

DEAN  
*Vermont*

SUNDOQUIST  
*Tennessee*

FORDICE  
*Mississippi*

CARNAHAN  
*Mississippi*

ENGLER  
*Michigan*

BUSH  
*Texas*

THOMPSON  
*Wisconsin*

CARLSON  
*Minnesota*

GRAVES  
*Kansas*

MILLER  
*Nevada*

ROMER  
*Colorado*

LOCKE  
*Washington*

HUNT  
*North Carolina*

GILMORE  
*Virginia*

BEASLEY  
*South Carolina*

CELLUCCI  
*Massachusetts*

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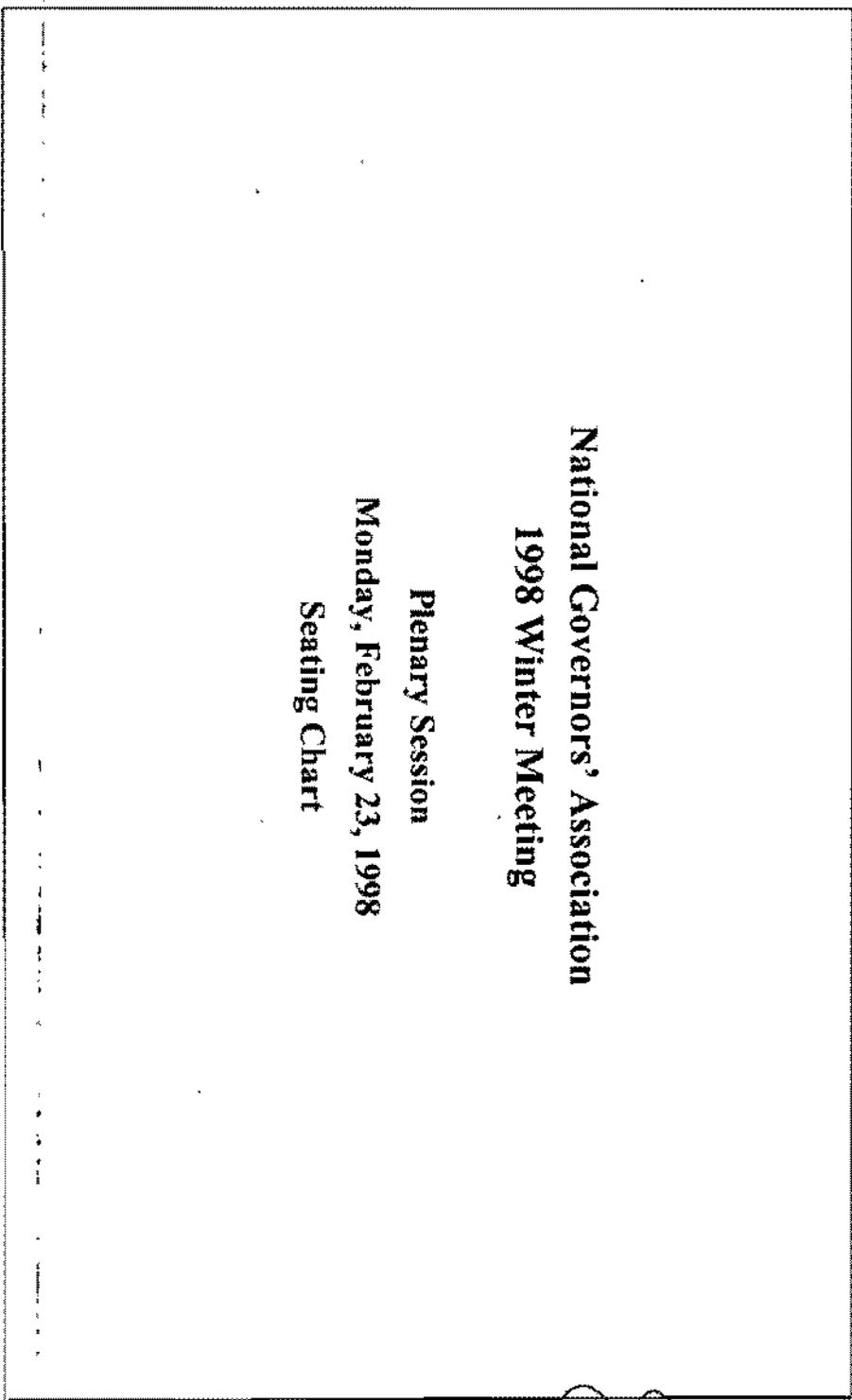
SHAHEEN  
*New Hampshire*

PATAKI  
*New York*

National Governors' Association  
1998 Winter Meeting

Plenary Session  
Monday, February 23, 1998

Seating Chart



GERINGER  
*Wyoming*

KEATING  
*Oklahoma*

HULL  
*Arizona*

ROSSELLÓ  
*Puerto Rico*

SCHNEIDER  
*Virgin Islands*

TENORIO  
*Northern Mariana Is.*

BOND  
*Guest*

REED  
*Guest*

SUNIA  
*American Samoa*

KNOWLES  
*Alaska*

JOHNSON  
*New Mexico*

LEAVITT  
*Utah*

BATT  
*Idaho*

RACICOT  
*Montana*

ALMOND  
*Rhode Island*

PATTON  
*Kentucky*

O'BANNON  
*Indiana*

EDGAR  
*Illinois*

KING  
*Maine*

HUCKABEE  
*Arkansas*

BRANSTAD  
*Iowa*

WILSON  
*California*

UNDERWOOD  
*West Virginia*

NELSON  
*Nebraska*

SCHAFER  
*North Dakota*

THE WHITE HOUSE  
WASHINGTON

February 20, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed

SUBJECT: **Summary and Analysis of NGA Resolutions**

**HR-7. PUBLIC HEALTH SERVICES**

**7.2 Core Public Health Services**

**Summary**

The NGA supports core public health functions and adequate reimbursement for them.

**Analysis**

The Administration supports the NGA position and has a strong record on investing in critical public health functions.

**7.3 Federal, State, and Local Responsibilities**

**Summary**

The NGA believes that the Federal responsibility in public health is financing, collecting information, and taking the lead on certain public health functions that are national in scope. It outlines principles for Federal funding.

**Analysis**

The Administration supports the position of the NGA.

## **7.4 Coordination of Services**

### **Summary**

The NGA believes that coordination of public and private public health activities, as well as Federal, State, and local initiatives is important.

### **Analysis**

The Administration supports the NGA position.

## **7.4.1 Health Services Block Grants**

### **Summary**

The NGA supports more flexibility in block grants such as the Maternal and Child Health Block Grant, the Preventive Health Block Grant, the Substance Abuse Prevention and Treatment Block Grant, and the Mental Health Block Grant. Specifically, the NGA recommends removing complex allocation and set-aside requirements and allowing inter-block transfer.

### **Analysis**

The Administration has a strong record on providing States with maximum flexibility while ensuring fiscal responsibility and the effective use of funds on important public health priorities. The requirements in these block grants are, for the most part, not overly burdensome and are intended to ensure that our shared public health goals are met.

## **7.4.2. Maternal and Child Health Services**

### **Summary**

The NGA believes that improving the health status of children is a top priority, and recommends that WIC be improved by reducing prescriptive and burdensome regulations.

### **Analysis**

The Administration shares the Governors' belief that children's health is a national priority. The WIC program has ensured that low-income children get the food, nutrition, education and health referrals they need regardless of where they live. Although administrative flexibility is important, it could interfere with assuring that WIC provides a nationwide safety net.

### 7.4.3 Early Child Health Development

#### Summary

The NGA has, in the last two years, focused on the special needs of children ages 0 to 3, believing that health services are especially important during these formative years.

#### Analysis

The Administration fully supports the Governors' belief in the importance of health services for our youngest children.

## HR 9: COMMUNITY POLICING AND FEDERAL SUPPORT FOR PRISONS

#### Summary

This resolution states that while crime rates have declined to the lowest levels in twenty years, crime remains a crucial issue for states -- and federal resources should continue to be committed to anti-crime efforts. Specifically, the resolution makes three recommendations: (1) that the Byrne Law Enforcement Memorial block grant, the primary source for state anti-crime funds, receive full funding, without earmarks or set asides, and that statutory language limiting grants to three years be changed to allow for extended funding; (2) that community policing initiatives be made as flexible as the Byrne block grant and allow states to fund enhanced information systems, training, and technical support; and (3) that federal grants for state prisons not require states to enact tougher sentences or other anti-crime initiatives to qualify for funding.

#### Analysis

The Administration has been generally supportive of NGA's crime policies, with a few exceptions. Overall we have provided an unprecedented level of support for state and local law enforcement, increasing anti-crime funding by about \$5 billion annually through the 1994 Crime Act. Our position on the specific issues mentioned above are as follows:

**Byrne** -- Except for the Administration's first budget, we have consistently funded Byrne block grants and resisted earmarking the program. During this time, funding for Byrne has increased from \$450 million in FY 1995 to \$553 million in the FY 1999 budget.

**Community Policing** -- Through the COPS initiative, the Administration has provided nearly \$5 billion for state and local governments to increase police presence and expand community policing. Nearly every state police agency has received COPS funding, including some funds for training, technology, and other non-hiring purposes. The Illinois

State Police, for example, received a \$1 million grant to provide community policing training to local police departments. As you know, however, we have fought efforts to convert the COPS program into a block grant.

**Prisons** -- Since passage of the 1994 Crime Act, the Administration has provided states with more than \$2 billion to incarcerate violent offenders and criminal aliens. While this program generally requires states to move towards "truth-in-sentencing" and to develop drug testing and intervention plans, it is considerably more flexible than the prison programs originally advanced by Congressional Republicans. Also, the Administration has repeatedly pushed for legislation that would give states the flexibility to use their prison funds to help them implement drug testing and intervention plans. Congressional Republicans, however, strongly oppose this legislation.

## **HR-31. INDIAN HEALTH SERVICES**

### **Summary**

The NGA recommends that (1) any proposed changes to publicly funded health care take into consideration the financing of care for Native Americans; and (2) that the Federal government, not the States, fund such services.

### **Analysis**

The Administration has strengthened its commitment to consulting with Federally recognized American Indian and Alaskan Native Tribes when policy that affects them is being considered. The Administration also shares the belief that health services for Indians be fully financed by the Federal government, as seen in the guidance on the new Children's Health Insurance Program.

## **HR-45. CHILD SUPPORT INFORMATION SYSTEMS AND INCENTIVE PAYMENTS**

### **Summary**

This resolution recommends that the current penalty for failure to put in place statewide child support computer systems -- the withholding of all federal child support funds -- should be replaced with a more reasonable penalty structure that would allow HHS to impose limited or graduated penalties. The resolution also calls for a moratorium on penalties until a new penalty structure is devised and for flexibility in how a "statewide system" is defined, so that states could link local computer systems into one "statewide" system.

## **Analysis**

We support the governors' call for a new penalty structure that does not withhold all federal child support funds from states without statewide computer systems. We have worked on a bipartisan basis with Congressmen Clay Shaw, Sandy Levin, and others to devise such legislation. The Shaw-Levin bill, which HHS called "tough but fair" in recent testimony, calls for a 4 percent penalty in the first year a state misses the deadline, with an automatic increase to an 8, 12, and 20 percent penalty in the following years.

Because we believe it is critical that every state puts in place a statewide computer system to track deadbeat parents and make them pay the child support they owe, we will insist on legislation that provides clear financial incentives for states to move quickly. Thus, unlike the states, the Administration wants these penalties to be imposed swiftly and automatically, rather than at the Secretary's discretion. We have opposed state proposals, though not outlined in this resolution, for lower penalties (i.e., 2, 4, 6 percent) and we oppose the state's call for a moratorium on penalties until the new penalty structure is devised.

Finally, we have expressed concerns with proposals that would allow states to apply for a waiver to link local computer systems into a "statewide" system. At our insistence, the Shaw-Levin bill would allow such waivers only in circumstances when such linked systems are as functional and cost-effective as statewide systems. Our concern is that some states may use precious time and resources to try, unsuccessfully, to demonstrate that they can develop an approvable linked system, rather than move forward on a single statewide system.

## **EC-1. BLOCK GRANT POLICY**

### **Summary**

This proposal would take more than 600 categorical grants -- in areas including education, crime, community development, homelessness, and children's health care -- and consolidate them into eight flexible block grants to states.

### **Analysis**

The Administration does not fully support this proposal.

Your Administration has done much to consolidate federal programs, reduce red tape, reduce unfunded mandates, and provide more flexibility. Under your direction the federal government has eliminated 16,000 pages of regulations and dramatically simplified another 31,000. States can now combine 15 separate EPA funding streams across water, air,

hazardous waste, and similar programs; USDA state directors can combine 18 programs into three funding streams for rural housing, utilities, and business or cooperative services; your Education Flex program gives states the ability to waive requirements of some significant federal education laws; and your administration supported turning AFDC into a block grant program. In 1995, you signed legislation to curtail the growth of unfunded mandates on state, local, and tribal governments.

You have also fought for legislation to give the Federal government greater waiver authority in discretionary grant programs. However, Congress has disregarded these proposals.

Your record indicates a willingness to consider innovative new ways to combine funding streams and eliminate set-asides and unfunded mandates. However, your Administration does not support block grants when they threaten the social safety net or interfere with national policy goals that are better attained with direct funding. The breadth of the block grant proposed by the Governors would pose these dangers.

### **EC-1.2.3. STATE INNOVATIVE EDUCATION REFORM STRATEGIES**

#### **Summary**

NGA is proposing to combine Goals 2000, the Eisenhower Professional Development Program (primarily focused on teacher training in math and science), and the Innovative Education Program (an existing block grant) into a single block grant to support state standards-based reform initiatives. In addition to allowing states to combine funds across these three relatively flexible programs, the primary effect of this proposal would be to allow states to use funds now earmarked for improving math and science teaching for a broader array of education reform purposes.

#### **Analysis**

The Administration is neutral on this proposal. DPC and the Education Department have been working on something quite similar and have no fundamental problem with the proposal. However, we do not recommend supporting this proposal at this time, for the following reasons: (1) The TIMSS results will be announced on the final day of the NGA meeting, highlighting the need for a substantial teacher training effort in math and science; (2) this initiative is a high priority for Gov. Voinovich but not a priority for the Democratic governors; (3) we can always introduce our own proposal along these lines when needed, as an alternative to less targeted and more damaging block grant proposals, or as the focus of a reauthorization of Goals 2000.

### **EC-1.3.3. STATE AND LOCAL EDUCATION PERFORMANCE PARTNERSHIPS**

#### **Summary**

NGA proposes an expansion of the current Ed-Flex Demonstration Program. This program, part of Goals 2000, is currently limited to 12 states. It allows the Secretary of Education to delegate the authority to waive most statutory and regulatory requirements in federal K-12 education programs (except IDEA) to state education agencies, if they have an approved Goals 2000 state education reform plan, and if they are prepared to waive their own state education requirements for local districts.

#### **Analysis**

The Administration supports this approach, and you can announce your own version of this proposal to the governors at the NGA meeting.

The administration proposal would drop the current requirement for an approved Goals 2000 reform plan, and replace it with a strong requirement for accountability for results, including (1) high standards and testing; (2) public reporting of results including school report cards; and (3) state or local school district intervention in low-performing schools.

### **EC-4. NGA POLICY RESOLUTION --HEALTH CARE FOR UNDOCUMENTED IMMIGRANTS**

#### **Summary**

NGA's position is that the federal government should pay all the costs of health care for undocumented immigrants and repeal any current federal law that requires states to spend money to provide health care and other services to undocumented immigrants. NGA notes that a new \$100 million fund passed in the Balanced Budget Act is a step in the right direction. (The Administration supported this fund.)

NGA is also adding new policy that calls on the appropriations committees to provide funds under an obscure part of the 1996 immigration law. This section of the law said that, subject to the availability of funds, the Attorney General should reimburse states for the costs of certain emergency services for undocumented immigrants.

#### **Analysis**

Although the Administration did support the \$100 million fund referenced in the resolution, the Administration's general position is that state and local governments

should absorb the costs of health care for undocumented immigrants. In line with this position, our FY 1999 budget did not provide funds for the reimbursement of costs cited in the 1996 immigration law.

## **EC-6. NATIONAL TOBACCO SETTLEMENT POLICY**

### **Summary**

Noting that state lawsuits "represent years of state effort and leadership, without which the current debate over national settlement legislation would be impossible," the Governors call for full participation in drafting national legislation.

In general, the Governors warn that tobacco legislation should not preempt state law except when strictly necessary. The Governors urge that states, rather than the federal government, take responsibility for licensing retailers and regulating environmental tobacco smoke. The states also call for their involvement in developing national youth access standards and in formulating "lookback" penalties.

Most important, the Governors demand that "settlement funds negotiated to settle state lawsuits must go to the states." Though the federal government is entitled to a portion of the revenues gained from national tobacco legislation, it should not interfere with the state portion negotiated by the state attorneys general. Most specifically, the federal government should not try to recoup a portion of this money under existing Medicaid liability rules, even if the government intends to return this money under existing Medicaid liability rules, even if the government intends to return this money to the states for use in specified block grant programs.

### **Analysis**

The Administration has recognized on many occasions the importance of state lawsuits in driving the tobacco industry to the bargaining table and preparing the way for national settlement legislation.

The Administration agrees that preemptions of state law should not be undertaken lightly; in particular, states generally must have the authority to adopt stricter regulations of the tobacco industry. The Administration is committed to state administration of retail licensing schemes, but believes those schemes should have to meet certain federal standards. The Administration favors national action on environmental tobacco smoke.

The Administration agrees that revenues from national tobacco legislation should be divided between the federal government and the states. In its budget proposal, the Administration attempted to ensure that the states would get as much money over the

next five years from national legislation as they expected to receive under the June 20 settlement (\$26 billion). The Administration believes, however, that only part of this money should go to the states for entirely unrestricted uses. The other part -- representing the federal government's lawful share of Medicaid recoveries -- should return to the states in the form of block grants for state-administered programs benefitting children (i.e., child care, class size reduction). This scheme is consistent with what we understood to have been the commitment of the attorneys general to devote a substantial portion of state money -- again, representing the federal Medicaid claim -- to a mutually agreeable purpose such as children's health coverage. The Administration specified different children's programs in its budget because of the \$24 billion children's health program that was enacted since the settlement was reached.

## **EC-11. CHILD CARE AND EARLY EDUCATION**

### **Summary**

The Governors' primary goal is a seamless child care and early education system that provides a safe, nurturing, and developmentally sound environment for the children it serves. The need for a productive workforce, the increasing number of two-earner families, and recent welfare reforms combine to make increasing access to child care and improving its quality a national priority. Gaps in the nation's child care system that warrant particular attention include: the needs of low-income non-TANF families, access to child care during non-traditional hours, and after-school care. In order to create a seamless system of child care, we must involve families, local communities, the states, the federal government, and the private sector to promote the coordination of programs serving children at all levels of the child care system. First, parents are foremost responsible for their children's well-being and must become smart consumers of child care. Communities coordinate programs, assessing their needs and tailoring programs to meet their needs. In addition, states have the primary role of coordinating their efforts to increase access and improve quality. The federal government should support state efforts, not control them, by assisting state efforts to build a quality system of care, through such funding mechanisms as block grants. Finally, the public sector must form partnerships with the private sector, and the private sector must acknowledge and accommodate the child care needs of employees through such measures as the provision of on-site care as well as the adoption of family-friendly work policies.

### **Analysis**

The Governors' proposal dovetails with our child care initiative. The Governors' highest priority for federal action is to maintain state flexibility and to provide adequate funding to meet demand, both of which our initiative does through our proposed expansion of the Child Care and Development Block Grant. In addition, the Governors mention the

following areas that are included in our package: promoting research and evaluation of existing child care and early education programs, which is a goal of our Research Fund; encouraging professional development through scholarships, which is the purpose of our Scholarship Fund; providing tax incentives for the private sector, as our Business Tax Credit does; providing tax credits for individuals, as our proposed expansion of the Child and Dependent Care Tax Credit does; increased funding for Head Start and Early Head Start, as we propose; and supporting state efforts to enforce state licensing and accreditation, as our Standards Enforcement Fund and our Early Learning Fund are designed to do. In short, in the areas of child care and early learning, the Administration shares with the Governors both goals and strategies for achieving them.

### **HR-43. COMMUNITY SERVICES BLOCK GRANT PROGRAM**

#### **Summary**

The Governors express broad support for the Community Services Block Grant and Community Services Discretionary Activities. CSBG issues block grants to States, territories, and Indian tribes to provide services and activities to reduce poverty, including services to address employment, education, housing assistance, nutrition, energy, emergency services, health, and anti-drug needs. States are required to pass through 90% of all funds to eligible entities, which in most cases are Community Action Agencies. Community Services Discretionary Activities (FY 98 enacted level -- \$51.6 million) include \$33 million for Community Economic Development, \$14 million for National Youth Sports camps, and \$4 million for Community Food and Nutrition.

#### **Analysis**

We support continued funding for the Community Services Block Grant (CSBG) Our FY 99 budget proposes to fund CSBG at \$490.6 million, the same as the FY 98 enacted level. The Administration has not requested funding for Community Services Discretionary Activities for several years, because they can be funded, at State option, under CSBG.

### **COST ALLOCATION**

#### **Summary**

The Governors oppose attempts to restrict federal reimbursements to States for administrative costs of food stamps and Medicaid. They charge that the Administration and Congress are enacting changes to current law based on an erroneous assumption that all states used the same cost allocation procedures. NGA is urging the Administration to meet with states and review state-by-state numbers together.

Background: Before welfare reform, States were supposed to charge common administrative costs of AFDC, Medicaid, and Food Stamps to their AFDC budget. Because the matching rate for all of these open-ended programs was the same, States would receive the same Federal matching funds regardless of which program paid for these common costs. However, welfare reform has changed this equilibrium. TANF consolidated cash assistance and administrative expenditures into a fixed block grant. Under current policy, all common administrative costs have to be absorbed within the block grant (within certain limits on administrative expenses) or paid by the States. Many States have therefore sought to allocate some of the common administrative costs to Medicaid and Food Stamps.

Both OMB and CBO baselines include Federal cost increases from States' shifting administrative costs from the capped TANF block grant to the open-ended Food Stamp and Medicaid programs. Conservative estimates suggest that this reallocation will increase Federal costs by at least \$3 billion over the next five years in the baseline.

Congress began to move to recapture these funds during 1997, and we anticipate further action in Congress early this year.

The President's 1999 budget proposes to recognize the new structure and to change allocation practices, and adjusts the administrative matching rate in Food Stamps and Medicaid from 50 percent to 47 percent to account for this cost shift from TANF. The total savings from the matching rate change equals the total cost increases resulting from the new cost allocation practices. In the aggregate, this means that States will receive the same amount of funding they would have received under the previous cost allocation policy.

### **Analysis**

The Administration disagrees with NGA's argument that our plan to reduce the administrative matching rate for food stamps and Medicaid will cut funding to states. Our plan does not "cut" Federal administrative support for States. The proposal simply changes the way that such costs are matched, moving some of the common administrative costs that would have been borne by the States or TANF to the open-ended Medicaid and Food Stamps programs while lowering the Medicaid and Food Stamps matching rate. Thus, States will receive the same amount of Federal matching funds they would have received under previous cost allocation policies.

We plan to meet with state staff during the week of the NGA conference to discuss how we arrived at our cost estimates. We hope these discussions will inform upcoming negotiations with Congress on this issue.

# WHITE HOUSE STAFFING MEMORANDUM

DATE: 2/18 ACTION/CONCURRENCE/COMMENT DUE BY: \_\_\_\_\_

SUBJECT: NSA Overview Memo

|                | ACTION                   | FYI                                 |          | ACTION                              | FYI                                 |
|----------------|--------------------------|-------------------------------------|----------|-------------------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | McCURRY  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| BOWLES         | <input type="checkbox"/> | <input checked="" type="checkbox"/> | McGINTY  | <input type="checkbox"/>            | <input type="checkbox"/>            |
| McLARTY        | <input type="checkbox"/> | <input type="checkbox"/>            | NASH     | <input type="checkbox"/>            | <input type="checkbox"/>            |
| PODESTA        | <input type="checkbox"/> | <input checked="" type="checkbox"/> | RADD     | <input type="checkbox"/>            | <input type="checkbox"/>            |
| MATHEWS        | <input type="checkbox"/> | <input checked="" type="checkbox"/> | REED     | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| RAINES         | <input type="checkbox"/> | <input checked="" type="checkbox"/> | RUFF     | <input type="checkbox"/>            | <input type="checkbox"/>            |
| BLUMENTHAL     | <input type="checkbox"/> | <input type="checkbox"/>            | SMITH    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| BERGER         | <input type="checkbox"/> | <input type="checkbox"/>            | SOSNIK   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| ECHAVESTE      | <input type="checkbox"/> | <input type="checkbox"/>            | SPERLING | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| EMANUEL        | <input type="checkbox"/> | <input checked="" type="checkbox"/> | STREETT  | <input type="checkbox"/>            | <input type="checkbox"/>            |
| GIBBONS        | <input type="checkbox"/> | <input type="checkbox"/>            | TARULLO  | <input type="checkbox"/>            | <input type="checkbox"/>            |
| STEIN          | <input type="checkbox"/> | <input type="checkbox"/>            | VERVEER  | <input type="checkbox"/>            | <input type="checkbox"/>            |
| IBARRA         | <input type="checkbox"/> | <input type="checkbox"/>            | WALDMAN  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| KLAIN          | <input type="checkbox"/> | <input checked="" type="checkbox"/> | YELLEN   | <input type="checkbox"/>            | <input type="checkbox"/>            |
| LEWIS          | <input type="checkbox"/> | <input checked="" type="checkbox"/> | BEGALA   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| LINDSEY        | <input type="checkbox"/> | <input type="checkbox"/>            | _____    | <input type="checkbox"/>            | <input type="checkbox"/>            |
| MARSHALL       | <input type="checkbox"/> | <input checked="" type="checkbox"/> | _____    | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                |                          |                                     | _____    | <input type="checkbox"/>            | <input type="checkbox"/>            |

REMARKS: This has been forwarded to the President.

RESPONSE: \_\_\_\_\_

THE WHITE HOUSE  
WASHINGTON

February 18, 1998

## MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *MI*  
Fred DuVal *FD*  
Emily Bromberg *EB*

SUBJECT: Upcoming Winter Meeting of the National Governors' Association

CC: Erskine Bowles  
Sylvia Mathews  
John Podesta  
Capricia Marshall

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As you know, the Winter Meeting of the National Governors' Association (NGA) begins this Saturday, February 21, and concludes on Tuesday, February 24. As of today, all but five governors are scheduled to attend the meeting. We thought it would be helpful for you to receive an overview of the meeting in case you have any questions about your involvement. In addition, you will receive all of your standard briefing memos on Saturday, February 21.

Your participation this year includes the traditional black-tie White House Dinner on Sunday evening, February 22, and the Round Table Discussion at the White House on Monday morning, February 23. Bruce Reed will be speaking along with Senator "Kit" Bond (R-MO) at a plenary session on early care and education on Monday afternoon, February 23, and Frank Raines will deliver a plenary speech following U.S. Representative John Kasich on Tuesday, February 24. Selected members of the Cabinet and senior White House staff have been invited to attend both the White House Dinner and Round Table Discussion.

We met with the deputy chiefs of staff and senior staff from Communications, DPC, NEC, Political Affairs, Cabinet Affairs, and the Vice President's office to discuss your remarks at the round table and other issues of concern to the governors. DPC is working on a series of announcements on education including class size, social promotion, expanding Ed-Flex, and appointing Governor John Engler to NAGB. You will also encourage the governors to participate in a joint effort by the Race Initiative staff and YWCA -- "Statewide Days of Dialogue," which will be organized by YWCA chapters across the country on May 2.

After your remarks, you will lead a discussion on your education initiatives. The

MEMORANDUM FOR THE PRESIDENT

Page Two

governors will participate in that discussion and then highlight their current legislative priorities: transportation, tobacco, workforce development, and child care. Secondary issues that may arise during the meeting are block grants, early childhood development, Indian gaming, Internet taxation, health care, regulatory reform, and tax reform. The round table will be limited to an hour and a half again this year.

There will be no other Cabinet Members addressing NGA plenary or committee sessions. Bruce Reed and Secretary Riley will be participating in the Democratic Governors' Association (DGA) Business Meeting on Saturday, February 21. Craig Smith will participate in the DGA breakfast on Monday morning, February 23. You will be attending the DGA dinner on Monday, February 23, at the Washington Convention Center following a brief Oval Office meeting with DGA Chair, Governor Pedro Rossello of Puerto Rico.

## Child Care Talking Points for NGA Annual Meeting

- I believe we have an historic opportunity to pass legislation this year to make child care better, safer, and more affordable for working parents. I know that there are important efforts underway in many of your states -- that's why my plan is geared toward supporting child care improvements on the state level.
- Included in my balanced budget proposal is a significant investment in child care -- \$21.3 billion over five years -- which is the single largest investment in child care in our nation's history.
- My plan will: (1) make a significant new investment in the child care block grant, so that states can provide child care subsidies for more children of low-income working families; (2) establish a state-administered fund to enforce state health and safety standards in child care, through, for example, increasing unannounced inspections; (3) establish a state-run Child Care Scholarship Fund; (4) create an Early Learning Fund to provide challenge grants through states to communities for activities that improve child care quality and safety and promote early learning; (5) double the number of children served by Early Head Start and expand Head Start; (6) build the supply of after-school programs through a significant investment in the 21st Century Community Learning Center program; (7) provide greater tax relief for three million working parents with child care costs through reforms to the Child and Dependent Care Tax Credit; and (8) establish a new tax credit for businesses that offer child care services to their employees.
- I was delighted to have Governor Almond with me here at the White House when I announced this plan.
- I am grateful to all of you -- and to the leadership of the NGA -- for your important work in bringing early childhood development issues to the top of the national agenda. I am eager to work together with you and with Members of Congress on a bipartisan basis this year on child care. I am particularly eager to work with you on promoting healthy childhood development and early learning and on improving child care safety and quality for our youngest children.

|                                       |                                       |
|---------------------------------------|---------------------------------------|
| Child Care Block Grant Increase       | \$7.5 billion over five years         |
| Child and Dependent Tax Credit Reform | \$4.8 billion over five years         |
| Tax Credit for Businesses             | \$500 million over five years         |
| After-School Program                  | \$800 million over five years         |
| Early Learning Fund                   | \$3.0 billion over five years         |
| Head Start Increase                   | \$3.8 billion over five years         |
| Standards Enforcement Fund            | \$500 million over five years         |
| Child Care Provider Scholarship Fund  | \$250 million over five years         |
| Research and Evaluation Fund          | \$150 million over five years         |
| <b>TOTAL:</b>                         | <b>\$21.3 billion over five years</b> |

## Child Care Q&A for NGA Annual Meeting

**QUESTION:** *What is your position on the various congressional proposals to give a tax break to stay-at-home parents?*

**ANSWER:** I have always believed that we should respect and support parents in whatever choice they make -- whether to work or to stay at home. My plan was developed to respond to the reality that most parents don't have that choice today -- many can't afford the child care they would want for their children and instead have to rely on care that doesn't make the grade. I hope that first and foremost we can do something for these hardworking, loving parents who want to do the best they can by their children.

Now, if there are also ways that we can support parents who make a different choice -- or ways we can enable them to make the choice to stay at home -- I'm open to ideas. But in the months leading up to the announcement of my child care initiative, we explored a number of these options and found most to be impossible in the context of a balanced budget. Also, I think it's important to look at this issue in terms of the entire tax code, and in terms of our overall strategy to give greater choices to parents. I've tried to do that through a variety of actions to increase family income, such as expanding the Earned Income Tax Credit, increasing the minimum wage, and passing the \$500 per-child tax credit.

I believe that by continuing to work together on a bipartisan basis and by taking the best proposals from both sides of the aisle, we will achieve legislation that benefits all America's families and children.

**QUESTION:** *Since much of the funding of this proposal is based on the tobacco settlement, aren't you counting your chickens before they've hatched? What will you do if the tobacco settlement does not go through?*

**ANSWER:** First, the initiative is paid for in a number of ways -- only one part comes from tobacco revenues. Second, and more important, we believe that a national tobacco settlement will pass. I support strong tobacco legislation, and many Republicans and Democrats alike are working vigorously to craft comprehensive legislation. And if Congress does not pass comprehensive tobacco legislation, we will work with Congress to find other offsets. Child care is a high Administration priority, and we will find an effective funding mechanism.

**QUESTION:** *Some conservatives claim that your child care initiative promotes institutionalized, center-based day care. Is this true?*

**ANSWER:** No. My proposal supports individual choice and state flexibility. Today, parents choose a wide range of child care situations -- be it relative care, family day care, or center-based care. My child care initiative makes child care more affordable by expanding both the Child Care and Development Block Grant and the Child and

Dependent Care Tax Credit. Through the block grant, states provide vouchers to parents, which they may use for any and all forms of paid child care. The Child and Dependent Care Tax Credit is similarly flexible, providing a credit for family day care, center-based care, or paid relative care. My entire package is tailored to provide maximum flexibility to parents so that they can make whatever choices are best for their families.

## Education Talking Points for NGA Annual Meeting

### Making K-12 Education System Among the Best in the World

- Working with the Congress, last year we made an historic investment to help families pay for college. As a result, we have now opened the doors to college for all Americans; in the next century, two years of college will be as universal as high school graduation is today.
- Now we must make sure that our students are academically prepared to take advantage of this opportunity. That is why in my budget for this year I have proposed an ambitious agenda to help make our K-12 education system the best in the world. Our efforts at the national level are designed to support and build upon your efforts in the states to raise standards, raise expectations, and increase accountability.
- This year I am proposing:

### Programs Funded Through States

- **A National Effort to Reduce Class Size.** I have proposed a national effort to reduce class size to a national average of 18 in grades 1-3, to give our students the trained teachers, individual attention, and more disciplined environment that will help them learn to read well and get a good grounding in the basics. This \$12.4 billion initiative over 7 years (\$7.3 over 5 years) will provide the funds to help local school districts hire 100,000 well prepared teachers.
- **Modern School Buildings to Improve Student Learning.** I have also proposed a \$22 billion school modernization initiative to help states and local communities provide the space for smaller classes, repair and renovate crumbling schools, and build new schools.

### Competitive Programs for High Poverty Urban and Rural Communities

- **Education Opportunity Zones: Helping Students in Poor Communities Reach High Standards.** My budget will provide funds to high-poverty urban and rural school systems with a track record of improving student achievement. I want to invest in school systems that are serious about raising standards, and will end social promotions, intervene in failing schools, and provide choice throughout their schools. These education opportunity zones can provide a model to the nation for how our urban school systems can work.
- **High Hopes for College.** To inspire more of our young people to have high expectations, to stay in school and study hard, and to go to college, I have proposed a new initiative that will promote partnerships between colleges and middle or junior high schools in low-income communities. This initiative will let students and their families know that there is enough financial aid available to make college affordable and will provide them with the mentoring and support services needed to keep them on track.

- **Attracting and Preparing Tomorrow's Teachers.** I have proposed a \$350 million initiative to attract talented people into teaching at low-income schools, and to dramatically improve the quality of training and preparation given to our future teachers. This new initiative will help bring nearly 35,000 outstanding new teachers into high-poverty urban and rural areas, through partnerships between institutions of higher education and local schools in inner city and poor rural areas.

## Education Q&A for NGA Roundtable

**QUESTION:** *Is the voluntary national test dead? If not, how do you plan to move the proposal forward.*

**ANSWER:** The testing proposal is very much alive and moving forward. Last Fall, Congress appropriated funds for continued development of the tests, and endorsed my proposal to place the independent, bipartisan NAGB in charge of the tests. NAGB has taken charge and is moving forward. I will continue to work with the Congress to secure funding for test development and implementation, and I will veto any effort to stop work from moving forward. At the same time, I am open to other approaches to accomplishing the objective of measuring individual student learning in the basics against national standards—such as using existing state tests that can be linked to NAEP, and I will urge NAGB, ACHIEVE and the governors to pursue this.

**QUESTION:** *You have proposed new federal education initiatives for school construction, class size reduction, school mentoring, urban education and other areas. Yet, you haven't proposed any increased funding for IDEA, the biggest unfunded federal mandate in education. At the same time, the Education Department is proposing burdensome new rules, which go beyond the intent of the bill you signed into law last year. Will you work with us to ensure that the Special Education rules will not be unduly burdensome? Will you consider scaling back your new initiatives and putting the funds into special education -- so that we at the state and local level can have more control over how we spend our own money?*

**ANSWER:** The special education law I signed last year provides states and school districts with significantly more flexibility than did the previous law. It will reduce paperwork, reporting requirements, and litigation. It places a stronger emphasis on results. And it protects the safety of all students in the classroom while retaining the essential rights and protections of disabled students. The Education Department has proposed regulations to carry out the law, and has received quite a few comments back. I am sure Secretary Riley will review those comments carefully before issuing final regulations.

Funding for the special education program has increased by 64% over the past three years, a substantial increase in the investment the federal government has made in helping states and local communities pay for special education services.

While we have not proposed additional increases in special education, a number of other initiatives we have proposed will help address the needs of special education. Our class size reduction initiative will help students with disabilities who are mainstreamed in regular classes get the extra attention they need, and should reduce costs that occur when students who mainly need extra help are instead wrongly identified as requiring special education services. In addition, our school

modernization initiative will help schools make the accommodations to their facilities necessary for students with disabilities.

**QUESTION:** *Will you support block grant legislation so that states can have more flexibility in the use of federal education funds, and not be constrained by the requirements of separate categorical programs?*

**ANSWER:** I will look carefully at the block grant proposal that the NGA has developed.

Most federal education funding is in a handful of programs with clearly defined and important purposes, such as providing extra help to disadvantaged or disabled students, training teachers, raising academic standards, helping states start charter schools, and helping schools use technology. Within these purposes, I am in favor of providing maximum flexibility in our programs, along with accountability for results.

Since Secretary Riley and I have taken office, we have worked hard to increase the flexibility and reduce the regulatory burden in federal education programs. We have eliminated 67 percent of the pages of regulations that govern major elementary and secondary education programs, and have run Goals 2000 and School-to-Work without issuing a single new regulation. We have approved almost 250 waiver requests from 49 states, and through the Ed-Flex program have granted 12 states the ability to waive federal requirements on their own. As I indicated earlier, I am prepared to ask Congress for the authority to grant Ed-Flex to all 50 states.

## Health Care Talking Points for NGA Annual Meeting

- I am challenging Congress to enact Federally enforceable consumer protections before it adjourns this fall.
- “Consumer Bill of Rights” Legislation Should Include a Range of Protections Including:
  - Guaranteed Access To Needed Health Care Providers to ensure that patients are provided appropriate high quality care. This right includes giving women access to qualified providers to cover routine women’s health services, providing consumers with complex or serious medical conditions with access to specialists, and ensuring that chronically ill people are protected against sudden changes in provider participation in health plans that threaten continuity of care;
  - Access to Emergency Services when and where the need arises. This provision requires health plans to cover these services in situations where a “prudent layperson” could reasonably expect that the absence of care could place their health in serious jeopardy;
  - Confidentiality of Medical Records to ensure that individually identifiable medical information is not disseminated and to provide consumers with the right to review, copy, and request amendments to their own medical records.
  - Grievance and Appeals Processes for consumers to resolve their differences with their health plans and health care providers -- including an internal and external appeals process.
- Although many states have passed legislation in this area, this patchwork of protections is not sufficient, particularly because tens of millions of Americans are covered by plans that are not governed by state law.
- Democrats and Republicans alike recognize the need for national, federally-enforceable consumer protections. In fact, legislation sponsored by Congressman Norwood has the support of nearly 100 Republican House Members. In addition, Democrats and Republicans in state legislatures across the country have passed consumer rights legislation into law. Forty-three states have enacted into law one or more of the basic protections outlined above, and over 25 of these states have Republican Governors.

## Health Care Q&A for NGA Annual Meeting

**QUESTION:** *Why do we need a Health Care Consumer Bill of Rights?*

**ANSWER:** The nation's health care system is undergoing historic transformations that are affecting the way millions of Americans receive their health care. Some of these changes have been quite beneficial. They have lowered costs and improved preventive benefits.

At the same time, for too many Americans these changes are also causing turmoil and distrust. A recent Kaiser study showed that Americans believe that managed care is making it harder for people to see specialists and to get access to emergency room care.

A Health Care Bill of Rights will give Americans newfound confidence in their health care. It will give them much-needed protections -- such as a sense of security that they will have access to emergency services in an expedited fashion; that they will have access to the specialists they need; and that there is a rigorous process in place when they have health care grievances.

**QUESTION:** *Many businesses have said they can come into compliance with the bill of rights voluntarily. Why do you need Federally enforceable legislation?*

**ANSWER:** There are some businesses that will come into compliance voluntarily, and we welcome their commitment to do so. However, these rights should be made real for all Americans, and voluntary compliance cannot assure that outcome.

**QUESTION:** *Business and some Congressional leaders are saying that this Patients Bill of Rights represents Clinton Care II. Do you agree?*

**ANSWER:** No. The people who use this kind of inflammatory rhetoric are the people who don't want to make needed changes in our health care system. My proposal will provide Americans with essential protections and give them confidence in their health care system.

Democrats are unified on the need for legislation, and nearly 100 Republicans have co-sponsored legislation that focuses on these issues. Moreover, each of the rights I have proposed has been enacted by a Republican Governor.

The Bill of Rights is a sensible, moderate approach to fixing some of the problems that are plaguing consumers, providers, and health plans as we move through this historic transition.

**QUESTION:** *What do you think of the Norwood/D'Amato legislation?*

**ANSWER:** I applaud Congressman Norwood and Senator D'Amato for their leadership on this issue. We are encouraged that so many Republicans and Democrats understand the need for national legislation. There are a number of bills on the Hill at this time. Some Members have indicated their interest in modifying their legislation before Congress comes back. We look forward to working with all Republicans and Democrats as we move forward throughout this process.

**QUESTION:** *There are bipartisan bills in the Congress that make these consumer protections legally enforceable. The Administration has been silent on this issue. How will the administration propose to make these rights real?*

**ANSWER:** The Administration believes that consumers should have adequate remedies when they have been harmed by health plan decisions. We have not yet determined the best enforcement tool for addressing this concern, but we are currently evaluating options.

## Tobacco Talking Points for NGA Annual Meeting

I have challenged Congress to pass sweeping tobacco legislation to reduce teen tobacco use significantly. That legislation will build on the extraordinary efforts of the nation's attorneys general, who helped create an historic opportunity for progress in reducing smoking, especially by youth. Tobacco legislation must include five key elements:

- A Comprehensive Plan to Reduce Youth Smoking, Including Tough Penalties If Targets Are Not Met. The central goal of tobacco legislation must be a comprehensive, nationwide effort to reduce teen smoking. I am calling for:
  - Tough Penalties and Price Increases to Reduce Youth Smoking. I support a combination of industry payments and penalties to increase the price of cigarettes by up to \$1.50 a pack over the next decade as necessary to meet youth smoking reduction targets. Stiff penalties that give the tobacco industry the strongest possible incentive to stop targeting kids are an important part of this proposal. Legislation should set ambitious targets to cut teen smoking by 30% in 5 years, 50% in 7 years, and 60% in 10 years, and impose severe financial penalties that hold tobacco companies accountable to meet those targets.
  - A Public Education and Counter Advertising Campaign. Legislation must provide for a nationwide effort to deglamorize tobacco, warn young people of its addictive nature and deadly consequences, and help parents discourage their children from taking up the habit.
  - Expanded Efforts to Restrict Access and Limit Appeal. I support legislation codifying the FDA's efforts to reduce youth access to tobacco, and imposing even stronger restrictions on youth access and advertising consistent with the Constitution.
  - Full Authority for FDA to Regulate Tobacco Products. The Administration supports federal legislation that affirms efforts by the Food & Drug Administration (FDA) to regulate tobacco like any other drug or device and that provides FDA with sufficient flexibility to meet changing circumstances.
  - The Tobacco Industry Must Change The Way Its Does Business. I have challenged the tobacco industry to stop marketing and promoting tobacco to children, provide broad document disclosure -- especially of those documents relating to marketing tobacco to children -- and set up comprehensive corporate compliance programs that will reinforce the incentives created by the youth and smoking penalties.
  - Progress Toward Other Public Health Goals. Federal tobacco legislation provides an opportunity to meet other public health goals: the reduction of second-hand tobacco smoke, the expansion of smoking cessation programs, the strengthening of international efforts to control tobacco, and the provision of funds for health research.
  - Protection for Tobacco Farmers and Their Communities. My Administration is

committed to working with members of Congress in both parties to ensure that we protect the financial well-being of tobacco farmers, their families, and their communities.

## Tobacco Q&A for NGA Annual Meeting

**QUESTION:** *Are you concerned by comments by some members of Congress that tobacco legislation may be getting stalled -- that you may not be serious about getting a bill -- and that you should take a more active role in pushing legislation?*

**ANSWER:** I am committed to enacting comprehensive bipartisan tobacco legislation that will reduce teen smoking, and we are making good progress toward this goal. I've proposed a very clear set of principles about what should be in the bill. I've met personally with senior members involved in this. Our staff has met with members of both parties and will continue to do so. And my budget contains a great deal of details on how I think we should get this done -- on how much money the tobacco companies should pay and where it should go. This has been a long battle we have been fighting and we will stay with it, and it will make a difference to the health of millions of children over the next few years.

**QUESTION:** *Many Members and public health advocates have come out against tobacco legislation that would grant the industry limits on liability. Do you favor a settlement that would include limits on industry liability?*

**ANSWER:** I will evaluate tobacco legislation as a whole to determine whether it protects the public health. I would prefer a comprehensive tobacco bill without liability limits. But if I get everything else I want in a tobacco bill -- if I get a comprehensive bill that satisfies each of my five principles -- then reasonable limits on liability will not be a dealbreaker. What's most important is that we enact a comprehensive bill that includes, for example, a large per-pack price increase, penalties for marketing to children, and broad restrictions on children's access to tobacco. Liability limits are not necessarily a dealbreaker for us. What's important is achieving comprehensive legislation that includes, for example, a large per-pack price increase, penalties for marketing to children, and broad restrictions on children's access to tobacco.

I hope that these kinds of statements (statements by Republican senators on liability) don't mean that some members are seeking to walk away from their responsibility to protect children by enacting comprehensive tobacco legislation.

Piecemeal legislation won't accomplish our goal. It's not enough just to say we did something if we don't pass comprehensive legislation that really accomplishes our goals.

**QUESTION:** *Doesn't your budget deprive the states of the rewards of their lawsuits? Wouldn't your budget take tobacco funds for the federal government, even though the federal government declined to bring suit against the tobacco companies? How much money is there for states in the budget?*

**ANSWER:** Under my budget, the states will receive as much money over the next five years as they

would have received under the original settlement agreement. A large part of this money will be unrestricted; states can use it for whatever purposes they choose. The rest of the money will go to states for state-administered programs to provide child care subsidies and reduce class size. This money represents the usual federal share of Medicaid recoveries, which I believe should go back to the states to assist children in recognition of the important role the states played in bringing about this legislation.

**QUESTION:** *In September, you said the focus of tobacco legislation should not be about money. In the budget you recently unveiled, more than 60 percent of the proposed increase in discretionary spending is paid for by tobacco legislation. Why have you changed course?*

**ANSWER:** My course has not changed -- Congress should send me legislation that will dramatically reduce youth smoking. Experts all agree the single most important step we can take to reduce youth smoking is to raise the price of a pack of cigarettes significantly. That is why last September, and again in the State of the Union speech, I called for Congress to pass legislation that raises cigarette prices by up to \$1.50 per pack over the next ten years as necessary to reduce youth smoking. Our budget simply scores that part of the plan, and allocates the revenues to programs that promote public health and assist children.

**QUESTION:** *Why is it that some of the programs funded with tobacco revenues have no relation to tobacco?*

**ANSWER:** Most of the spending is directly related to tobacco, such as health-related research and smoking cessation programs. The rest goes to programs that will assist our children. I wanted to ensure that states get a substantial share of the resources, because of the states' contribution in negotiating the original proposed settlement. It is this state-directed money that goes to children's programs -- to improve child care and reduce class size -- in recognition that these are shared federal and state goals.

**QUESTION:** *How much money do you expect to raise from tobacco legislation next year? What about over five years? How did you come to this figure?*

**ANSWER:** This budget is designed to reduce youth smoking by 30% in five years and 50% in seven years, which are the goals I've set out. We calculate that the necessary increase in the price per pack will result in about \$10 billion in revenue next year and \$65 billion over five years.

**QUESTION:** *How much does your plan increase the cost of cigarettes?*

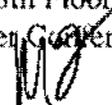
**ANSWER:** In order to reach the goal of reducing youth smoking by 30% in five years, and 50% in seven years, my budget projects about a \$1.10 increase in the price of cigarettes over five years.

THE WHITE HOUSE  
WASHINGTON

February 20, 1998

MEMORANDUM FOR ERSKINE BOWLES

DEMOCRATIC GOVERNORS' ASSOCIATION  
WINTER POLICY AND POLITICAL MEETING

DATE: February 21, 1998  
TIME: 2:30 - 3:15 p.m.  
PLACE: Hogan & Hartson, LLP  
555 13th Street, NW  
West Tower, 13th Floor  
Fulbright Center Conference Room  
FROM: Mickey Ibarra 

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Thank you for agreeing to participate in the Democratic Governors' Association (DGA) Winter Meeting on Saturday, February 21, in the Fulbright Conference Room at Hogan & Hartson, LLP. Your discussion is set to commence at 2:30 p.m. and will follow welcoming comments by Governor Pedro Rossello (D-PR; DGA Chair). The format will be relatively informal, with Administration participants (you, Mickey Ibarra, Bruce Reed, and Secretary Riley) seated at a solid square table along with the attending governors. Approximately 50 other people, including governors' staff members and various friends of the DGA, will be seated in chairs around the room. Larry Stein, Fred DuVal, Josh Gotbaum, and Chuck Marr will also be in the room.

The focus of your segment on the panel is to provide a ten-minute overview of the President's priority agenda items for 1998. It is also suggested that you seek the governors' assistance for the Administration's IMF position. This meeting is designed for them to continue developing a relationship with you and others representing the Administration. The session is closed to the press.

Governor Pedro Rossello, who chairs the DGA, will introduce the Administration participants and turn the meeting over to me. I will open up by presenting an overview of the policy program, introducing the panelists, and reiterating how important the Democratic governors are to the President, both in formulating policy and in advocating his agenda.

You will then thank the governors for their continuing support and stress your intention of continuing the valuable working relationship which the Democratic governors have had with the

MEMORANDUM FOR CHIEF OF STAFF BOWLES

Page Two

White House. You should also acknowledge the importance of the 1998 election cycle, perhaps stating that it is no coincidence that we have a governor as DNC chair. Next, you should introduce Larry Stein, Josh Gotbaum, and Chuck Marr, who will be available to respond to questions later in the program. Then, you should briefly highlight the President's priority agenda items for 1998. Finally, you will turn the discussion over to Bruce Reed, who will discuss issues related to tobacco, and will be followed by Secretary Riley, who will discuss the education initiatives which the President will announce at the National Governors' Association (NGA) Round Table at the White House on Monday morning, February 23. The panel will conclude with a question and answer session.

An advanced copy of the President's briefing materials for the NGA Round Table, which will include policy briefing memos on issues of concern to the governors as well as a Governor-by-Governor issue briefing memo, will be delivered to you later this afternoon.

Democratic Governors attending will be:

|                            |                |
|----------------------------|----------------|
| Governor Tony Knowles      | Alaska         |
| Governor Tauese Sunia      | American Samoa |
| Governor Roy Romer         | Colorado       |
| Governor Thomas Carper     | Delaware       |
| Governor Lawton Chiles     | Florida        |
| Governor Zell Miller       | Georgia        |
| Governor Frank O'Bannon    | Indiana        |
| Governor Paul E. Patton    | Kentucky       |
| Governor Parris Glendening | Maryland       |
| Governor Mel Carnahan      | Missouri       |
| Governor Benjamin Nelson   | Nebraska       |
| Governor Bob Miller        | Nevada         |
| Governor Jeanne Shaheen    | New Hampshire  |
| Governor James Hunt Jr.    | North Carolina |
| Governor Pedro Rossello    | Puerto Rico    |
| Governor Howard Dean       | Vermont        |
| Governor Gary Locke        | Washington     |

Not attending:

|                              |        |
|------------------------------|--------|
| Governor Carl T.C. Gutierrez | Guam   |
| Governor Ben Cayetano        | Hawaii |
| Governor John Kitzhaber      | Oregon |



**DEMOCRATIC GOVERNORS' ASSOCIATION**

**DEMOCRATIC GOVERNORS' ASSOCIATION**

**Winter Political Meeting**

**Saturday, February 21, 1998  
Washington, D.C.**

**Governor Pedro Rosselló**  
Puerto Rico  
*Chair*

2 p.m.

**DGA News Conference**  
Lobby, 555 13th Street N.W.  
Subject: Education, Strengthening Families, Transportation

**Governor Frank O'Bannon**  
Indiana  
*Vice Chair*

**EXECUTIVE COMMITTEE**

2:30 p.m.

**DGA Governors' Only Meeting Begins**  
Fulbright Center Conference Room  
13th Floor, West Tower  
555 13th Street N.W.

**Governor Mel Carnahan**  
Missouri

**Governor Tom Carper**  
Delaware

**Welcome**  
Governor Pedro Rossello, Puerto Rico  
1998 DGA Chair

**Governor Lawton Chiles**  
Florida

**Governor Howard Dean, M.D.**  
Vermont

2:35 p.m.

**Clinton Administration Report**  
Erskine Bowles, White House Chief of Staff  
Secretary of Education Richard Riley  
Bruce Reed, Domestic Policy Advisor to the President  
Mickey Ibarra, Director of Intergovernmental Affairs

**Governor Parris N. Glendening**  
Maryland

**Governor James B. Hunt, Jr.**  
North Carolina

**Governor Bob Miller**  
Nevada

3:35 p.m.

**"Paycheck Protection" Report**  
Gerald W. McEntee, International President, AFSCME  
Steve Rosenthal, AFL-CIO Political Director

**Governor Paul Patton**  
Kentucky

**Governor Roy Romer**  
Colorado

3:55 p.m.

**DGA Chairman's Report**  
Governor Rossello  
Harold Ickes, Senior Advisor to DGA Chair

**Katherine Whelan**  
*Executive Director*

4:15 p.m.

**Unified Senate-House Legislative Agenda**  
Congressman Steny Hoyer, Maryland

4:45 p.m.

**NGA Business**  
Governor Tom Carper, Delaware, NGA Vice Chair  
Governor Rossello

5:15 p.m.

**Adjournment**

Revised Draft: February 20, 1998

## DGA Policy Resolution

As Democratic Governors, we work each day to improve the lives of children and families in our states and territories. Our commitment to children and families dictates that we try to improve educational opportunities, ensure that families have access to health care and child care, invest in capital projects that improve the quality of life and foster economic development, and maintain safe streets, safe schools and safe communities.

Democratic Governors believe that we can address these priorities while maintaining fiscal discipline that allows us to balance our budgets and, when times are good, to provide tax relief or incentives that help working families.

These are not new priorities. Our record on these issues is well-established, and we are pleased to see the national debate on these issues move in the directions we have long advocated. We applaud the President and Democratic leadership on Capitol Hill on their unified 1998 agenda *Democrats' New Solutions for a New Century*, and we encourage the Congress to enact this agenda. We trust that, working together, the Administration and the Congress will find reasonable and fiscally responsible ways to fund these priorities.

As Governors, we believe the following issues deserve immediate attention from the Congress:

### Education

Providing a quality education is primarily a state function, which each of our Democratic Governors has placed at the top of the agenda for the coming year. However, there are ways in which the federal government can assist existing state initiatives to improve education.

We strongly support the President's initiative to reduce class sizes in grades 1-3 to an average of 18 pupils per classroom by helping local communities hire 100,000 new teachers. This program would build on the successes of several of our Democratic Governors, including Governor Bob Miller of Nevada and Governor Tom Carper of Delaware, who have pioneered new programs to reduce class sizes. While we have concerns about funding this proposal out of state tobacco settlement funds, we strongly support the President's policy initiative.

We also applaud the President's emphasis on raising standards and accountability. Governor Jim Hunt of North Carolina has been a national leader on this issue through his work with the National Board for Professional Teaching Standards.

Another important component of providing a good education is to improve educational facilities. We applaud the President's proposal to have federal tax credits to pay interest on nearly \$22 billion in bonds to finance building and renovation of public schools. This proposal complements the work already under way in several states, including Maryland, where Governor Parris Glendening has launched a major effort to invest \$600 million to construct and modernize more than 5,000 classrooms.

**DGA Resolution**

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**Strengthening Families**

Securing safe, high-quality, affordable child care and promoting early childhood learning opportunities are two of the greatest challenges facing working families today. Democratic Governors have taken the lead in addressing this challenge through programs like Governor Jim Hunt's Smart Start in North Carolina and Governor Roy Romer's Bright Beginnings program in Colorado.

We strongly endorse President Clinton's historic child care initiative to provide subsidies to help make child care more affordable for working families, to increase access to and promote early childhood learning, to improve the safety and quality of child care, and to expand access to after-school care. We strongly support this policy initiative, but we have concerns about funding this proposal out of state tobacco settlement funds.

Providing health care to children has always been a top priority of Democratic Governors. We pledge to work hard to design children's health initiatives that wisely invest the \$24 billion in children's health funding included in last year's balanced budget agreement. Democratic Governors across the nation -- from Howard Dean in Vermont to Gary Locke in Washington, from Zell Miller in Georgia to Mel Carnahan in Missouri, from Tom Carper in Delaware to Ben Nelson in Nebraska -- are leading the way in implementing children's health programs that will extend health insurance coverage to hundreds of thousands of children who previously had no insurance. Governor Pedro Rossello has led the way in this effort in Puerto Rico, where his Health Card program has extended coverage to thousands of citizens.

Protecting our young people from the scourge of violent crime, especially from crimes committed by other young people, also must be a top priority. We endorse President Clinton's proposal to help state and local prosecutors crack down on gang members and violent juveniles, and we support his proposal to help keep schools open later so that kids are supervised between 3 p.m. and 8 p.m. -- when most violent juvenile crimes are committed.

**Transportation**

Wise investment in our nation's transportation system will yield returns, in economic and human terms, for years to come.

Clearly, investments in our transportation system are a critical element in economic development. Without new investment, we will begin to limit the productivity and growth of our economy.

But this issue involves more than concrete and steel. A strong transportation system is important for quality of life: whether it is providing a way for a former welfare recipient to travel to a new job, or whether it is reducing commuting time so a mother or father can spend more time with a child.

Our Democratic Governors have recognized the link between a high-quality transportation system and the economic and personal well-being of their citizens. Governor Paul Patton of Kentucky has been a forceful advocate for transportation funding. Governor Pedro Rossello of

**DGA Resolution****Page 3**

Puerto Rico and Governor Frank O'Bannon of Indiana are leading the way in making wise investments in transportation that will pay dividends for years to come.

We believe that now that the federal budget deficit has been addressed, it is time for our nation to renew -- and to increase -- its commitment to infrastructure investment. The federal government needs to increase its spending on transportation, which has been declining as a percentage of total investment in transportation.

We also believe that highway trust fund money raised for transportation should be spent for transportation and not diverted for other purposes such as deficit reduction.

For many years, the states have tried to find ways to pick up the slack to make up for a declining federal commitment to our nation's transportation system. It is now time for the federal government to join the states as a stronger partner in investing in our future transportation needs.

**SATURDAY MEETING ATTENDEES**

(Draft as of 2/20/98 5:17 p.m.)

At the Table:

Governor Rosselló  
Governor O'Bannon

Governor Knowles  
Governor Romer  
Governor Carper  
Governor Chiles  
Governor Z. Miller  
Governor Patton  
Governor Glendening  
Governor Carnahan  
Governor Nelson  
Governor B. Miller  
Governor Shaheen  
Governor Hunt  
Governor Dean  
Governor Sunia

Governor Blanchard  
Governor Folsom (need to confirm)

Katie Whelan

Presenters:

Erskine Bowles  
Secretary Richard Riley  
Steve Rosenthal  
Gerry McEntee  
Paul Booth  
Mickey Ibarra  
Bruce ReedRep. Steny Hoyer  
Geoff Garin (drop by)  
Harold Ickes

Perimeter/Audience Seating/Special Invited Guests:

Fred DuVal  
Emory Mayfield  
Emily Bromberg  
Suzanne Dale  
Mark Weiner  
Janice Enright  
Debby Kilmer

Tom Jurkovich  
Richard Gordon

PR Spouse: No  
Staff: Alvaro Cifuentes, Kirsten Deshler, George Shelton

IN Spouse: No  
Staff: Tom New, David Johnson

AK Spouse: Susan Knowles  
Staff: Jim Ayers, John Vezina

CO Spouse: Bea Romer  
Staff: Alan Salazar

DE Spouse: No  
Staff: Jeff Bullock, Jonathon Jones, Martha Feichter

FL Spouse: No  
Staff: Charlie Salem, Linda Shelley, April Herrle

GA Spouse: Shirley Miller  
Staff: Steve Wrigley, Tina Coria

KY Spouse: Judi Patton  
Staff: Terry McBreyer, Kevin Goldsmith

MD Spouse: No  
Staff: Steve Heyman

MO Spouse: Jean Carnahan  
Staff: Susan Harris

NE Spouse: No  
Staff: Tom Litjen

NV Spouse: No  
Staff: Jim Mulhall, Nicole Lamboley

NH Spouse: No  
Staff: Rich Sigel

NC Spouse: Carolyn Hunt  
Staff: Debby Bryant, Joan Weld, Rachel Perry

VT Spouse: No  
Staff: Kate O'Connor, Krissy Pisanelli

WA Staff: Joe Dear

Guam Staff: Mary Eva Candon

AS Spouse:  
Staff:

THE WHITE HOUSE  
WASHINGTON

February 22, 1998

ROUND TABLE DISCUSSION WITH THE  
NATIONAL GOVERNORS' ASSOCIATION (NGA)

DATE: Monday, February 23, 1998  
TIME: 9:30 a.m. - 11:15 a.m.  
LOCATION: East Room  
FROM: Mickey Ibarra *MI*  
Emily Bromberg *EB*  
Fred DuVal *FD*

I. PURPOSE

You will host the bipartisan group of the nation's governors, the Vice President, and several Cabinet Members for a round table discussion on education, transportation, tobacco, workforce development and child care.

II. BACKGROUND

The National Governors' Association (NGA) is convening in Washington for their annual Winter Meeting from February 21 - 24, 1998. This is the first time you will meet with this bipartisan group in a formal setting since you introduced your FY99 Budget proposal. Governor George Voinovich (R-OH) is the current Chair and Governor Tom Carper (D-DE) is the current Vice Chair of the NGA. This NGA meeting will focus primarily on issues related to tobacco, transportation, tax reform, regulatory reform, block grants and education.

In your opening comments (to be provided by Speech Writing) you will announce a directive to the Department of Education asking them to publish a guide book on how to end social promotion; a Department of Education study on class size; the expansion of Ed Flex, which will allow all states to waive federal statutory and regulatory requirements in grades K-12; and Secretary Riley's intent to appoint Governor John Engler (R-MI) to the National Assessment Governing Board (NAGB). After the departure of the press, you will lead a discussion on your proposed education initiatives. Governor Edward Schafer (R-ND) will then lead a discussion on transportation. The next discussion, regarding tobacco, will be led by Governor Lawton Chiles (D-FL). Then, Governor Tom Ridge (R-PA) will lead a discussion on workforce development. The final discussion, regarding child care, will be led by Governor Frank O'Bannon (D-IN). **Talking points regarding each of these topics are included in this briefing notebook.**

NGA ROUND TABLE BRIEFING MEMO  
PAGE TWO

Time permitting, the discussion will then open up to other topics. Governors will likely ask questions about Internet taxation, the Department of Interior's rule on Indian gaming, the Health Care Bill of Rights and the Levin-Thompson Bill on regulatory reform. **Talking points regarding each of these topics are included in this briefing notebook.**

Based on discussions with governors yesterday and today, Internet taxation and Indian gaming concerns are gaining momentum. It is likely that both issues will be raised at tonight's White House Dinner. Regarding Indian gaming, the governors want assurance that their strong opposition to the proposed Interior rule will be considered directly by you. These issues will be discussed with your advisors in the pre-event briefing.

The governors arrived on Saturday, February 21, and participated in an opening news conference and internal committee meetings. Also Saturday, the Democratic Governors' Association meeting included a discussion by Chief of Staff Bowles on your priority agenda items, a discussion on the Administration's tobacco position led by Bruce Reed, and a discussion of your proposed education initiatives led by Secretary Riley. Last night, the governors attended a reception in their honor hosted by the Canadian Ambassador Raymond Chretien. The Democratic governors attended a dinner with the Vice President at his residence.

On Sunday, February 22, the opening plenary session included panels on the Federal budget, Internet taxes and tax reform led by several leading academics. That afternoon, the governors participated in internal committee meetings on ISTEIA, Global Climate Change and regulatory reform, among other topics.

The governors-only session on Sunday, February 22, will focus on tobacco and Internet taxes. The governors demand that tobacco settlement funds negotiated to settle state lawsuits must go to the states. While they recognize that the federal government is entitled to a portion of the revenues gained from national tobacco legislation, they believe that it should not interfere with the state portion negotiated by the state attorneys general. Most specifically, the governors think that the federal government should not try to recoup a portion of this money under existing Medicaid liability rules, even if the government intends to return this money to the states for use in specified block grant programs.

### III. PARTICIPANTS

Pre-brief participants:

Mickey Ibarra  
Emily Bromberg  
Fred DuVal  
Secretary Riley  
Frank Raines

NGA ROUND TABLE BRIEFING MEMO  
PAGE THREE

Pre-brief participants, continued:

Bruce Reed  
Gene Sperling

Event participants:

See attached list

IV. PRESS PLAN

Pool press for your opening remarks and those of Governor Voinovich, Governor Carper, and the Vice President. Following the Round Table, Governors Voinovich and Carper will be available to the press at the stakeout.

V. SEQUENCE OF EVENTS

- You and the Vice President proceed into the East Room
- You deliver opening remarks
- Governor George Voinovich (R-OH; NGA Chair) delivers remarks
- Governor Tom Carper (D-DE; NGA Vice Chair) delivers remarks
- The Vice President delivers remarks
- Press departs
- You lead a discussion on education
- You ask Governor Voinovich to moderate the remainder of the presentations/discussions
- Governor Edward Schafer (R-ND) leads a discussion on transportation
- Governor Lawton Chiles (D-FL) leads a discussion on tobacco
- Governor Tom Ridge (R-PA) leads a discussion on workforce development
- Governor Frank O'Bannon (D-IN) leads a discussion on child care
- Open question and answer period moderated by Governor Voinovich

NGA ROUND TABLE BRIEFING MEMO  
PAGE FOUR

VI. REMARKS

To be provided by Speech Writing

VII. ATTACHMENTS

Participants List

Seating Chart

Sequence of Events

Talking Points/Questions and Answers on Discussion Topics

Talking Points/Questions for Open Discussion Period

## National Governors' Association Round Table Participants

### Democratic Governors

|                            |                |
|----------------------------|----------------|
| Governor Tony Knowles      | Alaska         |
| Governor Tauese Sunia      | American Samoa |
| Governor Roy Romer         | Colorado       |
| Governor Thomas Carper     | Delaware       |
| Governor Lawton Chiles     | Florida        |
| Governor Zell Miller       | Georgia        |
| Governor Frank O'Bannon    | Indiana        |
| Governor Paul Patton       | Kentucky       |
| Governor Parris Glendening | Maryland       |
| Governor Mel Carnahan      | Missouri       |
| Governor Benjamin Nelson   | Nebraska       |
| Governor Bob Miller        | Nevada         |
| Governor Jeanne Shaheen    | New Hampshire  |
| Governor James Hunt Jr.    | North Carolina |
| Governor Pedro Rossello    | Puerto Rico    |
| Governor Howard Dean       | Vermont        |
| Governor Gary Locke        | Washington     |

### Republican Governors

|                                 |               |
|---------------------------------|---------------|
| Governor Jane Dee Hull          | Arizona       |
| Governor Mike Huckabee          | Arkansas      |
| Governor Pete Wilson            | California    |
| Governor John Rowland           | Connecticut   |
| Governor Philip Batt            | Idaho         |
| Governor Jim Edgar              | Illinois      |
| Governor Terry Branstad         | Iowa          |
| Governor William Graves         | Kansas        |
| Governor Paul Cellucci          | Massachusetts |
| Governor John Engler            | Michigan      |
| Governor Arne Carlson           | Minnesota     |
| Governor Kirk Fordice           | Mississippi   |
| Governor Marc Racicot           | Montana       |
| Governor Christine Todd Whitman | New Jersey    |
| Governor Gary Johnson           | New Mexico    |
| Governor George Pataki          | New York      |
| Governor Edward Schafer         | North Dakota  |
| Governor George Voinovich       | Ohio          |

|                          |                |
|--------------------------|----------------|
| Governor Frank Keating   | Oklahoma       |
| Governor Tom Ridge       | Pennsylvania   |
| Governor Lincoln Almond  | Rhode Island   |
| Governor David Beasley   | South Carolina |
| Governor Don Sundquist   | Tennessee      |
| Governor George Bush     | Texas          |
| Governor Michael Leavitt | Utah           |
| Governor Roy Schneider   | Virgin Islands |
| Governor Jim Gilmore     | Virginia       |
| Governor Cecil Underwood | West Virginia  |
| Governor Tommy Thompson  | Wisconsin      |
| Governor Jim Geringer    | Wyoming        |

#### Independent Governors

|                        |                          |
|------------------------|--------------------------|
| Governor Angus King    | Maine                    |
| Governor Pedro Tenorio | Northern Mariana Islands |

#### National Governors' Association

Executive Director Raymond Scheppach

#### Cabinet Members

Agriculture Secretary Dan Glickman  
Labor Secretary Alexis Herman  
Education Secretary Richard Riley  
Transportation Secretary Rodney Slater  
OMB Director Franklin Raines  
HHS Deputy Secretary Kevin Thurm

#### White House Staff

Erskine Bowles  
Mickey Ibarra  
Bruce Reed  
Gene Sperling

GERINGER  
*Wyoming*

HULL  
*Arizona*

SCHAFFER  
*North Dakota*

PATAKI  
*New York*

ALMOND  
*Rhode Island*

EDGAR  
*Illinois*

KING  
*Maine*

HUCKABEE  
*Arkansas*

SCHEPPACH  
*NGA*

SCHNEIDER  
*Virgin Islands*

BRANSTAD  
*Iowa*

WILSON  
*California*

UNDERWOOD  
*West Virginia*

BRUCE REED  
*DPC*

NELSON  
*Nebraska*

PATTON  
*Kentucky*

MICKEY IBARRA  
*IGA*

LEAVITT  
*Utah*

KEATING  
*Oklahoma*

BEASLEY  
*South Carolina*

CELLUCCI  
*Massachusetts*

GENE SPERLING  
*NEC*

CHILES  
*Florida*

RIDGE  
*Pennsylvania*

SLATER  
*Transportation*

HUNT  
*North Carolina*

O'BANNON  
*Indiana*

JOHNSON  
*New Mexico*

BATT  
*Idaho*

SUNIA  
*American Samoa*

CARLSON  
*Minnesota*

GILMORE  
*Virginia*

KEVIN THURM  
*HHS*

KNOWLES  
*Alaska*

DEAN  
*Vermont*

SUNDQUIST  
*Tennessee*

FORDICE  
*Mississippi*

CARNAHAN  
*Missouri*

ENGLER  
*Michigan*

BUSH  
*Texas*

FRANK RAINES  
*OMB*

THOMPSON  
*Wisconsin*

GRAVES  
*Kansas*

ROMER  
*Colorado*

RICHARD RILEY  
*Education*

RACICOT  
*Montana*

ALEXIS HERMAN  
*Labor*

LOCKE  
*Washington*

TENORIO  
*Northern Mariana Islands*

**NATIONAL GOVERNORS' ASSOCIATION**  
**1998 WINTER MEETING**  
*Seating Chart for White House Round Table Discussion*

**THE VICE PRESIDENT**

**THE PRESIDENT**

VOINOVICH  
*Ohio*

ERKSINE BOWLES  
*Chief of Staff*

MILLER  
*Nevada*

WHITMAN  
*New Jersey*

GLENDENING  
*Maryland*

DAN GLICKMAN  
*Agriculture*

SHAHEEN  
*New Hampshire*

## **Sequence of Events**

### **Round Table Discussion with the National Governors' Association**

- You deliver opening remarks
- Governor George Voinovich (R-OH; NGA Chair) delivers remarks
- Governor Tom Carper (D-DE; NGA Vice Chair) delivers remarks
- The Vice President delivers remarks
- Press departs
- You lead a discussion on education
- You ask Governor Voinovich to moderate the remainder of the presentations/discussions
- Governor Edward Schafer (R-ND) leads a discussion on transportation
- Governor Lawton Chiles (D-FL) leads a discussion on tobacco
- Governor Tom Ridge (R-PA) leads a discussion on workforce development
- Governor Frank O'Bannon (D-NC) leads a discussion on child care
- Open question and answer period moderated by Governor Voinovich

## Education Talking Points

### **Making K-12 Education System Among the Best in the World**

- Working with the Congress, last year we made an historic investment to help families pay for college. As a result, we have now opened the doors to college for all Americans; in the next century, two years of college will be as universal as high school graduation is today.
- Now we must make sure that our students are academically prepared to take advantage of this opportunity. That is why in my budget for this year I have proposed an ambitious agenda to help make our K-12 education system the best in the world. Our efforts at the national level are designed to support and build upon your efforts in the states to raise standards, raise expectations, and increase accountability.
- This year I am proposing:

### **Programs Funded Through States**

- **A National Effort to Reduce Class Size.** I have proposed a national effort to reduce class size to a national average of 18 in grades 1-3, to give our students the trained teachers, individual attention, and more disciplined environment that will help them learn to read well and get a good grounding in the basics. This \$12.4 billion initiative over 7 years (\$7.3 over 5 years) will provide the funds to help local school districts hire 100,000 well prepared teachers.
- **Modern School Buildings to Improve Student Learning.** I have also proposed a \$22 billion school modernization initiative to help states and local communities provide the space for smaller classes, repair and renovate crumbling schools, and build new schools.

### **Competitive Programs for High Poverty Urban and Rural Communities**

- **Education Opportunity Zones: Helping Students in Poor Communities Reach High Standards.** My budget will provide funds to high-poverty urban and rural school systems with a track record of improving student achievement. I want to invest in school systems that are serious about raising standards, and will end social promotions, intervene in failing schools, and provide choice throughout their schools. These education opportunity zones can provide a model to the nation for how our urban school systems can work.
- **High Hopes for College.** To inspire more of our young people to have high expectations, to stay in school and study hard, and to go to college, I have proposed a new initiative that will promote partnerships between colleges and middle or junior high schools in low-income communities. This initiative will let students and their families know that there is enough financial aid available to make college affordable and will provide them with the mentoring and support services needed to keep them on track.
- **Attracting and Preparing Tomorrow's Teachers.** I have proposed a \$350 million initiative to attract talented people into teaching at low-income schools, and to dramatically improve the quality of training and preparation given to our future teachers. This new initiative will help bring nearly 35,000 outstanding new teachers into high-poverty urban and rural areas, through partnerships between institutions of higher education and local schools in inner city and poor rural areas.

## Education Questions & Answers

**QUESTION:** *Is the voluntary national test dead? If not, how do you plan to move the proposal forward.*

**ANSWER:** The testing proposal is very much alive and moving forward. Last Fall, Congress appropriated funds for continued development of the tests, and endorsed my proposal to place the independent, bipartisan NAGB in charge of the tests. NAGB has taken charge and is moving forward. I will continue to work with the Congress to secure funding for test development and implementation, and I will veto any effort to stop work from moving forward. At the same time, I am open to other approaches to accomplishing the objective of measuring individual student learning in the basics against national standards--such as using existing state tests that can be linked to NAEP, and I will urge NAGB, ACHIEVE and the governors to pursue this.

**QUESTION:** *You have proposed new federal education initiatives for school construction, class size reduction, school mentoring, urban education and other areas. Yet, you haven't proposed any increased funding for IDEA, the biggest unfunded federal mandate in education. At the same time, the Education Department is proposing burdensome new rules, which go beyond the intent of the bill you signed into law last year. Will you work with us to ensure that the Special Education rules will not be unduly burdensome? Will you consider scaling back your new initiatives and putting the funds into special education -- so that we at the state and local level can have more control over how we spend our own money?*

**ANSWER:** The special education law I signed last year provides states and school districts with significantly more flexibility than did the previous law. It will reduce paperwork, reporting requirements, and litigation. It places a stronger emphasis on results. And it protects the safety of all students in the classroom while retaining the essential rights and protections of disabled students. The Education Department has proposed regulations to carry out the law, and has received quite a few comments back. I am sure Secretary Riley will review those comments carefully before issuing final regulations.

Funding for the special education program has increased by 64% over the past three years, a substantial increase in the investment the federal government has made in helping states and local communities pay for special education services.

While we have not proposed additional increases in special education, a number of other initiatives we have proposed will help address the needs of special education. Our class size reduction initiative will help students with disabilities who are mainstreamed in regular classes get the extra attention they need, and should reduce costs that occur when students who mainly need extra help are instead wrongly identified as requiring special education services. In addition, our school modernization initiative will help schools make the accommodations to their facilities necessary for students with disabilities.

**QUESTION:** *Will you support block grant legislation so that states can have more flexibility in the use of federal education funds, and not be constrained by the requirements of separate categorical programs?*

**ANSWER:** I will look carefully at the block grant proposal that the NGA has developed.

Most federal education funding is in a handful of programs with clearly defined and important purposes, such as providing extra help to disadvantaged or disabled students, training teachers, raising academic standards, helping states start charter schools, and helping schools use technology. Within these purposes, I am in favor of providing maximum flexibility in our programs, along with accountability for results.

Since Secretary Riley and I have taken office, we have worked hard to increase the flexibility and reduce the regulatory burden in federal education programs. We have eliminated 67 percent of the pages of regulations that govern major elementary and secondary education programs, and have run Goals 2000 and School-to-Work without issuing a single new regulation. We have approved almost 250 waiver requests from 49 states, and through the Ed-Flex program have granted 12 states the ability to waive federal requirements on their own. As I indicated earlier, I am prepared to ask Congress for the authority to grant Ed-Flex to all 50 states.

## Transportation Talking Points

- **I said in 1992 that I would emphasize investment in infrastructure in order to "rebuild America," and I have done that, even while balancing the budget:**

- Annual highway spending [in my FY99 budget] is up 42% over average levels in the previous Administration and up more than 13% over the average for the first 5 years of my Administration.

- Transit spending is up 35% over the previous Administration's level.

- National Highway Traffic Safety Administration funding is up 21% over FY98.

- **By balancing the budget, we have lowered interest rates significantly, making your dollars go farther.**

- 30-year rates are 5.8%, down from 8.2% (on average) in the last Administration.

- Lower interest rates have meant faster business investment growth (11.2% average annual growth during my Administration) and more investment by state and local governments, increasing America's productivity and spurring economic growth.

- **To maintain those investments, we need an ISTEA reauthorization bill that protects the priorities we share. Both the Senate and House reauthorization bills reflect the priorities contained in the NEXTEA (National Economic Crossroads Transportation Efficiency Act) bill that I introduced nearly a year ago:**

- Emphasizing safety

- Protecting the environment

- Investing to move people from welfare to work

- Strengthening urban communities

- Encouraging participation by disadvantaged businesses

[Although I am requesting \$600 million for welfare-to-work transportation services, I recently sent governors a letter urging use of existing funds for this purpose wherever possible. Both the TANF block grant and the welfare-to-work grants created by the Balanced Budget Act of 1997 offer flexibility to provide certain transportation services.]

- **And we need a reauthorization bill *soon* -- a multi-year bill that conforms to the balanced budget agreement. I have strongly urged the Congress to send me a bill reauthorizing ISTEA before the 6-month extension expires in May.**

- If Congress continues to fight about money for ISTEA, key programs will come to a halt, and state and local governments will miss a construction season.

## Transportation Questions & Answers

**QUESTION:** *Your FY99 budget proposes funding for surface transportation (highways, highway safety and transit) that is significantly below what many in Congress support. How do you justify such funding levels?*

**ANSWER:** Although my request (\$27 billion/year) is essentially the same as the FY98 enacted level, keep in mind that these are high funding levels by historic standards, and they are significantly higher than those assumed in the Bipartisan Budget Agreement (BBA). Funding for these programs has grown rapidly even as overall discretionary spending has declined.

--For surface transportation, my FY99 budget requests \$1.7 billion, or 7%, more than the 1999 level assumed in the BBA. For *all* transportation programs, my budget request is \$2.4 billion above what is assumed in the BBA.

--Highway spending in my FY99 budget is up 42% over what it averaged in the last Administration; for transit, the comparable figure is 35%. If you look at all transportation infrastructure -- airport grants and rail capital, as well as highways and transit -- the level I'm requesting is 42% higher than it was in the Bush Administration.

**QUESTION:** *The 6-month extension of ISTEA effectively expires on May 1. What is your Administration doing to get a new bill?*

**ANSWER:** I introduced my Administration's ISTEA reauthorization bill last March -- nearly a year ago. I have strongly urged Congress to send me a bill reauthorizing ISTEA by May 1. Because a lapse of authorization could have profoundly adverse impacts on transportation safety, construction and other programs, I will continue to push for rapid action?

**QUESTION:** *What are your views on proposals to ensure that each state receives a guaranteed amount of transit funding ("minimum allocation") based on its payments into the Mass Transit Account of the Highway Trust Fund.*

**ANSWER:** I strongly oppose any minimum allocation. The current formulas are based on transit needs, rather than on contributions to the Highway Trust Fund, so as to maximize the overall benefits to the Nation. Adoption of a minimum allocation approach would seriously harm many transit systems, especially those in the most transit-dependent areas.

## Tobacco Talking Points

**I have challenged Congress to pass sweeping tobacco legislation to reduce teen tobacco use significantly. That legislation will build on the extraordinary efforts of the nation's attorneys general, who helped create an historic opportunity for progress in reducing smoking, especially by youth. Tobacco legislation must include five key elements:**

- A Comprehensive Plan to Reduce Youth Smoking, Including Tough Penalties If Targets Are Not Met. The central goal of tobacco legislation must be a comprehensive, nationwide effort to reduce teen smoking. I am calling for:
- Tough Penalties and Price Increases to Reduce Youth Smoking. I support a combination of industry payments and penalties to increase the price of cigarettes by up to \$1.50 a pack over the next decade as necessary to meet youth smoking reduction targets. Stiff penalties that give the tobacco industry the strongest possible incentive to stop targeting kids are an important part of this proposal. Legislation should set ambitious targets to cut teen smoking by 30% in 5 years, 50% in 7 years, and 60% in 10 years, and impose severe financial penalties that hold tobacco companies accountable to meet those targets.
- A Public Education and Counter Advertising Campaign. Legislation must provide for a nationwide effort to deglamorize tobacco, warn young people of its addictive nature and deadly consequences, and help parents discourage their children from taking up the habit.
- Expanded Efforts to Restrict Access and Limit Appeal. I support legislation codifying the FDA's efforts to reduce youth access to tobacco, and imposing even stronger restrictions on youth access and advertising consistent with the Constitution.
- Full Authority for FDA to Regulate Tobacco Products. The Administration supports federal legislation that affirms efforts by the Food & Drug Administration (FDA) to regulate tobacco like any other drug or device and that provides FDA with sufficient flexibility to meet changing circumstances.
- The Tobacco Industry Must Change The Way Its Does Business. I have challenged the tobacco industry to stop marketing and promoting tobacco to children, provide broad document disclosure -- especially of those documents relating to marketing tobacco to children -- and set up comprehensive corporate compliance programs that will reinforce the incentives created by the youth and smoking penalties.
- Progress Toward Other Public Health Goals. Federal tobacco legislation provides an opportunity to meet other public health goals: the reduction of second-hand tobacco smoke, the expansion of smoking cessation programs, the strengthening of international efforts to control tobacco, and the provision of funds for health research.
- Protection for Tobacco Farmers and Their Communities. My Administration is committed to working with members of Congress in both parties to ensure that we protect the financial well-being of tobacco farmers, their families, and their communities.

## Tobacco Questions & Answers

**QUESTION:** *Are you concerned by comments by some members of Congress that tobacco legislation may be getting stalled -- that you may not be serious about getting a bill -- and that you should take a more active role in pushing legislation?*

**ANSWER:** I am committed to enacting comprehensive bipartisan tobacco legislation that will reduce teen smoking, and we are making good progress toward this goal. I've proposed a very clear set of principles about what should be in the bill. I've met personally with senior members involved in this. Our staff has met with members of both parties and will continue to do so. And my budget contains a great deal of details on how I think we should get this done -- on how much money the tobacco companies should pay and where it should go. This has been a long battle we have been fighting and we will stay with it, and it will make a difference to the health of millions of children over the next few years.

**QUESTION:** *Many Members and public health advocates have come out against tobacco legislation that would grant the industry limits on liability. Do you favor a settlement that would include limits on industry liability?*

**ANSWER:** I will evaluate tobacco legislation as a whole to determine whether it protects the public health. I would prefer a comprehensive tobacco bill without liability limits. But if I get everything else I want in a tobacco bill -- if I get a comprehensive bill that satisfies each of my five principles -- then reasonable limits on liability will not be a dealbreaker. What's most important is that we enact a comprehensive bill that includes, for example, a large per-pack price increase, penalties for marketing to children, and broad restrictions on children's access to tobacco. Liability limits are not necessarily a deal-breaker for us. What's important is achieving comprehensive legislation that includes, for example, a large per-pack price increase, penalties for marketing to children, and broad restrictions on children's access to tobacco.

I hope that these kinds of statements (statements by Republican senators on liability) don't mean that some members are seeking to walk away from their responsibility to protect children by enacting comprehensive tobacco legislation.

Piecemeal legislation won't accomplish our goal. It's not enough just to say we did something if we don't pass comprehensive legislation that really accomplishes our goals.

**QUESTION:** *Doesn't your budget deprive the states of the rewards of their lawsuits? Wouldn't your budget take tobacco funds for the federal government, even though the federal government declined to bring suit against the tobacco companies? How much money is there for states in the budget?*

**ANSWER:** Under my budget, the states will receive as much money over the next five years as they would have received under the original settlement agreement. A large part of this money will be unrestricted: states can use it for whatever purposes they choose. The rest of the money will go to states for state-administered programs to provide child care subsidies and

reduce class size. This money represents the usual federal share of Medicaid recoveries, which I believe should go back to the states to assist children in recognition of the important role the states played in bringing about this legislation.

**QUESTION:** *In September, you said the focus of tobacco legislation should not be about money. In the budget you recently unveiled, more than 60 percent of the proposed increase in discretionary spending is paid for by tobacco legislation. Why have you changed course?*

**ANSWER:** My course has not changed -- Congress should send me legislation that will dramatically reduce youth smoking. Experts all agree the single most important step we can take to reduce youth smoking is to raise the price of a pack of cigarettes significantly. That is why last September, and again in the State of the Union speech, I called for Congress to pass legislation that raises cigarette prices by up to \$1.50 per pack over the next ten years as necessary to reduce youth smoking. Our budget simply scores that part of the plan, and allocates the revenues to programs that promote public health and assist children.

**QUESTION:** *Why is it that some of the programs funded with tobacco revenues have no relation to tobacco?*

**ANSWER:** Most of the spending is directly related to tobacco, such as health-related research and smoking cessation programs. The rest goes to programs that will assist our children. I wanted to ensure that states get a substantial share of the resources, because of the states' contribution in negotiating the original proposed settlement. It is this state-directed money that goes to children's programs -- to improve child care and reduce class size -- in recognition that these are shared federal and state goals.

**QUESTION:** *How much money do you expect to raise from tobacco legislation next year? What about over five years? How did you come to this figure?*

**ANSWER:** This budget is designed to reduce youth smoking by 30% in five years and 50% in seven years, which are the goals I've set out. We calculate that the necessary increase in the price per pack will result in about \$10 billion in revenue next year and \$65 billion over five years.

**QUESTION:** *How much does your plan increase the cost of cigarettes?*

**ANSWER:** In order to reach the goal of reducing youth smoking by 30% in five years, and 50% in seven years, my budget projects about a \$1.10 increase in the price of cigarettes over five years.

## Workforce Development Talking Points

- Start by emphasizing that we should keep working to resolve our differences and that -- except for the co-mingling education funds -- there is room to work out a compromise.
- Explain that if we do not reach agreement on a bill, appropriators could lose faith in the underlying programs, threatening their continued funding. (NB: Congressional appropriators have been reluctant to keep funding the "old" system and are pressing very hard for reforms. For the last three years, we have pointed to the pending reform legislation to demonstrate our commitment to improving the system. It is not clear how much longer they will go along with our strategy. When they approved the advance appropriation for Out-of-School Youth, they made it contingent on the passage of authorizing legislation.)
- While you can be understanding about their desire for a broad block grant, you need to be firm that including Vocational Education and Adult Education *threatens the whole bill*. Voc Ed is the major Federal funding available for high schools, and Adult Education is the primary route for funding English-as-a-Second Language and GED courses. Threatening these funding sources would cause major constituency groups and Members of Congress to oppose the bill. Therefore, we should focus on the job training programs.
- Remind the governors that the legislation in Congress would make significant improvements in the current system: codifying the One Stop systems that virtually all of you have begun implementing and putting control in the hands of individuals with individual training accounts and report cards for providers and a more robust labor market information system, and universal access to core services like job search assistance.
- Several reforms are very attractive specifically to governors, including: the creation of *permanent* waiver authority, enhanced flexibility in designating their local service delivery area, and more flexibility in using a larger pool of state reserve funds to finance priority activities.
- We are creating a Presidential Commission on Workers and Economic Change in the New Economy, which would be one vehicle for considering further reforms. (Specifically, the Commission will study best practices and opportunities for improving trade-related training programs.)
- The legislation has bipartisan support in both the House and Senate. The bill passed the House 343 to 60 and was voted unanimously out of the Senate Labor Committee.

## Workforce Development Questions & Answers

**QUESTION:** *You have said you're for consolidation. We want the same thing and we are willing to require that governors and the chief state school officers agree. Given that, why won't you support us on consolidation?*

**ANSWER:** I think that it is important that we not take away funds that high schools need for vocational education, and that recent immigrants need for learning English, and that we continue our efforts to provide hope to individuals who have some of the most severe disabilities.

**QUESTION:** *We agree with you that the workforce development system needs more accountability. However, we think a system of performance measures that requires each of us to be judged using the same standards is unfair and insensitive to variations across states. Why is your administration supporting legislation that does this?*

**ANSWER:** While I understand your concerns, it is vitally important that we have a level playing-field from which to judge the performance of each state. Just as we were able to develop high performance bonus standards for TANF that maintain a level playing-field, so I am confident that we can develop acceptable standards for workplace development.

**QUESTION:** *A number of us have enacted significant reforms at the state level. We need legislation which preserves the gains we made, instead of undermining them. The Senate bill heads in the wrong direction. Why are you supporting it?*

**ANSWER:** While I understand your need for flexibility, we must also maintain federal responsibility. Thus, I prefer to deal with these issues on a waiver basis, rather than with automatic grandfathering, in order to insure that key aspects of the reform are not compromised.

**QUESTION:** *A number of us feel that our systems would function better if we competitively bid certain functions, like the employment service.*

**ANSWER:** Secretary Herman has indicated to me that the Department of Labor will be making an assessment of the appropriate scope of privatization, if any, with respect to employment services. In the course of that assessment, the Department of Labor will be consulting with workforce development stakeholders about the appropriate scope of privatization.

## Child Care Talking Points

- I believe we have an historic opportunity to pass legislation this year to make child care better, safer, and more affordable for working parents. I know that there are important efforts underway in many of your states -- that's why my plan is geared toward supporting child care improvements on the state level.
- Included in my balanced budget proposal is a significant investment in child care -- \$21.3 billion over five years -- which is the single largest investment in child care in our nation's history.
- My plan will: (1) make a significant new investment in the child care block grant, so that states can provide child care subsidies for more children of low-income working families; (2) establish a state-administered fund to enforce state health and safety standards in child care, through, for example, increasing unannounced inspections; (3) establish a state-run Child Care Scholarship Fund; (4) create an Early Learning Fund to provide challenge grants through states to communities for activities that improve child care quality and safety and promote early learning; (5) double the number of children served by Early Head Start and expand Head Start; (6) build the supply of after-school programs through a significant investment in the 21st Century Community Learning Center program; (7) provide greater tax relief for three million working parents with child care costs through reforms to the Child and Dependent Care Tax Credit; and (8) establish a new tax credit for businesses that offer child care services to their employees.
- I was delighted to have Governor Almond with me here at the White House when I announced this plan.
- I am grateful to all of you -- and to the leadership of the NGA -- for your important work in bringing early childhood development issues to the top of the national agenda. I am eager to work together with you and with Members of Congress on a bipartisan basis this year on child care. I am particularly eager to work with you on promoting healthy childhood development and early learning and on improving child care safety and quality for our youngest children.

|                                       |                                       |
|---------------------------------------|---------------------------------------|
| Child Care Block Grant Increase       | \$7.5 billion over five years         |
| Child and Dependent Tax Credit Reform | \$4.8 billion over five years         |
| Tax Credit for Businesses             | \$500 million over five years         |
| After-School Program                  | \$800 million over five years         |
| Early Learning Fund                   | \$3.0 billion over five years         |
| Head Start Increase                   | \$3.8 billion over five years         |
| Standards Enforcement Fund            | \$500 million over five years         |
| Child Care Provider Scholarship Fund  | \$250 million over five years         |
| Research and Evaluation Fund          | \$150 million over five years         |
| <b>TOTAL:</b>                         | <b>\$21.3 billion over five years</b> |

## Child Care Questions & Answers

**QUESTION:** *What is your position on the various congressional proposals to give a tax break to stay-at-home parents?*

**ANSWER:** I have always believed that we should respect and support parents in whatever choice they make -- whether to work or to stay at home. My plan was developed to respond to the reality that most parents don't have that choice today -- many can't afford the child care they would want for their children and instead have to rely on care that doesn't make the grade. I hope that first and foremost we can do something for these hardworking, loving parents who want to do the best they can by their children.

Now, if there are also ways that we can support parents who make a different choice -- or ways we can enable them to make the choice to stay at home -- I'm open to ideas. But in the months leading up to the announcement of my child care initiative, we explored a number of these options and found most to be impossible in the context of a balanced budget. Also, I think it's important to look at this issue in terms of the entire tax code, and in terms of our overall strategy to give greater choices to parents. I've tried to do that through a variety of actions to increase family income, such as expanding the Earned Income Tax Credit, increasing the minimum wage, and passing the \$500 per-child tax credit.

I believe that by continuing to work together on a bipartisan basis and by taking the best proposals from both sides of the aisle, we will achieve legislation that benefits all America's families and children.

**QUESTION:** *Since much of the funding of this proposal is based on the tobacco settlement, aren't you counting your chickens before they've hatched? What will you do if the tobacco settlement does not go through?*

**ANSWER:** First, the initiative is paid for in a number of ways -- only one part comes from tobacco revenues. Second, and more important, we believe that a national tobacco settlement will pass. I support strong tobacco legislation, and many Republicans and Democrats alike are working vigorously to craft comprehensive legislation. And if Congress does not pass comprehensive tobacco legislation, we will work with Congress to find other offsets. Child care is a high Administration priority, and we will find an effective funding mechanism.

**QUESTION:** *Some conservatives claim that your child care initiative promotes institutionalized, center-based day care. Is this true?*

**ANSWER:** No. My proposal supports individual choice and state flexibility. Today, parents choose a wide range of child care situations -- be it relative care, family day care, or center-based care. My child care initiative makes child care more affordable by expanding both the Child Care and Development Block Grant and the Child and Dependent Care Tax Credit. Through the block grant, states provide vouchers to parents, which they may use for any and all forms of paid child care. The Child and Dependent Care Tax Credit is similarly flexible, providing a credit for family day care, center-based care, or paid relative care. My entire package is tailored to provide maximum flexibility to parents so that they can make whatever choices are best for their families.

## Talking Points on DOI Rulemaking on Indian Gaming Compacts

- DOI published a **proposed** rule on January 22, 1998, which would give the Secretary of Interior the authority to approve gambling operations where the State has refused to negotiate gaming compacts "in good faith," as required by the Indian Gaming Regulatory Act (IGRA) of 1988.
- The comment period on this proposal ends on April 22, 1998. Your participation, through comments to Interior, is crucial to the rulemaking process. No decisions have been made and will not be made until everyone, including the State, local, and tribal governments, have had an opportunity to review our proposal and let us know what they think. Because it is a rule-making proceeding, I can not and will not violate this process.
- The OMB Office of Information and Regulatory Affairs reviews all of these regulations and our Office of Intergovernmental Affairs will ensure you have an opportunity to meet with OMB to express your views directly.

### Background

- IGRA sets forth the means by which Indian gaming operations are regulated. Class III gaming (all games more serious than bingo) is to be operated through a Tribal-State compact negotiated by the tribe and the State and approved by the Secretary. This process has worked as intended in many cases. However, IGRA envisioned that some States would not negotiate "in good faith" and provided the tribes a process by which to force the issue, by bringing suit in Federal district court. A recent Supreme Court case, *Seminole Tribe of Florida v. State of Florida*, struck down this process by declaring that Congress could not force States to submit to a suit brought by the tribes.
- This proposed rule follows from a request for comments on the issue published on May 10, 1996, soon after *Seminole*.
- The Governors are strongly opposed to the proposed rule because they feel that it eliminates their ability to negotiate compacts with the tribes under which their gaming operations would be regulated, as envisioned in IGRA, and is a unilateral expansion of the Secretary's power beyond his legal authority. Disputes between tribes and States are likely to be over exactly which games are allowed under State law and which other issues (like taxing tribal revenue or concessions on tribal rights) a State can raise during negotiations. In both these kind of cases, advocates for Indian gambling believe the State is not negotiating "in good faith."
- Tribes want this rule because they believe they have no other negotiating power.
- Bills to prevent the promulgation of this rule have been introduced in both Houses by Sen. Bryan (D-NV) and Rep. Gibbons (R-NV) (Cosponsored by Sen. Enzi (R-WY), Sen. Reid (D-NV), Sen. Sessions (R-AL), and Rep. Ensign (R-NV).

## Internet Taxation Questions & Answers

**QUESTION:** *Mr. President, we are strongly opposed to the Cox-Wyden Internet Tax Freedom Act because we think that it will erode our tax base and discriminate against businesses on Main Street. Can we have a commitment from you that your Administration will not actively support the Cox-Wyden legislation?*

**ANSWER:** As you know, my Administration has supported the "goals and principles" of the legislation. We think that avoiding inconsistent taxation of the Internet will lead to economic growth and the creation of high-tech jobs. Since there are over 30,000 tax jurisdictions in the U.S. -- if everyone decided to tax the Internet and electronic commerce in a different way -- we could slow down the growth of this exciting new industry. The U.S. is the clear leader in this area and we ought to keep it that way.

I know that Mickey Ibarra and Larry Summers -- our Deputy Treasury Secretary - have met with you to see what specific concerns you have with the bill.

I want you to know that regardless of how we come out on this legislation -- we are going to be open to your legitimate concerns about this legislation -- such as whether existing taxes are grandfathered by the bill.

**[Note: You should know that you have received a decision memorandum on this issue, and may be announcing your support for this legislation on February 26 in Silicon Valley - so you should avoid making any commitment to the governors that would make it impossible to do this.]**

## Regulatory Reform Questions & Answers

**QUESTION:** *Are you willing to give us the flexibility we need to pursue regulatory innovations?*

**ANSWER:** We are strong supporters of innovation, flexibility, and streamlining in regulation at all levels of government. As you know, we have made major efforts along these lines, and I know that many of you have undertaken similar efforts. We are interested in providing you with as much flexibility as possible, and we will do everything we can to make sure proposals for such state flexibility get a fair hearing from the federal program managers. For example, we worked with you on the Edflex Initiative, under which states have consolidated and streamlined requirements for Federal education programs, providing better services to students at lower costs and reduced burden.

**QUESTION:** *The Governors will support the regulatory reform legislation that is moving through Congress now? Are you willing to support it since what it basically does is promote reasoned analysis and requires federal agencies "to consider risks, costs, and benefits" while formulating regulation.*

**ANSWER:** First, I want to say that we already support reasoned analysis of costs, benefits, and risks when regulating. In our Executive Order on regulatory review, we require agencies to do just such analysis for all important regulations. We also require our agencies to work with those affected by a regulation, to ensure that it is tailored to solve the problem, with the least disruption possible to all parties, including state governments. We have supported and I have signed legislation that makes major reforms in particular regulatory areas, such as Safe Drinking Water and FDA reform.

And, we have supported several major comprehensive regulatory bills that were very important to state and local officials -- most importantly, the Unfunded Mandates law. In fact, in the last few years, there appears to have been far fewer regulations imposing unfunded mandates on states, and our agencies are doing a very good job of consulting with your representatives when there may be a potential issue of unfunded mandates.

All this is by way of saying we strongly support the principles you mention, and have demonstrated this over the past six years. We support further reform, as well, as long as it is done the right way, and in fact improves rather than impairs the government's ability to protect public health, safety, and the environment.

**QUESTION:** *What about the Thompson-Levin Bill?*

**ANSWER** Senators Levin and Thompson have made a thoughtful, good faith effort to draft comprehensive reg reform legislation. We applaud this effort, and believe their recent substitute bill contains significant improvements. We are still looking at this draft. I understand that while they have responded to some of our concerns, there are important issues remaining. One of the problems with comprehensive legislation is that so many different kinds of rulemaking are affected. We want to be sure that any new law in fact reforms the regulatory system, and does not impair agencies' ability to do their jobs, creating more paperwork, more red tape, and more delay. We are interested in working with the Congress to see if we can find the common ground.

## Health Care Bill of Rights Talking Points

- I am challenging Congress to enact Federally enforceable consumer protections before it adjourns this fall.
- "Consumer Bill of Rights" Legislation Should Include a Range of Protections Including:
  - Guaranteed Access To Needed Health Care Providers to ensure that patients are provided appropriate high quality care. This right includes giving women access to qualified providers to cover routine women's health services, providing consumers with complex or serious medical conditions with access to specialists, and ensuring that chronically ill people are protected against sudden changes in provider participation in health plans that threaten continuity of care;
  - Access to Emergency Services when and where the need arises. This provision requires health plans to cover these services in situations where a "prudent layperson" could reasonably expect that the absence of care could place their health in serious jeopardy;
  - Confidentiality of Medical Records to ensure that individually identifiable medical information is not disseminated and to provide consumers with the right to review, copy, and request amendments to their own medical records.
  - Grievance and Appeals Processes for consumers to resolve their differences with their health plans and health care providers -- including an internal and external appeals process.
- Although many states have passed legislation in this area, this patchwork of protections is not sufficient, particularly because tens of millions of Americans are covered by plans that are not governed by state law.
- Democrats and Republicans alike recognize the need for national, federally-enforceable consumer protections. In fact, legislation sponsored by Congressman Norwood has the support of nearly 100 Republican House Members. In addition, Democrats and Republicans in state legislatures across the country have passed consumer rights legislation into law. Forty-three states have enacted into law one or more of the basic protections outlined above, and over 25 of these states have Republican Governors.

## Health Care Bill of Rights Questions & Answers

**QUESTION:** *Why do we need a Health Care Consumer Bill of Rights?*

**ANSWER:** The nation's health care system is undergoing historic transformations that are affecting the way millions of Americans receive their health care. Some of these changes have been quite beneficial. They have lowered costs and improved preventive benefits.

At the same time, for too many Americans these changes are also causing turmoil and distrust. A recent Kaiser study showed that Americans believe that managed care is making it harder for people to see specialists and to get access to emergency room care.

A Health Care Bill of Rights will give Americans newfound confidence in their health care. It will give them much-needed protections -- such as a sense of security that they will have access to emergency services in an expedited fashion; that they will have access to the specialists they need; and that there is a rigorous process in place when they have health care grievances.

**QUESTION:** *Many businesses have said they can come into compliance with the bill of rights voluntarily. Why do you need Federally enforceable legislation?*

**ANSWER:** There are some businesses that will come into compliance voluntarily, and we welcome their commitment to do so. However, these rights should be made real for all Americans, and voluntary compliance cannot assure that outcome.

**QUESTION:** *Business and some Congressional leaders are saying that this Patients Bill of Rights represents Clinton Care II. Do you agree?*

**ANSWER:** No. The people who use this kind of inflammatory rhetoric are the people who don't want to make needed changes in our health care system. My proposal will provide Americans with essential protections and give them confidence in their health care system.

Democrats are unified on the need for legislation, and nearly 100 Republicans have co-sponsored legislation that focuses on these issues. Moreover, each of the rights I have proposed has been enacted by a Republican Governor.

The Bill of Rights is a sensible, moderate approach to fixing some of the problems that are plaguing consumers, providers, and health plans as we move through this historic transition.

Members have indicated their interest in modifying their legislation before Congress comes back. We look forward to working with all Republicans and Democrats as we move forward throughout this process.

**QUESTION:** *There are bipartisan bills in the Congress that make these consumer protections legally enforceable. The Administration has been silent on this issue. How will the administration propose to make these rights real?*

**ANSWER:** The Administration believes that consumers should have adequate remedies when they have been harmed by health plan decisions. We have not yet determined the best enforcement tool for addressing this concern, but we are currently evaluating options.

THE WHITE HOUSE

WASHINGTON

February 20, 1998

INFORMATION

FROM: Mickey Ibarra *MI*  
Fred DuVal  
Emily Bromberg

SUBJECT: Governors Scheduled to Attend the National Governors' Association Winter Meeting

Democrats

|                            |                |
|----------------------------|----------------|
| Governor Tony Knowles      | Alaska         |
| Governor Tauese Sunia      | American Samoa |
| Governor Roy Romer         | Colorado       |
| Governor Thomas Carper     | Delaware       |
| Governor Lawton Chiles     | Florida        |
| Governor Zell Miller       | Georgia        |
| Governor Frank O'Bannon    | Indiana        |
| Governor Paul Patton       | Kentucky       |
| Governor Parris Glendening | Maryland       |
| Governor Mel Carnahan      | Missouri       |
| Governor Benjamin Nelson   | Nebraska       |
| Governor Bob Miller        | Nevada         |
| Governor Jeanne Shaheen    | New Hampshire  |
| Governor James Hunt Jr.    | North Carolina |
| Governor Pedro Rossello    | Puerto Rico    |
| Governor Howard Dean       | Vermont        |
| Governor Gary Locke        | Washington     |

Republicans

|                        |             |
|------------------------|-------------|
| Governor Jane Dee Hull | Arizona     |
| Governor Mike Huckabee | Arkansas    |
| Governor Pete Wilson   | California  |
| Governor John Rowland  | Connecticut |
| Governor Philip Batt   | Idaho       |
| Governor Jim Edgar     | Illinois    |

MEMORANDUM FOR THE PRESIDENT  
PAGE TWO

|                                 |                |
|---------------------------------|----------------|
| Governor Terry Branstad         | Iowa           |
| Governor William Graves         | Kansas         |
| Governor Paul Cellucci          | Massachusetts  |
| Governor John Engler            | Michigan       |
| Governor Arne Carlson           | Minnesota      |
| Governor Kirk Fordice           | Mississippi    |
| Governor Marc Racicot           | Montana        |
| Governor Christine Todd Whitman | New Jersey     |
| Governor Gary Johnson           | New Mexico     |
| Governor George Pataki          | New York       |
| Governor Edward Schafer         | North Dakota   |
| Governor George Voinovich       | Ohio           |
| Governor Frank Keating          | Oklahoma       |
| Governor Tom Ridge              | Pennsylvania   |
| Governor Lincoln Almond         | Rhode Island   |
| Governor David Beasley          | South Carolina |
| Governor Don Sundquist          | Tennessee      |
| Governor George Bush            | Texas          |
| Governor Michael Leavitt        | Utah           |
| Governor Roy Schneider          | Virgin Islands |
| Governor Jim Gilmore III        | Virginia       |
| Governor Cecil Underwood        | West Virginia  |
| Governor Tommy Thompson         | Wisconsin      |
| Governor Jim Geringer           | Wyoming        |

Independent

|                        |                          |
|------------------------|--------------------------|
| Governor Angus King    | Maine                    |
| Governor Pedro Tenorio | Northern Mariana Islands |

Not Attending

|                              |                  |
|------------------------------|------------------|
| Governor Fob James, Jr.      | Alabama (R)      |
| Governor Carl T.C. Gutierrez | Guam (D)         |
| Governor Ben Cayetano        | Hawaii (D)       |
| Governor Mike Foster         | Louisiana (R)    |
| Governor John Kitzhaber      | Oregon (D)       |
| Governor Bill Janklow        | South Dakota (R) |

THE WHITE HOUSE  
WASHINGTON

February 21, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *MI*  
Emily Bromberg *EB*  
Fred DuVal *FD*

SUBJECT: Governor-by-Governor Issue Briefing

CC: The Vice President

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**Governor Tony Knowles (D-AK)**

- The State of Alaska is waiting for a decision from the Department of the Interior's Bureau of Land Management on the amount of land on the North Slope of the National Petroleum Reserve which will be designated available for oil extraction. He favors a more liberal extraction policy and is concerned with the economic impact of insufficient development of these oil reserves.
- Secretary Bruce Babbitt proposed a rule on Indian gaming that Governor Knowles fears would usurp his authority to enter into compact negotiations on gaming with the Indian tribes.
- Governor Knowles made a request for Alaska to be declared a major disaster area as a result of the extremely poor salmon returns to the Bristol Bay and Kuskokwim River drainages in 1997. The State of Alaska did receive aid from the Commerce Department under the Magnuson Stevens Act, however, those funds fell short and Alaska is awaiting a Stafford Act declaration from the Federal Emergency Management Agency.
- The states of Alaska, Oregon and Washington have been asked by Ambassador Mack McLarty to resume Salmon negotiations among themselves and the affected Indian tribes prior to further negotiations with the Canadians.

## **Governor Tauese (Tau-s-a) Sunia (D-AS)**

- Governor Sunia's priority request is for you to visit the Territory in connection with its Centennial under the U.S. flag in 2000. He recalls you saying that you would try during the 1997 National Governors' Association (NGA) Annual Meeting.
- The Department of the Interior has substantial responsibility for and subsidizes Samoa.

## **Governor Jane Dee Hull (R-AZ)**

- Governor Hull was sworn in last fall following the resignation of former Governor Fife Symington (R) who was recently sentenced to 2 ½ years in prison. Hull had been Secretary of State and prior to that, Speaker of the Arizona State House.
- The Governor is worried that Phoenix is and will likely remain out of attainment on air quality. Governor Hull is fearful that this may trigger sanctions from the EPA.
- There are environmental concerns about how the Administration will dispose of explosives and other dangerous chemicals seized in September 1997. This issue is being jointly reviewed by the Department of Justice, Treasury and the Governor's office. Governor Hull may express concern that everything be done to protect Arizona citizens from harm and you should certainly assure her of that.
- Governor Hull is concerned with the reorganization of the Department of Housing and Urban Development, which includes the reduction of the Phoenix HUD office. The Governor feels that since Arizona is one of the fastest growing states in the country, the reduction of the HUD programs is unwarranted and will hurt Arizona citizens.
- In its waiver proposal, the State of Arizona wanted to use \$400 million in historical managed care savings from a 1983 Medicaid waiver to expand to single adults up to 100% of poverty. The proposal was rejected because it was not budget neutral. Arizona recently submitted a new budget neutrality proposal, but HCFA and OMB have not begun negotiations with the State on its new proposal.

## **Governor Pete Wilson (R-CA)**

- Governor Wilson stresses the need for consistent action concerning the CALFED Bay-Delta Program. This program was developed to solve the water concerns facing the San Francisco Bay region. He is concerned that actions taken by the United States Bureau of Reclamation (USBR) and the United States Fish and Wildlife Service (USFWS) will threaten the Accord. Governor Wilson also urges you to extend the Delta Accord for one year to make it concurrent with the State's plans.
- The Headwaters agreement is a major concern to Governor Wilson. Together, the Federal government and the State of California have appropriated \$380 million to acquire the Headwaters. This is the largest grove of ancient Redwoods which is also home to many threatened species, such as the Marbled Murrelet and the Soho Salmon. The Governor supports your commitment to ensure that the proposed Habitat Conservation Plan is based on sound science and if Maxaam Corporation does not agree to these policies, then there will be no agreement. We are waiting for a commitment from the Maxaam Corporation.

## **Governor Roy Romer (D-CO)**

- Governor Romer has led efforts to create a Western University. This project involves multi-state long distance learning largely over the Internet. DPC staff is assisting in coordinating the Federal response to this proposal.
- The Governor endorsed your testing initiative and has created standards of education for the State of Colorado.
- Governor Romer participated in the Child Care Conference at the White House in October, 1997.
- In 1994, the State of Colorado adopted legislation allowing companies to conduct voluntary environmental audits. The EPA is now conducting an investigation to determine whether the State can adequately protect public health through the self-audits. Environmental groups believe that the self-audit law prevents the State from meeting statutory and regulatory requirements.

## **Governor John Rowland (R-CT)**

- Governor Rowland is one of the most outspoken on ISTEA renewal and on Amtrak funding. He is also eager to obtain as much Department of Transportation funding as possible for the Bradley International Airport in Hartford.
- Governor Rowland is very interested in your urban affairs package. He is actively seeking ways to support the urban revitalization of Hartford, New Haven and Bridgeport.
- Governor Rowland may raise the issue of pension reform with you. On behalf of insurance companies, Connecticut's largest employer, he may argue that your proposal creates an unfair economic hardship for these companies.
- The Governor has requested that the Department of Defense reconsider its plans for the purchase of Joint Surveillance Target Attack Radar System (JointSTARS). Governor Rowland urges the Defense Department to purchase nineteen JointSTARS for FY99.

## **Governor Tom Carper (D-DE)**

- Governor Carper may ask you to attend the Jefferson-Jackson Day Dinner in Delaware. We urge you to avoid commitment. Your Political Affairs staff is very uncomfortable with the idea, and has an alternative to propose for the Governor.
- As a member of the Amtrak board, Governor Carper demonstrated great leadership in the negotiations ensuring the evasion of a strike. He is now upset that the Administration is not, in his view, funding Amtrak at the level committed to in state negotiations. He is concerned that OMB is supporting the operating budget with the capital budget funds. OMB has assured us, and the Governor, that this will not happen.
- Governor Carper was the first governor to participate in a race town hall in conjunction with the YWCA. He has offered to support the Initiative in any way appropriate.
- You can expect Governor Carper to raise NGA priority issues:
  1. ISTEA funding
  2. Tobacco money to the states
  3. More block grants
  4. Reform the FLSA to weaken the work requirement

## **Governor Lawton Chiles (D-FL)**

- One of Governor Chiles' main priorities is to resolve the ongoing struggle between the Federal government and the State of Florida concerning tobacco settlements. Florida settled a lawsuit and gained \$1.3 billion dollars and the Federal government is trying to recover a 55% share of the settlement for Medicaid. The Governor has planned to utilize these funds to support a new children's health initiative which will cover 300,000 uninsured Florida children.
- In light of the tobacco settlement, the State of Florida sold its \$840 million in tobacco stock. This move was quite controversial since the stock had been owned under the Florida Retirement System Trust Fund which covers almost all of the state's retired and current teachers, police officers, firefighters and city, county and state employees.
- Governor Chiles is concerned with NASA's downsizing. The Governor feels that the smaller staff may not be wise for safety reasons, and the downsizing directly affects Florida due to the 400 layoffs that will occur at Kennedy Space Center.

## **Governor Zell Miller (D-GA)**

- After a year-long investigation, the Justice Department issued a report which denounced the State of Georgia for its juvenile detention facilities. The State's facilities are cited for being dangerous, overcrowded and also for failing to provide adequate health care and education. Governor Miller was very displeased to learn of the report in the newspaper. We contacted the Justice Department to respond to the Governor's concerns -- Acting Assistant Attorney General Bill Lann Lee has written a letter to the Governor and Attorney General Reno spoke with the Governor. Both have agreed to meet with the Governor soon.
- Governor Miller is one of the Appalachian Governors most opposed to the creation of a new Delta Commission which, under our proposal, would share Appalachian Regional Commission chairs and staff.
- Governor Miller was pleased with the recent handling of the Georgia freeway dispute between the EPA and the Department of Transportation. The White House facilitated a compromise to build certain Atlanta freeways, but not others.
- The Governor urges you to exert your influence to ensure that the Voluntary Ozone Action Plan will be a successful program for the Metro Atlanta region. This area has not yet met state and Federal air quality standards for the ozone.

### **Governor Philip Batt (R-ID)**

- Governor Batt has expressed concern about Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This section requires the INS to establish entry-exit control systems at borders. The Governor feels that this could have an unforeseen devastating impact on the border states.

### **Governor Jim Edgar (R-IL)**

- Governor Edgar may mention humorously, but with a point, that your State of the Union roll out travel day has included Illinois each of the last two years on the same day as his own State of the State. Your visits have impeded the media coverage of his speech.
- Much of your new package on adoption is similar to the Governor's Illinois program which has been spearheaded by Mrs. Edgar.
- The Governor is very anxious about the Kyoto Treaty on Climate and its effects on Illinois energy production and air quality as they make the transition from nuclear power to other forms of power.
- Governor Edgar is very involved in the Federal protection of the Illinois River and seeks both CREP money from the Department of Agriculture and designation as a Heritage River by CEQ.
- The Governor requested an allocation of \$20 million in emergency supplemental funds from the Health and Human Services budget under the Low Income Home Energy Assistance Program Block Grant. The request was made because the State of Illinois had almost completely exhausted its funds.

### **Governor Frank O'Bannon (D-IN)**

- Governor O'Bannon is a lead proponent of ISTEA reauthorization and full dedication of Highway Trust funds for transportation.
- The Governor was an active supporter of Fast Track and is still very active in this effort.
- Governor O'Bannon is the Vice Chair of the Democratic Governors' Association and will be chair in 1999.
- Governor O'Bannon has expressed strong interest in obtaining a share of \$500

million from the Community Development Block Grant (CDBG) funding which is available through the Emergency Supplemental Appropriations Bill from June 1997. The final figure allocated to Indiana was significantly lower than the requested amount.

### **Governor Terry Branstad (R-IA)**

- Governor Branstad is returning as the nation's senior governor with sixteen years of service. He is chairing a PAC for Lamar Alexander.
- The Governor has written you for support on Ethanol tax credits, which you have supported.

### **Governor Paul Patton (D-KY)**

- Governor Patton is one of the Appalachian Governors opposed to the creation of a new Delta Commission which would share Appalachian Regional Commission chairs and staff.
- Governor Patton has requested that a specific dollar amount be earmarked in the budget for tobacco farmers' relief in national tobacco legislation.
- The Governor has asked you to participate in a National Summit on Farming to be held in Kentucky. We have declined, but Secretary Glickman is confirmed to participate.
- Kentucky's V.I.N.E. (Victim Information and Notification Everyday) has proven extremely successful. The Governor believes that the program should be utilized as a model for a national program.
- Governor Patton has expressed an interest in commemorating the Underground Railroad and having Kentucky designated as a site for an Underground Railroad Museum.

### **Governor Mike Foster (R-LA)**

- Governor Foster has requested assistance in resolving the price crisis facing milk producers in Louisiana. He would like the Federal government to initiate an export marketing order so that the industry may develop overseas.
- The Louisiana Department of Environmental Quality is under investigation for allegedly violating the civil rights of residents of Convent, Louisiana by issuing

permits for a chemical plant proposed by Shintech, Inc. The conclusion of the investigation and the release of preliminary findings are scheduled for early April. The Governor is concerned about the implications of this case for economic development in Louisiana.

### **Governor Angus King (I-ME)**

- The State of Maine was declared a major disaster area after a terrible ice storm this January. Governor King requested a release of funds from the Low Income Home Energy Assistance Program Emergency Fund to help Maine citizens after this disaster. Maine has not yet had a sufficient temperature deviation or energy rate increase to trigger this release. Last week Governor King increased his original request of \$6,000,000 to \$12,000,000.
- The Governor is very grateful for the Vice President's recent visit and assistance to the State of Maine.
- The Maine Legislature enacted a state statute which would prohibit discrimination based on sexual preference in housing, employment and other areas. Through a recall petition, the statute was invalidated last week. Governor King opposed the invalidation -- he supports equal rights for gays. He may ask you to support these rights at a national level. We, in fact, do support amending Federal civil rights laws so as to punish hate crimes based on sexual preference, although the legislation has not yet been transmitted and we should be careful how we discuss the issue since some elements could criticize you for not moving quickly enough.

### **Governor Parris Glendening (D-MD)**

- Governor Glendening has requested that the Federal government provide 100% of the funds needed for the renovations of the Woodrow Wilson Bridge. The Administration has proposed \$400 million as the Federal share in NEXTEA. There is currently a Congressional dispute concerning the funding of this project with the Senate proposing \$900 million in its draft bill and the House failing to include it. Prior to the obligation of funds, an agreement between Maryland, Virginia and the Department of Transportation needs to be settled. However, a settlement is unlikely until the reauthorization of ISTEA.
- The State of Maryland has received \$13 million dollars in Federal research appropriations to study the toxic Pfiesteria. The Governor is very pleased with the Federal response to this issue.
- The Governor is concerned that the Port of Baltimore, specifically Poplar Island

and the Brewerton Channel project, will not be fully funded in the FY99 Budget. \$19.5 million is needed in 1999 to fully fund these two projects.

- Frances Glendening is an employee of the FEC and is a candidate for the position of Executive Director of the Woodrow Wilson Foundation.

### **Governor John Engler (R-MI)**

- Although the Department of Labor has disapproved Michigan's proposal to privatize the state Employment Service, Governor Engler has moved ahead with his privatization plans. As a result, the Department of Labor threatened to block Federal funding for the plan. Michigan then brought suit in Federal court. On February 10, a Federal judge refused to enjoin the Department from withholding funds. On April 15, the judge will hold a hearing on the merit-staffing issue.
- Governor Engler strongly opposes the growth and nature of TANF regulations.
- The Governor may press you on two NGA priorities:
  1. ISTEА reauthorization and funding
  2. Providing more unrestricted money for the states in the tobacco settlements
- Governor Engler has expressed concern about Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This section requires the INS to establish entry-exit control systems at borders. The Governor feels that this could have an unforeseen devastating impact on the border states.

### **Governor Arne Carlson (R-MN)**

- Governor Carlson will likely raise three NGA issue priorities:
  1. More unrestricted tobacco money to the states
  2. Objection to the Seminole decision on Indian gaming
  3. More Highway Trust Fund money into transportation in ISTEА authorization
- The Governor is a proponent of tax credits for child care, and already provides this at the state level. He is anxious that Minnesota will not receive full advantage of the Federal program as a result.
- Governor Carlson has expressed concern about Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This section requires the INS to establish entry-exit control systems at borders. The Governor feels that this could have an unforeseen devastating impact on the border states.

### **Governor Kirk Fordice (R-MS)**

- Governor Fordice is one of the Appalachian Governors opposed to the creation of a new Delta Commission which, under our proposal, would share chairs and staff with the Appalachian Regional Commission.

### **Governor Mel Carnahan (D-MO)**

- Governor Carnahan is anxious to receive approval for his children's health waiver proposal. The Governor would like to use the leverage of the White House's desire to quickly implement new children's health programs as a means for approving Missouri's use of provider taxes as a way to fund this program. This cannot and will not be permissible under current Federal law. Their provider tax proposal is the only item holding up their waiver at this time. Governor Carnahan wants to meet with the Department of Justice to negotiate the money in provider taxes that Missouri owes to the Federal government. Justice must approve any provider tax settlement. HCFA Administrator Nancy Ann Min DeParle is interested in being helpful to Governor Carnahan. You can encourage Governor Carnahan to call Jerry Stangler, Medicaid Director, and have him contact Nancy Ann DeParle.
- The EPA has reclassified St. Louis for ozone smog. Since the City failed to reach the deadline, their moderate status has been escalated to serious for this environmental problem. In other environmental concerns, St. Louis has begun its nuclear waste cleanup, however, long-term plans are still not established due to the uncertainty of funds for this expensive process. (The cleanup process is estimated to cost the City \$600 million.)

### **Governor Marc Racicot (R-MT)**

- Governor Racicot is at the center of a controversial debate concerning the Yellowstone National Park bison. Farmers and ranchers fear the bison carry a bacterial disease, so the State is at a loss for what measure to take when the animals wander out of the park. The Governor supports that the bison should be shot when they leave the park, a position that has come under attack by the animal rights activists.

### **Governor E. Benjamin Nelson (D-NE)**

- Governor Nelson is a leading governor in support of full funding of the Federal Aid Highway program and also the reauthorization of ISTEA.

- Governor Nelson is serving as the Co-Chair of Goals 2000.
- The Governor met recently with beefpackers and processors to establish a plan to preserve their reputation after USDA's largest meat recall. The hamburger patties had been produced in Columbus, Nebraska.

### **Governor Bob Miller (D-NV)**

- Governor Miller is the most visible critic of the proposed Interior Department rule on Indian gaming that would give tribes a legal remedy at the Interior Department when a state successfully applies a Sovereign Immunity Defense against a tribal suit stemming from compact negotiations.
- Early in 1997, the Department of the Interior revived a rulemaking -- initiated in the Bush and Reagan Administrations -- to upgrade environmental protection and avoid future expensive, taxpayer-funded cleanups of hardrock mines (gold, silver, lead, zinc, uranium, etc.) on Interior-managed public lands in the West. Governor Miller thinks that the governors of the Western states have not been consulted enough, but the rulemaking process is still in an early phase. A final ruling is not expected until late 1999.

### **Governor Jeanne Shaheen (D-NH)**

- Governor Shaheen is seeking to use a contribution from the Blue Cross conversion fund for New Hampshire's share of the Children's Health Insurance Program. We recently received the State's legal brief on this request and have requested lawyers at the White House and HHS to review it. HCFA has committed to do everything that it can to work with Governor Shaheen and examine every way possible to make this proposal work legally. However, if this fails, we plan to work together on a legislative strategy.

As you know, the Administration is already pushing for Congress to pass legislation that would give the Secretary of Health and Human Services greater authority to waive states' past liability in return for future compliance with the provider tax laws. The Vice President is willing to work with Governor Shaheen on the possibility of using the vehicle to provide authority to states on a limited basis to use financial mechanisms such as Governor Shaheen's for that purpose. It should be suggested to the Governor that she give HCFA a week to work on this and if they have not been contacted, to set up a meeting.

- The State of New Hampshire faced serious ice storms in January and received declaration of a major disaster area. The Governor has requested that LIHEAP

contingency funds be released to help with the recovery efforts. OMB, however, has determined that the temperatures recorded so far have not qualified for LIHEAP relief.

- Governor Shaheen began a kindergarten program for the State which is mostly funded through a new cigarette tax. The Governor also faces other school funding issues as the Claremont School District took the State of New Hampshire to court. The state Supreme Court ruled that property taxes were not constitutional in funding school districts due to the great economic disparity between the districts.
- The Governor strongly opposes an OMB proposal that she believes will eliminate a multi-year contracting authority for states in highway and other transportation projects. It appears that we have mollified her concerns.
- The State of New Hampshire was recently awarded a \$2 million grant for a One-Stop Career Center System.
- New Hampshire also recently received grants totaling almost \$4.5 million from the Department of Transportation for the Portsmouth and Manchester airports.

### **Governor Christine Todd Whitman (R-NJ)**

- Governor Whitman believes that the EPA is pressing too hard on New Jersey's auto inspection program. Due to delays in the implementation of New Jersey's enhanced inspection and maintenance program (I/M) and its plans to reduce volatile organic compound (VOC) emissions by 15%, New Jersey may not be able to meet its commitments to the EPA and now the State faces a number of serious consequences, such as limiting growth and placing designated Federal funds in jeopardy.
- Governor Whitman is a strong supporter of ISTEA reauthorization and full funding of the transportation budget. She is also very concerned that Amtrak capital money may be used for operational expenses.
- Governor Whitman strongly objects to the growth in the number and expansiveness of TANF regulations which have quadrupled in the past few years.
- The State of New Jersey will be seeking a HCFA waiver for its proposal of using foundation money (from the Robert Wood Johnson Foundation) for its state match for the Children's Health Insurance Program. This program is called Bright Beginnings.
- The Governor supports the new Ozone/Particulate Matter rule. Her support has

proven to be very helpful.

- Governor Whitman wants more state control over Superfund cleanup.

### **Governor Gary Johnson (R-NM)**

- You recently visited Los Alamos to address the strong research and technology components in your Federal budget proposal.

### **Governor George Pataki (R-NY)**

- The State of New York had five counties declared major disaster areas after the severe ice storms in the first week of January. To aid with the recovery efforts, Governor Pataki requested that funds for aid be released from the LIHEAP for disaster relief. New York has not received these funds, because under the formula, New York has not yet qualified.
- The Governor continues to maintain that New York provider taxes are legal and that our efforts at compromise have been inadequate.
- As the lead governor for transportation for the Coalition of Northeastern Governors, Governor Pataki is seeking clarification to a report that the Administration's FY99 budget may not be consistent with provisions in the Amtrak Reform and Accountability Act of 1997.

### **Governor James Hunt (D-NC)**

- Governor Hunt is concerned with the plight of the tobacco farmers as tobacco settlements loom. He has requested that money be specifically earmarked for tobacco farmers in tobacco legislation.
- The Governor is very interested in the pending appointment of the Director of the Tobacco Grading Service at the USDA. He has a candidate in mind for the job. We have informed the Governor that the position is a career position so the White House is prohibited from involvement. He has been referred to Secretary Glickman.
- The Governor is concerned about the impact that a Delta Commission as proposed by OMB will have on the Appalachian Regional Commission.

### **Governor Edward Schafer (R-ND)**

- Governor Schafer is a leader in the NGA in support of ISTEA and full funding of transportation.
- Governor Schafer has expressed concern about Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This section requires the INS to establish entry-exit control systems at borders. The Governor feels that this could have an unforeseen devastating impact on the border states.
- Governor Schafer is very supportive of the new CREP (Conservation Reserve Enhancement Program) clean water initiative and will be applying for Federal funding from this program in the near future.

### **Governor Pedro Tenorio (I-NMI)**

- Governor Tenorio took office last month. He previously served from 1982-90.
- You joined with Representative George Miller (D-CA) and Senator Daniel Akaka (D-HI) in proposing the phase-in of Federal immigration and minimum wage laws in the Marianas and tariffs on the substantial imports of garments from the Islands made by foreign workers there.
- We agreed with Governor Tenorio's proposal that there be formal talks on the legislation and designated Ed Cohen of the Interior Department to represent you. The Governor now, however, wants to delay the talks for several months. This would prevent action in Congress this year and we join Interior officials in recommending against it.

### **Governor George Voinovich (R-OH)**

- As Chairman of the NGA, Governor Voinovich can be expected to raise states' rights issues, including tobacco, the newly proposed TANF regulations, more block grants and Indian gaming.
- Governor Voinovich endorses the Thompson/Levin Regulation Reform bill. This bill provides for the analysis of major regulatory rules by Federal agencies. *He will talk about this in his opening remarks at the White House Round Table.*

### **Governor Tom Ridge (R-PA)**

- Governor Ridge and Mayor Edward Rendell (D-Philadelphia, PA) were very pleased with a recent \$28 million grant from the Department of Labor. The Administration also facilitated bringing a Norwegian shipbuilder, Kvaerner, to the United States and they will be settling in the Philadelphia Naval Shipyard.
- Governor Ridge is the Vice Chair of the Committee on Human Resources and is currently emphasizing fatherhood.

### **Governor Pedro Rossello (D-PR)**

- House Republicans finally agreed to Floor action on a bill to enable Puerto Ricans to choose their status. Governor Rossello hopes for a choice this year, the Centennial of the taking of the islands. You have called for such a bill.
- Representative Gerald Solomon (R-NY) has proposed requiring English usage under statehood. The Administration has opposed this but favors increasing English education.
- The Governor has cooperated in our efforts with Representative George Miller (D-CA) to have the bill more fairly treat the Commonwealth proposals. Our major issues with the bill have now been addressed and it enjoys broad Democratic support.
- Senate sponsor Bob Graham (D-FL) has pressed Senator Frank Murkowski (R-AK) to act on the Senate bill and he has agreed if the House passes a bill.
- Governor Rossello was very pleased with your budget initiatives which would: open the ("Sec. 30A") tax credit to new investments and continue it after 2005; transfer the full amount of taxes on insular rum -- increasing the transfer \$34-70 million a year; and increase Puerto Rico's share in Children's Health Care from \$10 million to \$41 million next year.

### **Governor Lincoln Almond (R-RI)**

- Governor Almond participated in the January Child Care announcement at the White House.
- The Governor is very interested in after school programs and developing programs that could take children off the streets in the afternoon when they are most prone to getting into trouble.

- Governor Almond has established his own very successful Race Initiative in Rhode Island.

### **Governor David Beasley (R-SC)**

- Governor Beasley and the State of South Carolina should be commended for their commitment to improving racial relations. There have been eleven town meetings across the State and a report was completed this past December as a result of these meetings. The Governor and his staff are now working on initiatives detailed in the report.
- The Governor is strongly in favor of full Federal funding of surface transportation.

### **Governor Don Sundquist (R-TN)**

- The State of Tennessee was declared a major disaster area and received Federal assistance after flooding occurred in early January of this year.
- Governor Sundquist held an Economic Summit: "Tennessee: Tuned-in To Tomorrow" this past October. The conference was attended by hundreds of professionals and volunteers as well as elected officials, experts in technology and commerce, community leaders and representatives from the State's major economic sectors.

### **Governor Michael Leavitt (R-UT)**

- Governor Leavitt has emerged as the lead Governor opposing the Cox-Wyden Internet Tax Freedom Act, which proposes a moratorium on new taxes on the Internet. Governors are concerned that untaxed Internet commerce will leave state and local governments with declining sales tax revenues. NGA has, thus far, rejected our offers of compromise on the legislation. We expect you to make an announcement at a February 26 event in the San Francisco Bay Area.
- Governor Leavitt will also be a leading voice on other states' rights issues, such as proposed Indian gaming regulations and transportation funding.
- So far, the Governor has not lent his support to the litigation concerning the Escalante National Monument.

### **Governor Howard Dean (D-VT)**

- The State of Vermont was declared a major disaster area after an ice storm devastated the many counties across the State in early January.
- Governor Dean is under the state's Supreme Court order to rectify the disparity in education funding. The Governor has developed a new education funding law called Act 60. This new law involves a one time tax transition package and it will be funded through Vermont's General Fund surplus.

### **Governor Roy Schneider (I-VI)**

- Governor Schneider was pleased with your FY99 budget initiatives for the Virgin Islands, including the full transfer to the Territory of taxes on the Islands' rum -- which would hike the transfer \$3 per gallon as of October 1, providing \$12 million a year, more than quadrupling the set-aside for the insular areas in Children's Health Care.
- The Virgin Islands has very serious overspending and cash-flow problems. Your FY99 budget initiatives will help, but Governor Schneider also wants taxes on gasoline refined in the Territory transferred and a doubling of the Medicaid cap for the Islands. The gas tax involves much more money than the rum tax and the Virgin Islands lost a claim to it in the Supreme Court. Your initiative got the Medicaid cap increased last year by a quarter with Congress declining to raise the tax.

### **Governor James Gilmore (R-VA)**

- Governor Gilmore believes that the Federal government is not meeting its commitment to fully fund the repairs and restoration of the Woodrow Wilson Bridge, however, the Administration has proposed \$400 million as the Federal share in NEXTEA. There is a Congressional dispute concerning the funding of this project with the Senate proposing \$900 million in its draft bill and the House failing to include it. Prior to the obligation of funds, an agreement between Maryland, Virginia and the Department of Transportation needs to be settled. However, a settlement is unlikely until the reauthorization of ISTEA.
- School construction is a major priority for Governor Gilmore, as is support for his tobacco farmers. He can be expected to raise the tie between the two in our budget.
- Governor Gilmore is a minority voice among governors in support of the Cox-

Wyden Internet Tax Freedom Act which places a moratorium on taxes on the Internet; he shares our position.

- There is an ongoing dispute between the State of Virginia and the Department of Health and Human Services concerning the funding for the State Automated Child Welfare Information System (SACWIS). The former Governor George Allen wrote a letter to Secretary Shalala at the end of his term in an attempt to resolve this disagreement before he left office. No written response has been sent to the State of Virginia. We are unable to facilitate a resolution in this dispute because it is a legal issue.

### **Governor Gary Locke (D-WA)**

- The states of Alaska, Oregon and Washington have been asked by Ambassador McLarty to resume Salmon negotiations among themselves and the affected Indian tribes prior to further negotiations with the Canadians.
- Governor Locke has expressed concern about Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. This section requires the INS to establish entry-exit control systems at borders. The Governor feels that this could have an unforeseen devastating impact on the border states.

### **Governor Cecil Underwood (R-WV)**

- Governor Underwood is the leading governor in organizing opposition against the recent EPA proposal to reduce transported air pollution. The rule targets 37 states known as the Ozone Transport Assessment Group (OTAG) and does not mandate which pollutant sources must be reduced, allowing the states to decide how to meet the standards. OTAG and EPA have determined that electric power plants will be a likely and cost-effective candidate for these controls.

### **Governor Tommy Thompson (R-WI)**

- The State of Wisconsin is celebrating the 150th Anniversary of statehood. Significant celebrations are planned throughout the year. Governor Thompson may ask you to participate in one of them.
- Governor Thompson is interested in a reappointment to the Amtrak board.
- Secretary Bruce Babbitt proposed a rule on Indian gaming that Governor Thompson fears would usurp his authority to enter into compact negotiations on gaming with the Indian tribes.

THE WHITE HOUSE  
WASHINGTON

February 17, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING  
SALLY KATZEN

SUBJECT: Response to NGA Winter Meeting Resolutions

Please find below a summary of the proposed NGA resolutions and the Administration's position relating to issue areas relevant to the National Economic Council.

EDC-3 Military Base Closure, Disposal, and Reuse

The Governors are proposing two amendments to this resolution. 1) It encourages the federal government to not lose sight of the significant local, regional and national objectives that can be achieved in economic development and job creation from the reuse of bases. 2) It encourage the U.S. Department of Defense to ensure that small businesses have the ability to effectively compete for government contracts when the federal government decides to out source work involved in closing a military base.

**Administration Position:** Not in conflict with Administration policy.

EDC-11 Governor's Principles on International Trade

This resolution emphasizes the Governor's support for fast-track trade negotiation authority for the President. It calls on the President to move forward with fast-track legislation early in 1998 and on Congress to immediately renew fast-track trade negotiation authority.

Two separate amendments also are being offered to the international trade policy. The first amendment adds language to the agriculture section of the policy supporting the efforts of the administration to open new, and maintains existing, markets for U.S. agricultural products. The second amendment expresses the Governors' support for voluntarily negotiated agreements between states and foreign nations allowing for drivers' license reciprocity. Reciprocity agreements generally allow foreign drivers in the United States or American drivers abroad to be exempted from drivers' license test requirements.

**Administration Position:** Not in conflict with Administration policy.

We would encourage the Governor's to add two pieces to the proposed resolution. A piece on the IMF into the International Trade Section and the China-MFN language from a letter they wrote last year in support. We have forwarded both pieces below to Emily Bromberg at Intergovernmental Affairs.

### **International Monetary Fund**

It is important that the IMF have the resources it needs to help countries that are ready to take action to put their economies on a sounder financial footing. Restoring confidence and stability in Asia is very much in America's economic and security interests, and the IMF plays a critical role in the effort to restore confidence. We should make perfectly clear that no nation can recover if it does not reform itself. But when nations are willing to undertake serious economic reform, the United States should help them do it. We urge Congress to renew our commitment to the International Monetary Fund by approving the New Arrangement to Borrow and the increased quotas.

### **China MFN**

The President and Congress should approve the unconditional renewal of Most Favored Nation status for the People's Republic of China. Renewal would not mean preferential status of China. Instead, Chinese exporters would receive the same treatment as exporters from virtually every other country in the world. This recommendation is based on important U.S. economic and security interests. Renewal would mean the continuation of bilateral trade between the United States and China, which has served our country well and will better the quality of life for the Chinese people. The Governors believe that continued trade and communications with China would help in the promotion of openness, the adherence to international norms, and the distribution of democratic ideals throughout China.

### **HR-5      Fair Labor Standards Act as Applied to Public Employees & Inmate Labor**

Minor technical amendments are made to this policy.

#### **HR-5.1      Application to Public Employees**

**Administration Position:** The Administration believes that the FLSA was intended to protect the most vulnerable employees and is reexamining issues that arise under the 541 exemption as it applies to public employees and is consulting with stakeholders.

#### **HR-5.2      Application to Inmate Labor**

**Administration Position:** In principal, the Administration shares the NGA's view that the FLSA should not apply to typical prison work -- e.g. laundry, food services and work not performed for commercial purposes. We feel that because the courts have uniformly held that an inmate who is required to perform labor which serves the prison institution is not an employee and therefore is not covered by the FLSA, no legislative action is necessary at this time.

**HR-44.2 Recommended Federal Role**

The Higher Education Act (HEA) should be modified to reflect the NGA's view that the Federal government, not States, determines what institutions and students are eligible for aid.

**Administration Position:** While it is not clear what specific changes NGA would recommend, the Administration's proposal for reauthorizing the HEA will recommend deleting a never-implemented provision of current law that requires States to pay a portion of the costs of defaulted student loans. The Administration would not support changing the current requirement that institutions must be licensed by a State.

**HR-44.2.1 Promoting Quality**

The Federal Government should not establish separate, Federal measures of quality for higher education. Instead, it should build on the experience of States.

**Administration Position:** Quality measures are being proposed that build on the consumer information approach that has been developed with the NGA in the context of the Workforce Development legislation (G.I. Bill for America's Workers).

**HR-44.2.3 Preparing the Workforce**

The HEA should address the demand for a more educated, technology-and service-oriented workforce.

**Administration Position:** The HEA does support those needs, and the Administration is proposing improvements as well.

**HR-44.2.4 Preparing Teachers**

Title V of the HEA should be restructured into a single State-based program that builds on other State and Federal efforts to train new teachers and develop the skills of current teachers.

**Administration Position:** The Administration would restructure Title V, but not with a State-based program. Instead of spreading scarce funds too thinly, the Administration would target funds to consortia of highly effective teacher training institutions -- particularly those that have shown an ability to train teachers for needy areas -- with other colleges, in order to improve their programs and thereby expand the capacity for high-quality teacher training. Consortia would have to integrate Title V funds with ongoing state-and federally-support teacher training efforts. Consortia would also compete for funds to offer scholarships for prospective teachers who commit to teach in under served urban or rural schools for at least 3 years.

#### **HR-44.2.5 Simplifying Programs & Forms**

Simplify student aid programs into a more coherent system of state and federal aid. Take into consideration the role of state agencies, including guaranty agencies, in the administration of aid programs.

**Administration Position:** Forms for Federal aid were simplified significantly in 1992; the process becomes more complicated when States demand additional data from families. The reauthorization will seek to take advantage of technology to allow for a more seamless integration of State and Federal data needs and programs. As far as guaranty agencies, the Administration is seeking to establish a more business-like, performance-based relationship, in order to ensure better management of Federal programs and reduce taxpayer costs and risks.

#### **HR-44.2.6 Supporting Distance Learning**

Support the use of technology to expand options for Postsecondary education. Urge congress to study issues surrounding distance learning.

**Administration Position:** The President's FY99 budget includes \$40 million for a new "Learning Anytime Anywhere" initiative that will encourage pilot programs in distance learning. The Administration has also submitted proposals to amend the HEA to include living allowances and any potential costs for computer equipment into the determination of title IV aid for distance learning students, to expand title IV eligibility for students in distance learning by removing the current 50 percent restriction at degree-granting institutions, and to require accrediting agencies to have specific distance learning standards.

#### **HR-44.2.7 Encourage Saving for College**

Federal savings incentives should: (1) complement, not pre-empt, similar policy initiatives by States, (2) give equal standing to public and private higher education institutions, and (3) not reduce other Federal aid programs.

**Administration Position:** The Administration has been a leading advocate of helping families afford the ever increasing cost of higher education. In recent years, the States have also been working hard to meet this same goal by establishing state tuition programs to help families save for higher education. The Administration would like to continue working with the states and coordinating our efforts with theirs to meet the very important goal of making college universally available to all of the country's young people.

#### **NR-21 Electric Industry Restructuring**

The proposed amendment urges the U.S. Department of the Treasury to promptly take action to preserve the tax-exempt status of debt issued by public power utilities that choose to participate in Independent System Operators (ISO's). ISO's are established by many states to operate the electric transmission grid in order to facilitate market competition in electricity. Allowing public

power utilities to join ISO's without risking the tax-exempt status of debt issued in past years will help to facilitate competition in states.

**Administration Position:** In January of 1998, the Treasury Department and the Internal Revenue Service published temporary regulations providing an exemption from the "change in use" rules (subject to certain conditions) for transmission facilities financed by outstanding bonds that are managed by an ISO or otherwise used to implement the offering of non-discriminatory, open access transmission tariffs in a manner consistent with FERC rules. These regulations effectively address the concern expressed in the NGA resolution.

#### EC-1 Block Grant Policy

This policy calls for a rationalization of the current grant-in aid system of more than 600 categorical grants, many of which are for the same client group. The Governors propose further consolidation of the related grants for twelve broad areas into block grants and performance partnerships.

##### 1.2.5 **Elimination of set-asides within the Community Development Block Grant (CDBG).**

This proposal eliminates the current federal practice of setting aside funds in authorization bills or annual appropriation bills. This would ensure that CDBG functions as a block grant.

**Administration Position:** The Administration is proposing, in the FY 1999 budget, to remove most set-asides within CDBG and to boost the overall program funding level, thereby increasing the funding available to State and local governments by \$238 million.

##### 1.4.1 **State administration of Section 8 and related housing programs.**

State could contract with the U.S. Department of Housing and Urban Development (HUD) to act as HUD's designee in administering the section 8 program and other related housing programs. These would be agreements between individual states and HUD to administer the programs. Although not a block grant, this would allow states to coordinate housing with other social services programs.

**Administration Position:** The goal of improving coordination of housing assistance with other social service programs is worthwhile and very much in line with Administration policy. Better coordination can, however, be achieved without transferring administration of the Section 8 tenant-based program from the local level (i.e., the public housing agencies) to the State level. For example, under the Administration's new welfare-to-work housing voucher initiative, public housing agencies would be required to work closely with the local welfare agencies in order to deliver newly available housing assistance to those TANF families who need such help to obtain and keep jobs.

EC-9

### Federal Tax Reform

The proposed policy explains the major effects of several federal tax reform proposals on states and specifically notes the potential adverse effects of a national sales tax or value-added tax. The proposed policy strongly supports the continued collection of Internal Revenue Service data that form the basis of most state revenue systems. This data service is a national system for the benefit of all public and private parties and would be very costly and inefficient to replace with scores of separate data collection systems.

**Administration Position:** The administration is generally in line with the positions articulated on tax reform, although we approach the issue from a different perspective. The Governors are strongly opposed to a national sales or value added tax, because each would intrude on a tax area states have long relied. We have serious concerns about sales tax proposals as well, but our focus is more on the impact on the taxes of working people and fiscal discipline. On overall tax reform principles, the governors mention fairness and reducing complexity, which are key principles of the Administration's as well. In addition, the Administration's principles include maintaining fiscal discipline, promoting job creation and economic growth, and protecting Social Security.

EC-18

### Consumer Price Index

The Governors' propose the reaffirmation of existing policy EC-18, Consumer Price Index, which calls for an accurate calculation of the consumer price index. The NGA recommends that Congress and the President adopt a consumer price index (CPI) that accurately reflects the real rate of inflation to U.S. citizens. An index that neither overestimates nor underestimates inflation is important not only to federal spending, but also for state spending on many programs. The deficit savings from such an adjustment should be used to reduce the budget reductions in the following four areas: Medicaid, child care, the Earned Income Tax Credit (EITC), and Medicare.

#### **Administration Position:**

The Administration concurs that we need the most accurate possible measure of the cost-of-living. We believe that this issue should be settled on technical grounds.

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### Regulatory Reform

This resolution has two basic elements: 1) It urges Federal agencies to support effective State regulatory reform initiatives and allow flexibility so that States may pursue regulatory innovations. 2) It urges Congress to support regulatory reform legislation that would promote reasoned analysis and informed decision making among policy makers and require Federal agencies "to consider risks, costs, and benefits" while formulating Federal regulation.

**Administration Position:** Regarding state regulatory initiatives, it is Administration policy to encourage State regulatory programs to undertake regulatory innovations. An effective way to provide that encouragement is to build the expectation at the State level that their Federal program counterparts will give their innovative efforts a fair hearing, and possible emulation.

Regarding reg reform legislation, the Administration supports the right type of regulatory reform, but has been skeptical of specific legislative efforts over the past several years. It is very difficult to draft generally applicable, "one-size-fits-all," regulatory reform legislation that will improve the regulatory system across the government but not impair agency authority and ability to do its job.

Since President Carter, the Executive has systematically sought through Executive Orders to have Federal agencies consider risk, costs, and benefits. This Administration built upon this tradition with E.O. 12866 in order help agencies regulate better. This Administration has undertaken a number of administrative actions to improve the regulatory process. This Administration has also supported regulatory reform initiatives statute by statute (e.g., Safe Drinking Water, Pesticides, FDA Reform), and several comprehensive regulatory improvement bills (Unfunded Mandates, Paperwork Reduction, Small Business Regulatory Enforcement Fairness Acts) the beneficial results from which are still not fully defined.

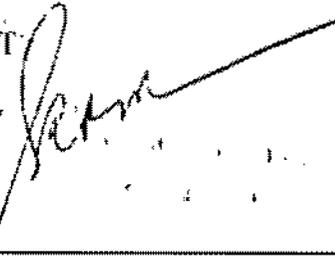
On the other hand, the Administration strongly opposed omnibus regulatory reform bills in the 104th Congress because they threatened to weaken environmental, health, and safety standards, and threatened to block new safeguards through endless litigation. The Senate is now actively considering a Levin/Thompson bill, which is a significant improvement over the earlier bills that we had opposed. We had identified serious issues that must be resolved, and Senators Levin and Thompson have been responsive to some of our concerns. We are still reviewing the latest version of this legislation.



EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
WASHINGTON, D.C. 20503

February 13, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY 

RE: NGA RESOLUTIONS

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**NR-3 Water Resource Management: 3.13 Harmful Algal Bloom Research and Monitoring**

This resolution endorses a coordinated Federal research and response effort to identify and address the causes of harmful algal blooms that have impaired water quality, damaged local economies, and created public health concerns in coastal regions across the country (*Pfiesteria* in Maryland, Virginia, and North Carolina; hypoxia in the Gulf of Mexico; red tides and brown tides elsewhere).

We support this resolution, and should use it as a basis to garner support for the clean water initiative that you announced in the State of the Union and that you will formally roll out at an event in Baltimore on Thursday, February 19. The plan includes \$568 million in new funding announced in the FY99 budget, including a \$100 million increase in direct funding to states and a \$100 million increase in direct aid to farmers. CEQ and IGA will brief key Governors in advance and will be primed for the NGA meeting as well. The Governors will be made aware that primary thrust of the initiative is to unify federal and state efforts on clean water and deliver new resources to states dealing with these problems. Notably, the plan avoids any new mandates or regulations beyond those already under discussion with the states.

**Regulatory Reform (New Resolution)**

This resolution endorses broad regulatory reform legislation, and calls for provisions that roughly correspond to a bill introduced by Senators Levin and Thompson (S. 981). On February 4, Levin and Thompson announced agreement on a substitute bill that agencies and the White House are now reviewing.

We are highly concerned about this resolution. While you have issued an executive order on regulatory review that incorporates many of the principles of this resolution, efforts to codify these same principles have been fraught with problems. The Administration strongly opposed omnibus regulatory reform bills in the 104th Congress because they threatened to weaken environmental, health, and safety standards, and threatened to block new safeguards through endless litigation. While the Levin-Thompson bill is improved in some respects, the Administration continues to have major objections. If asked about this issue, you should state

that the Administration is still reviewing the Levin-Thompson bill to see if our earlier concerns have been met. Absent those changes, the Levin-Thompson bill could still be objectionable. You should emphasize:

- (1) Our preference for regulatory reform statute by statute (e.g., Safe Drinking Water, Pesticides, FDA Reform) rather than enacting another comprehensive bill;
- (2) Our interest in road-testing the several comprehensive reform bills (Unfunded Mandates, Paperwork Reduction, Small Business Regulatory Enforcement Fairness Acts) that have been passed in the last few years before enacting additional comprehensive reforms that may be duplicative or unnecessary; and
- (3) Our concern that any bill meet the standard to improve the regulatory system and not impair the agencies' ability to do their jobs.

### **EDC-13 Surface Transportation Financing**

The amendments call on Congress to make transportation spending one of the highest priorities in the upcoming budget discussions and reiterate the Governors' belief that spending all dedicated Highway Trust Fund revenues is fully consistent with the national goal of a balanced budget. The general thrust of this resolution, and particularly some of the additions, are inconsistent with the Administration's position on the reauthorization of the transportation bill, or NEXTEA. Our budgets have not included expenditure of the entire highway trust fund as endorsed in the last paragraph of the resolution. In addition, we have consistently maintained that the transportation funds returned to the states must be consistent with the balanced budget agreement, and have resisted any Congressional amendments to add money to our request on this because it is an assault on a balanced budget.

The resolution also applauds Congress for having transferred the 4.3 cents per gallon fuel tax from the General Fund to the Highway Trust Fund. The Administration's position on the transfer is as follows: "The Administration opposes the provision transferring 4.3 cents per gallon in fuel taxes currently dedicated to deficit reduction from the General Fund to transportation trust funds. While the transfer provision in itself has no revenue or spending effect, transferring the revenue feeds efforts to move the trust fund off-budget and creates pressure to increase ground transportation spending to levels significantly higher than anticipated in the Bipartisan Balanced Budget Agreement." (letter from Sec. Rubin to Sen. Lott - 6/25/97)

### **NR-21 Electricity Restructuring**

The Administration has not yet finalized its position on the legislative changes appropriate for electricity restructuring, so it is premature to comment on the specific provisions of this resolution. You have stated that you support electricity restructuring to facilitate retail competition and that the Administration will move forward on this in the near future to seek legislation that will provide savings to consumers and a significant down payment on carbon reductions from the utility sector necessary to address global climate change.

## **HR-25 Emergency Management**

The Administration is working hard to ensure that compliance with federal environmental laws, in particular the Endangered Species Act and the National Environmental Policy Act, is accomplished in the most efficient and expeditious manner possible for the public assistance and hazard mitigation programs. Generally, the measures involve recognition of the emergency nature of the situation, rapid consultation and eliminating paperwork requirements. To that end, compliance with both laws has evolved significantly in the last two years to accommodate rapid response to post-disaster actions. Continued work in this area remains a high priority.

## **NR-12 Endangered Species Act**

The Administration endorses many of the principles articulated by the NGA, and has in fact moved to implement them despite delays in completing the reauthorization of ESA in Congress. In particular, the Administration has developed and implemented precedent-setting incentive programs for non-federal landowners. These include candidate conservation agreements, harbor agreements and a "no surprises" policy -- all flexible mechanisms that give property owners incentives to conserve habitat and added certainty so they can plan future use of their lands.

The Administration has also worked closely with and generally supports the bi-partisan bill that was introduced by Senators Chafee, Kempthorne, Baucus and Reid last year. We anticipate the bill going to the Senate floor soon. The bill codifies the Administration's landowner initiatives and expands opportunities for states to be involved in ESA processes.

February 19, 1998

MEMORANDUM FOR THE PRESIDENT AND VICE PRESIDENT

FROM: Craig T. Smith

SUBJECT: Political Update on Governors

**ALABAMA** **Fob James (R)**

Governor Fob James is seeking reelection this year. Moderate businessman Mac McAllister (R) is challenging James for the Republican nomination. Although McAllister is a credible candidate, James' strong support among conservatives, particularly among the religious right, is expected to propel him to an overwhelming victory in the primary. Current polls show James in a dead heat against the likely Democratic nominee for governor, Lt. Governor Don Siegelman. Siegelman has nearly \$3.5 million on hand, compared to James, who has under \$200,000.

**ALASKA** **Tony Knowles (D)**

Governor Tony Knowles (D) currently has an approval rating of 77%, making him one of the most popular governors in Alaska's history. He has no primary opposition and is heavily favored to win reelection this year. The Republican candidates include state Senator Robin Taylor (R), former state Rep. John Lindauer, and National Committeeman Wayne Anthony Ross (R).

**ARIZONA** **Jane Dee Hull (R)**

Governor Jane Dee Hull, who replaced former Governor Fife Symington last September after he was found guilty of bank fraud, is seeking election to a full term this year. She will face minimal primary challenges from Maricopa Supervisor Tom Rawles (R) and former TV-weatherman Jim Howell (R). A poll conducted in January gave Hull a job performance rating of 50% "excellent," 24% "fair," and 3% "poor." Former Phoenix Mayor Paul Johnson (D) likely will win the Democratic nomination. Hull is favored to win the general election.

**ARKANSAS** **Mike Huckabee (R)**

Governor Mike Huckabee (R) is seeking reelection this year. Although he is under investigation for ethics violations, he enjoys a favorability rating in the 50's and is heavily favored to win reelection. He has no challenger to date. Attorney Bill Bristow (D) is considering the race.

## CALIFORNIA

Pete Wilson (R)

Governor Pete Wilson (R) is term-limited. His top priorities have been education, immigration, and crime. He supports the California ballot initiative which would require written permission before union dues are used for political or legislative purposes. Wilson is not considered to be a popular governor. In the race to succeed Wilson, Attorney General Dan Lungren (R) will run unopposed in the Republican primary. There are three announced Democrats in this race: Lt. Governor Gray Davis, former Northwest Airlines Executive Al Checchi (pronounced "cheekee"), and Congresswoman Jane Harman. The primary is a toss-up, with Checchi and Harman generally favored over Davis.

## COLORADO

Roy Romer (D)

Governor Roy Romer (D) is term-limited. Lt. Governor Gail Schoettler (D) is expected to win the Democratic gubernatorial primary over state Senate Minority Leader Mike Feeley (D). State Treasurer Bill Owens, Speaker of the House Chuck Berry, Senate President Tom Norton, and publisher Terry Walker are running for the Republican nomination. Owens is favored to win the GOP nomination. A Schoettler-Owens general election race will be close.

## CONNECTICUT

John Rowland (R)

Governor John Rowland (R) is seeking reelection this year. Two polls taken last week showed Rowland's approval rating at 71% and 63%. The frontrunner for the Democratic nomination is Rep. Barbara Kennelly. The only other announced Democrat in the race is little-known real estate executive John Nussbaum. Bridgeport Mayor Joseph Ganim (D) is still considering the race. Recent polls have shown Rowland with an early lead over Kennelly (as high as 26 points), but the general election is expected to be close.

## DELAWARE

Thomas Carper (D)

Governor Thomas Carper (D) won reelection in 1996 to his second term with 69.5% of the vote. He remains very popular.

## FLORIDA

Lawton Chiles (D)

Governor Lawton Chiles (D) is term-limited. Chiles is serving his second term as governor and served three terms in the U.S. Senate. He first won notoriety as "Walkin' Lawton" by walking the state in his first campaign for the Senate. Lt. Governor Buddy MacKay (D) is considered the favorite to win the Democratic nomination in this year's race to succeed Chiles. Other Democratic candidates include state Senator Rick Dentzler (D) and state Representative Keith Arnold (D). Businessman and 1994 gubernatorial nominee Jeb Bush (R) is the only Republican candidate in the race. A January poll showed Bush leading MacKay 47% to 42%.

## GEORGIA

Zell Miller (D)

Governor Zell Miller is serving his second term and is term-limited. Currently, his job approval

rating is at an all-time high of 77%. Miller considers his education initiatives, specifically the HOPE scholarship program, and tax-cutting measures as the major accomplishments of his administration. Three Democrats are vying to succeed Miller: veteran state Rep. Roy Barnes, Secretary of State Lewis Massey, and former Labor Commissioner David Poythress. Poythress will be a factor, but either Barnes or Massey is expected to win the nomination. The three announced GOP candidates in the race are former Attorney General Michael Bowers, '94 gov./'96 U.S. Senate nominee Guy Millner, and conservative activist Nancy Schaefer. Millner is the GOP frontrunner. The general election is expected to be close.

#### **HAWAII**

#### **Ben Cayetano (D)**

Governor Ben Cayetano (D) is running for reelection and could face a primary challenge from Honolulu Mayor Jeremy Harris (D), who is expected to make his final decision about the race in July. A recent poll showed Harris leading the Governor, 51% to 40%. Maui Mayor Linda Lingle (R) may face former Honolulu Mayor Frank Fasi (R) in the Republican primary. Although a primary between Cayetano and Harris would damage Democratic prospects, the seat likely will remain Democratic due to the Democrats' significant edge in voter registration.

#### **IDAHO**

#### **Phil Batt (R)**

Governor Phil Batt (R) announced his retirement last September. Sen. Dirk Kempthorne (R), the most popular public official in the state with a favorability rating of 63%, will face a nominal challenge from David Sheppard (R), who has unsuccessfully run for congress four times. There are no Democrats in this race, and no one of any stature is interested in running against Kempthorne.

#### **ILLINOIS**

#### **Jim Edgar (R)**

In August of last year, Governor Jim Edgar made the surprise announcement that he would retire from politics rather than run for re-election or challenge Senator Carol Mosley-Braun (D). Secretary of State George Ryan is the presumptive Republican nominee for governor this year and is unchallenged in the primary. On the Democratic side, Representative Glenn Postand, John Schmidt (former Associate U.S. Attorney General/former Daley Chief of Staff), former U.S. Attorney James Burns, and former Attorney General Roland Burris, will square off in the March 17th primary. They are all considered to be viable and credible challengers.

#### **INDIANA**

#### **Frank O'Bannon (D)**

Frank O'Bannon (D), who served as Lt. Governor under popular Governor Evan Bayh (D), came from behind to win the governor's seat in 1996 with 51.5%. O'Bannon has continued Bayh's successful welfare reform, child care, and education initiatives, and enjoys high favorability ratings.

#### **IOWA**

#### **Terry Branstad (R)**

Terry Branstad (R) won election to his fourth term in 1994 with 57%. After considering running for reelection or for the U.S. Senate, Branstad announced last year he would seek neither office

in 1998. In this year's race to succeed him, four candidates are vying for the Republican nomination: David Oman, a wealthy businessman and former Republican state chair, former U.S. Rep. Jim Lightfoot, who ran a strong campaign against Sen. Tom Harkin (D) in 1996, Secretary of State Paul Pate, and Lt. Gov. Joy Corning. Lightfoot, a favorite of the Christian Coalition, is expected to win the Republican nomination. State Sen. Tom Vilsack (D) and former Iowa Supreme Court Justice Mark McCormick (D) are campaigning for the Democratic nomination, but neither is considered a strong contender against Lightfoot. Iowa has not elected a Democratic governor since 1962.

#### **KANSAS**

#### **Bill Graves (R)**

Moderate Governor Bill Graves (R) has an approval rating of 74% and is expected to win reelection this year. Graves will face a nominal primary challenge from conservative House Speaker Tim Shallenburger (R). Democrats are generally pleased with the governor's performance, and no one of stature is expected to run.

#### **KENTUCKY**

#### **Paul Patton (D)**

Paul Patton (D) won election to his first term with 51% in 1995. An investigation into alleged campaign finance violations on the part of the Patton campaign and the state Democratic Party is still ongoing. Patton, who repeatedly has denied any wrongdoing, recently testified before the grand jury investigating the matter. The investigation has not significantly impacted Patton. He has been very successful pushing through his initiatives, and is expected to seek a second term in 1999. He is particularly proud of the great strides he has made in the area of higher education. Though the Administration's effort to curb the marketing and use of tobacco is very controversial in Kentucky, Patton has been very supportive of the President and Vice President.

#### **LOUISIANA**

#### **Mike Foster (R)**

Mike Foster, Jr. (R) won election to his first term in 1995 with 63% after switching parties only weeks before entering the race. He consistently has posted high favorability ratings since his election, averaging 70%. Foster, who has not taken an active role in the state's ultra-conservative Republican Party, is supporting Democratic Senator John Breaux's reelection bid this year.

#### **MAINE**

#### **Angus King (I)**

Governor Angus King (I) is running for reelection in 1998. Former state Representative James Bowers is the only Democrat who has officially announced his candidacy. Attorney Thomas Connolly (D) is still collecting nomination signatures. Other candidates include state Rep. Henry Joy (R), Maine Taxpayers' Party candidate Bill Clarken, and independent talk show host Pat LaMarche. King is very popular and is heavily favored to win reelection.

#### **MARYLAND**

#### **Parris Glendening (D)**

Governor Parris Glendening (D), whose current approval rating is at 36%, is seeking reelection this year. In the Democratic primary, Glendening is being challenged by Harford County

Executive Eileen Rehrmann, former Washington Redskin Ray Schoenke and physician Jerry McGuire. Currently, Glendening leads his top opponent, Rehrmann, by 27 points. Two Republicans have formally announced their candidacies -- 1994 gubernatorial candidate Ellen Sauerbrey, the frontrunner for the Republican nomination, and Howard County Executive Chuck Ecker. Recent polls show Glendening with a narrow 3-point lead over Sauerbrey (43%-40%). This race is considered a toss-up.

#### **MASSACHUSETTS**

#### **Paul Cellucci (R)**

Governor Paul Cellucci (R) is serving out the remainder of Governor William Weld's (R) term. He is making a bid for a full term this year. He is being challenged by state Treasurer Joe Malone (R) in the Republican primary. The Democratic candidates in the race are Attorney General Scott Harshbarger, former Rep. Brian Donnelly, former Boston Mayor Raymond Flynn, and former state Senator Patricia McGovern. Cellucci is considered the favorite in the general election. According to a January poll, Cellucci leads Harshbarger 41% to 27%, and Cellucci leads McGovern 41% to 27%.

#### **MICHIGAN**

#### **John Engler (R)**

John Engler (R), who was elected to a second term in 1994 with 61%, is seeking a third term this year. Former East Lansing Mayor Larry Owen and former U.S. Department of Labor official Doug Ross are vying for the Democratic nomination. Recent polls show both Ross and Owen holding Governor Engler below 50% in general election matchups, but still lagging far behind.

#### **MINNESOTA**

#### **Arne Carlson (R)**

Arne Carlson (R), who was elected to a second term in 1994 with 64%, is considered a liberal Republican, due to his support of abortion rights and gay rights. He is retiring this year and many candidates, Republican and Democratic, are vying to succeed him. On the Republican side, the top candidates are Lt. Governor Joanne Benson (R) and St. Paul Mayor Norm Coleman (R), who switched parties last year. Hennepin County Attorney Mike Freeman, former state Senator Ted Mondale, Attorney General Skip Humphrey, and millionaire department store heir Mark Dayton are seeking the Democratic nomination. The general election is expected to be close.

#### **MISSISSIPPI**

#### **Kirk Fordice (R)**

When Kirk Fordice (R) was first elected in 1991, it had been 118 years since Mississippi had last elected a Republican as its governor. He won a second term in 1995 with 56%. He is prohibited from seeking reelection in 1999 due to term limits. Though he has not announced his candidacy, Attorney General Mike Moore (D) is widely regarded as the frontrunner in the race to succeed Fordice.

#### **MISSOURI**

#### **Mel Carnahan (D)**

Governor Carnahan (D) was elected to a second term in 1996 with 57%. He enjoys high

favorability ratings, and is considering a run for the U.S. Senate in 2000 when Senator Askeroff's current term ends. On the issue of abortion, Carnahan, who is pro-choice, is constantly at odds with the Democrat-controlled state House and Senate, of which a majority of the members are anti-choice.

**MONTANA** **Marc Racicot (R)**

Governor Marc Racicot (R), whose term is not up until 2000, is generally regarded as the nation's most popular governor. His job approval rating was as high as 80% last year.

**NEBRASKA** **Ben Nelson (D)**

Governor Ben Nelson (D) is term-limited. In the race to succeed him, Rep. Jon Christensen (R) is expected to win the Republican primary over state Auditor John Breslow (R) and Lincoln Mayor Mike Johanns (R). Democratic candidates include Bill Hoppner, '90 gubernatorial candidate and chief of staff to both Senators Jim Exon and Bob Kerrey, and Jim McFarland, Executive Director for the state's Common Cause chapter. Hoppner is the Democratic frontrunner, but he is not likely to defeat Christensen.

**NEVADA** **Bob Miller (D)**

Governor Bob Miller (D) is term-limited. State Democrats have been unable to identify a significant challenger to run against Kenny Guinn (R), a businessman and former president of the University of Nevada, Las Vegas. Guinn, who is expected to win the Republican primary over Hollywood producer Aaron Russo (R), has secured the support of labor leaders, the business community, and the gaming industry, and is considered a heavy favorite in the general election.

**NEW HAMPSHIRE** **Jeanne Shaheen (D)**

Governor Jeanne Shaheen (D) is running for reelection in 1998. Announced Republican candidates are state Senator Jim Rubens (R) and businessman Jay Lucas (R). Potential Republican candidates include Rockingham County Commissioner Tom Battles (R), businessman Jay Brooks (R), and attorney Gerard Boyle (R). Shaheen is a heavy favorite for reelection. Her approval rating is over 70%, and New Hampshire traditionally reelects first-term governors.

**NEW JERSEY** **Christine Todd Whitman (R)**

Governor Christine Todd Whitman (R) won reelection in 1997 by barely defeating Woodbridge Mayor Jim McGreevey (D). Whitman continues to have problems with the issues of auto insurance and property taxes.

**NEW MEXICO** **Gary Johnson (R)**

Governor Gary Johnson (R) is running for reelection and faces no primary opponent. The crowded Democratic field includes former Albuquerque Mayor Marty Chavez, former Governor Jerry Apodaca, state Auditor Robert Vigil, state Rep. Gary King (son of former Governor Bruce

King), former state Rep. Ben Chavez, and Santa Fe attorney Reese Fullerton. Marty Chavez is the frontrunner, but polling shows that 30% remain undecided. Chavez will present a significant challenge to Governor Johnson. The general election is expected to be close.

#### **NEW YORK**

#### **George Pataki (R)**

Governor George Pataki (R) is seeking reelection in 1998. So far, the only Democrat who has officially announced his candidacy for governor is former New York Transportation Commissioner James LaRocca. The prominent Democrats considering running are: New York City Council President Peter Vallone, real-estate developer Richard Kahan, Brooklyn District Attorney Charles Hynes, and Lt. Governor Betsy Ross. Pataki is favored to win reelection. In a February poll, Pataki's favorability rating was 54%, and he has raised more than \$12.9 million for his campaign.

#### **NORTH CAROLINA**

#### **Jim Hunt (D)**

Governor Jim Hunt won a fourth-term in 1996 against textile tycoon Robin Hayes by a margin of 56%-43%. Hunt's popularity ratings are consistently high. His child care, education, and welfare reform initiatives (specifically "Smart Start" and "Work First") have received considerable attention. His term ends in 2001. Lt. Governor Dennis Wicker (D), Attorney General Mike Easley (D), former Charlotte Mayor Richard Vinroot (R), Raleigh Mayor Tom Fetzer (R), and state House Majority Leader Leo Daughtry (R), all appear to be considering running for Governor in 2000. Wicker (D) has nearly \$1.3 million on hand.

#### **NORTH DAKOTA**

#### **Ed Schafer (R)**

Governor Ed Schafer (R) was reelected in 1996 with 66%. His priorities include streamlining the state's road system (it has more roads per capita than any other state), working on the international marketing of North Dakota products, and setting higher standards for public schools.

#### **OHIO**

#### **George Voinovich (R)**

Governor George Voinovich (R), who currently enjoys an approval rating of 69%, is running for the U.S. Senate. He currently leads his Senate opponent, former Cuyahoga County Commissioner Mary Boyle, 59%-31%. In the race to succeed Voinovich as governor, Secretary of State Bob Taft (R) is the frontrunner. Taft faces no opposition in the Republican primary, and he is very well-funded. Vying for the Democratic nomination are former Attorney General Lee Fisher (D) and wealthy Toledo businessman Bruce Douglas (D). A recent poll showed Taft leading Fisher by 11 points, and Douglas by 27 points.

#### **OKLAHOMA**

#### **Frank Keating (R)**

Governor Frank Keating (R), who was elected with only 47% of the vote in 1994, is seeking reelection this year. The state Ethics Commission charged Keating with 32 counts of misusing state vehicles; and for failing to turn over travel records to the Commission. State Rep. Laura Boyd (D) has announced her candidacy and will likely face a primary challenge from Jack

Mildren, the 1994 gubernatorial nominee and a former football star. Despite all his problems, Keating is expected to win reelection.

## **OREGON**

### **John Kitzhaber (D)**

Governor John Kitzhaber (D) is seeking reelection in 1998. Kitzhaber has a 68%/26% approval/disapproval rating and is not expected to face a primary challenge. Bill Sizemore (R), the Executive Director of Oregon Taxpayers United, is not expected to face a challenge for the Republican nomination. While Sizemore received a great deal of publicity for two 1996 tax reduction ballot initiatives, he has never run for office and is not considered a significant threat. Kitzhaber is a heavy favorite to win reelection.

## **PENNSYLVANIA**

### **Tom Ridge (R)**

Governor Tom Ridge (R) is seeking reelection in 1998. So far, the only Democrats who have stepped forward to challenge Ridge are former state Auditor General Don Bailey, state House Minority Whip Ivan Irtkin, and attorney Phil Berg. Marguerite "Peg" Luksik, an anti-choice activist who ran against Ridge in 1994 as an Independent and won 13 percent of the vote, likely will challenge him again as a member of the Constitutional Party. Ridge is a heavy favorite and has over \$5 million on hand. According to an October poll, Ridge enjoys a favorability rating over 50%.

## **RHODE ISLAND**

### **Lincoln Almond (R)**

Governor Lincoln Almond (R) is running for reelection in 1998. 1994 Democratic nominee Myrth York (D) announced that she will seek a rematch with Almond. No other Democratic candidates have announced. Most observers believe that this race will be very close. A poll conducted in January showed York leading Almond 37% to 33%.

## **SOUTH CAROLINA**

### **David Beasley (R)**

Governor David Beasley (R) is seeking reelection in 1998. State House Minority Leader Jim Hodges (D) is the only Democratic candidate in the race. Hodges may benefit from the recent entrance of Lexington County Sheriff James Metts (I) as an Independent candidate. Metts is a conservative with Republican leanings, and will likely draw votes away from Beasley. However, Beasley is still a heavy favorite. A December poll showed Beasley leading Hodges 53% to 23%.

## **SOUTH DAKOTA**

### **Bill Janklow (R)**

While Governor Bill Janklow (R) remains popular, it is unclear whether he will run for reelection. He has stated that he will make his intentions clear in late March. If he does not run, state Attorney General Mark Barnett (R) and state Rep. Dick Brown (R) will run. Of the two, Barnett is considered the frontrunner. State Senator Bernie Hunhoff (D) has announced his candidacy and will likely be the Democratic nominee. Should Governor Janklow not seek reelection, this could be a competitive race.

**TENNESSEE****Don Sundquist (R)**

Governor Don Sundquist is seeking reelection in 1998. While Sundquist is not considered to be very popular, he has an intimidating, possibly insurmountable, war chest. This month, the Chair of the Tennessee Racing Commission and Covington lawyer Mike Whitaker (D) announced that he will challenge Sundquist. He is a former law partner of Lieutenant Governor John Wilder (D) and later of '96 Senate candidate Houston Gordon (D). Whitaker is the first Democrat to formally announce his candidacy for the race. Although Whitaker is well-connected in Tennessee politics, he is not considered to be a viable candidate. The Tennessee Democratic Party is still recruiting candidates.

**TEXAS****George Bush (R)**

Governor George W. Bush (R), who currently enjoys a job approval rating of 81%, is seeking reelection this year. The Bush administration prides itself on the \$1 billion in tax relief passed by the legislature in 1997. The only Democratic challenger is Land Commissioner Garry Mauro. A poll conducted two weeks ago showed Bush (R) with a 42-point lead (65%-23%) over Mauro. Bush has a \$13 million campaign war chest and is a heavy favorite to win reelection. However, it should be noted that no Texas governor has been elected to a second consecutive term since 1964.

**UTAH****Mike Leavitt (R)**

Governor Mike Leavitt (R) was elected to a second term in 1996 with 75% of the vote and is the most popular governor in Utah's history. His top priority has been the Utah Winter Olympics in 2004. He is seriously considering running for a third term in 2000.

**VERMONT****Howard Dean (D)**

Governor Howard Dean (D) is seeking his fourth full two-year term this year. Dean's approval rating dropped 20 points (down to 47%) last year due to speculation that Dean might run for president in 2000, but his numbers have rebounded since his January announcement that he had decided not to run. To date, Dean has no Republican opponent. State Senator Barbara Snelling (R) and little-known businessman Bernard Rome (R) are the only Republicans considering the race. A recent poll showed Dean leading Snelling 43%-35%, and Dean leading Rome 52%-25%.

**VIRGINIA****James Gilmore (R)**

Governor James Gilmore (R) was elected in 1997 by handily defeating Lt. Governor Don Beyer (D). Gilmore is now battling to push through his car tax cut proposal.

**WASHINGTON****Gary Locke (D)**

Governor Gary Locke (D) won election to his first term in 1996 by defeating Ellen Craswell (R), 58%-42%. Within months of taking office, Locke enacted a \$66 million program to provide food assistance to the more than 15,000 legal immigrants no longer eligible for the federal food stamp program. He also passed legislation to provide benefits to an estimated 8,500 disabled

legal immigrants who lost their benefits under federal SSI laws.

## **WEST VIRGINIA**

**Cecil Underwood (R)**

Governor Cecil Underwood was first elected governor of West Virginia in 1956 at the age of 34. Underwood was elected again in 1996 by a margin of 52%. Underwood currently enjoys high approval ratings, and is considering running for another term in 2000. Underwood was one of the first governors in the country last year to sign on to the President's education standards and testing program. His top issue is increasing the use of high technology in state government. Underwood enjoys a fairly good relationship with the Democrats in the legislature. In fact, some Democrats in the legislature quietly supported Underwood, a moderate, over the more liberal Democratic nominee in the 1996 gubernatorial race.

## **WISCONSIN**

**Tommy Thompson (R)**

Governor Thompson (R) is popular and with \$1.5 million in his war chest, he will be hard to beat this year. His only competitor so far is 1986 U.S. Senate candidate Ed Garvey (D), whose grassroots campaign organization limits contributions to \$100. Fearing a big loss, some Democratic party leaders tried unsuccessfully to recruit Sen. Herb Kohl (D) for the race. A recent poll showed Thompson leading Garvey (D) 60%-23%, with 16% undecided.

## **WYOMING**

**Jim Geringer (R)**

Governor Jim Geringer (R) will seek reelection this year and is favored to win. University of Wyoming history professor Paul Roberts (D) is expected to announce his candidacy in May. Roberts will not pose a significant challenge to Geringer.

**THE GOVERNORS' AGENDA FOR THE 105<sup>th</sup> CONGRESS, 1998**

# **A NEW Vision**

“However enlightened or skillful  
a central power may be, it cannot  
... embrace all the details of the  
life of a great nation.”

—Alexis de Tocqueville

**FOR THE**

# **21st Century**

**A GOVERNMENT FOR THE PEOPLE**

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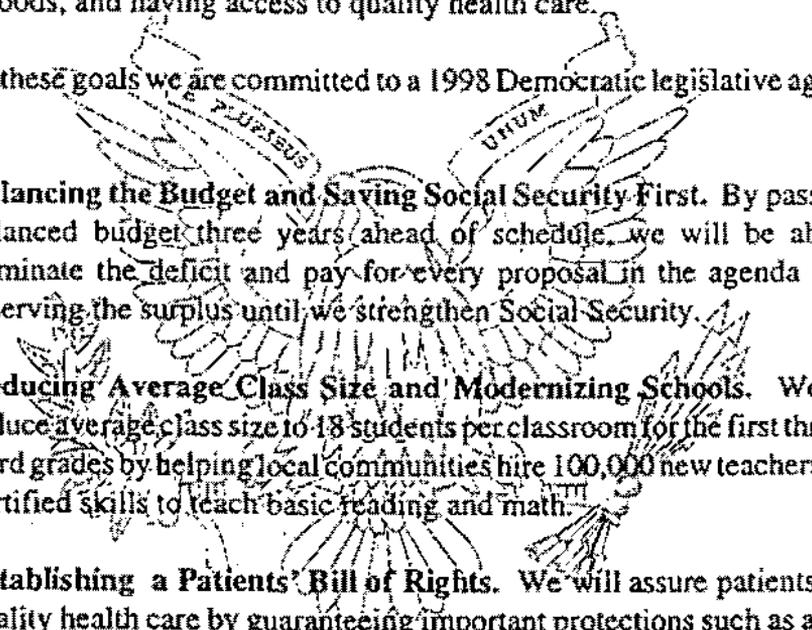
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# DEMOCRATS' NEW SOLUTIONS FOR A NEW CENTURY

Democrats want to address real problems affecting Americans by saving Social Security for all; by reducing class size for our children by hiring 100,000 new teachers; by making sure that doctors and patients together, not insurance companies, make health care decisions; by extending Medicare coverage; and by raising the minimum wage.

These are the issues that define us as Democrats and most clearly outline our goals for strengthening American families. Together with the agenda we are presenting today, these issues serve as our legislative roadmap to maintaining the strong economy we currently enjoy and addressing the concerns families wrestle with everyday: preparing for retirement, educating children and raising them in safe neighborhoods, and having access to quality health care.

To further these goals we are committed to a 1998 Democratic legislative agenda that includes:

- 
- ✓ **Balancing the Budget and Saving Social Security First.** By passing a balanced budget three years ahead of schedule, we will be able to eliminate the deficit and pay for every proposal in the agenda while reserving the surplus until we strengthen Social Security.
  - ✓ **Reducing Average Class Size and Modernizing Schools.** We will reduce average class size to 18 students per classroom for the first through third grades by helping local communities hire 100,000 new teachers with certified skills to teach basic reading and math.
  - ✓ **Establishing a Patients' Bill of Rights.** We will assure patients high quality health care by guaranteeing important protections such as access to the specialists they need, coverage for emergency services, an internal and external appeals process, confidentiality, and patient participation in medical decisions.
  - ✓ **Extending Medicare.** Enabling Americans ages 62 to 65 and displaced workers ages 55 to 65 to purchase Medicare health coverage and enabling retired workers ages 55 to 65 to buy coverage if their former employer drops their coverage.
  - ✓ **Raising the Minimum Wage.** We recognize the value of work and will give millions of hardworking Americans a pay raise by increasing the minimum wage.



# The 1998 Democratic Agenda

## *Maintaining the Strong Economy*

**Balancing the Budget and Saving Social Security First:** By passing a balanced budget three years ahead of schedule, we will be able to eliminate the deficit and pay for every proposal in the agenda while reserving the surplus until we strengthen Social Security.

**Raising the Minimum Wage:** Recognizing the value of work and giving millions of hardworking Americans a pay raise by increasing the minimum wage.

**Fair Pay:** Helping guarantee equal pay for equal work by strengthening enforcement against wage discrimination, establishing voluntary fair pay standards, and improving access to wage information for workers.

**Research and Technology:** Expanding resources for development of medical cures, energy efficiencies, agricultural innovations that strengthen family farms, and commercialization of new technology.

## *Securing Retirement For All Americans*

**Social Security First:** Saving Social Security by paying for every proposal in the agenda while reserving the surplus until we strengthen Social Security.

**Small Business Pensions:** Making pensions more affordable for small businesses by providing a \$2,000 tax credit for pension start-up, and allowing contributions to IRAs to be made by payroll deduction, and making a simplified defined benefit plan available to small business employees.

**Pension Protections:** Making pensions more secure by providing meaningful audits, by expanding pension right-to-know standards, and by shortening vesting periods.

## *Access to Quality Affordable Health Care*

**The Patients' Bill of Rights:** Promoting insurance reform by guaranteeing access to needed health care providers, as well as access to emergency services; ensuring confidentiality of medical records and simplifying the grievance and appeals processes.

**Extending Medicare:** Enabling Americans ages 62 to 65 and displaced workers ages 55 to 65 to purchase Medicare health coverage and enabling retired workers ages 55 to 65 to buy COBRA coverage if their former employer drops their coverage.

**Crackdown On Medicare Waste and Abuse:** Ensuring that reimbursement policies do not overpay providers to reduce unnecessary Medicare costs.



## *Educating America's Children...*

**Reducing Class Size and Modernizing Schools:** Reducing average class size to 18 students per classroom for grades 1-3 by helping local communities to hire 100,000 new teachers with certified skills to teach basic reading and math, and providing tax credits to local communities to build and renovate over 5,000 schools.

**Child Care:** Making child care more affordable for working families, increasing access to and promoting early learning and healthy child development, improving the safety and quality of child care, and expanding access to safe after-school care.

**Computers in Classrooms:** Ensuring Internet access for schools and libraries by protecting their "E-Rate" discounts, and providing new resources to help states integrate technology into their curricula and train teachers to use computers.

**Educational Opportunity Zones:** Improving public education by ending social promotions, increasing expectations and accountability, and providing training for teachers and extra help for students who need it.

**Ending Teen Smoking:** Discouraging teen addiction to cigarettes by adding a health fee to each pack, by requiring an end to tobacco company marketing directed at children, and by requiring tobacco companies to pay for new smoking prevention efforts.

## *...And Raising Them in Safe Neighborhoods*

**Juvenile Crime:** Protecting kids from guns and drugs through special juvenile prosecutors and courts, extending the Brady Bill to juvenile offenses, and strengthening federal prosecution of gang crimes.

**After-School Crime Prevention:** Reducing juvenile delinquency while relieving child care burdens by matching the investments of local communities for before- and after-school learning.

**Tougher Drunk Driving Penalties:** Set a national maximum standard of .08 blood alcohol level for drivers by tying federal highway funds to state compliance.

**Environmental Protection:** Restoring clean water to our communities, accelerating and making polluters pay for toxic waste cleanup, protecting our national parks and other great places, and modernizing our food safety laws.



# **Democratic Governors' Association**

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## **DGA Policy Resolution**

As Democratic Governors, we work each day to improve the lives of children and families in our states and territories. Our commitment to children and families dictates that we try to improve educational opportunities, ensure that families have access to health care and child care, invest in capital projects that improve the quality of life and foster economic development, and maintain safe streets, safe schools and safe communities.

Democratic Governors believe that we can address these priorities while maintaining fiscal discipline that allows us to balance our budgets and, when times are good, to provide tax relief or incentives that help working families.

These are not new priorities. Our record on these issues is well-established, and we are pleased to see the national debate on these issues move in the directions we have long advocated. We applaud the President and Democratic leadership on Capitol Hill on their unified 1998 agenda *Democrats' New Solutions for a New Century*, and we encourage the Congress to enact this agenda. We trust that, working together, the Administration and the Congress will find reasonable and fiscally responsible ways to fund these priorities.

As Governors, we believe the following issues deserve immediate attention from the Congress:

### **Education**

Providing a quality education is primarily a state function, which each of our Democratic Governors has placed at the top of the agenda for the coming year. However, there are ways in which the federal government can assist existing state initiatives to improve education.

We strongly support the President's initiative to reduce class sizes in grades 1-3 to an average of 18 pupils per classroom by helping local communities hire 100,000 new teachers. This program would build on the successes of several of our Democratic Governors, including Governor Bob Miller of Nevada and Governor Tom Carper of Delaware, who have pioneered new programs to reduce class sizes. While we have concerns about funding this proposal out of state tobacco settlement funds, we strongly support the President's policy initiative.

We also applaud the President's emphasis on raising standards and accountability. Governor Jim Hunt of North Carolina has been a national leader on this issue through his work with the National Board for Professional Teaching Standards.

Another important component of providing a good education is to improve educational facilities. We applaud the President's proposal to have federal tax credits to pay interest on nearly \$22 billion in bonds to finance building and renovation of public schools. This proposal complements the work already under way in several states, including Maryland, where Governor Parris Glendening has launched a major effort to invest \$600 million to construct and modernize more than 5,000 classrooms.

## Strengthening Families

Securing safe, high-quality, affordable child care and promoting early childhood learning opportunities are two of the greatest challenges facing working families today. Democratic Governors have taken the lead in addressing this challenge through programs like Governor Jim Hunt's Smart Start in North Carolina and Governor Roy Romer's Bright Beginnings program in Colorado.

We strongly endorse President Clinton's historic child care initiative to provide subsidies to help make child care more affordable for working families, to increase access to and promote early childhood learning, to improve the safety and quality of child care, and to expand access to after-school care. We strongly support this policy initiative, but we have concerns about funding this proposal out of state tobacco settlement funds.

Providing health care to children has always been a top priority of Democratic Governors. We pledge to work hard to design children's health initiatives that wisely invest the \$24 billion in children's health funding included in last year's balanced budget agreement. Democratic Governors across the nation -- from Howard Dean in Vermont to Gary Locke in Washington, from Zell Miller in Georgia to Mel Carnahan in Missouri, from Tom Carper in Delaware to Ben Nelson in Nebraska -- are leading the way in implementing children's health programs that will extend health insurance coverage to hundreds of thousands of children who previously had no insurance. Governor Pedro Rossello has led the way in this effort in Puerto Rico, where his Health Card program has extended coverage to thousands of citizens.

Protecting our young people from the scourge of violent crime, especially from crimes committed by other young people, also must be a top priority. We endorse President Clinton's proposal to help state and local prosecutors crack down on gang members and violent juveniles; and we support his proposal to help keep schools open later so that kids are supervised between 3 p.m. and 8 p.m. -- when most violent juvenile crimes are committed.

## Transportation

Wise investment in our nation's transportation system will yield returns, in economic and human terms, for years to come.

Clearly, investments in our transportation system are a critical element in economic development. Without new investment, we will begin to limit the productivity and growth of our economy.

But this issue involves more than concrete and steel. A strong transportation system is important for quality of life: whether it is providing a way for a former welfare recipient to travel to a new job, or whether it is reducing commuting time so a mother or father can spend more time with a child.

Our Democratic Governors have recognized the link between a high-quality transportation system and the economic and personal well-being of their citizens. Governor Paul Patton of Kentucky has been a forceful advocate for transportation funding. Governor Pedro Rossello of

**DGA Resolution**

**Page 3**

Puerto Rico and Governor Frank O'Bannon of Indiana are leading the way in making wise investments in transportation that will pay dividends for years to come.

We believe that now that the federal budget deficit has been addressed, it is time for our nation to renew -- and to increase -- its commitment to infrastructure investment. The federal government needs to increase its spending on transportation, which has been declining as a percentage of total investment in transportation.

We also believe that highway trust fund money raised for transportation should be spent for transportation and not diverted for other purposes such as deficit reduction.

For many years, the states have tried to find ways to pick up the slack to make up for a declining federal commitment to our nation's transportation system. It is now time for the federal government to join the states as a stronger partner in investing in our future transportation needs.

**February 21, 1998**

*For more information, contact:*

*Doug Richardson*

*DGA Policy and Communications Director*

*(202) 479-5184*



## DEMOCRATIC GOVERNORS' ASSOCIATION

### DEMOCRATIC GOVERNORS' ASSOCIATION Winter Political Meeting

**Saturday, February 21, 1998  
Washington, D.C.**

Governor Pedro Rosselló  
Puerto Rico  
*Chair*

Governor Frank O'Bannon  
Indiana  
*Vice Chair*

#### EXECUTIVE COMMITTEE

Governor Mel Carnahan  
Missouri

Governor Tom Carper  
Delaware

Governor Lawton Chiles  
Florida

Governor Howard Dean, M.D.  
Vermont

Governor Parris N. Glendening  
Maryland

Governor James B. Hunt, Jr.  
North Carolina

Governor Bob Miller  
Nevada

Governor Paul Patton  
Kentucky

Governor Roy Romer  
Colorado

Katherine Whelan  
*Executive Director*

- |           |   |
|-----------|---|
| 2:00 p.m. | <p><b>DGA News Conference</b><br/>Lobby, 555 13<sup>th</sup> Street, N.W.<br/>Subject: Education, Strengthening Families, Transportation</p>  |
| 2:30 p.m. | <p><b>DGA Governors' Only Meeting Begins</b><br/>Fulbright Center Conference Room<br/>13<sup>th</sup> Floor, West Tower<br/>555 13<sup>th</sup> Street, N.W.</p> <p><b>Welcome</b><br/>Governor Pedro Rosselló<br/>1998 DGA Chair</p>                 |
| 2:35 p.m. | <p><b>Clinton Administration Report</b><br/>Erskine Bowles, White House Chief of Staff<br/>Secretary of Education Richard Riley<br/>Bruce Reed, Domestic Policy Advisor to the President<br/>Mickey Ibarra, Director of Intergovernmental Affairs</p> |
| 3:35 p.m. | <p><b>"Paycheck Protection" Report</b><br/>Gerald W. McEntee, International President, AFSCME<br/>Steve Rosenthal, AFL-CIO Political Director</p>   |
| 3:55 p.m. | <p><b>DGA Chairman's Report</b><br/>Governor Pedro Rosselló</p>   |
| 4:15 p.m. | <p><b>Unified Senate-House Legislative Agenda</b><br/>Congressman Steny Hoyer, Maryland</p>   |
| 4:45 p.m. | <p><b>NGA Business</b><br/>Governor Tom Carper, Delaware, NGA Vice Chair<br/>Governor Pedro Rosselló</p>  |
| 5:15 p.m. | <p><b>Adjournment</b></p>   |



DEMOCRATIC GOVERNORS' ASSOCIATION

MEMORANDUM

**TO:** DEMOCRATIC GOVERNORS

**FROM:** Katie Whelan  
Doug Richardson

**RE:** Governor Rossello's Harvard Speech

**DATE:** February 21, 1998

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Governor Pedro Rosselló  
Puerto Rico  
*Chair*

Governor Frank O'Bannon  
Indiana  
*Vice Chair*

EXECUTIVE COMMITTEE

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Missouri

Governor Tom Carper  
Delaware

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Governor Paul Patton  
Kentucky

Governor Roy Romer  
Colorado

Katherine Whelan  
*Executive Director*

Governor Pedro Rossello, the 1998 Chairman of the Democratic Governors' Association, spoke this week at the Kennedy School of Government at Harvard University.

The Governor discussed the future of Puerto Rico and the self-determination process for the commonwealth.

A text of the speech is attached.

*Address by*

**The Honorable Pedro Rosselló**

*Governor of Puerto Rico*



**AFTER**

***"100 Años de Soledad,"***

**A DATE WITH DESTINY**

*Delivered in the*  
**ARCO Forum of Public Affairs**  
*at the*  
**Institute of Politics**

*John F. Kennedy School of Government*  
*Harvard University*  
*Cambridge, Massachusetts*  
*February 17, 1998*

1

**H**OW MANY TIMES – how many thousands of times – has a scene like this unfolded?

- ✓ A chilly night in Cambridge;
- ✓ a meeting room at Harvard;
- ✓ a group of people whose common interests have brought them together to listen to a speaker who has traveled to Massachusetts from some distant location.

For me, and I hope for you, this is an important occasion. And yet, as I commenced the solitary task of writing down the thoughts that I would share with you this evening, I had to ask myself whether our Forum dialogue tonight could possibly have any lasting impact. I had to wonder if this lecture could possibly stand out and somehow be remembered – when so many legendary figures have uttered so many immortal words, over so many hundreds of years, at so many critical moments, on this world-renowned campus.

And so it was, as I commenced the solitary task of composing this address, that the lyrics to a song kept running through my head. A song by the Beatles. One of their many uniquely wonderful songs. A song about an obscure spinster, Eleanor Rigby, who dies and is “buried alone with her name.”

Referring to preparations for Ms. Rigby’s bleak funeral at a deserted cemetery, the Beatles painted a poignant portrait of “Father Mackenzie, writing the words to a sermon that no one will hear.”

It was those lyrics that made the connection for me between this encounter at Harvard and a classic work by Gabriel García-Márquez. While reflecting on those lyrics, I realized that – on this chilly night in Cambridge – we would be looking back over “100 años de soledad”: “100 years of solitude.”

**M**ORE THAN FOUR FULL CENTURIES after Christopher Columbus laid claim to it on behalf of their royal majesties, Ferdinand and Isabella, the Spanish colony of Puerto Rico was struggling gamely for subsistence, engulfed in obscurity, when – very suddenly, 100 years ago this past Sunday – the United States battleship *MAIN* exploded in the harbor at Havana, Cuba.

Three days later, in Puerto Rico’s capital city of San Juan, a child was born.

That child, Luis Muñoz-Marín, would grow up to become not only the most powerful politician in the history of Puerto Rico, but also one of the most influential statesmen on the Inter-American stage in the entire tumultuous 20th century.

**A** REMARKABLE COINCIDENCE, YES: two days ago was the centennial of the catastrophe that triggered the conflict which brought Puerto Rico under United States control; and tomorrow, we celebrate in Puerto Rico the centennial of the birth of the man who made history as our first popularly-elected governor, Luis Muñoz-Marín.

But amazingly, the coincidence doesn't end there. Today, February 17, we celebrate the birthday of a man who is still making history at the age of 94: Don [the venerated] Luis Ferré -- engineer, industrialist, patron of the arts.

Don Luis Ferré, who participated in drafting the Constitution of Puerto Rico nearly 50 years ago; and who, 31 years ago, founded the political party that has won most of our elections ever since.

Don Luis Ferré, a former member of our House of Representatives; a former President of our Senate; a former Governor of Puerto Rico; and a recipient of the Presidential Medal of Freedom for his lifetime of loyalty and service to the United States of America.

For most of this century, Luis Ferré has been at the forefront of a crusade: a crusade that many dismissed as quixotic. It is he who symbolizes and embodies the faith and determination and persistence of a crusade for equality which -- at the dawn of a new millennium -- I am confident will culminate in Puerto Rico's admission to the Union as America's 51st state.

After "100 years of solitude," Puerto Rico is at last approaching a date with destiny.

**D**URING HIS CENTURY OF STEWARDSHIP OVER PUERTO RICO, Uncle Sam has often been a clumsy patron. His interest and his attention-span have fluctuated wildly. Overall, Uncle Sam has been infinitely more supportive of our aspirations as a people than Mother Spain ever was. Be that as it may, however -- with the centennial of the Spanish-American War now upon us, the people of Puerto Rico do remain disfranchised stepchildren within the great American family.

Only now and then are we unconditionally anointed as peers. Only now and then: such as when there is blood to be shed in the national defense.

Throughout this century, Puerto Ricans have sustained combat casualties in America's wars in numbers that far exceed our share of the population. When there is blood to be shed, then we are abruptly "liberated" from "stepchild" obscurity and are thrust into the thick of the conflict.

And, sadly, this sort of thing has been going on now for so long – decade after decade after decade – that any Governor of Puerto Rico could perhaps be forgiven if he or she were tempted to conclude that one more speech on the topic could hardly make much difference.

But I am an optimist by nature. And, in 1998, I have solid grounds for optimism.

**I** WOULD NEVER HAVE CONSIDERED accepting the gracious invitation of this prestigious Institute if I did not truly believe that a date with destiny is indeed finally imminent for the 3.8-million people of Puerto Rico.

The issues are complex. The historical baggage is heavy. Opinions on the subject are many, varied and passionately held.

My personal views are no secret. Indeed, I have already told you what I am convinced our destiny ought to be.

However, after putting myself in the shoes of the Beatles' "Father MacKenzie," I have emerged from prayerful solitude and come to a serene conclusion. I have come to the conclusion that the most useful contribution I can make, at the John F. Kennedy School of Government, is to resist the temptation to convert this Forum into the setting for a single-minded soliloquy on the superiority of statehood.

My goal tonight is to try to speak for every Puerto Rican, with respect to our collective aspiration to forge a final democratic solution to the centuries-old quandary surrounding Puerto Rico's political indefiniton.

Because I truly believe that Puerto Rico's date with destiny is imminent, I want to examine with you the tapestry upon which that destiny is being woven – on countless looms in countless venues, even as you and I discuss it among ourselves.

**C**URRENTLY, THE MOST VISIBLE OF THOSE MANY VENUES IS WASHINGTON, D.C. There, the Federal Government is making unprecedented strides toward surmounting a century of stalemate. For the first time, the United States Congress is moving in the direction of genuinely coming to grips with the practical realities of a Puerto Rico self-determination process.

Under the U.S. Constitution, that process is the sole province of Congress: the power and authority for determining Puerto Rico's political status is vested totally in the Congress.

From 1898 forward, Congress has repeatedly finessed this issue. It has done so in numerous ways, dating all the way back to 1900.

In that year, when we held our first elections under American sovereignty, both of Puerto Rico's principal political parties clamored for U.S. statehood; but when their petitions reached the halls of power, in our Nation's Capital, they were met only with mumbled platitudes about "*mañana*." ["tomorrow."]

The "Congressional finesse" achieved its zenith (or its nadir) at the height of the Cold War, in 1952, when Puerto Rico was proclaimed to be a "commonwealth" - defined in Spanish as an "*estado libre asociado*," a "free associated state."

**T**HE SO-CALLED "COMMONWEALTH" OF PUERTO RICO was purely and simply a sham: a diplomatic public-relations gimmick that provided Uncle Sam with a fig leaf for escaping overt embarrassment whenever self-determination issues arose at the United Nations.

No less an authority than the Honorable José Trias-Monge declared last month that it is "undeniable and lamentable" that Puerto Rico remains, under "commonwealth" status, in a colonial condition.

**Who is José Trias-Monge?**

- He is a founding father of "commonwealth" status, who was instrumental in fabricating it as one of the most esteemed members of the Constitutional Convention that drafted the blueprint for "commonwealth" which Congress ratified in 1952.
- José Trias-Monge served in a pro-"commonwealth" administration as Puerto Rico's Attorney General.
- José Trias-Monge was appointed by a pro-"commonwealth" governor, and confirmed by a pro-"commonwealth" Senate, to serve as Chief Justice of the Puerto Rico Supreme Court.

But, as the July 25, 1998 centennial of the United States invasion of Puerto Rico draws ever closer, Trias-Monge is best known now as the author of a recently-published book: a book entitled, *The Trials of the Oldest Colony in the World*.

**J**OSÉ TRIAS-MONGE has seen the light. And more importantly, so has Congress. The ol' "finesse-a-roony" is on its way out.

Congressman Don Young of Alaska chairs the U.S. House committee that exercises jurisdiction over territorial affairs. His Committee on Resources is earnestly engaged in a rigorously unsentimental assessment of America's complicated and

frequently contradictory relationships with its far-flung array of insular possessions.

**E**VER SINCE HE BECAME RESOURCES COMMITTEE CHAIRMAN, in 1995, Congressman Young has been working on legislation that would offer the voters of Puerto Rico an opportunity to express their preference from among a clearly-defined set of political status options. He's held lengthy hearings in Washington; he's held lengthy hearings in Puerto Rico.

Congressman Young's purpose is to initiate an orderly process that will end our status dilemma once and for all.

Now awaiting a vote by the full House of Representatives is a legislative measure that has come to be known as the "Young Bill" (H.R. 856).

That bill has close to 100 cosponsors from both political parties.

- Republican Speaker Newt Gingrich is one of those cosponsors.
- So is Democratic House Minority Leader Richard Gephardt.
- The ranking Democrat on Republican Chairman Young's committee, Congressman George Miller of California, likewise supports the bill.
- And President Clinton is equally committed to the proposition that Puerto Rico should be the site of a political status referendum in this centennial year.

I am fully confident that H.R. 856 – the United States-Puerto Rico Political Status Act – will be brought to the House floor within the next few weeks.

The enactment of H.R. 856 would constitute the most appropriate and constructive step that the Federal Government could take to mark the centennial of U.S. sovereignty over Puerto Rico.

**B**UT WHATEVER TRANSPIRES IN 1998, a precedent is being established and a trend is becoming apparent: official Washington is finally giving serious attention to the unfinished business that has surfaced as the legacy of the controversial doctrine known as "manifest destiny" – the very doctrine which played such a pivotal role in spawning the so-called "splendid little war" that planted the Stars and Stripes on Puerto Rican soil 100 years ago. So this is one major reason why I firmly believe that our date with destiny is imminent.

And before we move on, let me note in passing that it is impossible to overemphasize the intrinsic merit of the Young Bill's statesmanlike approach to the self-determination process.

**P**UERTO RICO has been a political entity for approximately five centuries. In all of that time, it has never ever been a sovereign entity. As a "body politic," Puerto Rico is thus burdened with five centuries of inertia.

Few informed observers would quarrel with former Chief Justice Trias-Monge's assertion that Puerto Rico is the "oldest colony in the world."

The impact of "colonial inertia" has again and again been manifested in the following manner: "colonial inertia" effectively stymies the evolution of any consensus among the Puerto Rican people concerning a permanent solution to our status dilemma. Again and again, inertia has fomented indecision. And, invariably, that inertia has been perpetuated and exacerbated by doubt and uncertainty over what exactly would be the terms under which a permanent status solution would be implemented.

The beauty of the Young Bill is that it establishes an orderly, logical methodology for the approval and implementation of an informed transition leading to a permanent solution.

**U**NDER THE PROCEDURES set forth in H.R. 856, the people of Puerto Rico would possess - at every juncture in that transitional process - the indispensable elements of judgment that we have always lacked in the past: this time, we would know exactly what we were being invited to ratify or reject.

It is this unmistakable clarity - this unambiguous articulation of precisely what is at stake - that makes the Young Bill so uniquely viable. The United States-Puerto Rico Political Status Act starts from a premise that is indisputably and irrefutably valid: it begins with the premise that the concept of "self-determination" is inseparable from the concept of "sovereignty."

Defenders of the status quo strenuously object to the Young Bill. They call it a "statehood bill." They object because the bill explicitly acknowledges that the status quo - our so-called "commonwealth status" - is not, and can never be, a "sovereign" option.

The bill (at my request, incidentally) does include the status quo as an option on the referendum ballot. But the bill candidly and honestly concedes that a referendum victory for the status quo would constitute a defeat for self-determination. Accordingly, it describes such an outcome as "inconclusive" and directs that, under such circumstances, there shall be further referenda - at least once every ten years - until such time as a majority of the Puerto Rican electorate expresses a

preference for either shared sovereignty (through statehood) or "separate sovereignty" as an independent republic.

In other words, the Young Bill leaves the door wide open for Puerto Ricans to exercise true self-determination, while it simultaneously "goes the extra mile" by agreeing to respect the will of our people even if we do not immediately choose a true self-determination alternative.

**N**OTHING COULD BE MORE FAIR THAN THAT; nothing could be more reasonable. Nothing could reflect greater patience; nothing could reflect greater good will.

So, in branding H.R. 856 as a "statehood bill," the champions of the "commonwealth" cause are simply engaged in a disinformation campaign. They are simply endeavoring to distract public attention from the humiliating position in which they find themselves, as persons who insist on opposing the proposition that the Puerto Rican electorate should be granted the right to put an end to colonialism.

In attempting to discredit statehood and to derail the self-determination process, they brazenly assert to anyone who will listen that Puerto Rico would be a "welfare state"; an "economic basket-case" that would place a permanently intolerable burden on the Federal treasury.

**W**ELL, THAT'S BALDERDASH, according to a brand-new study co-authored by Glenn Jenkins - who is the Director of the International Tax Program at Harvard Law School and a Fellow of the Harvard Institute for International Development. He and Chairman J. Tomás Hexner of Hex, Incorporated - in a work entitled Puerto Rico: The Economic and Fiscal Dimensions - have concluded emphatically that...

From a fiscal perspective, bringing in Puerto Rico as the 51st state would result in both a net benefit to the U.S. Treasury and U.S. citizens living in Puerto Rico.

At great length and in great detail, their research demonstrates that the myriad disadvantages of residing in a territory pose an insurmountable barrier to a people's optimal socioeconomic development. These scholars document their argument with abundant evidence, including the observation that the inflation-adjusted economic growth rate in Hawaii nearly doubled during its first 15 years as a state.

In the expert opinion of Jenkins and Hexner...

From the perspective of the American taxpayer and Congress, making Puerto Rico a state would actually cost the Federal Government less on the basis of present value and additional savings from increased tax revenues driven by faster economic growth.

The authors go on to say that, if Puerto Rico had been a state in 1995, the U.S. Treasury would have saved at least \$2.1-billion.

So the "welfare state" smear is as specious as it is pernicious.

**L**AMENTABLY, THOUGH, the desperate diehards of disenfranchisement have other arrows in their quiver: it seems they will stop at nothing to sully the image of their own people. Along with their welfare-state rhetoric, they have been rolling out a shopworn arsenal of bombastic clichés.

They portray a State of Puerto Rico as an "American Quebec": that is, a hotbed of resentment; cultural hostility; alienation; and endless trouble. In making that case, these demagogues conveniently ignore a whole host of pertinent facts.

- Quebec is Canada's largest province; home to one-fourth of Canada's population; and the site of its second-biggest city.
- Puerto Rico, in both size and population, is comparable to Connecticut – what a difference!
- The French-speaking people of Quebec fell under the domination of English-speakers because they lost a war; that painful experience has never been forgotten; nearly half of Quebec's population advocates separation from Canada.
- Puerto Ricans, by contrast, welcomed the change of sovereignty that occurred in 1898; independence sentiment is minimal – less than 5%; and, far from clinging to the island as a bastion against English, so many of us have moved to the mainland that almost as many Puerto Ricans reside in the 50 states as reside in Puerto Rico itself.
  - ✓ Three mainland Puerto Ricans hold seats in Congress.
  - ✓ A Puerto Rican is Chief Judge of the First Circuit U.S. Court of Appeals in Boston.
  - ✓ Numerous Puerto Ricans have been generals or admirals in the U.S. armed forces.
  - ✓ A Puerto Rican woman is a member of the President's Cabinet, as head of the Small Business Administration.
  - ✓ Another Puerto Rican woman serves on the Federal Communications Commission, and a third was recently the Nation's Doctor: the Surgeon General of the United States.

Puerto Ricans have been United States citizens since 1917 – Spanish-speaking United States citizens, who unhesitatingly accept the fact that most of their fellow citizens speak only English. Statehood won't change that.

If Puerto Rico's Spanish vernacular hasn't been a problem for the past century – and it hasn't – then it won't be a problem under statehood, either.

And besides, the debate in Quebec is about whether to get out of Canada; the debate surrounding U.S. statehood for Puerto Rico is the exact opposite!

**SO THE QUEBEC ANALOGY SIMPLY DOESN'T FLY.** But desperate ideologues will try anything, so the analogy is out there – being exploited to the hilt in a calculated attempt to poison the well of American public opinion.

If we in Puerto Rico have been remiss, up to now, in failing to vigorously debunk these shameful acts of mythological mischief, it is only because we have been too busy back home, proving the old adage that actions speak louder than words.

Let me illustrate that.

**UPON MY INAUGURATION**, in 1993 – having received an unequivocal mandate from the Puerto Rican electorate – we launched a New Beginning that would prepare Puerto Rico for its date with destiny.

For the past five years, from top to bottom and stem to stern, we have been revamping and modernizing the Puerto Rican ship of state.

From our economic development model, to our tax code, to our education system, our health-care system, our judicial system, our public-safety apparatus, our infrastructure; from top to bottom and stem to stern, we have reformed Puerto Rico's government by converting it into a friendly facilitator of individual empowerment and private business expansion.

We are aggressively, persistently and relentlessly creating a climate of self-sufficiency; a self-sufficiency that will permit Puerto Ricans to excel and to triumph in the bilingual/bicultural marketplace that is rapidly encompassing both of our American continents in this exciting age of hemispheric economic integration.

We are doing this because it is the right thing to do.

We are doing it in a way that will ensure that Puerto Rico can progress and prosper under any political status, since our new economic model – unlike its predecessor –

is status-neutral.

We are securely embarked on an exciting voyage of discovery, energized by an unshakable Commitment to Tomorrow.

**T**HANKS TO THAT COMMITMENT, never again will ideological status-quo advocates be able to sell our people a bill of goods; never again will they make any headway with tactics such as strident claims to the effect that learning English threatens Puerto Rico's "patrimony."

We know that bilingualism is a blessing. We know, too, that it will soon be indispensable. So *We the People of Puerto Rico* know and understand that we should and we must equip each of our young people with the ability to communicate in both Spanish and English.

This is a Puerto Rico that is forging its own future -- with confidence, with courage, with creativity. This is a Puerto Rico that is ready and eager for its date with destiny.

As that date draws nearer, its arrival is being accelerated as well by a third powerful phenomenon that must be mentioned before I close. That phenomenon is as fundamental as our nation's very motto: *E Pluribus Unum*.

In the 21st century, how shall we read that motto? What will it mean when we look at America and utter the phrase, "Out of Many, One"?

The answer is in this room. The answer is spread all across this campus. The answer is swiftly finding its way into every community in every state.

The Earth is fast becoming a global village, linked by instantaneous communication and a worldwide marketplace. Our America can remain a respected leader in that global village -- a strong, prosperous and just leader -- if and only if we take full and complete advantage of the unique asset that is the diversity of this nation's population.

**I**N THE 21ST CENTURY, equality of opportunity must and shall become more than a matter of principle. In the global economy of the 21st century, equality of opportunity will become a matter of necessity -- because, unless we take maximum advantage of our diversity, we shall inevitably begin to lose our competitive edge in the international marketplace of products, services and ideas.

Diversity, therefore, is an issue where the idealistic and the pragmatic converge. Diversity is an issue where our best instincts and our best interests converge.

Ten or 15 years from now, Hispanics will have become the principal subgroup in the United States population. And the timing could not be better, as our nation's entrepreneurs look south: to limitless opportunities for profitable interchange and productive partnership with the 400-million consumers of an increasingly democratic, increasingly market-oriented Latin America and the Caribbean.

**H**ISPANIC AMERICANS will be at the forefront of that mutually beneficial exchange, leading the breakthrough and opening the doors to cordial collaboration and better lives for peoples throughout the hemisphere.

Within that context — and contemplating that inevitably imminent scenario — who can doubt that the spotlight is shifting? Who can doubt that Puerto Rico will move out of the shadows and onto center stage — its era as an "insular stepchild" gone for good? Who can doubt that bilingual/bicultural Puerto Rico will take its place in the hemispheric spotlight as an ideally situated Bridge of the Americas?

Who can doubt that a 500-year-old heritage — zealously cherished and faithfully nurtured — will suddenly be perceived in a whole new perspective: no longer "quaint," no longer "exotic," no longer "strange"?

**O**VERNIGHT, the heritage we treasure as patriotic Puerto Ricans is going to be transformed in the minds of Americans from every other background. Where once our heritage may have been perceived as an obstacle to acceptance or — at best — as a charming tourist attraction, that heritage tomorrow shall be recognized and warmly welcomed as a magnificent resource for American leadership in the global village of a new millennium.

After "100 years of solitude," under a star-spangled banner on which none of the stars could ever be called our own, *We the People of Puerto Rico* are about to make the most of a long-overdue date with destiny. And America — all of America, from sea to shining sea — will be richer for it.

Thank you, and may God be with you!