another southern hell-raiser, the late Lee Atwater. Yet few, if any, have been as close to a president in recent times as **Karl Rove**. He was at George Bush's side from the first, plotting his campaigns, buffing his image, supervising policy tutorials, sifting opinion polls--always positioning his master for the next great battle.

Between elections, Atwater and Mr Carville retreated to the shadows; Mr Rove has an office in the White House. The Republican National Committee is a Rove fief. His fingerprints are often found on public policy--most muckily on steel tariffs. No wonder Mr Bush has two names for him: "boy genius" and "turd blossom".

The two men could hardly be more different. Mr Bush grew up as an apolitical son in an elective dynasty. Mr Rove was born a political junkie. Mr Bush was the typical frat-boy, always the centre of the crowd. Mr Rove was a natural nerd, complete with spectacles and pocket protector. Mr Bush, the C-student, glided into Yale and Harvard. Mr Rove, the man who arrived in Washington with 148 cases of books, dropped out of the University of Utah after his mother committed suicide.

Although Mr Bush once dabbled in business, Mr Rove was drenched in politics from the start. He rose quickly to the top of the College Republicans in the early 1970s, when many of America's universities were engulfed in protest against the Vietnam war, hooked up next with Atwater and caught the eye of the Republican

National Committee. Before long George Bush senior, who had left Washington for Texas, hired Mr Rove for his failed primary run against Ronald Reagan in 1980.

Texas was the making of the young autodidact. Change was blowing strongly through the once Democratic state when he arrived. The national Democratic Party's leftward lurch had alienated southern Democrats; a booming Texan economy was attracting droves of conservative northerners. But party shift was not inevitable, and Mr Rove did as much as anyone to consolidate Texas Republicanism, turning it from a suburban insurgency fighting for equality into the state's dominant party. Republicans hold the governorship, both houses of the legislature and the main state-wide offices. To this end, Mr Rove built up a peerless list of party donors, working for all the leading Republicans in the state--including its two present senators, John Cornyn and Kay Bailey Hutchison, its governor, Rick Perry, as well as both the Bushes.

Now Mr Rove has attracted not one but two biographies. Both are well timed, particularly after the Republicans' remarkable trend-bucking performance in the mid-term elections last November. They are full of interesting material, particularly on Mr Rove's years in Texas. But both books suffer from a pair of failings which blunt their impact and make them in the end more irritating than illuminating.

The first failing is hypersensitivity to scandal. The journalists who produced these books are bloodhounds in pursuit of a scent. They are forever digging up stories that will seem rather bland to those with less sensitive noses. As a College Republican, Mr Rove apparently told his charges to search an opponent's rubbish. Hardly Watergate. Back in Texas, he once saved up a damning fact about one of his opponents--that she had lied about her academic record--and used it at the most damaging time. Oh, my dear.

The second and more serious problem is that neither author can resist inflating their subject's influence. It is not enough that Mr Rove is a successful consultant;

instead, he is the "co-president", a scheming genius who took a witless dauphin and scripted every stage of his rise to power.

But who is the monkey and who is the organ-grinder? Mr Rove is more or less excluded from foreign policy, the issue which will surely define Mr Bush's presidency. In foreign even more than domestic policy Mr Bush has shown an impressive ability to listen to advice, play hawks against doves, and push through his agenda with relentless determination. The real story is not Mr Rove's ability to pull the strings but Mr Bush's

ability to pick and manage talented underlings, including supposed puppeteers like Mr Rove.

GRAPHIC: The man who pulls the strings? Or one more voice for George Bush to listen to?; **Boy Genius: Karl Rove, the Brains Behind the Remarkable Political Triumph of George W. Bush; Bush's Brain: How Karl Rove Made George W. Bush Presidential.**

LOAD-DATE: February 21, 2003

U.S. assails study of crop program

Agency paid \$10,000 to in-law of labor chief for 12-page report

By Bruce Tomaso

Staff Writer of The Dallas Morning News
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The son-in-law of the state's top labor official got \$10,000 last year to produce a report on a Texas crop inspection program whose finances are now under investigation. The author, who has no experience as an agricultural consultant, acknowledged Tuesday that his work was of dubious value.

"To be honest with you, I wouldn't have paid that much for it," said Will Rogers, a farmer, handicrafts salesman and coin laundry operator from Madisonville, in Madison County northeast of Bryan.

Mr. Rogers wrote the 12-page report — characterized by federal investigators as lacking "fundamental research or original thought" — for the Texas-Federal Inspection Service, an agency operated by the U.S. Department of Agriculture and the Texas Department of Agriculture to provide crop inspections for Texas growers.

Since 1986, campaign finance records indi-

Please see AGRICULTURE on Page 26A.

Agriculture agency paid labor chief's in-law for report

Continued from Page 1A.

cate, organized labor has contributed \$27,000 to Agriculture Commissioner Jim Hightower, a populist Democrat and staunch labor supporter.

However, Mr. Rogers denied that his father-in-law, Texas AFL-CIO president Joe Gunn, had influenced his selection as a consultant to the Texas-Federal Inspection Service.

Mr. Gunn was said to be traveling Tuesday and unavailable for comment.

Repeated calls to Andy Welch, chief spokesman for Mr. Hightower, and to Mike Moeller, Mr. Hightower's chief deputy, were not returned.

The Dallas Morning News reported Tuesday that the state auditor's office is investigating thousands of dollars in credit card charges billed to the inspection service by Mr. Hightower, Mr. Moeller and others. The investigation was requested by the federal Agriculture Department, which said many of the charges from restaurants and hotels "appear to be highly questionable."

Responding to that report, Republican Gov. Bill Clements called Mr. Hightower "a disgrace to state government." The governor sought in the last regular session of the Legislature to have Mr. Hightower's elective office abolished.

If the state auditor's office concludes that the credit-card charges were improper, Mr. Clements said, "Certainly he (Mr. Hightower) should reimburse the state, but I think it goes beyond that. I think it is an act of continued misbehavior, and perhaps we should impeach him."

Mr. Clements freely admitted his animus toward the agriculture com-

missioner, a frequent and pithy critic of the GOP leadership in Austin and Washington. "I am a Republican, and I am after him. There's no secret about that," the governor said.

In a June letter asking the state auditor to look into the workings of the Texas-Federal Inspection Service, David Lewis, chief of compliance for the USDA's Agricultural Marketing Service in Washington, said the \$10,000 consultant's report that Mr. Rogers produced for the inspection service was "a not-very-impressive document."

For his fee, Mr. Rogers researched the legislative and statutory history of the inspection service, an agency created in 1959.

Mr. Rogers acknowledged Tuesday that his report was flimsy, its information obtained almost exclusively from the legislative library in Austin and from books of state statutes. Part of his report is a summary, in outline form, of the seven-page agreement creating the agency.

Originally, Mr. Rogers said, he was hired by Pete McRae, a former aide to Mr. Hightower who now is acting administrative director of the inspection service, to research the crop inspection programs of other states. However, he said, he had difficulty getting the information he needed in the six months allotted.

"At that point, I really thought we should abort it," Mr. Rogers said. Instead, he said, Mr. McRae told him to produce the thumbnail history of the inspection service.

"I did what I was asked to do. With what I had to work with, I gave them what I could. To be perfectly honest, I really didn't feel good about taking the money, but I took it anyway," Mr. Rogers said.

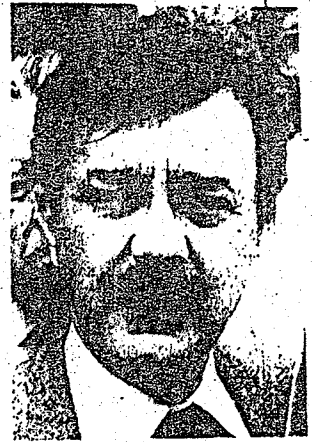
Mr. McRae said Tuesday that he was not aware when he hired Mr. Rogers that the man's father-in-law was an official of the AFL-CIO, which traditionally has supported Mr. Hightower.

"I only learned that later," he said.

Mr. McRae defended the study, saying, "It was sufficient for what we needed. It illuminated a lot of areas for us that we didn't have a handle on."

Asked what Mr. Rogers' qualifications were for doing the study, for which no other bids were solicited, Mr. McRae replied: "I believe he has an English degree. He also does some organic gardening-type work."

Later, he added, "I really don't know his complete background."



Jim Hightower ... his agency and the federal Agriculture Department paid for a report on a jointly operated inspection service.

Mr. Lewis, the federal Agriculture Department's compliance officer, wrote of the study: "It is not clear to USDA what benefit might be derived from such a survey or report." Moreover, he wrote, "the contract apparently was entered into without the knowledge or consent of the federal supervisor" of the Texas-Federal Inspection Service.

"USDA officials, who could have provided a wealth of information ... were never consulted," Mr. Lewis wrote.

Staff writer Wayne Slater contributed to this report.



Bill Clements ... calls Jim Hightower "a disgrace to state government."

Hightower billings defended

By Wayne Slater

Austin Bureau of The Dallas Morning News

AUSTIN — A top state agriculture official on Thursday defended billing thousands of dollars for meals and hotel tabs to a crop inspection program, but acknowledged that the practice was stopped after the U.S. Department of Agriculture raised questions in July.

Jesse Oliver, general counsel to the Texas Agriculture Department, accused Republicans of "a political hatchet job" and generating the controversy to discredit Agriculture Commissioner Jim Hightower.

"None of these charges were for personal entertainment," Mr. Oliver told reporters. "All were for legitimate expenses related to the duties and responsibilities of the commissioner and the Texas De-

Please see AG OFFICIAL on Page 7A.

Ag official defends Hightower billings

Continued from Page 1A.
partment of Agriculture."

Nevertheless, he said, the agency halted all credit card charges to the Texas-Federal Inspection Service after the USDA asked the state auditor to investigate. The auditor's office is looking into the program's finances and is expected to release its report soon.

During a Capitol news conference Thursday, Mr. Oliver also revealed that the program provides Mr. Hightower a 1988 Chevrolet Blazer. In addition, federal records show that a vehicle also is provided to Deputy Agriculture Commissioner Mike Moeller through the crop inspection program.

The service operates a program through federal and state farm officials to provide crop inspections for Texas growers.

The Dallas Morning News reported this week that Mr. Hightower and Mr. Moeller billed the program for thousands of dollars in meals and hotel expenses across the country.

"We took an internal position at that time that the TDA would stop using those credit cards, and those cards to the best of my knowledge and understanding have not been used since that time," Mr. Oliver said.

Mr. Oliver also said there was nothing inappropriate about the purchase of the vehicles for Mr. Hightower and his deputy.

"We provide prison wardens with houses, provide university presidents with houses and because the commissioner of agriculture drives a vehicle that is provided by the inspection service under a cooperative agreement, we're going to question it?" said Mr. Oliver. "Because the commissioner of agriculture accepts over \$3,000 over a

three-year period, we've got to question what he's doing?"

Mr. Hightower, a Democrat whose outspoken, populist style has angered conservative farm interests, was traveling in East Texas, but issued a statement calling newspaper stories about the expenditures part of "yet another attempt by the Republicans — both in Washington and Texas — to create political hay."

Republican Gov. Bill Clements called for Mr. Hightower's impeachment after reports in *The News* that Mr. Hightower and Mr. Moeller charged approximately \$7,000 in expensive meals and hotel bills to the inspection service, which is supported by fees paid by growers.

A subsequent report said the son-in-law of the state's top labor leader, a supporter of Mr. Hightower, received a \$10,000 contract last year from the program to produce a study of questionable value.

Mr. Oliver said the service was satisfied with the 12-page, \$10,000 report by Will Rogers, son-in-law of Texas AFL-CIO president Joe Gunn. But he acknowledged that the document "should have had more depth to it."

"If I were doing it, I would have put in a lot more work," he said.

Mr. Oliver defended an \$871 bill to La Mansion Hotel in San Antonio, saying it was for a dinner for Mexican officials, and a \$471 tab at the Courtyard Restaurant in Austin, for entertaining Israeli officials.

In a statement Thursday, Rep. Rick Perry of Anita, who recently switched from the Democratic to the Republican Party and is considering opposing Mr. Hightower in the 1990 elections, said the disclosures raise "serious questions that should be investigated as soon as possible."

Ag agency contracts questioned

Austin consultant backed state official

By Bruce Tomaso

Staff Writer of The Dallas Morning News
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An Austin consultant was awarded nearly \$20,000 in contracts last year by the Texas Department of Agriculture while he was working to promote the political career of Deputy Agriculture Commissioner Mike Moeller.

Mr. Moeller, who had considered running for agriculture commissioner in 1990, said there was no connection between the contracts awarded to Associated Consultants Inc. and efforts by the company's president, Bob Boyd, to raise campaign funds for Mr. Moeller. Mr. Boyd could not be reached for comment, despite repeated telephone calls to his home and office.

"If he is not the most competent consultant that we have ever had while I've been working here, he is very near the top," Mr. Moeller said of Mr. Boyd, a retired Agriculture Department employee who served as a deputy to John C. White, agriculture commissioner from 1951 to 1977.

"Bob's knowledge of this agency is absolutely invaluable," Mr. Moeller said. "He is a personal friend of mine, no question about that. But what he does on his own time in terms of raising money for various causes is his own business."

However, according to records of the state comptroller's office, agriculture officials never called on Mr. Boyd's expertise as a consultant from the time Mr. Moeller's boss, Jim Hightower, took office in 1983 until last year. The first of two contracts to Mr. Boyd's company was awarded in February 1988, six months after the Building Texas Agriculture Political Action Committee was created, listing Mr. Boyd as one of its principals. The committee was established, orga-

Please see CONSULTANT on Page 5A.

Consultant got state contracts while backing official

Continued from Page 1A.

analysts said, in part to further Mr. Moeller's political ambitions.

According to records of the state comptroller's office, Mr. Boyd was paid \$9,950 — just under the amount for which a state agency must publicize its intention to hire a consultant — to advise the Agriculture Department on the operation of the Texas Federal Inspection Service. The service is a quasi-governmental agency established in 1959 by state and federal farm officials to provide crop inspections to Texas growers.

The Dallas Morning News reported Oct. 31 that the state auditor's office is looking into the finances of the service. The auditors' inquiry, expected to be completed soon, came in response to concerns raised by federal authorities about credit-card use, travel vouchers and other expenditures by state officials affiliated with the inspection program.

Mr. Boyd also received a second \$9,950 contract to advise the Agriculture Department on matters ranging from weights-and-measures enforcement and grain storage to Texas seed laws.

Records of the secretary of state's office show that Mr. Boyd was a contributor to, and organizer of, the Building Texas Agriculture PAC. The

committee was created "to emphasize the positive aspects of Texas agriculture and to help candidates who are friends of Texas agriculture," said Harold Bob Bennett, a farmer from Hart, Texas, who is the committee's campaign treasurer.

One goal was to raise funds for Mr. Moeller if Mr. Hightower had decided not to seek re-election, Mr. Bennett said.

Mr. Hightower, after suggesting repeatedly in 1988 that he might attempt to unseat U.S. Sen. Phil Gramm, a Republican, announced in January of this year that he instead would seek re-election. That ended, at least for the time being, Mr. Moeller's aspirations for elective office — and the activities of the Building Texas Agriculture committee.

"We're kind of dormant right now," Mr. Bennett said.

In the secretary of state's office, Mr. Boyd is identified as one of five people responsible for deciding to whom, and for what purposes, the committee could give money.

He also is listed as a major contributor, having given \$1,000 on Feb. 1, 1988, and another \$1,000 on Dec. 10, 1988.

Although the committee paid to print up bumper stickers saying, "It's Moeller Time" — the deputy commis-



Mike Moeller ... said there was nothing unusual in writing contracts with consultant Bob Boyd.

sioner pronounces his name "Miller" — no money from the committee was donated to him, because his candidacy never became formal.

"Once Commissioner Hightower advised me that he would in fact seek re-election, I contacted Harold Bob (Bennett) and advised him that, obviously, I would not be a candi-

date," said Mr. Moeller, a friend of Mr. Hightower's and a fellow Democrat.

Many of those who donated to the committee are Texas Department of Agriculture employees. Mike Walton, district director of the department's Stephenville office, said he gave \$300 at the suggestion of Mr. Boyd.

"My understanding was that it was to promote Texas agriculture. There was some talk of using it for a scholarship fund," said Mr. Walton. He added, however, that "there was certainly talk of" using the money to help Mr. Moeller if he chose to run for office.

"I had no problem with that," Mr. Walton said. "I like Mike. He's the kind of guy you can sit down and talk with."

Asked how he learned of the existence of the Building Texas Agriculture committee, Mr. Walton at first said only that "an ex-TDA employee stopped by one day and told me about it." Later, he acknowledged that the former employee was Mr. Boyd.

The Texas Department of Agriculture's consulting contracts with Mr. Boyd are among a series of such arrangements with political supporters of Mr. Hightower and Mr. Moeller.

politically influential people, or their relatives.

On Nov. 1, *The News* disclosed that the Texas Federal Inspection Service paid \$10,000 last year to the son-in-law of the state's AFL-CIO chief — a supporter of Mr. Hightower's — to produce a cursory 12-page history of the crop inspection program.

In August, *The News* reported that the department had paid more than \$16,000 to the wife of state Sen. Steve Carriker, D-Roby, to compile a directory of rural artisans. Mr. Carriker, a political ally of Mr. Hightower's, is a member of the Senate Natural Resources Committee, and a former member of the House Agriculture and Livestock Committee.

At the same time, the newspaper reported that the department had paid \$22,000 in outside legal fees to Gordon "Doc" Arnold, an Austin lawyer and former legislator. Mr. Arnold's contract took effect on Oct. 1, 1988 — the day after he left the state payroll as chief of staff to House Speaker Gib Lewis, D-Fort Worth.

Agriculture Department officials defended each of those contracts, denying that they represented any attempt to win favors.

In the case of Mr. Boyd, Mr.

Moeller said the state got more than its money's worth out of the consulting arrangements. "There is no one else available who has his expertise and experience," he said.

For example, he said, Mr. Boyd is one of few people in Austin whose tenure with the Agriculture Department dates to the late 1950s, when the agreement, creating today's Texas Federal Inspection Service was drawn. The state and the U.S. Department of Agriculture may be renegotiating the agreement soon, Mr. Moeller said.

Mr. Moeller also said there was nothing unusual in writing the contracts with Mr. Boyd so that each was for just under \$10,000. State law requires agencies issuing consultant contracts for more than \$10,000 to notify the Legislative Budget Board and the governor's office in advance; to publish a notice in the Texas Register inviting competitive bids; and to show in writing that the consultant will provide services that the agency cannot provide using its state employees.

"It's standard with most state agencies" to write contracts for just under the \$10,000 limit, to reduce paperwork and delays, Mr. Moeller said.

Hightower funds questioned

Seed, grain dealers solicited during conduct of state business

By Christy Hoppe

Austin Bureau of The Dallas Morning News
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AUSTIN — Seed and grain dealers gave \$6,600 to Agriculture Commissioner Jim Hightower's campaign last fall when their chief regulator visited them in tandem with a consultant who solicited the contributions, state records show.

Financial disclosure reports show that virtually all of the donations were made within a day of the visits by Bill Quicksall, the interim director of the Texas Department of Agriculture's grain and seed warehouse division, and lobbyist Bob Boyd of Austin.

Some dealers said they agree with Mr. Hightower's policies and

intended to contribute to his reelection anyway. Other dealers said they felt an implied threat: Ante up, or it could be bad for business.

Mr. Hightower — told by *The Dallas Morning News* on Monday of the business-contributions visits — said he was unaware of the solicitations. And he said Mr. Boyd does not work for his campaign.

He also said he did not know that Mr. Boyd, a frequent consultant for the department, was soliciting money while accompanying a chief regulator for his department.

Mr. Hightower said that had he known about these kinds of solicitations, he would have stopped them.

It is illegal for state employees to collect political contributions while

on state business.

"I don't want any kind of contribution brought to me under any kind of duress," said Mr. Hightower, who faces six other Democrats in the March 13 primary.

On Tuesday, Mr. Hightower sent letters to each of the contributors identified by *The News*, along with a check reimbursing them.

Fund raising "should not be done in tandem with any official status with this office," he said.

Eleven dealers contacted by *The News* said similar solicitations have been going on in the Agriculture Department for decades and have continued during Mr. Hightower's tenure. Please see **MERCHANTS** on Page 4A.

Merchants were solicited for Hightower campaign

Continued from Page 1A.

seven-year tenure.

Mr. Hightower disputed that claim.

For the two months that Mr. Quicksall's travel records were available, 10 of the dealers he contacted gave \$6,600 in contributions — almost all within 24 hours of his visit.

In the October and November trips, which Mr. Quicksall stated on travel records were to "meet with district personnel to discuss policies and procedures concerning Seed Law," he was accompanied by Mr. Boyd. Mr. Boyd paid for his own trip, according to state records.

Several dealers said that the meetings were to "get acquainted." After some general conversation, Mr. Quicksall often excused himself from the room to allow Mr. Boyd to solicit contributions, they said.

"It's just standard operating procedure," said Bob Dumas, owner of Brownfield Seed and Delinting in West Texas, who contributed \$200 during a Nov. 30 visit by the two. "It's been happening for 30 years."

"You're going to have to maintain the relationship and persons in our position cannot afford to cut him off because it's certainly a major part of our business, this certification," he said.

Repeated efforts to contact Mr. Boyd and Mr. Quicksall were unsuccessful.

Andy Welch, press secretary for Mr. Hightower, said that the two

CONTRIBUTIONS TO JIM HIGHTOWER

This is a list of visits to companies last fall by a chief regulator of Texas Department of Agriculture and a department consultant. Included are contributions to the re-election campaign of Agriculture Commissioner Jim Hightower made after visits by the team.

Date of visit	Company visited	Date of contribution	Contributor	Amount
9-28	Birdsong Peanut Co.	9-29	T.H. Birdsong	\$300
10-3	Attebury Grain Richardson Seed Co. Grass Seed Services	10-3 10-9 10-2	Sam Attebury Wayne Richardson Tom, Terry Thrash	\$1,000 \$100 \$1,000
10-4	Browning Seed Services	10-4	Jeane Browning	\$1,000
10-10	G.E. Pogue Seed	10-10	Gary Pogue	\$500
10-17	East Texas Seed Co.	10-17	John Moss	\$500
11-27	Amarillo Grain Exchange	11-27	Don Burris	\$1,000
11-29	Farmers Elevator of Dawn	11-29	Harold Dillehay	\$1,000
11-30	Brownfield Seed and Delinting	11-30	Bob Dumas	\$200

SOURCE: Comptroller's Office and Hightower Committee campaign report

The Dallas Morning News

men were "hauled in and talked to" on Tuesday morning by Mr. Hightower after he was contacted by *The News*.

They were told "that it was dumb for them to travel together," Mr. Welch said. "There was no need for them to do it that way."

A retired Agriculture Department employee, Mr. Boyd works as an Austin consultant and also lobbies for dairy concerns. Since 1987, he has obtained three consulting contracts with the department, worth \$24,000.

In November, *The News* reported that Mr. Boyd, while working as a consultant to the department, helped raise campaign contribu-

tions for Deputy Agriculture Commissioner Mike Moeller.

Mr. Moeller was contemplating a run for agriculture commissioner if Mr. Hightower had chosen not to seek re-election.

Mr. Quicksall, who retired from the department in 1987, returned as interim director of the grain and seed warehouse division from Sept. 25 until Dec. 31, 1989. He received a \$4,596 monthly salary.

Some grain dealers said they had no problem with the procedures used by the two men to solicit contributions.

"Those guys and I go way back," said Don Burris, owner of the Amarillo Grain Exchange, who contrib-

uted \$1,000 during a Nov. 27 visit by Mr. Quicksall and Mr. Boyd.

Of the Boyd-Quicksall visit, he said, "Those are good guys. . . . They come in and tell you they want money."

Some dealers described the fund-raising effort as a regulatory threat but none would be identified.

One dealer said he recently was visited by the two. "I think Quicksall is just along for the ride. . . . I considered it nothing more than a call to collect campaign funds. They say, 'I have you down for a thousand.' There's never a threat."

But, he added, "Everything we do is regulated from that office. I'm not going to put myself in the position of ruining my little business."

The dealer said that Mr. Boyd and others have solicited him for contributions every year since Mr. Hightower has been in office.

"I just always assumed it went with the territory," he said. "Who would I have complained to and then been laid out completely like an exposed dog? We complain among ourselves."

Wayne Richardson, owner of Richardson Seed Co. in Vega, said Mr. Boyd and Mr. Quicksall saw him in October. "It was a general conversation," he said. "When the discussion came around to campaign contributions, he (Mr. Quicksall) stepped out of the room."

He said the implication of the two men visiting together was not lost on him. He gave \$100, but said

that he did not feel pressured to contribute.

"Twenty years ago, I would have felt some pressure, but not today," Mr. Richardson said. "I've been through the bureaucracy from Austin to Washington and they don't scare me anymore."

Although some of the grain dealers complained that similar solicitations were made by previous agriculture commissioners, John C. White said that he was unaware of such fund-raising during his term from 1951 to 1977.

"It'd be very foolish for one to be on state time raising money in a regulated industry. I'm not going to say it never happened, but it never was supposed to happen," said Mr. White, now a consultant in Washington.

Reagan Brown, who was agriculture commissioner from 1977 until 1983, could not be reached.

Mike Lynch, chief of the Travis County district attorney's public integrity unit, said he has received no complaints about the solicitations.

Also on Tuesday, Mr. Hightower ordered a memo to be distributed to all Agriculture Department employees by Wednesday.

It will reiterate the ethics policy of the department that is given to new employees, and includes prohibitions against "engaging in any political activity during regular working hours."

Probe of Hightower funds sought

Opponent asks DA to investigate campaign solicitations

By Christy Hoppe

Austin Bureau of The Dallas Morning News

AUSTIN — State Rep. Rick Perry, a Republican candidate for agriculture commissioner, asked the Travis County district attorney Wednesday to investigate campaign contributions solicited on behalf of Commissioner Jim Hightower.

Mr. Perry, of Haskell, said he wanted the district attorney's public integrity unit, which is responsible for investigating possible wrongdoing by public officials, to check whether state laws were violated or state funds were misspent.

He made the request after *The Dallas Morning News* reported Tuesday that a chief department regulator visited dozens of grain and seed businesses in tandem with an Austin lobbyist and consultant who solicited contributions for Mr. Hightower, a Democrat.

State records for October and November showed that 10 grain and seed dealers contributed to the campaign — almost all within a day of the visit by Bill Quicksall, interim director of the grain and seed warehouse division, and Bob Boyd, a frequent Department of Agriculture

consultant.

In addition, some of the dealers interviewed said they felt an implied threat to their businesses by the way the contributions were solicited.

State law prohibits public employees from raising contributions or conducting any outside business while on state time.

Mr. Hightower, who faces six opponents in the March 13 primary, said he was unaware of the solicitations for campaign contributions, and he said he would never authorize such actions.

Since being interviewed by *The News* on Monday, Mr. Hightower has reimbursed the \$6,600 given to his campaign by the grain and seed contributors, saying he does not want any donation that has the appearance of being made under duress.

"What we're finding is that we're dealing with a case of employee stupidity rather than employee malfeasance," Mr. Hightower said Tuesday night, after making initial inquiries into the contributions.

Mike Lynch, chief of the Travis County public integrity unit, said any complaint filed with his office would be investigated.

Because it is an election year, numerous complaints are lodged with his office and they go through a "se-

rious screening process," he said.

"I'm not trying to rate this complaint, but obviously, when things get heated, there are complaints," Mr. Lynch said. "If there is a reason, in fact or in law, then we go into a full-blown investigation that could involve the use of a grand jury, if it gets to that level."

Mr. Perry said he was filing the complaint as a member of the Legislature.

"Obviously, I'm running for the office, but I'm still a sitting member of the state appropriations committee," he said. "Those are state-appropriated monies that are being spent on that (Mr. Quicksall's) salary."

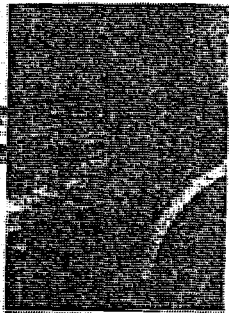
Mr. Perry also said that if Mr. Hightower — as he said — didn't know that the solicitations were happening, then he should have.

Andy Welch, a spokesman for Mr. Hightower, said that Mr. Perry's request was politically motivated.

"Rick's is a pretty desperate campaign, as witnessed by his last campaign filing report," Mr. Welch said, referring to the about \$23,000 raised by the Perry campaign.

Mr. Hightower has raised about \$250,000 in his quest to earn a third term.

Mr. Welch said that he is sure that the "travels by Mr. Quicksall and Mr. Boyd were legal. It was just a stupid way of doing things."



Rick Perry

Hightower associates reportedly investigated

By Christy Hoppe
and Bruce Tomaso
Staff Writers of The Dallas Morning News

An Austin consultant and fund-raiser for Agriculture Commissioner Jim Hightower said Thursday that he and other associates of Mr. Hightower's are being investigated by a federal grand jury for possible misuse of public funds.

Bob Boyd, president and owner of Associated Consultants Inc., denied through a Dallas lawyer that he engaged in any wrongful conduct and said that the inquiry is politically motivated.

He acknowledged, however, that his soliciting of campaign contributions for Mr. Hightower from grain and seed producers — as he traveled with the Hightower aide who regulates those producers — "in hindsight could be misinterpreted."

Mr. Boyd also said through lawyer Dan C. Guthrie that his earlier promotion of the political career of Deputy Agriculture Commissioner Mike Moeller — while receiving thousands of dollars in state Agriculture Department consulting contracts approved by Mr. Moeller — "was merely coincidence."

Mr. Hightower, who is seeking re-election and faces six opponents in the Democratic primary on March 13, said he has not been interviewed in connection with the investigation.

The precise nature of the inquiry has not been disclosed. The FBI and the U.S. attorney's office declined to comment.

Mr. Guthrie, a former federal prosecutor, said he had been told by federal authorities that the inquiry "is centering on whether or not federal monies have been misused by the Texas Department of Agriculture."

He added that the state agency receives federal funding for a variety of programs, suggesting that there is broad latitude for a federal investigation into the state department.

Please see HIGHTOWER on Page 12A.

Hightower associates reportedly investigated

Continued from Page 1A.
ment's affairs.

Mr. Boyd, the top deputy to Agriculture Commissioner John White from 1951 to 1963, met with reporters in Mr. Guthrie's office but deferred all substantive questions to the lawyer.

The Dallas Morning News reported Wednesday that Mr. Boyd approached several grain and seed growers about contributing to Mr. Hightower's re-election campaign last fall, while in the company of the chief regulator of those businesses.

Eleven producers contributed a total of \$6,600 to the campaign, almost all of them within a day of the visits by Mr. Boyd and Bill Quick-sall, interim director of department's grain and seed warehouse division. Some of the growers told The News that they felt an implied threat that failing to give money could be bad for their businesses.

This week, Mr. Hightower returned the contributions, saying he knew nothing about the visits to growers by Mr. Boyd and Mr. Quick-sall. He said Mr. Boyd does not work for his campaign.

Through his press secretary, Mr. Hightower characterized the conduct of the two men as "dumb."

Mr. Guthrie said he had been told by federal authorities that Mr. Boyd "is specifically listed as being under investigation along with others in the Department of Agriculture."

He refused to identify the other subjects of the probe, which he said has involved grand jury appearances by some people.

Mr. Guthrie called the investigation "a politically partisan cheap

shot which is in truth directed at Jim Hightower by Mr. Hightower's political opponents."

He noted that Ron Ederer, the U.S. attorney heading the investigation, is a Republican and that Mr. Hightower is a Democrat.

Mr. Ederer denied that politics played any role in the investigation.

Last November, The News reported that while Mr. Boyd was on the department's payroll as a consultant, he helped set up and contributed \$2,000 to a political action committee for Mr. Moeller. The deputy commissioner in 1988 contemplated running for agriculture commissioner, when Mr. Hightower was considering running for the U.S. Senate.

FBI Agent Greg Rampton of Austin has been interviewing former and current Agriculture Department employees regarding Mr. Boyd's activities, according to two people who have been questioned. The interviews have centered on contributions solicited by Mr. Boyd and on his consulting contracts, said the two people, who asked not to be identified.

From 1987 to 1989, Mr. Boyd was awarded three contracts worth a total of \$24,900 to advise Mr. Hightower's department on, among other topics, the operation of the Texas-Federal Inspection Service.

On Thursday, the current director of the inspection service, Pete McRae, confirmed that he was resigning, effective Feb. 28. He said the federal investigation "in no way, shape or form" influenced his decision. He declined to say whether he had been questioned by the FBI.

Dispute brings an end to crop inspection pact

By Christy Hoppe

Austin Bureau of The Dallas Morning News

AUSTIN — Bitter accusations of misspending by state Agriculture Commissioner Jim Hightower and of political shenanigans by a federal agency have led to the cancellation of a longstanding crop inspection program agreement.

The expiration of the \$3-million annual cooperative agreement between the Texas and U.S. Departments of Agriculture could lead to

additional fees for hard-pressed state growers, officials said.

The contract between the two agencies will end Wednesday because of an impasse over the USDA's insistence on better fiscal control of the crop inspection program, according to correspondence between Mr. Hightower and program administrator Daniel D. Haley obtained by *The Dallas Morning News*.

Mr. Hightower, in response, has
Please see DISPUTE on Page 22A.

Dispute brings crop agreement to end

Continued from Page 1A.

argued that state auditors and his agency believe that Texas deserves better reimbursement for the program and that the USDA has failed to renegotiate the agreement in good faith.

Saying he is prepared to work out a new agreement, Mr. Hightower nevertheless warned federal officials in a letter dated April 30 that his agency "will not be blackmailed or threatened into abdicating our responsibility to the state of Texas and to its growers and shippers by any attempts to use this issue as a political football during an election year."

Mr. Haley has insisted on stricter fiscal control over the inspection program. In a letter dated April 27, he complained of spending "abuses" by Mr. Hightower and his top aide, Mike Moeller, during the past two years.

"Personnel who played little or no role in the inspection program were placed on the TFIS (Texas-Federal Inspection Service) payroll as consultants. Contracts were let by TFIS to perform rudimentary and largely useless research. Charges, apparently unrelated to inspection activities, began to appear on TFIS credit cards used by TDA officials," Mr. Haley stated.

Last fall, *The News* reported that almost \$50,000 in questionable consultant contracts had been paid for with inspection service funds. The contracts included \$10,000 to the son-in-law of the head of the Texas AFL-CIO to produce a cursory 12-page history of the inspection program and \$16,000 to the wife of a state senator to compile a directory of rural artisans.

Credit card vouchers obtained by *The News* also showed, for instance, that Mr. Hightower spent \$1,998 from the inspection program in the first four months of 1989 on restaurant and travel expenses.

The receipts included food and liquor purchases in Austin, Mexico City, Washington and San Antonio. Similar expenses were noted from 1988 from San Francisco, Calif.; Portland, Ore.; Laguna Beach, Calif.; New York City; and Venice, Calif.

A state auditor's report last year showed the expenditures were permitted under the contract but that most of them were not directly linked to TFIS business.

The program, under contract between Texas and the USDA since 1969, is a cooperative effort between

the federal and state agencies to inspect crops after harvest and before they are sold. State and federal standards for the crops are generally the same.

Most of the cost of the program is paid for by fees collected from growers and shippers of the crops.

After audits into the questionable expenditures of TFIC funds, state and federal officials agreed late last year to negotiate a new contract to clarify misunderstandings.

When negotiations stalled, Mr. Hightower exercised the state's option to end the contract on May 9, apparently hoping to force an agreement. State officials said they found that instead of discussing the changes, federal officials went behind TDA's back and began plans to switch the program to the Texas Citrus and Vegetable Association.

If, as expected, negotiations are not resumed by Wednesday and the state loses the contract, the citrus and vegetable association is prepared to take over the federal inspections on May 10. But association officials said there would be start-up costs that mean more fees from growers.

"It's unfortunate this situation had to happen," said Bill Weeks, executive director of the association.

He said that the association has set up a separate entity to hire inspectors, whose job assignments and performance will be overseen by federal inspectors. He added that there should be no interruption in service.

But TDA officials also said Friday that Texas law mandates that a state inspection, as well as the federal oversight, be conducted on specific crops. The law means that state and federal governments will have to perform separate inspections of the same crops.

In a worst-case scenario "they go off and create a separate system of federal inspections and we'd have to continue to do state inspections," said Mr. Moeller, the TDA deputy commissioner.

Nevertheless, Mr. Moeller said he is still optimistic that the federal agency will agree to renegotiate the contract "at the last minute" to avoid the duplication of effort.

"If I had to predict, I would suspect that negotiations will get under way," he said. "It doesn't have to be chaos."

Mr. Weeks said Friday that his association is prepared to take over the inspections and he is proceed-

ing under that assumption.

Although Mr. Weeks said he has not been privy to some of the negotiations between state and federal officials, it appears to him that "a power play" by the Texas Department of Agriculture — terminating this program and hopefully forcing the USDA to the negotiating table — is going to take a toll upon these people (growers and inspectors)."

The main disagreements between the federal and state agencies revolve around the Texas agency's insistence that it be reimbursed 4 percent of the federal inspection fees to pay for administration of the inspections. Texas currently receives reimbursement only for those administrative costs directly applied for.

Texas officials have noted that California receives a 4 percent flat reimbursement and Florida is provided with 4.5 percent by the federal government.

State officials also have requested that responsibilities of the federal inspectors, other than the selection and supervision of crop inspectors, be transferred to the state-appointed administrative director to streamline financial and administrative matters.

The federal agency balked, saying the proposed revisions were an attempt to "radically change the agreement."

"They would have abrogated USDA's fiduciary role in TFIS operations," Mr. Haley stated in his April 27 letter to Mr. Hightower.

"As we are all aware of the questions that have been and still are being raised about the fiscal operations of TFIS, it is exceedingly difficult to understand how a public official could propose that the USDA surrender these responsibilities."

Texas agency officials reiterated Friday that there were no illegal expenses under the contract and that the USDA has used the issue as a smoke screen to wrestle the agree-

ment away from the state.

"Those are no longer issues," Mr. Moeller said. "That's fake stuff. It's all been dealt with. The commissioner revoked the credit cards last September or October."

He said he believes that politics is the guiding force behind the stalemate — that the Republican administration is working against Mr. Hightower, an out-spoken Democrat who is seeking reelection this year against Republican nominee Rick Perry.

"It's an election year, and I suspect that there's somebody far enough up the ladder that thinks there's a potential to somehow embarrass Hightower with this," Mr. Moeller said.

He said the negotiations reflect the state's position that "we get the same deal that Florida and California have in terms of inspection programs."

On the issue of fiscal oversight, "We want the agreement rewritten to reflect current practice," he said. "Essentially, what we said is if you want fiscal oversight, put someone in the Austin office so they can be there on a day-to-day basis when these decisions are made."

The federal inspection office is in the Rio Grande Valley, about 300 miles from the Austin office where the state inspection program is administered.

Clarence Steinberg, a USDA spokesman, said that the termination of the contract had nothing to do with politics.

"Our interest is only to provide the growers of Texas with a USDA grading service. No, it is not political," he said.

He said the 4 percent reimbursement requested by Texas was unacceptable because "the TDA situation is quite different from any other state. The other states carry some of the expenses themselves and it's a different kind of agreement."

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THE DALLAS MORNING NEWS

September 21, 1993, Tuesday, HOME FINAL EDITION

SECTION: NEWS; Pg. 20D

LENGTH: 601 words

HEADLINE: Jurors seated for trial of 3 ex-Hightower aides

BYLINE: Christy Hoppe, Austin Bureau of The Dallas Morning News

DATELINE: AUSTIN

BODY:

AUSTIN - Jurors were seated Monday in the trial of three top lieutenants of former Texas Agriculture Commissioner Jim Hightower who are charged with illegal political activities.

The three - former deputy agriculture commissioner Mike Moeller, special assistant Peter McRae and division chief Billie Quicksall - are expected to paint the charges against them as a political maneuver.

Anticipating such a defense, the prosecution on Friday filed a motion, left pending by U.S. District Judge Sam Sparks on Monday, that would prohibit the prosecution from being described as politically motivated.

The motion also sought to prevent the defense from suggesting that other people "have not been investigated or indicted for the same or similar conduct."

Assistant U.S. Attorney Dan Mills said that if there was a question over whether the charges were politically motivated, the defense should have gotten the indictments quashed because of "vindictive prosecution."

But to let jurors be buffeted with charges that the investigation was politically inspired "is not relevant and is highly prejudicial," the motion stated.

The charges of misconduct - and the counterclaims of political witch hunts - are somewhat similar to those being heard in the investigation of the state Treasury Department under Kay Bailey Hutchison.

Ms. Hutchison, now a U.S. senator, was called before a Travis County grand jury two weeks ago.

In both cases, the prosecution is alleging that state employees worked on public time to raise political campaign contributions for their bosses.

In the Agriculture Department case, the three men also are accused of using their positions to leverage contributions from business owners who were

regulated by their department.

It is a federal prosecution because some federal money, to be used to inspect grains and fruits, also allegedly was spent on questionable consulting contracts to men who also solicited campaign contributions.

A third prong of the indictments alleges that **Agriculture Department** employees were promised promotions or raises based on their political contributions.

The three men have denied any wrongdoing.

Russell Koontz and Bob Boyd, originally named in the indictments, have been waived from the current trial because of ill health.

Mr. Hightower, who has not been accused of any wrongdoing, is listed as a potential witness by both sides of the case.

Also listed as potential witnesses for the defense are Republican political consultant Karl Rove - a key adviser to both Agriculture Commissioner Rick Perry and Ms. Hutchison - and Larry Beechum, a former Travis County prosecutor and now one of Mr. Perry's top aides.

The defense has subpoenaed files and memos from both men dealing with the investigation, which coincided with the 1990 campaign between Mr. Hightower and Mr. Perry.

In the motion to prohibit the political-motivation defense, Mr. Mills denied that Mr. Rove or Mr. Beechum played a role in the investigation, which he said he initiated.

"To allow defense counsel to suggest these persons were involved with or influenced the investigation would allow the perpetration of a fraud upon the jury," Mr. Mills stated in his motion.

By leaving the motion pending, Judge Sparks could allow aspects of a political-motivation defense to be raised.

Mr. Mills said he is seeking to have the trial halted by the 5th U.S. Circuit Court of Appeals in New Orleans until he can have this motion and others considered. The appellate court did not stay the trial on Monday.

Opening arguments are scheduled to begin Tuesday morning.

LOAD-DATE: September 22, 1993

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THE DALLAS MORNING NEWS

September 22, 1993, Wednesday, HOME FINAL EDITION

SECTION: NEWS; Pg. 34A

LENGTH: 796 words

HEADLINE: Lawyers for ex-Hightower aides deny conspiracy

BYLINE: Christy Hoppe, Austin Bureau of The Dallas Morning News

DATELINE: AUSTIN

BODY:

AUSTIN - Lawyers for three top aides to former Agriculture Commissioner Jim High-tower said Tuesday that their clients engaged in some ill-advised activities but not a conspiracy to collect illegal campaign contributions.

In the first day of testimony before U.S. District Judge Sam Sparks, defense attorneys painted a bleak picture of the Agriculture Department under Mr. High-tower.

They said that from 1983, when Mr. High-tower, a Democrat, took office, through his second term that the commissioner alienated many farmers and ranchers, angered rural lawmakers, made an enemy of Republican Gov. Bill Clements, suffered funding cuts and lost so many long-term employees that top workers often didn't know where to find important files.

Efforts to salvage the operation and win Mr. High-tower's third term in office resulted in some consultants being hired and a few bad decisions being made that prosecutors are trying to twist into a conspiracy, the defense attorneys argued.

Being tried on charges of committing theft and bribery from programs receiving federal funding and conspiracy to commit theft are former Deputy Agriculture Commissioner Mike Moeller, special assistant Peter Mc-Rae and division chief Billie Quick-sall.

The theft charge carries a maximum 10-year prison sentence, and the conspiracy charge a maximum five-year term.

"There never has been, never was and never will be any conspiracy in this case," said William Allison, the attorney for Mr. Moeller.

He said his client joined the Agriculture Department around 1985 because Mr. High-tower realized he needed someone like Mr. Moeller, who grew up on a family farm and had run a farmers union.

"Jim Hightower was all hat and no cowboy, as he might say about himself," Mr.

Allison told the jury.

He said Mr. High-tower had a quick wit and some good ideas about preserving family farms, promoting Texas products and limiting pesticide use. But the commissioner had alienated so many people, he needed someone to help him sell his ideas.

"He was looking for the cowboy who could wear that hat, and he turned to Mike Moeller," Mr. Allison said.

Mr. Moeller helped hire as consultants Bob Boyd and Russell Koontz, who were semi-retired but had worked in the Agriculture Department for more than two decades.

Both men also have been indicted in the case, but they have been waived from the trial because of bad health.

"They not only knew the history, they were available," Mr. Allison said.

But, he said, "They're not E-mail people."

They answered questions, were on call and went to the office to offer direction, but they did not file long, detail-oriented reports for their consultant fees, Mr. Allison said.

In late 1989, they accompanied Mr. Quick-sall around the state, introducing him to grain and seed dealers regulated by his office.

When Mr. Quicksall would step out of the office, Mr. Boyd and Mr. Koontz would hit up the business owners for campaign contributions, Mr. Allison and the other lawyers acknowledged. They raised, through a political action committee and other solicitations, about \$ 60,000.

"They weren't able to raise very much money. And every time they hit someone up, they offended them," Mr. Allison said.

Michael Davis, the attorney for Mr. Quick-sall, also said the contribution pitch was "antagonizing more people than doing any good."

"Look at it in light of what is charged here or just (in the light of) that (it) wasn't very smart," Mr. Davis said.

Assistant U.S. Attorney Dan Mills told jurors the charges were much greater than bumbling friends trying to raise campaign contributions.

Mr. Mills said he would show that the three defendants met and decided to begin a political action committee to raise political money, and that around that time, Mr. Boyd and Mr. Koontz began receiving vague consulting contracts paid through a joint federal-state crop inspection program.

He said about \$ 195,000 in public money went to contracts so Mr. Koontz and Mr. Boyd could get "out around the state dunning for campaign contributions."

He said Agriculture Department employees who gave contributions were paid off with unwarranted raises and promotions.

Mr. Mills told jurors that the prosecution would show that bank officers were

approached for contributions in return for receiving deposits of public money.

Mr. Hightower, who could be called to testify in the trial, has not been accused of wrongdoing in the case.

He has said that he did not know the consultants were raising campaign funds on his behalf. Once he learned of their activities in 1990 through an interview with The Dallas Morning News, he returned the campaign contributions made by the business owners.

The three men's trial is expected to last about four weeks.

LOAD-DATE: September 23, 1993

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THE DALLAS MORNING NEWS

October 13, 1993, Wednesday, HOME FINAL EDITION

SECTION: NEWS; Pg. 34A

LENGTH: 590 words

HEADLINE: Jurors are set to begin deliberations in trial of ex-Hightower aides

BYLINE: Christy Hoppe, Austin Bureau of The Dallas Morning News

DATELINE: AUSTIN

BODY:

AUSTIN - The case against three top aides of former Agriculture Commissioner Jim Hightower went to the jury Tuesday after prosecutors argued that the men conspired to commit bribery and steal public money.

The jurors will decide whether Mr. Hightower's top lieutenants spent about \$ 173,000 in public money to hire political fund raisers.

Attorneys for former Deputy Agriculture Commissioner Mike Moeller, his assistant Pete McRae and division Director Billie Quicksall said their clients are innocent of any wrongdoing.

They are charged in a 12-count indictment and face the possibility of up to 55 years in prison.

"This case is about public corruption in state government," assistant U.S. Attorney Gerald Carruth said in closing arguments Tuesday.

He accused the defendants of "fraudulently misapplying public funds for political purposes."

The case revolves around the Texas Department of Agriculture hiring two **consultants** - Bob Boyd and Russell Koontz - who were retired, long-time employees of the agency.

Attorneys for the three defendants said the **consultants** were needed because the department under Mr. Hightower, a Democrat, was in disarray, lacking expertise in basic agricultural knowledge and institutional memory. They also said Mr. Hightower had made political enemies, who were slashing his agency's budget.

The lawyers described the **consultants** as knowledgeable but unsophisticated, who on their own traveled the state collecting information for their consulting contracts and - unbeknownst to state leaders - soliciting campaign contributions.

Numerous agricultural business owners, whose livelihoods are regulated by the department, testified that Mr. Boyd and Mr. Koontz pressured them for campaign contributions during business trips.

The political funds were to help the aborted campaign contemplated by Mr. Moeller in 1988, and later by Mr. Hightower during his unsuccessful bid for re-election in 1990, testimony showed.

The prosecution argued that the 15 consulting contracts obtained by the two men over three years were not for their agricultural expertise or out of necessity, but so they could travel the state at public expense and bring back campaign contributions.

"There is not one iota of any evidence of their work product except some campaign funds," Mr. Carruth said.

Mr. Boyd and Mr. Koontz also were indicted in the case, but have had their trial postponed indefinitely because of ill health.

Mr. Hightower, who did not testify and has not been accused of any wrongdoing, said he learned of the improper campaign solicitations in 1989 from an investigation by The Dallas Morning News .

At the time, he returned the contributions raised by Mr. Boyd and Mr. Koontz.

Mr. McRae's attorney, Gerry Morris, said the two consultants were so awkward and bumbling that they "antagonized and infuriated almost everyone" they solicited for funds.

"No one in their right mind did or would have hired these men to raise funds," Mr. Morris said in his closing arguments.

He and the other attorneys said the consultant contracts were vaguely written so the two men could advise on a variety of subjects. They also acknowledged that bookkeeping on fund-raising accounts tended to be shoddy, but said that there was no illegal intention.

The three defendants denied that they had any knowledge of how Mr. Boyd was approaching Agriculture Department employees and regulated businesses for contributions, saying they believed the funds were offered voluntarily and after business hours.

LOAD-DATE: October 14, 1993

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THE DALLAS MORNING NEWS

October 15, 1993, Friday, STATE EDITION

SECTION: NEWS; Pg. 27A

LENGTH: 712 words

HEADLINE: Ex-Hightower aids convicted;
3 used public funds used for politics

BYLINE: Christy Hoppe, Austin Bureau of The Dallas Morning News

DATELINE: AUSTIN

BODY:

AUSTIN - A federal jury on Thursday found three top aides of former Agriculture Commissioner Jim Hightower guilty of a conspiracy to divert public funds to political uses.

The three - former deputy agriculture commissioner Mike Moeller, his assistant Peter McRae and division chief Billie Quicksall - face up to four years in prison for hiring consultants with public money who traveled the state soliciting political contributions.

Sentencing was scheduled for Nov. 19.

William Allison, an attorney for Mr. Moeller, said he will appeal the guilty finding. "He is absolutely innocent of all charges," Mr. Allison said.

Assistant U.S. Attorney Dan Mills said that the verdict could pave the way for charges against Mr. Hightower, a Democrat who lost his bid for re-election in 1990.

Mr. Mills said that "at this time, there is not evidence that Mr. Hightower was involved. . . . Who knows? That might change after this verdict."

He suggested that the three defendants "certainly might have more information" now that they are facing a prison sentence.

Mr. Hightower's attorney, Jan Patterson, said that Mr. Mills assertions were unfounded.

"I think it's clear there's no evidence affecting Mr. Hightower because he did nothing wrong," she said.

In a statement, Mr. Hightower said, "I'm surprised and disappointed by the verdict and my heart goes out to these families. But I have great confidence in the American court system and I believe they'll be vindicated on appeal." Mr. Allison said he was not surprised that Mr. Mills is still pursuing information

on Mr. Hightower.

"That's all they've ever wanted is Jim Hightower," he said.

"That's been the standing offer for three years - give us Jim Hightower. There's nothing to give them."

The three men, shaken by the verdict that came after almost two days of jury deliberation, left the courthouse without comment.

The three-week trial ended with the jury finding Mr. Moeller guilty of conspiracy and six other counts of misappropriating or theft of public funds.

Mr. McRae was found guilty of the conspiracy and four counts of misappropriation. Mr. Quicksall was found guilty of conspiracy and three counts of misappropriation.

Jurors heard how the men spent about \$ 173,000 in public funds over a three-year period to hire consultants ostensibly to help advise them on agricultural matters.

Some of the contracts went to relatives of political friends.

The bulk went to two consultants - Bob Boyd and Russell Koontz - who were retired, longtime employees of the Texas Department of Agriculture.

The three defendants argued that the consultants were needed because their agency lacked expertise in basic agricultural knowledge.

Mr. Boyd and Mr. Koontz were described during the trial as knowledgeable but "not E-Mail kind of people."

The defendants said they were unaware the consultants, when traveling the state for their consulting contracts, also were soliciting campaign contributions.

Numerous agricultural business owners, whose livelihoods are regulated by the agency, testified that Mr. Boyd and Mr. Koontz pressured them for campaign contributions during business trips.

The collected funds were donated to the aborted campaign begun by Mr. Moeller in 1988 and later by Mr. Hightower during his unsuccessful bid for re-election.

Mr. Boyd and Mr. Koonz also were indicted on the conspiracy charges, but their trial has been indefinitely postponed because of ill health.

The actions of the consultants were first reported in 1990 by The Dallas Morning News, prompting the federal investigation.

Mr. Hightower said he learned of the wrongdoing from the newspaper and at the time returned all of the improperly raised donations made to his campaign.

After the verdict, Mr. Mills, the prosecutor, said he was pleased with the jury's verdict and that he hoped the trial allowed citizens to "see how their government does work or doesn't work."

Citing a comment by U.S. District Judge Sam Sparks during the trial, Mr.

Mills said that it was "somewhat of a shame that the feds had to step in" after state prosecutors did not file charges.

Mr. Mills said that he hopes the verdict "sends a message about what goes on in those agencies," pointing to state office buildings.

GRAPHIC: PHOTO(S): (HF p. 32A) Mike Moeller.

NOTES: A shorter version of this story appeared on page 32A in the Home Final edition.

LOAD-DATE: October 20, 1993

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THE DALLAS MORNING NEWS

November 20, 1993, Saturday, HOME FINAL EDITION

SECTION: NEWS; Pg. 36A

LENGTH: 634 words

HEADLINE: Three former Hightower assistants sentenced to prison

BYLINE: Christy Hoppe, Austin Bureau of The Dallas Morning News

DATELINE: AUSTIN

BODY:

AUSTIN - A federal judge on Friday sentenced three top deputies of former Agriculture Commissioner Jim Hightower to prison, saying they had betrayed the public's trust.

A jury convicted the three men last month in a scheme of using taxpayers' money to hire consultants whose only real job was to collect political campaign contributions.

U.S. District Judge Sam Sparks sentenced former Deputy Agriculture Commissioner Mike Moeller to 27 months in prison and a \$ 56,000 fine; his assistant Peter McRae to 27 months and a \$ 15,000 fine; and division chief Billie Quicksall to 12 months and an \$ 8,000 fine.

Mr. Moeller and Mr. McRae said they would appeal their convictions, which they called politically motivated by a Republican Justice Department seeking to discredit Mr. Hightower, a Democrat.

Mr. Quicksall declined to comment, but his attorney said he likely would begin to serve his sentence without appeal.

All three men were released on bail pending the outcome of their appeals, if any.

Mr. Hightower, who lost his 1989 bid for re-election, was not charged with any wrongdoing.

He issued a statement Friday after the sentencing, saying, "I'm very saddened by the harshness of the sentences, but I continue to believe these men will be vindicated on appeal."

But Assistant U.S. Attorney Dan Mills said he didn't feel the punishments were stiff enough and cited federal sentencing guidelines that could have doubled prison time for each of the defendants.

"I'm going to seek to have an appeal" of the sentences, Mr. Mills said.

Mr. Mills cited concerns that white-collar criminals are treated too lightly by the criminal justice system, even with the mandatory federal sentencing guidelines.

"The law wasn't followed. I don't know that anybody should be happy with those sentences," Mr. Mills said.

In arguments before the court, the prosecutor said he was seeking sentences of four to six years for the defendants because they abused their offices and eroded public confidence.

"This whole system . . . was a corruption of the entire department of agriculture," Mr. Mills said.

The U.S. attorney's office began its investigation into the Agriculture Department following a series of stories in The Dallas Morning News. The articles detailed numerous questionable contracts for consultants, who solicited campaign contributions from businesses that are regulated by the department.

Mr. Mills said contributors were "strong-armed" into giving to either Mr. Moeller, who abandoned an early campaign for public office, or to Mr. Hightower's re-election campaign.

The defendants said they did not know that two consultants were soliciting contributions and that they did not personally benefit from any wrongdoing.

Testimony also was presented showing that the two consultants - Bob Boyd and Russell Koontz, whose ill health prevented them from standing trial - had been involved in such activities long before Mr. Hightower took office in 1986.

Judge Sparks said he decided to give the minimum sentence allowed under federal guidelines because the three men had "never been in trouble before" and that the money involved was never intended for illegal purposes.

"The evidence is clear in this case that Mr. Moeller, Mr. Quicksall and Mr. McRae . . . were inheriting a system that had been going on for a long time," the judge said.

"This doesn't mean I don't believe you weren't smart enough or capable enough to stop it. You should have. It should have been stopped," he said.

The formal charges against the three men were for conspiracy to commit bribery. Mr. Moeller, 46, was convicted of seven counts; Mr. McRae, 36, of five counts and Mr. Quicksall, 60, of four counts.

The judge said he reduced the sentence of Mr. Quicksall because of his age and health.

GRAPHIC: PHOTO(S): Peter McRae

LOAD-DATE: November 23, 1993

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- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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AMERICAN FOREST & PAPER ASSOCIATION
Office of the President

February 14, 2003

Dear Member of Congress:

I am writing to urge your support for the President's economic growth plan. The American Forest & Paper Association (AF&PA) believes that the President's plan will lift the nation out of its current economic doldrums and put it on a path of long-term economic growth. The engine for this prosperous future is the elimination of double taxation of corporate dividends.

Our nation's system of taxing dividend income twice -- once to the corporation and once to the individual -- is fundamentally flawed and is essentially taxing jobs out of the United States. Elimination of the double taxation will make U.S. businesses more competitive and will encourage new investment in America's future. A recent PricewaterhouseCoopers study shows that the U.S. has the highest effective tax rate on dividend income among forest products industry trading partners. The range is zero (Brazil and Finland) to 43.8 percent (United States). The effective tax rate on corporate forestry operations is the highest of all nations studied -- 55 percent. This rate is 25 percentage points higher than the average of the other competing countries. For paper manufacturing, the rate is 62 percent -- 18 percentage points higher than the average of our international competitors. One of the biggest reasons for this disparity is the double taxation of dividends in the U.S. These higher U.S. taxes are embedded in our products that are sold both domestically and in export markets, thus making U.S. produced goods less attractive than those produced in lower tax countries.

The Administration's economic growth plan is expected to increase the number of U.S. jobs beyond the current forecast by an average of 1.8 million per year for the next two years and an average of 1.2 million per year for the next five years. The dividend component will have the single most positive effect on growth, accounting for an average of 500,000 jobs per year for the next five years. This is critical for the forest products industry. Since 1997, 88 U.S. paper mills have closed. In the last two years alone, 40 mills have permanently shut their doors, idling 104 machines and about 6 million tons of productive capacity. As a result, the industry has lost more than 43,500 jobs, or 19 percent of our workforce, in the last 5 years.

Congress has an opportunity to make a meaningful change to the competitiveness of U.S. forest products companies by passing the President's plan to reduce the cost of capital. Lower capital costs lead to higher levels of U.S. investment, greater productivity increases and higher wages for Americas manufacturing employees.

Speedy passage of the President's plan will help stem the tide of job loss and mill closures in the forest products industry and encourage U.S. investment.

I urge you to support the President's economic recovery plan.

With kindest personal regards, I remain,

Sincerely yours,

W. Henson Moore
President and Chief Executive Officer

February 26, 2003

The Honorable Charles Grassley
Chairman

The Honorable William Thomas
Chairman

The Honorable Max Baucus
Ranking Member

The Honorable Charles Rangel
Ranking Member

Committee on Finance
US Senate
Washington, DC 20510

Committee on Ways and Means
US House of Representatives
Washington, DC 20515

Dear Chairmen and Ranking Members:

With the 108th Congress underway, I am writing to urge the Ways and Means, and Finance Committees to make fundamental, broad-based tax reform a priority issue in this Congress. The President initiated this process late last year by unveiling a positive plan that takes several important, constructive steps toward much-needed economic growth. I urge the Committees to give the President's proposals your immediate consideration, and to undertake several other important initiatives that, along with the President's plan, will work to restore vitality, growth and innovation in our nation's economy, while simplifying the tax code.

As you may know, Oracle Corporation is the world's largest enterprise software company, providing software and support to the world's largest and most successful organizations, including the federal government. It is an understatement to say that for almost two years, we have faced a challenging economic environment, particularly in the technology sector. While our recent fiscal quarter suggests that the economy is starting to stabilize, the potential for sustained, long-term growth is uncertain. We strongly believe that several components of the current tax code, if left unaddressed, will be impediments to long-term growth.

For these reasons, we hope that when the 108th Congress adjourns, we will have seen action on the following key reform initiatives:

Economic growth package. We agree with the President that Congress can and should take action as soon as possible on key reforms to the tax code that will work to further stabilize our economy and take a first step toward long-term economic growth. We also applaud the House and Senate leadership for targeting completion of this plan in the spring. We urge both Committees to consider including the following legislation as part of an economic growth package:

Double taxation of dividends reform. The current tax treatment of dividends is an example of the impediments in the tax code that work against effective business planning. Removal of the double taxation of dividends would lower capital costs in the short run, and in the long run enable US corporations to make decisions regarding equity financing on sound economic and business factors, rather than perverse incentives in the tax code. Oracle stands ready to assist both Committees on technical issues related to the drafting of this proposal to ensure efficient administration and compliance, and equitable application of the treatment of dividends for all US-based companies.

Homeland Investment Act. Oracle strongly supports a short-term change in the tax code that would provide a temporary reduction in the effective tax rate applied to the repatriated earnings of foreign subsidiaries of US companies. As R. Glenn Hubbard, the Chairman of the President's Council of Economic Advisors, noted in his recent testimony before the Joint Economic Committee, one of the risks to sustained growth is a delay in the investment recovery, particularly due to weak profit growth or near term economic uncertainties. The Homeland Investment Act, recently introduced in the House of Representatives, would help spur investment recovery by bringing in an estimated \$135 billion of new capital into the US economy in the first year alone. Although temporary, this measure underscores the need for permanent changes in the tax code that work to reduce complexity and promote US competitiveness and capital investment.

Elimination of Withholding Taxes on Employee Stock Purchase Plans. Oracle strongly supports legislation that would permanently exempt the exercise of statutory stock options from employment taxes and federal income tax withholding. The imposition of employment taxes on statutory stock options would be contrary to the long-held interpretation by taxpayers that such taxes do not apply under the tax code. Statutory stock option programs do not involve the payment of wages and it is only such "wages" to which employment taxes legally apply. Imposition of employment taxes on ESPPs and ISOs would make these programs more costly for both employers and employees, and would impose a disincentive to their use. As you well know, both Committees approved this proposal last year as part of pension reform legislation.

Permanent R&D credit. With the current temporary research and development (R&D) credit set to expire in June 2004, we urge the Committees to use this opportunity to make this credit permanent, and applaud the President for including a permanent credit as part of his Fiscal Year (FY) 2004 budget submission. A large part of U.S. economic growth

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and productivity increases over the past 20 years are due, in large part, to the business investment incentives provided by the credit. However, the lack of permanency of the R&D credit limits its effectiveness. The temporary nature of the credit is unattractive to business leaders seeking long-term certainty with respect to capital investments. Moreover, the unreliability of the credit's availability exacerbates the already substantial uncertainty surrounding the expected returns to prospective R&D projects.

International tax reform. Last year's World Trade Organization (WTO) ruling against the US extraterritorial exclusion provisions (ETI) will require Congress to make significant reforms in the tax code. We commend the leadership of both Committees for establishing a working group last year to consider not just the changes in the tax law needed to comply with the WTO ruling, but to reform the tax code to remove existing and potential roadblocks to sustained international competitiveness by US multinational firms. We wish to comment on two key reform proposals that have been raised in response to the WTO ruling:

Subpart F reform. Oracle commends Chairman Thomas for addressing important issues related to Subpart F rules last year in his American Competitiveness Act, including the repeal of the Subpart F base company sales and services provisions. We also commend the President for including in his FY 2004 budget a recommendation for Subpart F reform. We believe such reform legislation should exempt additionally from Subpart F software rents and royalties received from unrelated parties. This modest but necessary change would reduce the current tax code incentive for US software firms to base software development and other activities offshore.

Increased deductions to address the impact of ETI repeal. One method to reduce the adverse impact of ETI repeal on US companies is to increase deductions related to US business activity that benefited from ETI. For example, US developed or manufactured products that are exported are eligible for benefits under the current ETI. An increased deduction for US incurred R&D would help offset a portion of the loss of ETI. Similarly, tax deductions for payroll or capital expenditures could be increased in computing US taxable income.

Corporate rate reform. While additional deductions and Subpart F reform may provide US based exporters some degree of relief from the loss of ETI, we urge the Committees to consider broad based reforms that simplify and reduce the effective tax burden on US corporations. Corporate rate reform would not only address the loss of ETI, but also, more significantly, reduce abuses due to the complexity of the existing code, and restore overall US competitiveness in the international marketplace.

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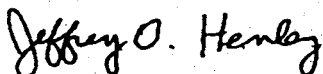
In 1990, eight nations of the European Union (EU) had higher average corporate tax rates than the US. In 2001, only two EU nations had higher rates. An International Monetary Fund study of OECD countries concluded what is intuitively obvious: Countries with high corporate tax rates relative to other countries witness significant outflows of capital over time, and declines in corporate tax revenue. Sustained economic growth cannot occur absent sustained US competitiveness globally. That alone requires a serious look at corporate rate reform. Corporate rate reform would also assist both Congress and the Treasury Department achieve mutual goals to simplify the current code, reduce the incidence and use of tax shelters, and effectively administer new initiatives, such as the dividend exclusion. Rather than create complex, new corporate deductions and credits intended to reduce the overall tax burden, we urge the Committees to consider a reform effort that will lead to a more transparent, simplified, lower corporate tax rate.

With the announcement of his economic growth plan, the President sent a strong signal to Congress that today's tax code is a serious obstacle to tomorrow's prosperity. The President's plan is an important first step toward the kind of tax laws that will fuel investment, spur long-term growth, incentivize innovation, and sustain US competitiveness. Oracle stands ready to work with you, the members of your Committees, and your staff on these and other tax reform and economic growth proposals.

Should you or your staff have any questions or require additional information, do not hesitate to contact our Senior Vice President for Corporate Taxation, Deborah Lange (650.506.4107) or our Director of Congressional and Legislative Affairs, Robert Hoffman (202.721.4814).

Thank you for your attention to and consideration of our recommendations.

Sincerely yours,



Jeffrey O. Henley
Chief Financial Officer and Executive Vice President
Oracle Corporation