THE WHITE HOUSE

WASHINGTON

August 5, 1999

MEMORANDUM TO THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: Summary and Analysis of NGA Resolutions

HR-3: National Guard Youth Challenge Program

Summary
The NGA policy reaffirms their support for the Youth Challenge program as part of the National Guard's mission in states and local communities. The amendments urge Congress to continue the program, and extend the policy's sunset date for two years.

Analysis
ChalleNGe is a social program that is not core to the Defense mission. While Congress favors the program and consistently adds funding, the Department of Defense does not reap any particular benefit. From a recruiting perspective, a very low percentage of youth who complete the program ever enlist in the military. Additionally, since a limited number of states enjoy the program the impetus to expand to all 50 states would be an expensive proposition. The FY 2000 President's Budget includes $62.5 million for ChalleNGe.

HR-4: Elementary and Secondary Education

Summary
The NGA resolution recognizes the importance of using state standards and assessments to build accountability systems that inform the public about student performance and calls for specific actions to deal with failing schools but says accountability measures should be determined at the state level rather than the federal level. The federal role in education is characterized as "financial and supporting," specifically in providing resources for poor students, sponsoring and disseminating research, and supporting professional development. Congress is called upon to maintain state sovereignty and not impose "one-size-fits-all" policies on states or school districts.

The NGA suggests that in reauthorizing the Elementary and Secondary Education Act Congress meet and maintain federal funding commitments (including Class Size Reduction funding and

Impact Aid), help states target funding to the most needy students, continue federal research and dissemination, and support state efforts in teacher quality, safe and drug-free schools, technology, and public school choice. They also call on Congress not to impose additional federal accountability mechanisms until those included in the 1994 ESEA reauthorization have been fully implemented. The resolution recommends that states be given the option to consolidate federal funding for categorical programs in exchange for a negotiated performance agreement with the Secretary of Education, while maintaining Title I targeting. It also calls for expanded use of class size reduction funds by giving states the flexibility to use the funds for professional development, or to reduce class sizes in preschool and kindergarten. States would lose this flexibility if they failed to demonstrate improved student achievement of poor students--in the early grades--within two years.

Analysis
The NGA policy reflects the principles of your ESEA reauthorization proposal in a few key ways, including the call for implementing strong accountability measures, targeting funds to high poverty schools, promoting school level reform, increasing parent involvement and maintaining federal funding levels for existing programs. It also advocates the use of high-quality professional development for teachers aligned with state standards, promotes the development of alternative routes to teaching certification and supports the work of the National Board for Professional Teaching Standards. However, the NGA proposal to consolidate federal funds in exchange for progress on a negotiated performance agreement very closely resembles a bill introduced by Senators Goodling and Gorton a few weeks ago (the "Academic Achievement for All Act"). In addition, the NGA policy would undermine your class size reduction initiative by eliminating the separate funding stream -- much like the McKeon "Teacher Empowerment Act" that the House passed a few weeks ago. The NGA is calling for full implementation of current ESEA requirements before instituting new accountability measures, which they believe should be developed by the state. Current law requires that state standards and state assessments be aligned by the 2000-01 school year. Your proposal would impose additional accountability measures for certifying teachers, turning around low-performing schools and ending social promotion, all of which would be phased in over a period of time but might begin to take effect before current measures are fully implemented.

HR-15: CHILDREN'S HEALTH

15.2: Eligibility for Medicaid and CHIP

Summary
The resolution asks Congress to modify the CHIP screen and enroll requirements and allow beneficiaries to voluntarily turn down Medicaid in favor of a separate state CHIP program.

Analysis
We have serious concerns about this provision such as the one advocated by the states, because it would, by definition, represent an explicit cost shift to the Federal government. When CHIP was passed and enacted, the Congress – on a bipartisan basis – made clear that currently eligible Medicaid populations should be covered by the traditional Medicaid program and that states

should not have the ability to redirect children into a new program primarily to receive a higher Federal match. Although some states suggest that this limitation reduces the number of children enrolled for insurance because of the so-called "welfare stigma", there is relatively little evidence to support this assertion.

We agree that the "welfare stigma" may be a barrier for some families in signing their children up for Medicaid. We would like to work with States to use the existing flexibility in Medicaid to make it appear and operate more like private health plans (e.g., change the name of Medicaid programs; simplify and streamline the application process; use private managed care plans to insure beneficiaries).

15.3: Increasing State Flexibility in Medicaid and CHIP

Summary
Additional flexibility is needed in order to expand employer based insurance, family coverage, crowd out, and cost sharing.

Analysis
We will continue to work with states to ensure that we are being as flexible as possible within the confines of the CHIP statute.

15.4: Guaranteed Funding for CHIP

Summary
Congress should maintain its commitment to fully funding the Federal share of CHIP.

Analysis
We support this resolution and agree that CHIP should be fully funded.

15.5: Administrative Expenses

Summary
States should be given a larger percentage of funds to support administrative costs for the first years of their programs. At a minimum, outreach should be removed from the 10 percent cap.

Analysis
We agree that the current cap on administrative expenses imposes an unrealistic constraint on states trying to simultaneously start their programs and conduct aggressive outreach. Thus, the President's FY 2000 budget includes a proposal to allow states to spend 3 percent of their program expenditures on outreach, separate from the 10 percent cap on administrative and other outreach spending.

15.6: Benefits

Summary
Congress should waive the actuarial equivalence test for CHIP coverage provided through employer based coverage.

Analysis
We oppose this resolution. One of CHIP's strengths is that families know when they sign up their children for coverage that it is meaningful – regardless of how this coverage is delivered. We agreed in the creation of CHIP to allow for funding to be used to subsidize children's coverage in certain employer based arrangements. We recognize that most employers' coverage usually easily exceeds the CHIP standards but believe that this must be guaranteed. We will continue to work with States, in the way that we worked with Massachusetts and Wisconsin, to make this option as easy as possible to administer.

15.7: Outreach

Summary
Uncoordinated Federal outreach efforts are administratively cumbersome and are not successful. Programs that cover similar populations, such as WIC and CHIP should be permitted to coordinate freely in order to help maximize their outreach efforts. In addition, the GAO and HHS should provide States with a more detailed and accurate explanation of children who are eligible for but not enrolled in Medicaid. This detail should include numbers and characteristics of uninsured children and may require a national survey that is state specific.

Analysis
We agree that we can improve Federal coordination of program eligibility, and are committed to coordinated, expanded outreach efforts.

15.8: Waiver Authority

Summary
States must have the flexibility to design and implement programs that reduce the number of uninsured children in each state. To maximize outreach and extend coverage to more children, states must be permitted to use the 1115 waiver authority without artificial restrictions.

Analysis
Because CHIP is still new, we believe that neither the Federal government or the States have had enough experience in to determine whether and what type of experimentation under 115 authority should occur. Since some states now have had that experience, we look forward to working with you to determine how 1115 demonstrations in CHIP might work.

15.9: Family Coverage

Summary
Most states would like to expand their CHIP programs to allow the parents of CHIP eligible children to enroll in the state program. Even if a state is willing to spend its own funds to do this, it still has to pursue a Federal waiver and demonstrate cost-neutrality, which is not feasible in most cases.

HR-18: Work Opportunity Tax Credit

Summary
NGA calls on Congress to approve a multi-year renewal of the Work Opportunity Tax Credit (WOTC). This multi-year renewal will increase continuity and allow employers to use the credit more effectively to increase hiring disadvantaged populations, including individuals moving from welfare to work.

Analysis
Both WOTC and the Welfare to Work Credit expired June 30. Your FY 2000 budget proposes extending both credits for an additional year. It is unfortunate that NGA has not included the Welfare to Work Credit in its resolution and we are following up to see if they might consider amending it. The Republican tax bill extends both credits for 30 months (through December 2001). Congressman Houghton has introduced legislation to consolidate the two credits and make them permanent. Treasury has testified that the Administration generally supports multi-year extension if appropriate offsets can be found. WOTC covers eight target groups including welfare recipients, food stamp recipients, individuals with disabilities, veterans, and ex-offenders, with welfare recipients representing the single largest group. The Welfare to Work Credit targets long-term welfare recipients and rewards both hiring and retention by providing a more generous credit for the second year of employment. Since 1997, the two credits have helped employ over 600,000 job seekers.

HR-23: INDIVIDUALS WITH DISABILITIES EDUCATION ACT

23.2.10 Equal Access to Medicaid Funds

Summary
School districts have different capacities to seek reimbursement from Medicaid for health services under IDEA. The NGA is concerned that fee-for-service systems may not meet the needs of some school districts and urge HCFA to work with States to ensure that all school districts also have access to Medicaid funds to cover the cost of providing IDEA health services.

Analysis
While we support Medicaid reimbursement of health related IDEA services, we must ensure that Federal Medicaid dollars are being expended on services that are medical in nature and are documented in a way to ensure the fiscal integrity of the program. To this end, we have

convened a workgroup of State Medicaid Agency Directors, Department of Education staff, and HCFA regional and central office staff to study the issues related to Medicaid reimbursement for school based special education services.

HR-24: National and Community Service

Summary
NGA revised this resolution on national service and volunteerism to emphasize the importance of state and local service initiatives. This resolution recommends that the federal government allocate federal funds to states for demonstration initiatives to provide governors with the flexibility and opportunity to showcase innovative models that work to solve community problems through service and volunteerism.

Analysis
The administration agrees with NGA on the importance of service and volunteer programs – particularly the role of these programs in building an ethic of community. The Administration also supports federal funding for demonstration projects by states to showcase innovative initiatives.

Your FY 2000 budget request includes $585 million for AmeriCorps, an increase of $113 million over last year. This would expand AmeriCorps to nearly 70,000 members by the year 2000, with the goal of reaching 100,000 members each year by 2002. To tap the skills and experience of America's growing senior population, the budget requests $201 million for the Senior Corps, a $13 million increase over last year. This level would support an estimated 464,000 Retired and Senior Volunteer Program volunteers, 28,200 Foster Grandparents serving 100,000 children and youth with special needs, and 14,800 Senior Companions providing support to almost 52,000 adults who have difficulty with daily living tasks.

HR-28: Parental Involvement in Child Rearing

Summary
While recognizing that government alone cannot reverse the growing and negative trend of father absence, the Governors recommend that all levels of government take steps to help reduce out-of-wedlock pregnancies and to encourage active participation by fathers in raising their children.

Analysis
Both you and the Vice President have challenged fathers to be actively involved in their children's lives and to provide both emotional and financial support. Since you took office, child support collections have increased by 80% and the number of fathers establishing paternity has tripled. Your Welfare-to-Work reauthorization proposal will provide at least $150 million to ensure that every state helps fathers play a responsible part in their children's lives. It requires states to spend at least 20 percent of their Welfare-to-Work funds to help low income fathers work and pay child support. We will soon be awarding the first round of bonus funds provided

by the welfare reform law to up to five states that have had the greatest success reducing out-of-wedlock births without increasing abortions.

HR-29 Public Safety, Crime Control, and Prevention

Summary

The resolution generally emphasizes the importance of cooperation among federal, state, and local governments in preventing crime and addressing public safety. The Governors particularly stress that the federal government should: (1) avoid federalizing the criminal justice system; (2) provide more and better research and statistics on criminal justice policy; (3) increase intergovernmental coordination and information sharing; and (4) continue federal resource assistance for state criminal justice efforts. In addition, the resolution reiterates a previous NGA priority of addressing gang activity.

Analysis

The resolution breaks little new ground on crime and public safety, and continues to demonstrate sensitivity to the expanding federalization of criminal law. One area that should be of your particular import to Governors is federal funding for state and local criminal justice programs. Our FY 2000 budget proposal would keep the COPS program at roughly level funding, and proposes a $1.2 billion reduction in state and local crime funding from last year's high of $4.8 billion. In particular, our budget would cut the Byrne Law Enforcement Memorial block grant by about $92 million and eliminate funding for the state prison construction program. While we were criticized for these proposed cuts, the current House appropriations bill provides roughly the same level of state and local funding as our budget, and the Senate provides about $300 million less. However, both the House and the Senate include dramatic reductions to the COPS Program.

HR-41: High Performance Bonuses and Outcomes

Summary

The Governors are restating their existing policy on the TANF high performance bonus, including rewarding both improvement and absolute performance, placing the primary focus on work and self-sufficiency, and using data that is consistently available in all states. The resolution includes a new recommendation providing additional time for states to submit data.

Analysis

Much of the NGA policy is reflected in the current guidance HHS is using to award bonuses in FY 1999 and FY 2000 to states that have the most success placing TANF recipients in jobs and helping them succeed in the workforce. Almost all states have submitted data to compete in the first round of high performance awards. HHS is finalizing these data and we hope to be able to announce awards early this fall. A proposed rule establishing how high performance bonuses will be awarded in future years is currently under review. While we want to encourage states to participate in the high performance bonus, and recognize that it takes states some time to compile the necessary data, it is also important to ensure that data is submitted and awards are made in a timely manner.

EDC-6: The Role of States, the Federal Government, and Indian Tribal Governments with respect to Indian Gaming and Other Economic Issues

Summary

The Governors respect the sovereignty of Indian tribal governments and support economic advancement and independence for tribes. With respect to the Indian Gaming Regulatory Act of 1988 (IGRA), the states' central concern continues to be the scope of gambling activities permitted to tribes under the Act. The Governors believe that it is a breach of state sovereignty for the federal government to compel states to negotiate tribal operation of gambling activities that are not available to others in the states. The NGA also seeks state concurrence when land is taken into trust for nongaming purposes. In addition, the NGA seeks the commitment of Congress to preserve the current required concurrence of a state to acquire land in trust for gambling purposes.

Analysis

The Administration has taken the position in court filings that a State has no duty under IGRA to negotiate with a Tribe with respect to a particular type of gaming that state law completely and affirmatively prohibits. However, the Administration has never taken a position as to gaming that is neither expressly prohibited nor expressly authorized. Recently, the Administration has testified that it supports amendments to IGRA that would ground the Secretary of Interior's authority to negotiate compacts between states and tribes in the statute itself. In early April, the Department of the Interior promulgated regulations that give the Secretary this authority, and immediately thereafter, Florida and Alabama filed suit, challenging Interior's authority. Interior agreed not to exercise this authority until the courts have an opportunity to rule.

The Administration supports state concurrence in trust land acquisition for gambling purposes as required by IGRA. However, the Administration opposes gubernatorial concurrence on nongaming trust acquisitions. In April, Interior proposed a rule on this issue. The proposed rule somewhat eases the burdens required to take land into trust on reservations for nongaming purposes, but increases the requirements for consultation with third parties off the reservation, including state and local governments. Currently, the Delaware Nation of Indians is exploring whether to acquire lands into trust in New Jersey, and there is pending legislation that would unilaterally quash the tribe's claims. The Administration strongly opposes this legislation.

NGA

NATIONAL GOVERNORS' ASSOCIATION

News Release

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FOR IMMEDIATE RELEASE
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GOVERNORS HAIL HOUSE VOTE

Protection Against Tobacco Recoupment Big Victory For States

WASHINGTON, D.C.—The nation's governors are heralding the House's vote on the emergency supplemental spending bill, which included language introduced by Sen. Kay Bailey Hutchison (R-Texas) and Sen. Bob Graham (D-Fla.) prohibiting the federal government from claiming a percentage of the funds from the state tobacco settlement. In addition to the leadership shown by Sen. Hutchison and Sen. Graham on this issue, Sen. George V. Voinovich (R-Ohio), and Sen. Evan Bayh (D-Ind.) lent their strong support to ensuring that this language was included in the final bill.

Late Tuesday night, by a vote of 269 to 158, the House passed H.R. 1141, the Fiscal 1999 Emergency Supplemental Appropriations Act. Protecting the tobacco settlement has been the governors' highest priority in the 106th Congress, and all governors—led by NGA Chairman Gov. Thomas R. Carper of Delaware and Vice Chairman Gov. Michael O. Leavitt of Utah—worked closely with Congress to see that this legislation passed.

"By voting to protect the state tobacco settlement from any form of federal mandate, Congress recognizes and agrees that states have the right to determine how these funds should be spent to best serve the unique health and welfare needs in each of our states," said Govs. Carper and Leavitt.

At NGA's 1999 Winter Meeting, the nation's governors adopted policy on how states should spend the tobacco settlement funds. Governors are committed to spending a significant portion of the settlement funds on smoking cessation and prevention programs, health care, education, and programs benefiting children. However, they wish to spend these funds on state programs that are tailored to the individual needs of their citizens.

The nation's governors are especially pleased by Congress' early decision on this issue. It was important to governors to have this matter decided quickly—allowing states to plan in an early and efficient way to best use the tobacco settlement funds to address the unique needs of their citizens. Many state legislatures are finishing their legislative sessions for the year. This vote removes the uncertainty of potential federal action and allows states to make concrete plans for the settlement funds.

Without the states' leadership and years of commitment to initiating state tobacco lawsuits, the nation would not have achieved one of its major goals—a comprehensive settlement with the tobacco industry. According to governors, after bearing all of the risks and expenses in the arduous negotiations and litigation necessary to have proceeded with their lawsuit, states are now entitled to all of the funds awarded to them in the tobacco settlement agreement without federal seizure. "This debate wasn't just about the tobacco settlement money. It was also about federalism and the appropriate level of government that should make the decision about how to spend these funds," said Gov. Leavitt. "The decision about how to spend the settlement funds is a matter rightly handled by the states."

The tobacco settlement agreement, reached on Nov. 23, 1998, is worth $206 billion to states over the next 25 years. The attorneys general of 46 states, five commonwealths and territories, and the District of Columbia consummated the deal with tobacco manufacturers Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company, and the Liggett Group. Together, these companies represent approximately 99 percent of the tobacco industry. Prior to this agreement, Florida, Minnesota, Mississippi, and Texas individually settled lawsuits with the tobacco industry for more than $40 billion.

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NATIONAL GOVERNORS' ASSOCIATION

News Release

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FOR IMMEDIATE RELEASE
December 30, 1998 (122-98)
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50-STATE REPORT ON FISCAL 1999 BUDGETS RELEASED

Annual growth rate for state spending remains below 20-year average

Washington, D.C.— In today's currently robust economic climate, fiscal 1999 state budgets reflect both moderate growth over the previous year and a moderate net decrease in state revenues for a fifth straight year, according to a report on fiscal 1999 state budget activity released today by the National Governors' Association (NGA) and the National Association of State Budget Officers (NASBO).

The December 1998 edition of *The Fiscal Survey of States* reveals that states estimate an increase in general fund spending of 5.7 percent for fiscal 1998 and 6.3 percent for fiscal 1999, a rate slightly lower than the 6.5 percent average annual increase over the past twenty years. At the same time, states are estimating decreased revenues of $7.0 billion in fiscal 1999 from net changes in taxes and fees, the largest single-year revenue reduction in five consecutive years of state tax cuts. Over the past five years, states have cut taxes by $22 billion.

"In today's healthy economy that has generated increased revenues for states, governors continue to exercise sound fiscal leadership," said Raymond C. Scheppach, NGA's executive director. "Governors are making their states stronger by building reserves to prepare for possible future economic downturns, making sound capital investments in schools and infrastructure that will support their states for years to come, and reducing taxes for their citizens."

"Although their fiscal picture remains positive, it is clear that states remember the hard lessons learned in the economic downturns of the 1980s and early 1990s," said Gloria Timmer, NASBO's executive director. "The results of this survey show that states are cautious and conservative in both spending policies and tax reductions and remain focused on the long-range implications of their fiscal decisions."

The Fiscal Survey of States is published twice a year. The survey presents combined and individual data on the states' spending and tax activities. Fiscal 1997 data represent actual figures, fiscal 1998 figures are preliminary actual, and fiscal 1999 data are figures contained in enacted budgets.

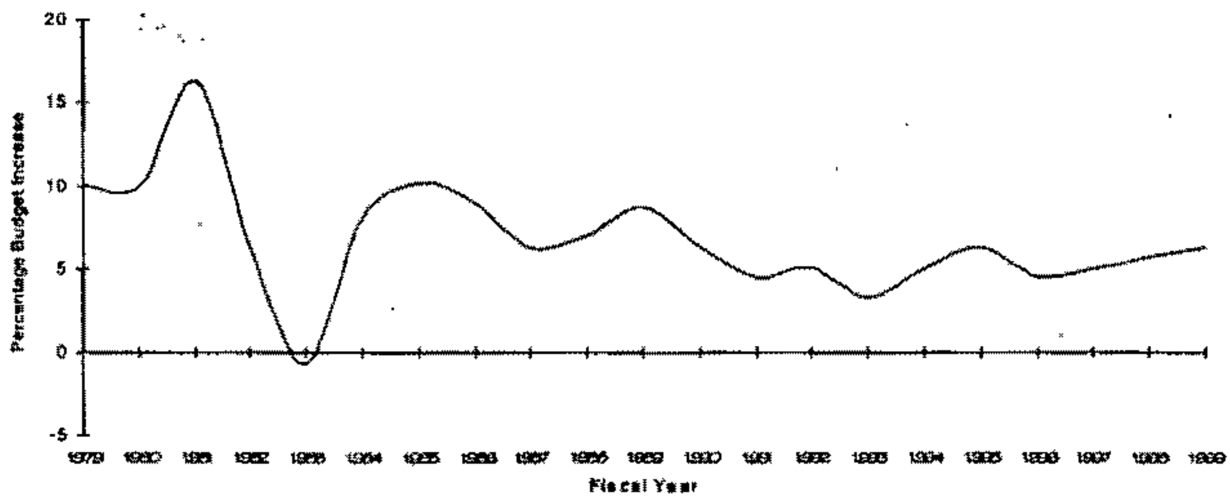
More details of the December 1998 edition of *The Fiscal Survey of States* include the following.

State Spending

States are continuing to hold down the rate of increase in spending. According to the survey, states estimate an increase in their general fund spending of 5.7 percent in fiscal 1998 and 6.3 percent for fiscal 1999 (see the following figure). As part of the implementation of the new welfare reform law, states are moving in new directions to provide support services for families to achieve self-sufficiency. Seven states changed their cash assistance payments for fiscal 1999, mostly to increase benefit levels.

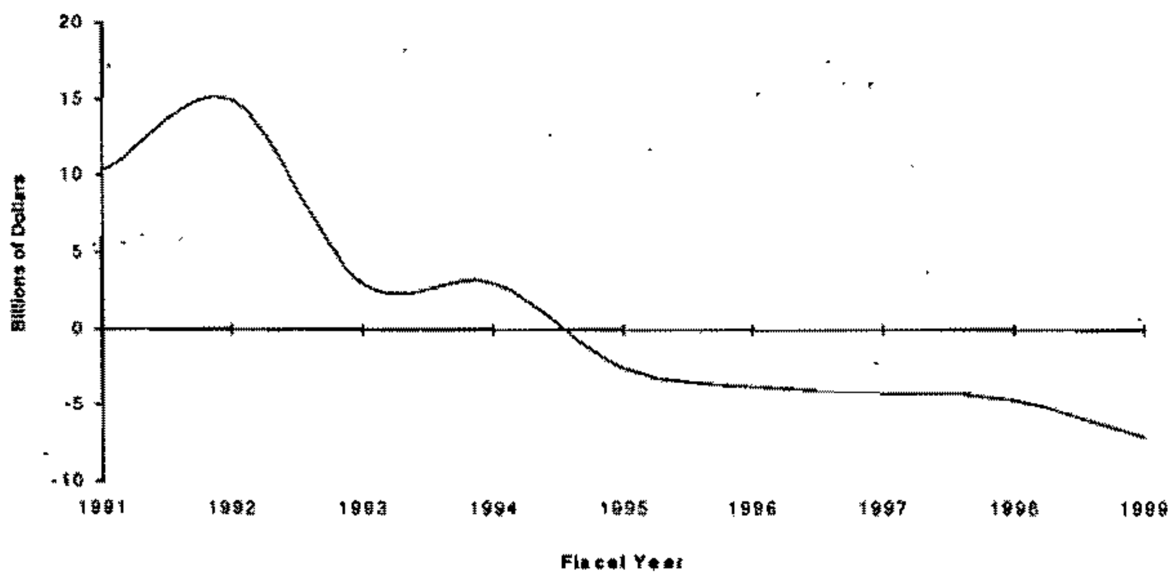
In addition, about one half of the states enacted changes affecting local governments, the majority of which increased aid to education and offered property tax relief. Almost all states granted employee compensation increases for fiscal 1999, with an average across-the-board increase of approximately 3.8 percent.

Annual Budget Increases, Fiscal 1979 to Fiscal 1999



State Revenue Actions

States continue to respond to the growing public support for modest tax cuts. The report shows that for the fifth consecutive year, state actions are resulting in a net decrease in taxes and fees (see the following figure). Net tax and fee changes will decrease revenues by $7.0 billion for fiscal 1999. This is the largest reduction in the last five years. Most of the tax reductions have been for personal income taxes—twenty-nine states reduced personal income taxes by reducing rates, increasing deductions and exemptions, lowering taxes for the elderly, and providing tax credits for higher education.



Enacted State Revenue Changes, Fiscal 1991 to Fiscal 1999

In future years, state revenues are likely to be affected by the growth of sales over the Internet. As more and more transactions occur online without the collection of existing sales or use taxes, state revenues from sales taxes, which provide almost 50 percent of total state and local funding, will erode.

Year-End Balances

Balances as a percentage of expenditures continue at healthy levels of 8.8 percent and 7.1 percent for fiscal 1998 and 1999, respectively. End-of-year balances in about two thirds of the states are projected to be 5 percent or more of spending in fiscal 1999. Nineteen states anticipate balances in excess of 10 percent of expenditures in fiscal 1998, a healthy cushion for weathering future economic uncertainties. With a forecast for reduced federal funding in discretionary domestic programs and the possibility of an economic downturn during the next several years, states are maintaining reserves to help manage economic uncertainties.

Strategic Directions of States

With the goal of improving the performance of government services, states are making improvements in budgeting and financial management practices. Many states are taking steps to implement performance-based budgeting, making incremental steps by establishing a strategic plan, assessing goals, and developing performance measures.

States' Use of General Fund Surpluses in Fiscal 1998

States reported that, on average, their revenues for fiscal 1998 exceeded their budget estimates by approximately 3.6 percent. States used surplus funds in a variety of ways, most commonly to bolster rainy day funds in preparation for potential future economic downturns. States also used their surpluses to invest in elementary, secondary, and higher education; make one-time investments in capital construction, including schools and roads; reduce taxes; invest in technology, including efforts to address "year 2000" computer problems; provide additional support to local governments; and support economic development projects.

—END—

Copies of the report are available to the public for $25.00 plus $5.95 shipping and handling from NGA Publications, P.O. Box 421, Annapolis Junction, Maryland 20710, 301/498-3738. Review copies are available to the media by calling the NGA Office of Public Affairs at 202/624-5330.

Preface

The Fiscal Survey of States is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors' Association (NGA). The series was started in 1977. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. Although not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending also is conducted annually.

The field survey on which this report is based was conducted by the National Association of State Budget Officers in August through November 1998. The surveys were completed by Governors' state budget officers in the fifty states and the commonwealth of Puerto Rico.

Each edition of *The Fiscal Survey of States* includes a feature on a state policy or budget issue. This edition includes a feature on the states' use of fiscal 1998 general fund surpluses.

Fiscal 1997 data represent actual figures, fiscal 1998 figures are preliminary actual, and fiscal 1999 data are figures contained in enacted budgets.

In forty-six states, the fiscal year begins in July and ends in June. The exceptions are Alabama and Michigan, with an October to September fiscal year; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. In addition, twenty states are on a biennial budget cycle.

The Fiscal Survey of States is a cooperative effort of the National Association of State Budget Officers and the National Governors' Association. NASBO staff member Stacey Mazer compiled the data and prepared the text for the report. Mary Dingrando, Patrick Casados, and Lezlee Thaeler of the NASBO staff contributed to the text. Editorial assistance was provided by Alicia Aebersold and Karen Glass in NGA's Office of Public Affairs. Nick Samuels of NASBO assisted in production. Dotty Esher of State Services Organization provided typesetting services.

Executive Summary

The better-than-anticipated performance of the national economy combined with cautious state spending means that states are ending fiscal 1998 in a position of fiscal strength. Yet, the recent fluctuations in the stock market and in consumer confidence make for an uncertain future, and analysts are predicting more moderate economic growth in the near future when compared with the past year's robust level of growth.

This edition of *The Fiscal Survey of States* provides an overview of states' use of fiscal 1998 general fund surpluses in addition to the ongoing reporting of state balances that appears in each edition of this report. "Fiscal 1998 general fund surplus" is defined as funds above the amounts assumed when the fiscal 1998 budget was enacted.

General Fund Balances

States completed fiscal 1998 with general fund balances that will aid in weathering the next economic downturn. Over the past several years, states have been building up rainy day funds to help prevent major disruptions in services to citizens when the economy's growth rate eventually slows from its current rapid pace. The cautious environment in states stems from still-painful memories of the rapid fall of balances during economic downturns in both the early 1980s and the early 1990s.

In 1980, states' healthy balances of 9 percent of expenditures rapidly diminished. In fact, balances declined from 9 percent to 4.4 percent in the one-year period from fiscal 1980 to fiscal 1981.

During the early 1990s, states did not have a sufficient level of balances to weather the fiscal storm. In fiscal 1989, before the decline, state balances were at 4.8 percent of expenditures. These balances fell to a low of 1.1 percent by fiscal 1991. Because of their lack of resources, states had to reduce current-year budgets, causing a great deal of uncertainty for those receiving and delivering necessary state services. In fiscal 1992 and fiscal 1993, thirty-five states and twenty-three states, respectively, were forced to reduce current-year budgets because of the serious economic decline. States also had to sharply increase taxes, raising $25 billion in new revenue over a two-year period.

States' experiences with these rapidly declining balances during the early 1980s and the budget cutting and tax increases required to maintain balanced budgets during the early 1990s has led them to cautiously position themselves to manage the next economic downturn with less disruption to the services that citizens expect from government.

The survey's key findings on fiscal 1998 general fund surpluses are as follows.

- Virtually all states reported a surplus for fiscal 1998. The decisions about using surplus funds were often made in fiscal 1998, with actions occurring in both fiscal 1998 and fiscal 1999.
- About one half of the states used their surpluses to increase rainy day or budget stabilization funds. In many cases, portions of the surplus in fiscal 1998 increased rainy day fund balances and are reflected in the balances that states report for both fiscal 1998 and fiscal 1999.
- Surplus funds also were used for investment in capital construction, elementary and secondary education, higher education, technology, "year 2000" computer compliance, debt reduction, and state endowments.
- States also created other reserve funds. Examples of these funds include tax reform accounts, reserve funds for the Temporary Assistance for Needy Families (TANF) program, and property tax relief funds.

Other key findings of this survey include the following.

State Spending

States estimate an increase in general fund spending of 5.7 percent for fiscal 1998 and 6.3 percent for fiscal 1999. These figures incorporate one-time spending from surplus funds, transfers into budget stabilization funds and other reserve funds, and payments to local governments to reduce property taxes.

- Only two states reduced their fiscal 1998 enacted budgets. This number is considerably lower than the number of states that have been forced to reduce their enacted budgets in previous years.

State Expenditure Developments

CHAPTER ONE

Budget Management in Fiscal 1998

Only two states—Alaska and Hawaii—reduced their fiscal 1998 enacted budgets. This number contrasts sharply with the twenty or more states that reduced their enacted budgets during fiscal 1990 to fiscal 1993, the peak period for midyear budget adjustments. During the past five years, thirteen or fewer states have had to reduce their enacted budgets (see Table 1 and Figure 1).

State Spending for Fiscal 1999

State spending in fiscal 1999 is estimated to be 6.3 percent above fiscal 1998 (see Table 2 and Figure 2). About half of the states estimate expenditure growth below 5 percent in fiscal 1998 and in fiscal 1999 (see Table 3 and Appendix Table A-4).

Assistance under the Temporary Assistance for Needy Families Program. For fiscal 1999, forty-three states maintain the same cash assistance benefit levels that were in effect in fiscal 1998. Of the seven states that made adjustments to cash assistance benefit levels, almost all actions result in benefit increases (see Table 4). Most state welfare reform activity centers around restructuring the program rather than adjusting cash assistance payments. Since the enactment of the 1996 welfare reform law, caseloads have declined substantially in nearly every state. Between August 1996 and June 1998, welfare rolls dropped 32 percent nationwide, with sixteen states experiencing caseload declines of more than 40 percent. Specifications in the welfare reform law require states to spend from 75 percent to 80 percent of their 1994 Aid to Families with Dependent Children (AFDC) spending on TANF maintenance of effort. Because of this requirement and the fact that today's national caseloads are only 59 percent of the 1994 caseloads, states are spending more per case. In particular, states must now focus more of their efforts on serving the harder-to-serve recipients. Using some of the resources made available by the declining number of recipients, states are expanding existing programs and developing new and innovative programs to move families toward self-sufficiency.

Medicaid. The Congressional Budget Office (CBO) is projecting an average annual increase of 7.6 percent in Medicaid spending from fiscal 1998 to fiscal 2008. Although this rate is less than the double-digit rates experienced from 1990 to 1995, it still exceeds the overall growth in state spending. Other trends point to higher health care spending over the next several years, such as an increase in medical care inflation and cost pressures on health maintenance organizations, which could result in higher managed care premiums. As of June 30, 1997, about 15 million Medicaid beneficiaries were enrolled in managed care plans, representing 47 percent of all beneficiaries. Another pressure on Medicaid spending will continue to be the aging of the population. By 2020, it is expected that there will be twice as many Americans ages sixty-five and older who need some type of long-term care services, increasing from 7 million today to more than 14 million. Maintaining the moderate growth rate for Medicaid spending will continue to be a challenge for states.

TABLE 1

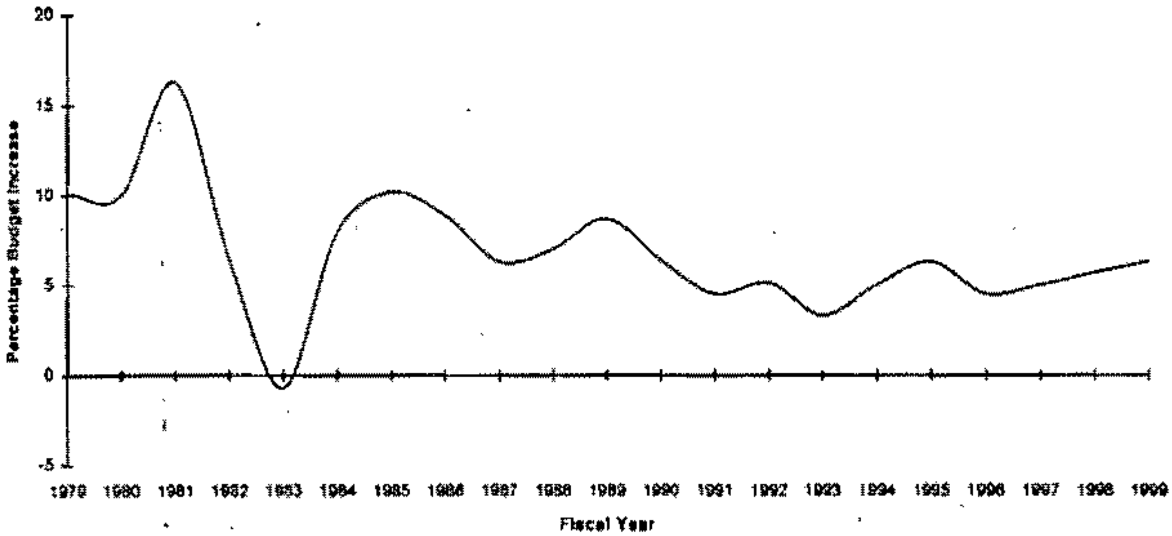
Budget Cuts Made After the Fiscal 1998 Budget Passed

State	*Size of Cut (Millions)*	*Programs or Expenditures Exempted from Cuts*
Alaska	$59.9	Education.
Hawaii	27.1	Elementary and secondary education and University of Hawaii instruction programs, debt service, employees' retirement system and health insurance, unemployment insurance, workers' compensation, correctional facilities, public welfare payments, children and adult mental health.
Total	$87.0	---

SOURCE: National Association of State Budget Officers.

FIGURE 2

Annual Budget Increases, Fiscal 1979 to Fiscal 1999



SOURCE: National Association of State Budget Officers.

TABLE 4

Enacted Cost-of-Living Changes for Cash Assistance Benefit Levels under the Temporary Assistance for Needy Families Program, Fiscal 1999

State	*Percent Change*
California*	8.1%
Louisiana*	7.1
Maine	5.0
Maryland	2.9
Mississippi	-0.5
North Dakota	2.2
Utah	6.0

NOTES:

California — Represents restoration of a prior 4.9 percent grant reduction and a 2.84 percent cost-of-living compounded adjustment.

Louisiana — Represents the average percent increase in the amount of the monthly TANF cash grant. During the 1998 regular session, the legislature eliminated the former distinction between the amount of the TANF grant for residents of urban and rural areas, and raised the amount of the grant for rural area residents to the level of the grant for urban residents, effective July 1, 1998.

SOURCE: National Association of State Budget Officers.

TABLE 5 (continued)

Enacted Changes in Aid to Local Governments, Fiscal 1999

Michigan	The state revenue-sharing program, which distributes state-collected sales tax as unrestricted revenue to local governments, was capped by limiting growth to the rate of inflation (2.2 percent Detroit consumer price index). Without the cap, the distribution to cities, villages, townships, and counties would have totaled $1.4 billion, a $51 million or 3.8 percent increase over fiscal 1998. The enacted fiscal 1999 budget appropriates $1.38 billion, a $30 million, 2.2 percent increase over fiscal 1998. Public Act 328 of 1998 amended the General Property Tax Act to allow distressed communities to grant personal property tax exemptions of new personal property in specified local areas or districts. For every $100 million in new personal property that qualifies for an exemption under this bill, local governments are estimated to lose $2.6 million and local school property tax revenue is estimated to decline by $1.8 million. The exemption will become effective on the December 31 following the approval of the resolution by the governing body and continue in effect for a period specified in the resolution. The goal of the exemptions is to reduce unemployment, promote economic growth, and increase capital investment in the state.
Minnesota	The 1998 legislative session did not have a significant fiscal impact on state aid to local governments in fiscal 1999. There was one major local government aid appropriation for flood relief. The appropriation was $10 million in fiscal 1999 and an additional $5 million in fiscal 2000. Although not affecting fiscal 1999, the composition of future local government property tax reform was accomplished by compressing property tax class rates. The highest class rate for commercial and industrial property was reduced from 4 percent to 3.5 percent, apartments from 2.9 percent to 2.5 percent, and first-tier single family rental housing from 1.9 percent to 1.25 percent. Increases in homeowner's property tax burdens that would have resulted from the class rate compressions were offset by increasing the state credits to homeowners. These changes will result in lower property taxes from businesses and higher state aids to homeowners beginning in fiscal 2000. Property taxes were reduced for certain commercial, industrial, and apartment properties. In conjunction with property tax relief, the state extended limits on local governments' ability to increase levies to fiscal 2000.
Missouri	Enacted changes include a $500,000 (2.3 percent) increase in the ongoing per diem rate for state prisoners; a $4 million one-time appropriation to assist in construction of the St. Charles convention center; a $10 million one-time appropriation to assist in construction of the American National Fish and Wildlife Museum in Springfield; a $200,000 (50 percent) increase in aid to Regional Planning Commissions; $5 million in one-time funds to assist renovation of the Liberty Memorial in Kansas City; $500,000 in one-time funds to assist renovation of the Missouri History Museum in St. Louis; $500,000 in one-time funds to assist renovation of the Missouri Botanical Garden in St. Louis; $950,000 to assist local port authority construction; $1.2 million in one-time funds for local bridge and intersection projects of regional interest; $67,000 in one-time funds to assist in crime lab construction in Kansas City; and $100,000 in one-time funds to assist in crime lab construction in Cape Girardeau.
Montana	State support for public schools increased by $31 million in fiscal 1998 (1.2 percent) and $15.6 million in fiscal 1999 (2.1 percent). Of the amount for fiscal 1998, $13.5 million of fiscal 1998 was one-time money not included in the percentage calculations.
Nebraska	Significant increases in state aid to local governments include a 21 percent increase in aid to community colleges, a 24 percent increase in school aid, and new programs to aid schools, counties, and fire districts. The state is also assuming the costs of assessors in five counties.
New Jersey	Municipal aid increased by approximately $5 million, from $1.559 billion to $1.564 billion. This represents an increase in utility taxes collected by the state and distributed to municipalities. Aid to local school districts increased by approximately $602 million. This includes an increase of $258.2 million in direct aid payments and $343.8 million in payments made by the state on behalf of local districts for the employers' share of teachers pensions and social security costs. Final phase-in of the state takeover of county court operations is in place. The amount of state funding to cover these operations increased by approximately $90 million, from $120 million in fiscal 1998 to $210 million in fiscal 1999. The increase in direct state funding allows for direct taxpayer savings at the county level.
New York	The fiscal 1999 budget will result in net benefits of more than $1 billion for all classes of local government, when compared with fiscal 1998. The majority of increased aid is for education. Counties (including New York City) will realize savings of $686 million. School districts (excluding New York City) will gain $338 million in additional aid. Cities (excluding New York City), towns, and villages will receive a net benefit of $39 million. Although the fiscal 1999 budget includes no unfunded mandates, it does include sales tax exemptions expected to cost local governments approximately $26 million. The budget also continues a state-funded multiyear cut in local school property taxes and the New York City personal income tax.
North Dakota	Statutory changes go into effect on January 1, 1999. As of that date, 4 percent of the one cent sales tax is deposited into the State Aid Distribution Fund. All money in that fund is distributed to local governments through a continuous appropriation. Prior to January 1, 1999, 6 percent of the one cent sales tax was deposited in the State Aid Distriution Fund and the legislature appropriated an amount to be distributed to local government.

State Revenue Developments

CHAPTER TWO

Overview

Net tax and fee changes will decrease revenues by $7 billion for fiscal 1999 (see Table 6), the fifth consecutive year that state actions result in a decrease in new revenues (see Figure 3). Although the state tax reductions are relatively moderate, they continue the trend in recent years to reduce taxes. Most of the tax reductions have been for personal income taxes.

In addition to legislated tax reductions, some states also grant automatic refunds to taxpayers, often as a result of constitutional and statutory revenue limits. For example, Colorado, Florida, Louisiana, Massachusetts, Michigan, and Missouri limit revenues to the growth in state population or state personal income. Other states, such as Oregon, limit revenue growth to the forecasted amount.

In the past fiscal year, four of these seven states have reached their revenue limits. Colorado, Massachusetts, Missouri, and Oregon have returned or plan to return revenues in excess of their limits through income tax cuts or tax credits. Minnesota and Ohio have enacted legislation to return surpluses to state taxpayers.

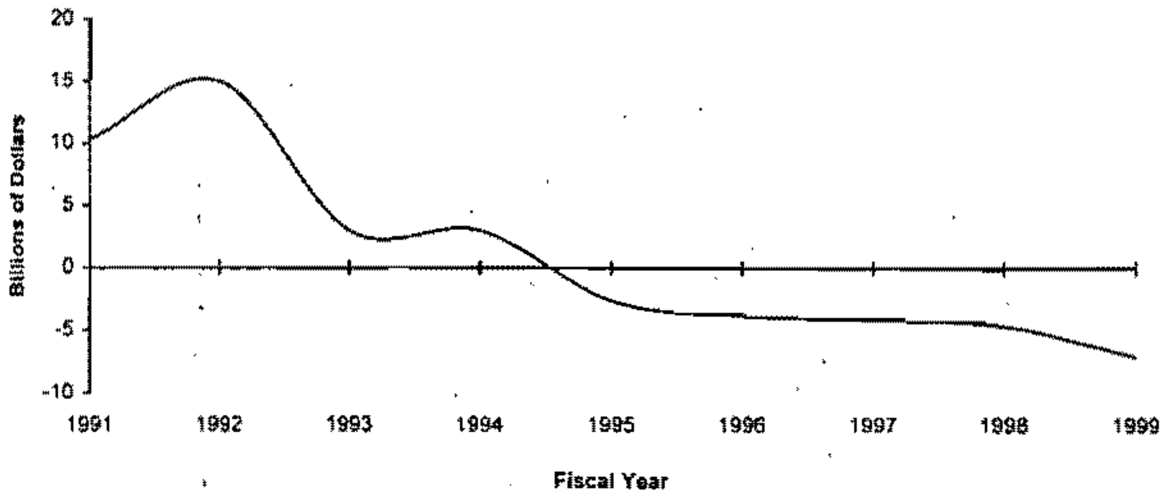
An issue that is likely to affect state tax systems in the future is the growth of sales over the Internet. As more and more transactions occur online and are exempt from sales taxes, the sales tax collections on which states rely will erode.

Revenue Collections in Fiscal 1998

Revenue collections for the sales, personal income, and corporate income taxes for fiscal 1998 match or exceed projections in virtually every state (see Appendix Table A-7). In total, revenue collections were about 3.6 percent higher than the estimates states used in adopting fiscal 1998 budgets. Similar to the federal government, states have experienced revenue collections exceeding original estimates, especially for personal income tax collections. Based on the Congressional Budget Office's analysis of federal revenues collections, some of the same factors may be affecting state revenue collections. These factors include capital gains realization, unexpected growth in partnership income, and the impact of large bonuses.

FIGURE 3

Enacted State Revenue Changes, Fiscal 1991 to Fiscal 1999



SOURCE: National Association of State Budget Officers.

TABLE 7

Enacted Fiscal 1999 Revenue Actions by Type of Revenue and Net Increase or Decrease* (Millions)

State	*Sales*	*Personal Income*	*Corporate Income*	*Cigarettes/ Tobacco*	*Motor Fuels*	*Alcohol*	*Other Taxes*	*Fees*	*Total*
Alabama									$ 0.0
Alaska									0.0
Arizona		$-30.0	$-10.0				$-80.0		-120.0
Arkansas									0.0
California	$-11.0	-787.0	-30.0				-3.0	$-553.0	-1,384.0
Colorado		-31.2							-31.2
Connecticut	-9.9	-45.0	-9.5		-$13.3		-4.5		-82.2
Delaware		-45.8					-10.3		-56.1
Florida	-42.5		-17.3				-67.6	11.0	-116.4
Georgia	-147.0	-205.0							-352.0
Hawaii		-46.0					-19.0		-65.0
Idaho									0.0
Illinois		-96.0	-21.0						-117.0
Indiana		-42.6	-11.7						-54.3
Iowa	-15.0	-70.6							-85.6
Kansas	-32.0	-90.0	-16.0				-18.0		-156.0
Kentucky	-1.0	-1.5	-1.0				-8.8		-12.3
Louisiana							-14.0		-14.0
Maine*	-39.8	-30.1							-69.9
Maryland		-62.0							-62.0
Massachusetts		-775.0					-14.0		-789.0
Michigan*	-7.4	-180.8	-81.0	$23.1			-103.8		-349.9
Minnesota	-2.4	-485.4	0.6				11.6	1.5	-474.1
Mississippi									0.0
Missouri	-16.0	-89.0	-52.0						-157.0
Montana		-3.8					-82.0	29.3	-56.5
Nebraska	-82.0	-27.6							-109.6
Nevada									0.0
New Hampshire									0.0
New Jersey				200.0					200.0
New Mexico	-5.0	-15.5							-20.5
New York	-106.0	-109.0	-109.5				-712.0	-73.1	-1,109.6
North Carolina	-18.4	-4.0					-1.3		-23.7
North Dakota									0.0
Ohio		-726.9	-41.2				-12.2		-780.3
Oklahoma		-15.9					-15.2		-31.1
Oregon									0.0
Pennsylvania	-40.4	-92.0	-18.7				-89.9		-241.0
Puerto Rico									0.0
Rhode Island									0.0
South Carolina		-10.3	24.4				-4.6		9.5
South Dakota									0.0
Tennessee	-2.0								-2.0
Texas									0.0
Utah									0.0
Vermont									0.0
Virginia		-5.2	-1.7						-6.9
Washington	-3.4						-18.7		-22.1
West Virginia									0.0
Wisconsin	-1.0	-319.4							-320.4
Wyoming					35.4				35.4
Total	**$-582.2**	**$-4,442.6**	**$-395.6**	**$223.1**	**$22.1**	**$0.0**	**$-1,267.3**	**$-584.3**	**$-7,027**

NOTES: See Notes to Table 7. See Appendix Table A-9 for details on specific revenue changes.

SOURCE: National Association of State Budget Officers.

Total Balances

CHAPTER THREE

The steady growth of the economy has allowed states to build their reserves. Since fiscal 1994, balances have exceeded 5 percent of expenditures.

Balances as a percentage of expenditures in fiscal 1997, fiscal 1998, and fiscal 1999 are among the highest levels in the past twenty years (see Figure 4). Total balances reflect the funds that are available for states to use to respond to unforeseen circumstances. Both ending balances and the balances of budget stabilization funds are included in total balance figures (see Appendix Tables A-1, A-2, A-3, and A-11).

Balances for fiscal 1999 are $31.1 billion, or 7.1 percent of expenditures (see Table 8). About two thirds of the states estimate balances as a percent of expenditures to be 5 percent or more in fiscal 1999 (see Table 9 and Figure 5). Balances in nineteen states are estimated to exceed 10 percent of expenditures in fiscal 1998, a healthy cushion for economic and other uncertainties. States continue to build up reserves during these strong economic times in order to avoid major disruptions to services should the economy slow considerably. They have learned that balances can quickly erode during an economic downturn. States have not forgotten 1980, when they experienced a 50 percent decrease in balances in one year when balances decreased from 9 percent of expenditures in fiscal 1980 to 4.4 percent of expenditures in fiscal 1981.

TABLE 8

Total Year-End Balances, Fiscal 1979 to Fiscal 1999

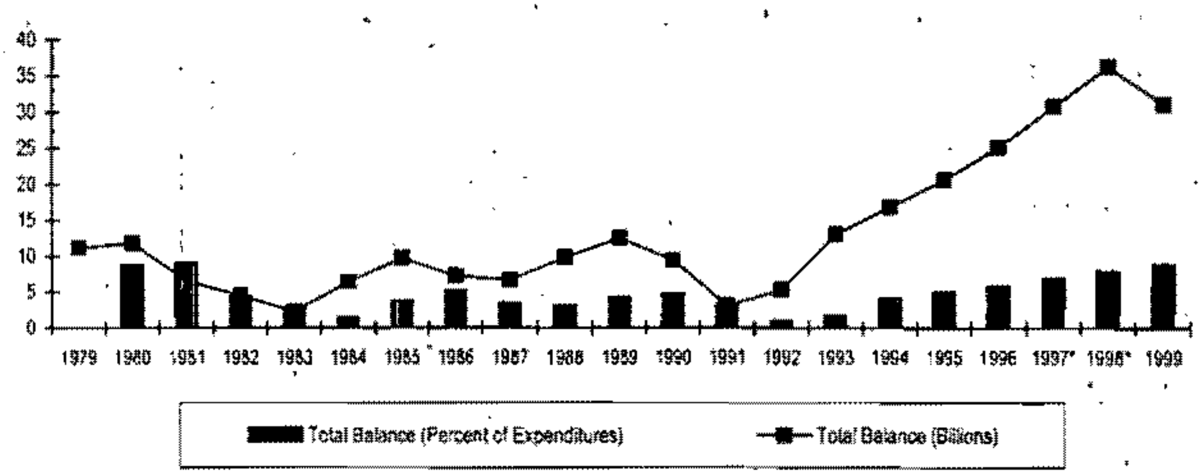
Fiscal Year	*Total Balance (Billions)*	*Total Balance (Percentage of Expenditures)*
1999*	$31.1	7.1%
1998*	36.3	8.8
1997	30.7	7.9
1996	25.1	6.8
1995	20.6	5.8
1994	16.9	5.1
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7

NOTES: *Figures for fiscal 1998 are preliminary actuals, figures for fiscal 1999 are based on appropriations.

SOURCE: National Association of State Budget Officers.

FIGURE 4

Total Year-End Balances, Fiscal 1979 to Fiscal 1999



Regional Fiscal Outlook

CHAPTER FOUR

The economic outlook for almost all regions is positive, though uncertainties that have surfaced in recent months will affect the economic forecast. International instability and a tight labor market would affect regions differently and to varying degrees.

Population trends differ significantly across regions (see Table 10). States in the Mid-Atlantic, New England, and Great Lakes regions experienced the slowest population growth at 0.2 percent, 0.4 percent, and 0.4 percent, respectively, between July 1996 and July 1997. States in the Southwestern and Rocky Mountain regions continue to experience the greatest influx of people, with an annual growth rate of 1.8 percent between July 1996 and July 1997. The fastest-growing states will continue to be in the Rocky Mountain, Far West, Southwest, and Southeast regions, according to the U.S. Department of Commerce's Bureau of Economic Analysis.

Unemployment rates continue to be at record lows. States in the Plains region experienced the lowest average unemployment rate in August 1998, at 3.0 percent, while states in the Far West had the highest average unemployment rate, at 5.6 percent. Low levels of unemployment have led to labor shortages in some regions.

New England

Economic conditions in New England are mixed, with retail sales experiencing strong growth while manufacturing is experiencing some weaknesses. Strengths in this region include information and communication technologies, mail-order apparel, office supplies, and office technology products. This region has been affected by the uncertainty in the stock market, most notably in creating a more cautious environment for real estate transactions. High-income states, such as Connecticut and Massachusetts, are also more affected by losses from a turbulent stock market. Consumer spending is moderate to strong throughout the region. Tourism and spending related to travel have been very strong in New England, especially around Boston.

Unemployment in this region, at 3.3 percent in August 1998, is below the national average of 4.1 percent, ranging from a low of 2.1 percent in New Hampshire to a high of 4.8 percent in Rhode Island. The fiscal 1998 balances in this region are below the national totals. Most states in this region reduced taxes, with the majority of changes in the personal income tax. Spending for fiscal 1999 is below the national average.

Mid-Atlantic

Over the past several months, economic growth has slowed somewhat in this region. New York has experienced some weakening in real estate, especially around the New York City area. Job market conditions in this region are mixed, with layoffs in major Wall Street firms in the New York City area. The outlook for firms in this region is for modest growth. Deregulation and consolidation in banking, health care services, utilities, and telecommunications will limit employment gains in this region. Consumer confidence in New York, New Jersey, and Pennsylvania declined in October.

The unemployment rate of 4.3 percent in August 1998 is slightly above the national average of 4.1 percent. Unemployment rates range from a low of 3.5 percent in Delaware to a high of 5.3 percent in New York. Ending balances in this region are below the national average, reflecting the more moderate growth in this region over the past few years relative to the nation. Almost all states in this region reduced taxes for fiscal 1999, mirroring the national trend. Fiscal 1999 spending exceeds the national average.

Great Lakes

The Great Lakes region is enjoying a relatively low unemployment rate of 3.8 percent, 0.3 percent below the national average of 4.1 percent. The labor market continues to be tight, particularly for skilled craftsmen in the construction industry. Manufacturing employment has been trending downward. Financial services jobs have seen little effect from the recent turmoil in the stock market, continuing to rise at nearly twice the rate of overall employment, particularly in Chicago. In the agricultural economy, the Great Lakes states have enjoyed a high level of crop production and quality, but farmers continue to be affected by low grain prices. Manufacturing activity is mixed in some industries but strong overall. In the areas of banking and finance, continued low interest

Unemployment rates in the Southeast region are 4.3 percent, close to the national average of 4.1 percent. Growth rates for employment are mostly positive in the Southeast. Florida is adding jobs at a faster rate than the nation and Georgia's rapidly expanding service sector is pushing up its job growth rate. Several factors have spurred job growth in the Atlanta area. In recent years, many corporations have relocated their headquarters to or expanded their operations in the area, and the city is likely to continue to grow because of its ability to attract high-skilled workers. In Alabama, job growth is sluggish. However, manufacturing jobs are shifting toward more sophisticated technical industries, primarily because of military and space-related contracts awarded in the northern portion of the state. Mississippi's construction industry is strong, although job growth rates are lagging behind other states in the region. Job growth in Tennessee is decelerating because of a drop in the growth rate of services.

Nine out of twelve states in the Southeast enacted tax cuts in fiscal 1999. Spending appropriated for fiscal 1999 in the Southeast is 6.6 percent above the prior year and is slightly above the national average of 6.3 percent. Balances in the Southeast, at 6.8 percent in fiscal 1998, are below the national average of 8.8 percent.

Southwest

Severe drought conditions have plagued farmers in the Southwest region. The dry weather has had a significant impact on cotton crops, row crops, rangeland, and dairy production. In Texas, estimates are that as many as 25 percent of the region's producers (particularly small to mid-size farms with no off-farm income source) will discontinue production over the next year.

In the Southwest, unemployment rates are 4.9 percent, slightly higher than the national average of 4.1 percent. Spending growth for fiscal 1999 is 3.0 percent, while ending balances for fiscal 1998 are 11.8 percent. Three out of four states in the Southwest enacted tax cuts.

Rocky Mountain and Far West

The Rocky Mountain and Far West regions have prospered with higher-than-average population growth and low unemployment. Economic forecasters expect these trends to continue, but at a slower economic pace.

Population growth in the Rocky Mountain region grew by 1.8 percent over last year (double the national average), while the Far West grew by 1.5 percent. This growth continued to fuel the regional economy, as evidenced by the fund balances as a percentage of expenditures of 10.9 percent for the Rocky Mountain region and 9.1 percent for the Far West region for fiscal 1998. Likewise, this growth has resulted in above-average growth in general fund budget appropriations of 8.5 percent for the Rocky Mountain region, compared with a 6.3 percent national increase in general fund appropriations.

The unemployment rate in the Far West was the highest in the nation at 5.6 percent, above the national average of 4.1 percent. Unemployment was particularly high in Hawaii, with rates as high as 6.2 percent as late as September and attributed to fewer jobs in the construction and business service industries. The Rocky Mountain region remained below the national average in unemployment rates, at 3.8 percent. In fact, growth in employment in the Rocky Mountain region has been the highest in the nation since 1995, attributable to the expansion and diversification of the region's economy through high technology industries and business information services.

Both regions also have become increasingly dependent on exports to the Asian Rim, as exports accounted for 4.3 percent of the gross state product, as compared with 2.4 percent nationally. According to Standards and Poor's/DRI, this dependence is expected to create a short-term decline in gross state product during the first half of 1999. Merchandise exports, for example, have dropped by 3.1 percent over this time last year. States hit hardest by falling exports include Arizona, Hawaii, and Nevada.

In spite of these declines, the Rocky Mountain and Far West regions are expected to continue to exceed the national average in employment growth. The Standard and Poor's forecasts indicate an increase in employment to continue above the 3.2 percent level, while the gross state product is expected to exceed 3.9 percent.

California, Colorado, and Utah are forecasted to lead the nation in employment and gross state product growth for the regions, while the Nevada economy is forecasted to slow as casino development reaches its saturation point. Wyoming is expected to lag behind the national average in employment growth as outmigration will continue to affect the nonmanufacturing industry.

- instituting reforms in education funding including adding accountability measures for school districts and revising the funding formula for schools in Ohio;
- shifting the funding for teachers' retirement from a dedicated revenue source to the general fund beginning in fiscal 2000 in Oklahoma;
- requiring debt service to be budgeted in a central agency rather than allocated to agencies and moving forward with pilot projects at several departments for a statewide financial management system in Rhode Island;
- continuing planning for a new financial management system in fiscal 2000, including an integrated accounting/performance budgeting capability in Vermont; and
- requiring two state agencies to prepare their 1999-2001 budget requests using performance measures for their programs in Wisconsin.

TABLE 11

Uses of Fiscal 1998 State General Fund Surpluses

	Capital Construction	*School Construction*	*Road Construction*	*Economic Development*	*Endowment Fund Investment*	*Debt Reduction*	*Rainy Day Fund Investment*
NEW ENGLAND							
Connecticut*					X	X	X
Maine*							
Massachusetts*	X				X		X
New Hampshire							
Rhode Island							
Vermont*						X	X
MID-ATLANTIC							
Delaware	X					X	
Maryland*							X
New Jersey*			X				X
New York*							X
Pennsylvania							X
GREAT LAKES							
Illinois*							
Indiana							
Michigan							
Ohio*		X					
Wisconsin*							
PLAINS							
Iowa							
Kansas							
Minnesota*	X						X
Missouri	X			X			
Nebraska	X						X
North Dakota							
South Dakota*							X
SOUTHEAST							
Alabama							
Arkansas*							
Florida*							X
Georgia	X						
Kentucky	X	X			X		X
Louisiana	X		X	X	X		
Mississippi*							
North Carolina*	X			X			X
South Carolina*							
Tennessee*	X			X		X	X
Virginia*							X
West Virginia*							
SOUTHWEST							
Arizona*							
New Mexico							X
Oklahoma*							X
Texas							
ROCKY MOUNTAIN							
Colorado							
Idaho*							X
Montana*							
Utah*				X			X
Wyoming*							
FAR WEST							
Alaska							
California*							X
Hawaii*							
Nevada*	X						
Oregon							
Washington*							X
TERRITORY							
Puerto Rico*							X
Total	11	2	2	5	4	4	22

NOTES TO TABLE 11

Arizona	Other uses include school capital financing.
Arkansas	Surplus funds are held in a reserve fund pending the 1999 legislative session.
California	Surplus funds are scheduled to be used in fiscal 1999 for debt reduction; higher education; aid to local governments, tax cuts (ongoing); and increases in various health and welfare programs, including providing Supplemental Security Income/State Supplementation Payment grants, expanding food and grant programs for legal immigrants, increasing developmental center staffing, reforming foster care, expanding services to elders, augmenting child welfare services, promoting safe drinking water, and supporting cancer research.
Connecticut	Other uses include taxpayer rebates and elderly circuit breaker.
Florida	Other uses include natural disaster relief.
Hawaii	Surplus funds support other program costs.
Idaho	Other uses include prison housing costs and natural disaster relief.
Illinois	Surplus funds are used to maintain a higher cash balance and cushion against future costs.
Maine	Surplus funds are used to balance the biennial budget in fiscal 1999.
Maryland	Surplus funds may be used to formulate the fiscal 2000 budget.
Massachusetts	Other uses include environmental programs. The teachers' endowment was established and funded to upgrade the quality of programs at Massachusetts' institutions of higher education that train elementary and secondary education teachers.
Minnesota	Other uses include property tax reform and property tax recognition shift.
Mississippi	The general fund balance is carried forward to subsequent years for budgetary purposes.
Montana	Surplus funds remain in the general fund until the 1999 legislative session.
Nevada	Priorities for surplus funds are one-time appropriations for state-supported activities, including elementary and secondary education, higher education, and technology enhancements.
New Jersey	There is no direct identification of where these surplus funds were applied; however, the program areas noted did receive increases. Of the total, $438 in surplus funds was used to support fiscal 1999 appropriations.
New York	Surplus funds are used for an additional payroll cycle in fiscal 1999 and an additional Medicaid cycle in fiscal 1999.
North Carolina	Other uses include the Clean Water Management Trust; the Bailey-Emerson-Patton case retiree refund, equal to $400 million pursuant to a consent order; nonrecurring program funds; and nonrecurring operating expenses.
Ohio	Other uses include the school district solvency assistance fund.
Oklahoma	General fund collections above the certified estimate are "surplus," which is credited to the rainy day fund.
Puerto Rico	Other uses include funding health and welfare services.
South Carolina	Other uses include $81.8 million in undesignated cash surplus.
South Dakota	Surplus funds are used to increase the balance in the property tax reduction fund.
Tennessee	Surplus funds are used for the following purposes: $30 million for a one-time bonus and 401K matches; $6 million for health and human services; $12 million for automobile registration; $3 million for disaster relief grants match; and $33 million for miscellaneous purposes.
Utah	Other uses include wildland fire suppression services.
Vermont	Other uses include property tax reductions and funding the human services caseload management reserve.
Virginia	Other uses are the Water Quality Fund and $33 million available for appropriation in the 1999 legislative session.
Washington	Other surplus funds are retained for future spending and to cover an economic downturn.
Wisconsin	Surplus funds include a required 1 percent balance.
West Virginia	Other uses include appropriations to various agencies.
Wyoming	Surplus funds are applied to upcoming appropriations.

Appendix

NOTES TO TABLE A-1

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures and transfers from budget stabilization funds are counted as revenues.

Alaska	Adjustments reflect insurance settlements.
Arizona	Adjustments reflect school capital finance reserve.
California	The ending balance includes a budget stabilization fund of $461 million.
Colorado	The ending balance includes a budget stabilization fund of $166.7 million.
Connecticut	Figures include federal reimbursements, such as Medicaid.
Delaware	The ending balance reflects a budget stabilization fund of $92.9 million.
Indiana	Expenditure adjustments include those for "Year 2000" projects, auto excise tax distribution, local property tax relief, and pensions.
Iowa	The beginning balance represents the excess balances in the economic emergency fund more than the 5 percent required by current law. Revenue and expenditures reflect $69.6 million in gaming revenues diverted to the Rebuild Iowa Infrastructure Fund, $7 million to reduce personal income tax rates, and $2.2 million in other changes. Expenditures also reflect $108.9 million in property tax relief for fiscal 1997 and $15 million for technology assistance to local schools.
Kansas	Revenue adjustments reflect released encumbrances.
Kentucky	Revenue adjustments are continued appropriations carried forward from previous fiscal years. Expenditure adjustments are the continued appropriations reserve.
Louisiana	Revenue adjustments include carry-forward balances. Expenditure adjustments include comprehensive annual financial report reconciliation.
Maine	Adjustments are to prior-year transactions and balances.
Massachusetts	These figures incorporate data for Massachusetts' three major funds—the general fund, the highway fund, and the local aid fund. Massachusetts uses all three funds in the same manner as most other states, which typically have far fewer dedicated funds and use just their general fund. Expenditure adjustments are for both unspent, lapsed appropriations and appropriations continued into the succeeding fiscal year.
Montana	Revenue adjustments reflect inventory adjustments. Expenditure adjustments reflect a decrease in inventory.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers.
Nevada	Revenue adjustments reflect revisions from prior years. Expenditure adjustments reflect costs of legislative sessions, capital improvement projects, restoration of fund balances, supplemental and one-time appropriations, and adjustments to prior fund balances.
New Hampshire	The balance in the health care transition fund is $50.8 million.
New Jersey	The ending balance includes a budget stabilization fund of $388.4 million.
New York	The ending balance reflects a budget stabilization fund of $317 million.
North Carolina	Revenue adjustments reflect a transfer of $1.6 million from the reserve for disproportionate share receipts to availability authorized by the general assembly. Expenditure adjustments are authorized transfers to reserves from the unexpended cash balance, including $156 million to the intangible tax refund reserve, $174.3 million to the repair and renovation reserve, $49.4 million to the clean water management trust fund, and $61 million to the railroad purchase reserve.
North Dakota	The ending balance includes a budget stabilization fund of $17 million.
Ohio	The general fund includes federal reimbursements for Medicaid, Temporary Assistance for Needy Families, and several other human services programs. The beginning balance is an undesignated, unreserved fund balance. The actual cash balance would be higher by the amount reserved for encumbrances and various beginning-year transfers in each year. Expenditures do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Expenditure adjustments reflect a transfer to the income tax reduction fund of $262.9 million, a transfer to the budget stabilization fund of $34.4 million, a transfer to the SchoolNet Plus fund of $94.4 million, a transfer to the school building assistance fund of $250 million, a transfer to the instructional education materials fund of $35 million, a transfer to the distance-learning fund of $9.2 million, and other miscellaneous transfers-out totaling $89.8 million. These transfers-out are adjusted for an estimated net change in encumbrances from fiscal 1996 levels of $175.6 million.
Oklahoma	Revenue adjustments are for a transfer to the rainy day fund and the cash flow reserve fund.
Oregon	Total expenditures are based on the biennial budget, prorated 48 percent the first year and 52 percent the second year. One expenditure adjustment is made for the legislative transfer of general fund from the prior biennium. The "rainy day" fund balance reflects the general purpose emergency fund at the start of the fiscal year. The appropriated fund balance is also included in total expenditures.
Pennsylvania	Revenue adjustments include adjustments to the beginning balance ($2 million) and lapses from the prior-year appropriations ($119 million). Expenditures reflect the total of the amounts appropriated. Expenditure adjustments include the addition of current year lapses ($82 million) less the transfer to the rainy day fund ($189) million, which actually occurs in the following fiscal year.

TABLE A-2

Fiscal 1998 State General Fund, Preliminary Actual (Millions)

Region/State	*Beginning Balance*	*Revenues*	*Adjustments*	*Resources*	*Expenditures*	*Adjustments*	*Ending Balance*	*Budget Stabilization Fund*
NEW ENGLAND								
Connecticut*	$ 0	$10,142		$10,142	$ 9,829		$ 313	$ 499
Maine	21	1,975	$ -11	1,985	1,888	$ -12	98	92
Massachusetts*	176	17,652	0	17,828	17,234	392	201	972
New Hampshire*	-1	964	-4	959	918	0	41	20
Rhode Island*	46	1,961	0	2,007	1,879	0	128	60
Vermont*	0	876	-52	824	876	-52	0	36
MID-ATLANTIC								
Delaware*	393	2,046		2,439	1,900		539	*
Maryland	207	8,029	0	8,236	7,816	0	420	618
New Jersey*	1,108	16,679		17,787	16,662	-12	1,138	*
New York*	433	34,552		34,985	34,347		638	*
Pennsylvania*	403	17,213	103	17,719	17,289	165	265	654
GREAT LAKES								
Illinois	806	19,984		20,790	19,588		1,202	NA
Indiana*	1,138	8,480	0	9,618	7,894	404	1,319	496
Michigan	53	8,592	0	8,646	8,646	0	0	1,113
Ohio*	149	18,138	0	18,287	17,087	1,061	139	907
Wisconsin	327	9,528	445	10,300	9,694	54	552	0
PLAINS								
Iowa*	340	4,648	-184	4,804	4,319	45	440	440
Kansas*	528	4,019	4	4,551	3,802		749	0
Minnesota*	1,995	10,365		12,360	10,171		2,189	1,415
Missouri	234	6,650	0	6,884	6,617	0	267	128
Nebraska*	355	2,106	-98	2,363	1,932		431	133
North Dakota*	82	743		825	728		97	*
South Dakota	0	718	6	723	702	21	0	30
SOUTHEAST								
Alabama	23	4,681		4,704	4,669		35	0
Arkansas	0	2,903		2,903	2,844		59	0
Florida	689	16,790		17,479	17,078		401	1,042
Georgia	735	11,671		12,406	11,705		701	351
Kentucky*	284	6,151	254	6,689	5,958	365	0	366
Louisiana	135	5,684	19	5,838	5,838		0	0
Mississippi*	94	2,994		3,088	2,916	13	159	222
North Carolina*	319	11,727	259	12,305	11,436	754	115	523
South Carolina*	574	4,846		5,420	4,904		517	*
Tennessee*	276	5,959	79	6,314	5,912		402	*
Virginia	255	8,999	0	9,254	8,822	0	432	215
West Virginia*	149	2,503	26	2,678	2,543	10	125	65
SOUTHWEST								
Arizona*	516	5,263	0	5,779	5,255		523	291
New Mexico	81	3,228		3,309	3,061		248	*
Oklahoma*	225	4,341	-193	4,373	4,200		174	297
Texas	2,379	27,379	0	29,758	26,733	0	3,025	58
ROCKY MOUNTAIN								
Colorado*	514	5,328		5,842	4,734	297	824	*
Idaho*	13	1,482	-13	1,482	1,446	0	36	36
Montana*	30	1,057	17	1,104	1,027		78	NA
Utah	65	3,019	0	3,084	3,042	0	42	88
Wyoming*	52	506	26	584	518		66	*
FAR WEST								
Alaska*	75	1,969	390	2,434	2,434		0	3,464
California*	906	54,664	1	55,571	53,344		2,227	*
Hawaii	136	3,232	0	3,368	3,214	0	154	0
Nevada*	107	1,413	30	1,550	1,450	2	99	129
Oregon*	800	4,006		4,806	4,206		599	38
Washington*	513	9,637	0	10,150	9,325	0	825	*
TERRITORIES								
Puerto Rico	18	6,148		6,166	6,096		70	34
Total	**$18,738**	**$417,491**	**--**	**$437,333**	**$410,440**	**--**	**$23,031**	**$14,795**

NOTE: NA indicates data are not available.

*See Notes to Table A-2.

NOTES TO TABLE A-2 (continued)

Ohio	The general fund includes federal reimbursements for Medicaid, Temporary Assistance for Needy Families, and several other human services programs. The beginning balance is an undesignated, unreserved fund balance. The actual cash balance would be higher by the amount reserved for encumbrances and various beginning-year transfers in each year. Expenditures do not include encumbrances outstanding at the end of the year. Ohio reports expenditures based on disbursements from the general fund. Expenditure adjustments reflect a transfer to the income tax reduction fund of $701.4 million, a transfer to the budget stabilization fund of $44.2 million, a transfer to the school building assistance fund of $170 million, a transfer to the school district solvency assistance fund of $30 million, and other miscellaneous transfers-out totaling $83.7 million. These transfers-out are adjusted for an estimated net change in encumbrances from fiscal 1997 levels of $31.7 million.
Oklahoma	Revenue adjustments are for a transfer to the rainy day fund and the cash flow reserve fund.
Oregon	Fiscal 1998 revenues reflect the September 1998 forecast. Revenue adjustments reflect estimated general fund reversions based on agency estimates of lower expectations. Total expenditures are based on biennial budget, prorated 48 percent the first year and 52 percent the second year. One expenditure adjustment is made for legislative transfer of general funds from the prior biennium. The "rainy day" fund balance reflects the general purpose emergency fund at the start of the fiscal year. The appropriated fund balance is also included in total expenditures.
Pennsylvania	Revenue adjustments include adjustments to the beginning balance (-$400,000) and lapses from prior-year appropriations ($103 million). Expenditures reflect total amounts appropriated. Expenditure adjustments include the current year lapses ($59 million) and the transfer to the rainy day fund ($223 million) that actually occurs in the following fiscal year.
Rhode Island	The general fund reflects general revenue receipts and expenditures only. Total revenues are net transfers to the budget reserve fund.
South Carolina	The ending balance reflects a budget stabilization fund of $130.4 million.
Tennessee	Revenue adjustments reflect a $43 million transfer to the general fund from the Tennessee Housing Development Authority reserves and earmarked tax revenue and a $36 million transfer to the general fund from debt service fund unexpended appropriations. The ending balance includes a budget stabilization fund of $101 million.
Vermont	Total expenditures include a $0.92 million transfer to the general fund budget stabilization reserve; a $1.94 million transfer to the transportation fund; a $59.1 million transfer to the education fund budget stabilization reserve; a $13.03 million transfer to a debt service reserve; and a $7.39 million transfer to the human services caseload management reserve.
	Expenditure adjustments reflect education reform revenues that offset a concomitant amount of expenditures, both of which are reflected in the newly created education fund in fiscal 1999.
Washington	The ending balance reflects a budget stabilization fund of $300.2 million.
West Virginia	Revenues reflect $0.2 million in prior-year redeposits, a $20 million transfer from the income tax refund reserve, and a $5.4 million transfer from special revenue.
Wyoming	The ending balance reflects a budget stabilization fund of $22.3 million. Revenue adjustments are interfund transfers from the budget reserve account, the legislative royalty impact account, and the statutory reserve account.

NOTES TO TABLE A-3

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures and transfers from budget stabilization funds are counted as revenues.

Alaska	Adjustments reflect insurance settlements.
Arkansas	A balanced budget reserve fund was created by the 81st General Assembly and consists of one-time monies for agency operations.
Arizona	Adjustments reflect school capital finance reserve.
California	The ending balance includes a budget stabilization fund of $1,255 million.
Colorado	The ending balance includes a budget stabilization fund of $187.7 million. Revenue adjustments include a $162 million additional capital construction transfer and $528.8 million excess from the Taxpayer Bill of Rights Amendments.
Connecticut	Figures include federal reimbursements, such as Medicaid.
Delaware	The ending balance reflects a budget stabilization fund of $114.1 million.
Georgia	Revenue adjustments reflect the impact of the phaseout on the sales tax on groceries and the increase in the standard deduction.
Indiana	Expenditure adjustments include those for "Year 2000" projects, auto excise tax distribution, local property tax relief, and pensions.
Iowa	The beginning balance represents the excess in the economic emergency fund more than the 5 percent required by current law. Revenue and expenditure adjustments reflect $89.4 million in gaming revenues diverted to the Rebuild Iowa Infrastructure Fund, $126.6 million to reduce personal income taxes, $82.3 million to reduce personal income taxes, a $34.4 million reduction in inheritance taxes, a $26.1 million reduction for mental health institution funding changes, $18.5 million reduction in revenue because of federal tax legislation, a $15 million reduction in the sales tax to exempt the Internet, and $0.9 million in other tax reductions. In addition to the tax relief for fiscal 1997 and fiscal 1998, expenditures also reflect an additional $7.4 million for fiscal 1999 recommended by the Governor. The ending balance includes $1.5 million to be deposited in the cash reserve fund, $14.3 million to be set aside in an economic emergency fund, and $260.1 million to be returned to the general fund in fiscal 2000.
Kentucky	Revenue adjustments are continued appropriations carried forward from previous fiscal years. Expenditure adjustments are the continued appropriations reserve. A portion of the reserve for the surplus expenditure plan is an additional $30 million for the budget reserve trust fund.
Louisiana	The tax change has been adopted into the official revenue forecast as of August 7, 1998.
Maryland	Revenue adjustments reflect a transfer from the budget stabilization fund.
Massachusetts	These figures incorporate data for Massachusetts' three major funds—the general fund, the highway fund, and the local aid fund. Massachusetts uses all three funds in the same manner as most other states, which typically have far fewer dedicated funds and use just their general fund. Expenditure adjustments are for both unspent, lapsed appropriations and appropriations continued into the succeeding fiscal year.
Minnesota	Ending balance includes a cash flow account of $350 million, a budget reserve of $613 million, and a property tax reserve account of $331 million. One-time property tax rebates are included in revenues as a reduction to individual income taxes.
Mississippi	Expenditure adjustments reflect statutory additions to the working cash stabilization fund.
Montana	Revenue adjustments reflect inventory adjustments.
Nebraska	Revenue adjustments are transfers between the general fund and other funds. Expenditure adjustments are carryovers.
Nevada	Revenue adjustments reflect revisions from prior years. Expenditure adjustments reflect costs of legislative sessions, capital improvement projects, restoration of fund balances, supplemental and one-time appropriations, and adjustments to prior fund balances.
New Hampshire	The balance in the health care transition fund is $38.2 million.
New Jersey	The ending balance includes a budget stabilization fund of $500.7 million.
New York	The ending balance reflects a budget stabilization fund of $400 million.
North Carolina	Revenue adjustments reflect reserves authorized for expenditure in fiscal 1999, including use of unexpended fiscal 1998 appropriations for public infrastructure of $55 million, repair and renovations of $145 million, clean water management trust fund of $47.4 million, refunds to state and federal retirees per consent order of $400 million, and disproportionate share reserve of $35.4 million. Expenditure adjustments reflect repair and renovation appropriations of $145 million, clean water management trust fund appropriations of $47.4 million, refunds to state and federal retirees per consent order appropriations of $400 million, and the authorized expenditure of reserve-public infrastructure of $55 million.
North Dakota	The ending balance includes a budget stabilization fund of $17 million.

TABLE A-4

Nominal Percentage Expenditure Change, Fiscal 1998 and Fiscal 1999**

Region/State	Fiscal 1998	Fiscal 1999
NEW ENGLAND		
Connecticut	5.5%	1.5%
Maine	7.3	14.2
Massachusetts	-2.3	6.7
New Hampshire	8.2	3.5
Rhode Island	6.1	8.8
Vermont*	13.6	-12.9
MID-ATLANTIC		
Delaware	7.6	18.8
Maryland	6.0	8.3
New Jersey	5.1	6.5
New York	4.4	7.1
Pennsylvania	4.5	4.1
GREAT LAKES		
Illinois	6.0	9.2
Indiana	4.7	6.9
Michigan	4.0	1.7
Ohio*	4.2	8.1
Wisconsin	7.4	3.7
PLAINS		
Iowa	5.8	4.1
Kansas	7.5	10.3
Minnesota	8.5	11.8
Missouri	2.1	4.4
Nebraska	3.3	15.4
North Dakota	6.3	4.5
South Dakota	9.9	4.6
SOUTHEAST		
Alabama	4.3	3.4
Arkansas	5.9	5.8
Florida	10.6	5.7
Georgia	6.0	7.2
Kentucky	5.5	9.9
Louisiana	0.0	-0.6
Mississippi	2.2	7.0
North Carolina	9.3	9.5
South Carolina	6.3	-2.0
Tennessee	7.5	6.9
Virginia	7.8	12.5
West Virginia	3.5	7.0
SOUTHWEST		
Arizona	8.9	11.8
New Mexico	2.9	2.8
Oklahoma	8.2	6.8
Texas	8.1	0.6
ROCKY MOUNTAIN		
Colorado	4.4	11.6
Idaho*	3.9	11.4
Montana	2.5	1.1
Utah	2.0	6.4
Wyoming	3.9	0.0
FAR WEST		
Alaska	0.6	-4.9
California	8.7	7.3
Hawaii	0.9	-0.6
Nevada	9.9	5.8
Oregon	8.8	8.3
Washington	2.3	4.7
TERRITORIES		
Puerto Rico	7.3	8.7
Average	5.7%	6.3%

NOTES: See Notes to Table A-4.

**Fiscal 1998 reflects changes from fiscal 1997 expenditures (actual) to fiscal 1998 expenditures (preliminary actual). Fiscal 1999 reflects changes from fiscal 1998 expenditures (preliminary actual) to fiscal 1999 expenditures (appropriated).

TABLE A-5

State Employment Compensation Changes, Fiscal 1999

Region/State	Across-the-Board	Merit	Other	Notes
NEW ENGLAND				
Connecticut	2.1%	2.1%	---	The across-the-board percentage increase average is based on a range from 1.5 percent to 3 percent. Employees who are not at the maximum step of the range for their salary groups are eligible for anniversary increases.
Maine	2.0%	1.4%	---	Merit is a weighted average. Employees who reach the top step in their range do not receive further merit increases.
Massachusetts	*	---	---	Collective bargaining agreements covering 90 percent of classified employees, excluding those in public higher education, provide for across-the-board increases effective during fiscal 1999 averaging 3.3 percent, in addition to various bonuses and other economic benefits. Most classified employees are eligible for annual increases that are tied to performance evaluations.
New Hampshire	*	*	*	The total increase is 5 percent.
Rhode Island	3.0%	---	---	
Vermont	3.0%	---	*	An across-the-board increase of 3 percent is effective July 1998. Per the contract, about 60 percent of employees receive step increases annually, in aggregate worth about 1.8 percent of statewide salary costs.
MID-ATLANTIC				
Delaware	3.0%	---	---	A 3 percent raise for each state employee is provided, unless the employee is near or above maximum salary. In that case, the employee's salary is increased a percentage to move to the maximum or 1.5 percent, whichever is greater. An additional $400 is provided for each employee below the maximum or the amount that would increase his or her salary to maximum, whichever is less. The minimum salary is $15,000.
Maryland	*	---	---	3.5 percent was the estimated average of a phased-in flat rate adjustment of $900 in July 1998 and $375 in January 1999.
New Jersey	*	---	---	Across-the-board represents a $1,365 annualized raise ($840 in July 1998 and $525 in January 1999).
				Union employees are eligible for incremental step or anniversary increases ranging from 3.7 percent to 5.0 percent of salary depending on step in the range, for up to eight years in a given range.
New York	3.5%	1.0%	---	Most state employees will receive a 3.5 percent across-the-board increase in October 1998. A small number of state employees will receive a 3.0 percent general salary increase in October 1998.
Pennsylvania	3.0%	---	2.2%	Most employees received a 3 percent across-the-board increase effective on July 1, 1998. Those employees who are not at the maximum pay step will receive a 2.2 percent longevity increase effective January 1, 1999.

TABLE A-5 (continued)

State Employment Compensation Changes, Fiscal 1999

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
SOUTHEAST				
Alabama	8.0%	5.0%	*	Merit raises are based on employee performance and may range from 0 percent to 5 percent based on actual evaluation. Longevity pay ranges from $300 to $600 per employee per year, based on the number of years of state service.
Arkansas	3.2%	---	2.0%	Act 532 of 1997 provides a 3.2 percent increase for all employees on July 1. An additional 2 percent increase was also provided on July 1, after sufficient general revenues were certified by the chief fiscal officer of the state as being available. However, none of these increases may cause an employee's salary to exceed pay level IV of an assigned grade. Act 899 of 1997 established the Incentive Pay Program for classified employees. The legislation established uniform performance evaluation categories as well as provided monetary awards ranging from 0 percent to 5.5 percent for an employee's evaluation of exceeds standards should the Governor determine sufficient funds are available to initiate the program.
Florida	*	---	---	Employees with salaries less than $20,001 receive a $1,200 increase. Employees with salaries between $20,001 and $36,000 receive a $1,000 increase. Employees with salaries greater than $36,000 receive a 2.78 percent increase.
Georgia	---	---	*	Georgia has a pay-for-performance system, with pay increases ranging from 0 percent to 7 percent. The increase is 0 percent for those who do not meet expectations, 4.0 percent for those who meet expectations, 5.5 percent for those who exceed expectations, and 7.0 percent for those who far exceed expectations. The funding was based on a 2 percent, 83 percent, 10 percent, and 5 percent occurrence rate, respectively. This is based on industry averages for this type of pay-for-performance system.
Kentucky	5.0%	---	---	
Louisiana	---	4.0%	---	All eligible employees are eligible to receive an annual merit increase of 4 percent if such merit increases are warranted. Approximately 4 percent of the classified employees have reached their maximum salary and are no longer eligible for merit increases.
Mississippi	---	---	3.8%	Direct care workers and information technology personnel received special realignments. Other employees received realignments of between $600 and $900 annually.
North Carolina	*	---	---	Pay increases include 6 percent for public school teachers (including incentive supplements) and 8.7 percent for principals and assistant principals; 3 percent plus a 1 percent bonus for university and community college employees; and a 1 percent across-the-board, a 2 percent career growth, and a 1 percent bonus to university SPA and other state employees.
South Carolina	2.5%	---	---	The increase is effective July 1, 1998.
Tennessee	2.0%	---	2.0%	The 2 percent cost-of-living adjustment is effective January 1, 1999. "Other" represents 1 percent for upgrading salaries for correction security, direct health care, highway maintenance, food service, labor and trades, and secretarial classes; and 1 percent for one-time bonus of $50 per year for up to twenty-five years or $1,250 with a three-year minimum.
Virginia	---	3.7%	---	Employees rated "exceptional" or "exceeding expectations" receive a two-step (4.55 percent) increase to their base salary and employees rated as "meets expectations" receive a one-step (2.25 percent) increase. The increase occurs on November 25, 1998.
West Virginia	*	---	---	State employees receive a $756 across-the-board pay increase.

TABLE A-5 (continued)

State Employment Compensation Changes, Fiscal 1999

Region/State	*Across-the-Board*	*Merit*	*Other*	*Notes*
FAR WEST				
Alaska	*	---	*	There are no across-the-board increases. Most employees received a 0.6 percent salary increase. However, members of bargaining units for police officers and general government supervisory personnel (together about 10 percent of total full-time employees) received a 1.5 percent salary increase. Some employees did not receive any salary increase, bargaining instead for higher employer contributions to health insurance premiums. Employer health insurance costs per employee increased (from 6 percent to 11 percent) for about 65 percent of employees, varying by bargaining unit. Employer contributions for the other 15 percent of employees remains unchanged from fiscal 1998.
California	*	*	*	Of the twenty-one bargaining units for state employees, four bargaining units representing approximately 31,891 employees have reached agreements for fiscal 1999. Two of the bargaining units representing approximately 4,355 employees are scheduled to receive general salary increases of 3 percent, the possibility of an additional merit increase of either 5 percent or 10 percent, and other recruitment and retention incentives in fiscal 1999. Two other bargaining units, representing approximately 27,536 employees, are scheduled to receive a general salary increase of 5 percent, an employer contribution of 2 percent of their salary into a defined contribution plan, and other recruitment and retention incentives in 1998-1999. No increase has been adopted for all remaining employees. Merit salary increases of 5 percent are available to employees performing successfully and within an established salary range. Once an employee reaches the maximum within an established salary range for a position, additional merit adjustments are not possible. Except for the 4,355 employees identified above, and specific program areas, additional merit salary adjustments for all other employees will not be separately funded in 1998-1999.
Hawaii	*	*	*	An agreement was reached for two bargaining units for retroactive increases back to fiscal 1996 and fiscal 1997; for other units, an agreement was reached for a 5.06 percent increase over fiscal 1998 and fiscal 1999; however, the 1998 legislature adjourned without approving funds for the increase. The cost items will be resubmitted to the 1999 legislature.
Nevada	3.0%	4.2%	---	All employees received a 3 percent across-the-board increase. Those employees not at the maximum allowed and who receive a standard or above-performance evaluation received a merit increase.
Oregon	3.0%	1.3%	3.0%	The average across-the-board increase applies to all employees. In addition to these increases, step ("merit") increases are funded in agency budgets. About one half of all state employees are expected to be eligible for merit increases of an average 5 percent per year. The merit increases take effect on an individual employee's salary eligibility date, which means the statewide increase for a given year is about 1.25 percent. The other category reflects various selective increases that were made to specific job classifications (e.g., information technology class) that were below market.
Washington	---	---	---	
TERRITORIES				
Puerto Rico				The fiscal 1999 budget includes funding to cover the Christmas bonus adjustment of 6 percent of base salary, up to $8,000 per year.

NOTES TO TABLE A-6

Colorado	Full-time positions include higher education faculty for fiscal 1999.
Delaware	Full-time positions include those in public education as well as in higher education.
Massachusetts	Full-time equivalent figures reflect budgetary funds only. The fiscal 1999 figure reflects the September 1998 actual level.
Missouri	Figures reflect appropriated full-time equivalent positions.
New Jersey	Figures reflect full-time employees, not equivalents, and include the county courts.
New York	Full-time equivalent figures reflect end-of-year counts for annual and nonannual salaried full-time equivalent employees in the executive, legislative, and judicial branches.
	The state's welfare system is state-supervised but locally administered.
Oklahoma	The large percentage decrease is primarily because of the privatization of the university hospital that occurred in January 1998. The hospital employees are no longer state employees.
Rhode Island	Figures reflect an authorized position cap.
Vermont	Positions include those in the executive, judicial, and legislative branches.
Virginia	A statewide hiring freeze is still in effect.

NOTES TO TABLE A-7

California	Tax collections are for the general fund only.
Maine	The personal income tax is capped. The balance is transferred to the Tax Relief Fund for Maine Residents ($137.2 million in fiscal 1998).
New York	Actual fiscal 1998 reflects an accounting adjustment that artificially reduces the personal income tax revenue value by $1.9 million.
Tennessee	Tax collections are shared with local governments. The corporate income tax includes the corporate franchise tax.
Vermont	Fiscal 1998 corporate tax collections include approximately $7.9 million of revenue associated with property tax reform tax increases destined to be transferred to the education fund in fiscal 1999.

NOTES TO TABLE A-8

California	Tax collections are for the general fund only.
Idaho	Approximately $55 million of the $79 million increase in sales tax revenue is the result of an accounting change. In fiscal 1999, the legislature decided to shift the way it displays property tax relief from a sales tax diversion to a general fund appropriation.
Maine	The personal income tax is capped. The balance is transferred to the Tax Relief Fund for Maine Residents ($137.2 million in fiscal 1998).
New York	Actual fiscal 1998 reflects an accounting adjustment that artificially reduces the personal income tax revenue value by $1.9 million.
Ohio	Estimates are the most recent revisions and not those from June 1997 when the biennial budget was enacted. The expected reduction in personal income tax collections in fiscal 1999 is a manifestation of the state's income tax reduction fund surplus rebate mechanism. At the end of fiscal 1998, $701.4 million was deposited to this fund based on fiscal 1998 surpluses. This amount will be used to support a 9.3 percent reduction to income tax rates for 1998. A transfer of funds from the income tax reduction fund to the general revenue fund will offset the impact this has on tax collections.
Tennessee	Tax collections are shared with local governments. The corporate income tax includes the corporate franchise tax.
Vermont	Fiscal 1998 corporate tax collections include approximately $7.9 million of revenue associated with property tax reform tax increases destined to be transferred to the education fund in fiscal 1999. The July 15, 1998, revised revenue estimate is $376.3 million for the personal income tax in fiscal 1999.

TABLE A-9 (continued)

Appropriated Revenue Changes by Type of Revenue, Fiscal 1999

State	*Tax Change Description*	*Effective Date*	*Fiscal 1999 Revenue Changes (Millions)*
	PERSONAL INCOME TAXES		
Arizona	Provides 2.5 percent reduction over two years.	NA	$-30.0
California	Reflects federal conformity.	1/98	-42.0
	Reinstates renter's credit.	1/98	-133.0
	Increases credit for dependents.	1/98	-612.0
Colorado	Provides a tax credit for child care expenses.	1/98	-31.2
Connecticut	Increases from $285 to $350 the maximum credit that can be taken against the personal income tax for property taxes paid on a primary residence and/or automobile.	1/98	-45.0
Delaware	Reduces rates and increases standard deduction.	1/99	-45.8
Georgia	Increases standard deduction of all filers to the federal standard deduction.	1/98	-205
Hawaii	Reduces income tax rates over four years, repeals the food tax credit, and provides a low-income refundable tax credit.	1/98 and 7/98	-46.0
Illinois	Phases in a doubling of personal exemption over three years	NA	-96.0
Indiana	Increases low-income and dependent deductions.	N/A	-42.6
Iowa	Reduces capital gains tax.	NA	-18.0
	Creates tuition credit.	NA	-3.8
	Reduces tax on pensions.	NA	-20.0
	Creates a personnel exemption.	NA	-26.8
Kansas	Accelerates single taxpayer equity.	7/98	-23.0
	Increases standard deduction.	7/98	-18.0
	Increases personal exemption.	7/98	-36.0
	Adds new earned income credit.	7/98	-13.0
Kentucky	Provides deduction for long-term care insurance premiums.	NA	-1.5
Maine	Increases personal exemption to federal level.	1/98	-30.1
Maryland	Accelerates previously enacted multiyear tax cut.	1/98	-45.0
	Makes earned income credit refundable.	1/98	-17.0
Massachusetts	Doubles personal exemptions, phased in over two years beginning with tax year 1998.	1/98	-600.0
	Allows income exclusion for contributions to "403b" annuity plans (pension plans for nonprofit/public school employees).	1/98	-55.0
	Exempts earnings and distributions for Roth and education individual retirement accounts (to bring state tax law into conformity with Internal Revenue Service code).	1/98	-1.0
	Provides capital gains exclusions of $250,000 for single filers or $500,000 for joint filers for sale of principal residence (to bring state tax law into conformity with Internal Revenue Service code).	1/98	-2.0
	Reduces tax rate on interest and dividend income from 12 percent to 5.95 percent (the tax rate on earned income such as salaries and wages).	1/99	-117.0
Michigan*	Increases personal exemption, indexed to inflation.	3/95	-30.0
	Increases personal exemption by $200.	7/97	-60.0
	Increases senior citizen dividend and interest deduction; indexed to inflation beginning in fiscal 1998.	12/95	-42.9
	Provides credit for percentage of tuition and fees paid to institution of higher learning.	7/97	-18.5
	Adds deduction for dependent children.	7/97	-29.4
Minnesota	Provides income tax rebate.	Based on 1998 property tax liability	-467.5
	Expenses for tax exempt income.	1/98	1.5
	Reflects federal update.	various	-9.7
	Adds Bank S corporation dividend deduction.	1/98	-5.3
	Provides working family credit.	1/98	-4.4

TABLE A-9 (continued)

Recommended Revenue Changes by Type of Revenue, Fiscal 1999

State	Tax Change Description	Effective Date	Fiscal 1999 Revenue Changes (Millions)
	CORPORATE INCOME TAXES		
Arizona	Decreases corporate tax rate from 9 percent to 8 percent; apportionment changes; extends personal property exemption to multiple locations.	NA	$-10.0
California	Reflects federal conformity.	1/98	8.0
	Creates enterprise zones, health insurance, child care, research and development, and software manufacturing credits.	1/98	-38.0
Connecticut	Provides for a single factor apportionment formula for financial services companies and excludes financial service companies from capital base.	7/98	5.3
	Establishes an exemption for passive investment companies.	7/98	-14.0
	Exempts domestic insurers from the tax.	7/98	-7.0
	Restricts the deductability of certain intangible expenses and certain interest expenses with a related member.	7/98	6.2
Florida	Provides a tax credit for child care facility start-up costs.	7/98	-2.0
	Increases community contribution tax credit.	7/98	-2.7
	Creates exemption for certain research and development expenditures in conjunction with a state university.	7/98	-3.2
	Creates a tax credit for dry-clean solvent clean-up expenditures.	7/98	-1.2
	Exempts limited liability companies from tax.	7/98	-8.2
	Reduces bank income tax credit because of repeal of intangible personal property tax on banks.	7/98	0.0
Illinois	Changes formula for apportioning income to Illinois for multistate companies (three-year phase-in).	NA	-21.0
Indiana	Updates the tax codes to comply with changes in federal tax law.	N/A	-11.7
Kansas	Provides credit on business equipment.	7/98	-16.0
Kentucky	Provides tax credit for worker training.	NA	-1.0
Michigan*	Changes single business tax apportionment formula for 1997 and tax years after 1998.	1/96	-54.2
	Increases small business credit income limit beginning in 1998.	1/96	-21.6
	Provides credit for expenses paid to, or on behalf of, an apprentice from sixteen to twenty years of age, without a high school diploma.	1/97	-5.2
Minnesota	Reflects federal update.	various	0.6
Missouri	Creates tax credits as incentives for businesses to locate and invest in distressed communities.	1/98	-39.0
	Reflects miscellaneous tax credits.	1/98	-13.0
New York	Creates investment tax credits for securities firms and banks.	10/98	-20.0
	Creates alternative minimum tax rate reduction.	7/98	-1.0
	Current year phase of prior tax cuts.	various	-88.5
Ohio	Reduces corporate franchise net worth component and the financial institutions tax.	NA	-41.2
Pennsylvania	Increases recovery period for net operating loss carry forward from three to ten years.	1/98	-18.7
South Carolina	Replaces the enterprise impact zone investment tax credit of 5 percent with a graduated scale from 1 percent to 5 percent, with certain limitations based on the investment's useful life.	7/98	24.4
Virginia	Creates small business enterprise zones.	7/98	-1.7
Total Revenue Changes—Corporate Income Taxes			**$-395.6**

*Tax changes in Michigan for the personal income tax, corporate income tax, cigarette and tobacco taxes, and phase out of intangibles tax were adopted prior to the 1998 legislative session, but revenue impacts fiscal 1999.

TABLE A-9 (continued)

Appropriated Revenue Changes by Type of Revenue, Fiscal 1999

State	*Tax Change Description*	*Effective Date*	*Fiscal 1999 Revenue Changes (Millions)*
	OTHER TAXES (continued)		
Oklahoma	Increases in-state estate tax exemption.	1/99	0.0
	Provides a temporary rate decrease of unemployment trust fund. These moneys are not appropriated.	1/99	$-15.2
Pennsylvania	Lowers the rate on capital stock and franchise tax.	1/98	-73.3
	Provides miscellaneous other changes and new tax credits.	1/98	-16.6
South Carolina	Phases out soft drinks tax. (Fiscal 1999 is the third step of a six-year phase-out.)	7/98	-4.6
Washington	Creates various tax exemptions or rate reductions on the business and occupation tax.	NA	-18.7
Total Revenue Changes—Other Taxes			**$-1,267.3**

*Tax changes in Michigan for the personal income tax, corporate income tax, cigarette and tobacco taxes, and phase out of intangibles tax were adopted prior to the 1998 legislative session, but revenue impacts fiscal 1999.

State	*Tax Change Description*	*Effective Date*	*Fiscal 1999 Revenue Changes (Millions)*
	FEES		
California	Reduces vehicle license fees.	1/99	$-533.0
	Reduces horse-racing license fees.	1/99	-20.0
Florida	Enhances collection of court costs.	7/98	5.5
	Extends length of licensing period for concealed weapons.	7/98	-1.9
	Increases employee contributions to health insurance plan.	7/98	10.5
	Exempts certain radiation therapy centers from hospital assessments.	7/98	-3.1
Minnesota	Restructures criminal fees.	1/99	1.5
Montana	Provides various fees.		29.3
New York	Current year phase of assessment rate cuts on medical facility providers.	various	-56.3
	Accelerates phase-out of previous assessment cuts.	12/98	-16.8
Total Revenue Changes—Fees			**$-584.3**

NOTE: NA indicates data are not available.

TABLE A-11

Total Balances and Balances as a Percentage of Expenditures, Fiscal 1997 to Fiscal 1999*

	*Total Balances (Millions)***			*Balances as a Percent of Expenditures*		
Region/State	*Fiscal 1997*	*Fiscal 1998*	*Fiscal 1999*	*Fiscal 1997*	*Fiscal 1998*	*Fiscal 1999*
NEW ENGLAND						
Connecticut	$ 504	$ 650	$ 519	5.4%	6.6%	5.2%
Maine	67	190	118	3.8	10.0	5.5
Massachusetts	976	1,174	1,173	5.5	6.8	6.4
New Hampshire	21	61	22	2.5	6.7	2.3
Rhode Island	101	189	89	5.7	10.0	4.3
Vermont	35	36	75	4.6	4.1	9.9
MID-ATLANTIC						
Delaware	393	539	402	22.2	28.4	17.8
Maryland	697	1,038	752	9.5	13.3	8.9
New Jersey	1,108	1,138	700	7.0	6.8	3.9
New York	433	638	1,669	1.3	1.9	4.5
Pennsylvania	814	919	813	4.9	5.3	4.5
GREAT LAKES						
Illinois	806	1,202	1,200	4.4	6.1	5.6
Indiana***	1,844	1,815	1,657	23.2	23.0	19.6
Michigan	1,206	1,113	1,144	14.5	12.9	13.0
Ohio	1,012	1,046	1,334	6.2	6.1	7.2
Wisconsin	327	552	13	3.5	5.7	1.9
PLAINS						
Iowa	779	879	725	19.4	20.4	16.1
Kansas	528	749	524	14.9	19.7	12.5
Minnesota	1995	2,189	1,427	20.9	21.5	12.5
Missouri	355	395	202	5.5	6.0	2.9
Nebraska	396	564	287	21.2	29.2	12.9
North Dakota	82	97	78	12.0	13.3	10.2
South Dakota	25	30	40	3.9	4.2	5.4
SOUTHEAST						
Alabama	23	35	29	0.5	0.7	0.6
Arkansas	87	59	37	3.2	2.1	1.2
Florida	1,292	1,443	1,185	8.4	8.5	6.6
Georgia	1,069	1,052	366	9.7	9.0	2.9
Kentucky	484	366	288	8.6	6.1	4.4
Louisiana	135	0	2	2.3	0.0	0.0
Mississippi	303	382	311	10.6	13.1	10.0
North Carolina	820	638	523	7.8	5.6	4.2
South Carolina	574	517	364	12.4	10.5	7.6
Tennessee	276	402	227	5.0	6.8	3.6
Virginia	411	647	361	5.0	7.3	3.6
West Virginia	217	190	67	8.8	7.5	2.5
SOUTHWEST						
Arizona	762	814	398	15.8	15.5	6.8
New Mexico	80	248	249	2.7	8.1	7.9
Oklahoma	534	471	523	13.8	11.2	11.7
Texas	2,387	3,083	3,761	9.6	11.5	14.0
ROCKY MOUNTAIN						
Colorado	514	824	421	11.3	17.4	8.0
Idaho	41	72	56	2.9	5.0	3.5
Montana	33	78	25	3.3	7.6	2.4
Utah	144	130	99	4.8	4.3	3.1
Wyoming	52	66	78	10.4	12.6	15.1
FAR WEST						
Alaska	3,372	3,464	3,015	139.4	142.3	130.2
California	906	2,227	1,950	1.8	4.2	3.4
Hawaii	136	154	249	4.3	4.8	7.8
Nevada	236	228	221	17.9	15.7	14.4
Oregon	811	638	408	21.0	15.2	9.0
Washington	513	825	904	5.6	8.9	9.3
TERRITORIES						
Puerto Rico	80	34	24	1.4	0.6	0.4
Total	**$30,715**	**$36,251**	**$31,078**	**7.9%**	**8.8%**	**7.1%**

NOTES: NA indicates data are not available.

*Fiscal 1997 are actual figures, fiscal 1998 are preliminary actual figures, and fiscal 1999 are appropriated figures.

**Total balances include both the ending balance and balances in budget stabilization funds.

***For Indiana, total balance includes $240 million of tuition reserve. Tuition reserve is the amount from the general fund reserved for the July tuition support distribution to local elementary and secondary schools.

-MEMORANDUM-

EK/CR/Jose/Tom/Mike

BR

TO: All Interested Parties

FROM: Tom Janenda and Glen Weiner
Communications Research

DATE: November 16, 1998

RE: Governor Policy Proposals

A number of people have mentioned to us that it would be useful to look at some of the policy initiatives being developed at the state level. As a result, the Communications Research Office has put together the following draft document outlining some of the proposals that have been offered by governors from around the country.

Please let us know if you have any questions regarding the material we have provided or suggestions for other information we should gather.

CC: John Podesta
Paul Begala
Doug Sosnik
Bruce Reed
Gene Sperling
Ann Lewis
Jon Orszag

POLICIES & PROPOSALS OF VARIOUS GOVERNORS

The following are policy initiatives and proposals that have been offered or implemented by governors around the country:

TAX CUTS

1) **Gov. George Bush (R-TX): Suspend Taxes on School Items Before Classes Start**
According to the *San Antonio Express-News,* Gov. Bush "has proposed eliminating the sales tax on over-the-counter medicines, suspending the sales tax on some school items before classes start every year, and exempting 176,000 small businesses from the state's franchise tax." [San Antonio Express-News, 10/18/98]

EDUCATION

2) **Gov. George Bush (R-TX): Lone Star Leaders Initiative**
According to the fact sheet on "Lone Star Leaders: The Governor's 'Right Choices' Children's Initiative," includes:

After School Initiative to Target High Risk Middle Schoolers -- a two-year, $25 million after-school initiative targeting up to 50,000 middle schoolers in high risk, high crime areas. Risk taking behavior spikes dramatically during the middle school years. The funds will be provided in the form of grants to local school districts to support high quality, after-school programs during hours when juvenile crime rises sharply and many parents are still at work;

Mentoring Initiative -- coordinated by the Texas Commission on Volunteerism and Community Service to expand, encourage and support mentoring efforts and recommend legislative proposals to boost mentoring;

Early Childhood Development Initiative -- led by Texas First Lady Laura Bush, to arm parents and care givers with vital child health and development information for their critical early years;

Expanded Citizenship/Character Education -- in schools and communities to reinforce universal values of honesty, hard work, civic participation; and

Aggressive Abstinence Campaign -- with grant funding for local, community based abstinence programs (approximately $7 million will be distributed over the next year, in addition to funds already awarded) and a statewide media campaign to encourage young people to save sex for marriage. ["Lone Star Leaders: The Governor's "Right Choices" Children's Initiative" fact sheet from the Gov. George Bush web page]

3) **Gov. Bush (R-TX): End Automatic Promotion of Students**
In his "Excellence in Education," fact sheet Gov. George Bush proposes *"ending the automatic promotion of students who cannot pass minimum skills test."* ["Excellence in Education" fact sheet from the Bush-98 web page]

4) **Gov. Bush (R-TX): 100,000 Texans Pass AP Exam by 2003**
Also in his "Excellence in Education," fact sheet Gov. George Bush proposes to: *"Significantly expand the advanced placement program to challenge our best, brightest students."* In his "Education Funding" initiative fact sheet, Gov. Bush proposed to spend *"$18 million to expand the Advanced Placement Program toward the goal of 100,000 Texas students passing the AP exam by 20003."* ["Excellence in Education" and "Education Funding" fact sheet from the Bush-98 web page]

5) **Gov. Tom Ridge (R-PA): Ensuring Students Can Read by the 3rd Grade Through "Read to Succeed"**
A "Read to Succeed"fact sheet describes it as *"a new plan to ensure that Pennsylvania students are skilled readers before they leave the third grade. 'Read to Succeed' -- a four-year, $100 million program -- will help end social promotion at an early age by providing assistance to ensure that Pennsylvania's third grade students meet third-grade reading standards."* ["Read to Succeed" fact sheet from the Ridge98 web page]

6) **Gov. George Pataki (R-NY): Keep Schools Open until 7 O'clock with "Advantage Schools"**
And this session let's enact a statewide pilot program of Advantage Schools which will give local school districts the option of keeping schools open until 7 o'clock in the evening. Advantage Schools will allow our new Office of Children and Family Services to work with our schools to provide children with a secure, structured environment, where they can take part in a range of activities, from getting extra help in math to learning how to use the Internet. It will give parents the freedom to pick up their children after work. And it gives us an excellent opportunity to strengthen our anti-drug education efforts." [Gov. George Pataki's "1998 State of the State Address"]

7) **Gov. John Rowland (R-CT): 300 New Reading Teachers**
"Governor Rowland is emphasizing the need for reading instruction by proposing $10 million in additional state spending to put up to 300 new teachers or paraprofessionals in the classroom to enhance reading instruction in grades one and two. This is one of the most important targeted investments in primary education in the last decade." ["Governor John Rowland Announces Education Proposals for 1998," press release, 1/7/98]

8) **Gov. Rowland (R-CT): Allow School Boards to Close Schools that Fail to Improve Achievement**
"I intend to propose legislation that would allow a local school board to close down a school if it consistently fails to improve student achievement. The school board would then have the power to reopen the school with new staff and a new administration overriding collective bargaining agreements or any other barrier that has prevented this in the past." ["Remarks of Governor John G. Rowland to the State Board of Education," 1/7/98]

9) **Gov. Rowland (R-CT): Require Schools to Constantly Contact Parents of Truant Students**
"To address the problem of truancy I want to increase parental involvement by requiring that schools constantly contact the parents of truant students and the appropriate local and state agencies. If parents are looking the other way we have to put the problem in their lap so it cannot be ignored." ["Remarks of Governor John G. Rowland to the State Board of Education," 1/7/98]

10) **Gov. Tommy Thompson (R-WI): Youth Apprenticeship programs**
"In 1992, Governor Thompson created one of the nation's first Youth Apprenticeship programs, modeled after the highly successful German apprenticeship programs. This program allows high school juniors and seniors to combine traditional school-based learning with mentored learning at local businesses and industries. For example, students attend classes during the morning, then ply their chosen craft in a place of business in the afternoon. Students are paid at least minimum wage, receive a regular high school diploma, and earn a certificate of mastery that helps them if they go directly into the workforce or on to technical college after high school. Today, almost 1,300 high school students are learning rewarding careers in such fields as auto technology, printing, architectural drafting, mechanical design, and tourism - 15 in all, with another three programs in development." ["Governor Thompson on Education" fact sheet from the Thompson98 web page]

PREVENTING CRIME

11) **Gov. Howard Dean (D-VT): Confiscate Cars of Drunk Drivers** ?
From Gov. Dean's 1998 State of the State speech, *"Other states and other nations have managed to effectively deal with drunk driving by taking bold steps such as confiscation of cars, lengthy imprisonments, and enormous fines for even the first offense...We need forfeiture or immobilization of cars, serious and immediate sanctions for first time offenders, changes in the arrest laws to make it easier for the police to do their jobs, and video cameras in police cruisers...I submit to you that there must be a cheaper and more effective way to keep them [drunk drivers] off the roads. Confiscation of cars is such a plan."* [Governor Howard Dean's 1998 State of the State and Budget Address, 1/6/98]

12) **Gov. Bush (TX): Automatic Detention for Teen With Guns**
"I want to have automatic detention for a child who gets caught illegally carrying a gun in the state of Texas." [Gov. George W. Bush Addresses Supporters and Media (CNN), 11/4/98]

13) **Gov. Bush (TX): Target High-Crime Zip Codes With Juvenile Probation Officers**
"I want to team juvenile probation officers with police in high- crime zip codes to ferret out the few who are committing most of the violent crime in the state of Texas." [Gov. George W. Bush Addresses Supporters and Media (as broadcasted by CNN), 11/4/98]

14) **Gov. Bush (R-TX): "InnerChange" Provides Bible-Based Prerelease Program for Inmates**
"InnerChange is one of the boldest experiments in criminal rehabilitation ever attempted in America. It's the nation's first-ever, 24-hours-a-day, Bible- and value-based prerelease program, aimed at helping inmates achieve spiritual and moral transformation." ["Major Initiatives: The InnerChange Freedom Initiative" fact sheet from Gov. George Bush's web page]

15) **Gov. George Pataki (R-NY): Prevent Domestic Violence Victims from Being Arrested for Defending Themselves**

"Governor Pataki in 1997 signed a landmark reform that ensures victims of domestic violence are not arrested simply for defending themselves from attack, thus being victimized a second time. The Primary Aggressor law requires the police to arrest only the primary physical aggressor in response to a domestic violence complaint. The law has been hailed by experts as a key weapon in New York's effort to become a 'zero tolerance' state when it comes to violence against women, and it continues the Empire State's leadership role in changing its laws to better protect victims of domestic violence." ["Protecting the Public" fact sheet from Gov. Pataki Home Page]

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16) **Gov. Thompson (R-WI): 5 More Years in Prison for Violence Against Elders**

According to Thompson's crime accomplishment fact sheet, in Wisconsin *"[a]nother five years in prison is tacked on the sentence of anyone who commits an act of violence against anyone 62 years of age or older."* ["Governor Thompson on Crime" fact sheet" from the Thompson98 web page]

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CHILDREN

17) **Gov. Howard Dean (D-VT): Youth Corps**

"Governor Dean began the youth corps during his time as Lieutenant Governor in 1988. In each of the Youth Corps programs, sixteen to twenty-one year old Vermonters work and study together in crews of eight to twelve. In addition to youth education and job training, a major focus of the Youth Corps programs is the completion of conservation projects. These projects are performed on public lands throughout Vermont and are selected based on need. Crews work on many different types of projects including trail construction and maintenance, foot bridge construction, timber stand improvement, creek and watershed restoration, park management, and facility improvement." ["Governor Howard Dean's Initiatives" from the Virtual Office of Vermont Governor Howard Dean web page]

18) **Gov. Dean (D-VT): "Success by Six" Enhances Days Care, Nutrition and Literacy Programs**

In his 1998 State of the State speech, Gov. Dean described his Success by Six program, *"We now offer home visits to 70% of all the children in Vermont within the first two weeks of their birth. Through Success by Six, we are providing families with enhanced day care, nutrition and literacy programs, as well as education and support to help mothers and fathers become better parents... So far, the results of these prevention programs are stunning. There's been a 20% drop in teenage pregnancy in the state of Vermont in the last 4 years. While some other states have recorded a decline, none has been able to reduce teen pregnancy by the magnitude that Vermont has. Even more spectacularly, physical abuse among Vermont children ages 0-to-6 has dropped 42 percent in the last six years. And child sexual abuse victims ages 0-to-6 have declined 49 percent since 1991."* [Governor Howard Dean's 1998 State of the State and Budget Address, 1/6/98]

19) **Gov. Bush (R-TX): "Second Chance" Group Homes for Unmarried Teen-age Mothers**
According to the July 29, 1998 *Austin Statesman*, "The governor's office Tuesday announced a pilot program aimed at setting up group homes for unmarried teen-age mothers. The proposed Second Chance centers would teach personal responsibility, discourage repeat pregnancies and encourage job readiness and employment, according to Bush's office. Bids from companies and community and religious-based organizations wanting to run the centers are due to the Department of Protective and Regulatory Services by Sept. 11. Bush hopes to have homes opened on a test basis in Dallas, Harris, Bexar and Hildalgo counties by the end of the year." [Austin American-Statesman, 7/29/98]

20) **Gov. Rowland (R-CT): Create '211' Infoline to Aid Families in Crisis**
"Governor Rowland is proposing an exciting new initiative that would create the first fully functional and truly statewide '211' system in the nation. Just as 911 provides emergency response and 411 provides phone information, 211 would provide a broad range of information to those who are in crisis or in need of social service information. The Governor proposes to build upon the existing infrastructure of the United Way of Connecticut's Infoline program. Infoline has a series of services that aid Connecticut families in crisis dealing with numerous problems: substance abuse; domestic violence; financial, legal and fuel assistance; prenatal, health and home care; employment; senior and respite services; transportation; food assistance; suicide and family counseling; elder services; support groups; housing; crisis intervention; and child care, to name a few." ["Governor Visits Children's Hospital to Discuss Children's Budget Proposals," press release, 2/5/98]

21) **Gov. Thompson (R-WI): Deadbeat Parents Choose Between Jail, Community Service or Paying Up**
In his Childcare accomplishment fact sheet, Governor Thompson provides the following description of his "Children First" initiative: *"This program helped child support collections grow by 158 percent in Wisconsin, ranking it second best in the nation. The program offers deadbeat parents a choice: either pay up, spend 16 weeks of unpaid work in the community, or go to jail. Given the alternatives, we find that these parents quickly find a job and pay their support."* [Governor Thompson on Childcare" fact sheet from the Thompson98 web page] * CR

22) **Gov. Thompson (R-WI): "PATH" Helps Establish Paternity of Child at Time of Birth**
"A new program entitled PATH (Paternity Acknowledgment Through Hospitals), designed to establish paternity at the time of the child's birth, was implemented. This process assists child support agencies in decreasing court paternity actions, as well as benefiting Wisconsin children. Through access to the birth history database, all Wisconsin Child Support offices can access paternity information within 3 days of receipt of admission of paternity." [Governor Thompson on Childcare" fact sheet from the Thompson98 web page]

SENIORS

23) **Gov. Thompson (R-WI): "Family Care" Will Improve Care and Reduce Cost for Seniors**
"In the 1998 State of the State Address, the Governor unveiled a revolutionary long-term care initiative which will impact all of our families. While FamilyCare will directly address the care and needs of the elderly, physically disabled and developmentally disabled with chronic illnesses, it may touch the lives of more than 1 million Wisconsin residents. Currently our long term care system is complicated and confusing; there are more than 40 state and local programs with each having differing eligibility criteria, cost-sharing requirements and allowed services. Family Care will improve the quality of care for recipients and reduce costs, while providing recipients with choices for support, services, providers and residential settings that are consistent with the individuals' and their families values and preferences." ["Governor Thompson on Protecting our Senior and Disabled Citizens" fact sheet from the Thompson98 web page]

HOUSING

24) **Gov. Christie Whitman (R-NJ): Increasing Homeownnership With "H-EASY 2000"**
In the fact sheet "Overall Accomplishments for a Better New Jersey" Gov. Christie Whitman touts *"H-EASY 2000, a comprehensive housing plan to increase homeownership, create new rental housing, expand housing for those with special needs, and provide technical assistance to municipalities. One of the key elements of the H-EASY 2000 program is the job-producing, national award-winning Urban Home Ownership Recovery program (UHORP) that, to date, has commitments for more than 2,250 homes, many in areas that had not seen new construction in decades. Another major component, the "Too Good, But It's True" program, is providing 30-year mortgages at a fixed five percent interest rate with zero points, allowing many families in urban areas to pay less for a mortgage than they paid for rent."* ["Overall Accomplishments for a Better New Jersey," fact sheet from Gov. Whitman's Home Page]

AMERICANS WITH DISABILITIES

25) **Gov. Thompson (R-WI): "Pathways to Independence" Allows Disabled to Work Without Losing Health Coverage**
According to his accomplishments fact sheet on protecting disabled citizens, "through Tommy Thompson's Pathways to Independence Program, disabled individuals will be able to enter the workforce without the fear of losing their health care coverage." Later the fact sheet provides the following description of the program: *"Pathways to Independence is a research and demonstration project that will build on existing services and address the issues of health and long term care coverage and system complexity. This program creates a win-win opportunity for Wisconsin. The taxpayers win, because upon entering the workforce, people with disabilities become wage earners who will contribute social security and income taxes. Wisconsin employers also win because they will be able to tap the full potential of Wisconsin's workforce."*

FAITH

26) Gov. Bush (R-TX): Created Faith-Based Task Force
"Governor Bush created the Faith-Based Task Force in May 1996 to (1) survey Texas' legal and regulatory landscape to identify obstacles to faith-based groups, and (2) recommend ways Texas can create an environment in which these groups can thrive, free of regulations that dilute the 'faith factor.'" ["Faith in Action: A New Vision for Church-State Cooperation in Texas" fact sheet from the Gov. George Bush web page]

Gov. Bush Issued "Charitable Choice" Excutive Order. In December 1996, Gov. Bush issued an executive order *"directing state agencies to begin aggressive implementation of the landmark 'charitable choice' provision of the federal welfare law, which invites private and religious charities to deliver welfare services – while at the same time guarding the religious integrity of participating groups and religious freedom of beneficiaries."* ["Faith in Action: A New Vision for Church-State Cooperation in Texas" fact sheet from the Gov. George Bush web page]

THE WHITE HOUSE

WASHINGTON

December 6, 1996

TO: Bruce Reed
Jeremy Ben-Ami
Chris Jennings
Diana Fortuna

FROM: Emily Bromberg

SUBJECT: National Governors Association Agenda

CC: Marcia Hale

Attached are draft NGA policies regarding **health care reform, welfare reform**, HIV/AIDS, and child care. These policies are currently being discussed within the NGA and will be voted on at their winter meeting. *I would appreciate your comments regarding this document as soon as possible, preferably early in the day on Wednesday, December 11.*

Thanks for your time and input. If you have any questions, I can be reached at 6-2896.

6.1 DRAFT 2, November 27, 1996 DRAFT--DRAFT--DRAFT

EC-6. HIV/AIDS

6.2 **Preamble**

The human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) are critical public health problems. No state has been untouched by the devastating human and economic costs of HIV and AIDS. U.S. Public Health Service and worldwide projections of future incidence are startling. THROUGH JUNE 1996, 548,102 AIDS CASES HAVE BEEN REPORTED IN THE UNITED STATES. ~~In September 1994, more than 425,000 active cases of AIDS were reported in the United States.~~ SINCE THE BEGINNING OF THE EPIDEMIC, 343,000 PEOPLE HAVE DIED OF AIDS IN THIS COUNTRY. ~~In 1991 and 1992 alone, more than 220,000 people died of AIDS.~~ State and local governments have allocated significant financial resources to this problem. ~~In fiscal 1992, states spent $401.9 million on HIV/AIDS programs and services beyond those programs funded through the Medicaid program.~~ In a number of states, state and local funds far exceed federal support. WHILE ENCOURAGING PROGRESS HAS BEEN MADE IN SLOWING THE SPREAD OF THE DISEASE, the Governors strongly believe~~, therefore,~~ that the magnitude of the HIV/AIDS epidemic calls for strong action by all levels of government, including CONTINUED SUPPORT FOR THE REAUTHORIZED ~~reauthorization of the~~ Ryan White Care Act.

6.3 **Education, Prevention, Counseling, and Testing**

The Governors recognize that the federal government has made a significant contribution toward funding HIV/AIDS ~~research and~~ prevention activities. Although SIGNIFICANT scientific progress has been made, an effective vaccine or a cure for the disease remains years away. In the absence of a vaccine or a cure, prevention efforts such as education, public information, HIV/AIDS counseling and testing, and personal responsibility are the most effective means available to prevent the disease from spreading further.

In recent years, state health departments have assumed the primary role in planning and coordinating HIV/AIDS prevention efforts. All states are engaged in HIV Prevention Community Planning with support from the Centers for Disease Control and Prevention~~. Beginning in~~ SINCE 1994, state and territorial health departments have been required to implement a planning process through which they collaborate with their communities to identify unmet needs and establish priorities for HIV/AIDS prevention programming. In general, federal support for prevention efforts has been helpful.~~; however, states must be given sufficient time to implement prevention strategies that evolve from these planning activities. Moreover,~~ HOWEVER, states must have the flexibility to design and implement prevention programs at the state and local level that meet needs and are consistent with community values. FEDERAL RESTRICTIONS OR REQUIREMENTS ON THE USE OF AVAILABLE FUNDING INTERFERE WITH THE ABILITY OF STATE TO DEVELOP COMPREHENSIVE PREVENTION STRATEGIES.

Preventive efforts directed at young people—before they reach the age when they may engage in behaviors that place them at risk of infection—also are important. The nation's youth should be aware of the risk of the possible spread of HIV/AIDS through SEX AND injection of drugs. Information about HIV/AIDS should be an integral part of substance abuse prevention efforts.

Finally, special education efforts must be made to ensure that all members of the medical and health care community are knowledgeable and have current information about HIV/AIDS prevention. Health providers must be more diligent in identifying people who are at risk or who are infected with HIV, particularly in populations such as women and adolescents who are not as frequently recognized as at risk. GOVERNORS ALSO RECOGNIZE THE IMPORTANCE OF EDUCATING PROVIDERS ON THE APPROPRIATE USE OF EMERGING TREATMENTS AND PRIMARY PREVENTION AND CARE SERVICES WITHIN THE MANAGED CARE SETTING.

Counseling and testing have been important components of the national education and prevention effort. Access to counseling services should be an integral part of the HIV/AIDS testing effort, both before and after testing and regardless of the test results. Counseling and testing represent major opportunities to encourage, on a one-to-one basis, the behavior changes required to stop further spread of the HIV virus. Although counseling and testing remain important strategies to address this epidemic, the nation must continue to seek any and all strategies that will successfully reduce the transmission of HIV/AIDS. IN ORDER TO INCREASE EARLY ACCESS TO NEW HIV/AIDS TREATMENTS, IT IS CRITICAL THAT COUNSELING AND TESTING PROGRAMS HAVE THE ABILITY TO LINK INDIVIDUAL TO PRIMARY CARE SERVICES AS SOON AS POSSIBLE. FEDERAL LAWS SHOULD NOT CHALLENGE OR SUPERSEDE STATE LAWS AND PREFERENCES WITH RESPECT TO ISSUES SURROUNDING TESTING AND REPORTING

The social stigma associated with HIV/AIDS has created a particular problem for the prevention and control of the disease. Out of fear of discrimination, individuals with HIV and AIDS worry about being identified. Within the context of sound public health policy, states are encouraged to review their medical information and privacy laws and, where necessary or appropriate, update these statutes to safeguard the rights of tested individuals.

The Governors are concerned that individuals who test positive for HIV/AIDS may face discrimination, despite the fact that all medical evidence to date shows that HIV cannot be transmitted through casual contact. PROGRESS HAS BEEN MADE IN ENDING AIDS DISCRIMINATION, BUT clarification of or modifications in laws should be made where necessary to protect HIV-infected individuals from inappropriately being denied opportunities in areas such as employment and housing.

IN ADDITION TO THE RANGE OF VERY IMPORTANT PREVENTION STRATEGIES ALREADY UNDERWAY ACROSS THE COUNTRY, PREVENTION ACTIVITIES CENTERED AROUND SUBSTANCE ABUSE AND PERINATAL TRANSMISSION ARE EMERGING AS PARTICULAR PRIORITIES.

6.3.1 SUBSTANCE ABUSE

TRANSMISSION TIED TO INJECTING DRUG USE CONTINUES TO BE A MAJOR CAUSE OF HIV INFECTION. THIRTY-SIX PERCENT OF THE TOTAL NUMBER OF AIDS CASES REPORTED TO THE CENTERS FOR DISEASE CONTROL AND PREVENTION ARE LINKED TO INJECTING DRUG USE. A key factor in containing the spread of HIV/AIDS is reducing the use of injection drugs. Programs should strive to eliminate the significant waiting time frequently facing both those wishing to receive treatment for drug abuse ~~and those desiring HIV/AIDS testing and counseling~~. Yet the vast majority of drug users are not seeking treatment. Consequently, outreach should be extended to drug users who are not currently in treatment in order to get them into treatment, encourage them to be counseled and tested, and educate them about the dangers of high-risk behaviors. Additionally, appropriate models to attract drug users to treatment should be developed. WITH A PARTICULAR EMPHASIS ON FINDING EFFECTIVE METHODS FOR REACHING OUT TO LONG-TERM ABUSERS.

6.3.2 PEDIATRIC AIDS

THE MAJOR CAUSE OF PEDIATRIC HIV/AIDS TODAY IS PERINATAL TRANSMISSION OF INFECTION, ALTHOUGH DRAMATIC PROGRESS HAS ALREADY BEEN MADE IN REDUCING TRANSMISSION RATES. RECENT FINDINGS RELEASED BY THE CENTERS FOR DISEASE CONTROL AND PREVENTION DEMONSTRATE A 27% REDUCTION IN PERINATAL TRANSMISSION BETWEEN 1992 AND 1995. GOVERNORS APPLAUD THIS REDUCTION AND THE SCIENTIFIC ADVANCES AND VOLUNTARY PREVENTION STRATEGIES THAT MADE IT POSSIBLE.

THE RYAN WHITE ACT AS REAUTHORIZED IN 1996 INCLUDES A NUMBER OF PROVISIONS FOCUSED ON REDUCING PERINATAL TRANSMISSION, INCLUDING TARGETED CASELOAD REDUCTIONS. FAILURE TO COMPLY WILL CAUSE A STATE'S ALLOCATION OF TITLE II FUNDING TO BE ELIMINATED. VITAL TREATMENT FUNDING WILL BE JEOPARDIZED AS A RESULT OF PREVENTION MANDATES. GOVERNORS STRONGLY OPPOSE EFFORTS TO TIE RECEIPT OF FEDERAL FUNDS TO MANDATORY TESTING LAWS.

GOVERNORS ARE STRONGLY COMMITTED TO REDUCING AND ELIMINATING HIV/AIDS IN CHILDREN THROUGH IMPLEMENTATION OF UNIVERSAL HIV COUNSELING AND VOLUNTARY TESTING GUIDELINES FOR PREGNANT WOMEN. BUT MANDATORY POSTPARTUM TESTING, AS SET FORTH IN THE RYAN WHITE ACT, WILL NOT REDUCE THE SPREAD OF HIV/AIDS TO NEWBORNS. IN FACT, THE FEAR OF TESTING COULD

DISCOURAGE AT RISK WOMEN FROM SEEKING NEEDED HEALTH CARE. INSTEAD OF THIS FOCUS ON MANDATORY TESTING, GOVERNORS ENCOURAGE FEDERAL SUPPORT FOR THE USE OF AZT DURING PREGNANCY, WHEN INFECTION CAN BE PREVENTED.

IN AN EFFORT TO COMPLY WITH THE TARGETED PERINATAL CASELOAD REDUCTIONS MANDATED BY THE RYAN WHITE ACT, EVERY STATE WILL BE FORCED TO REDIRECT FUNDS FROM OTHER EQUALLY VITAL AND MORE EFFECTIVE AIDS PREVENTION ACTIVITIES. STATES WILL NO LONGER BE ABLE TO DEVELOP COMPREHENSIVE PREVENTION STRATEGIES TO MEET THE PARTICULAR NEEDS OF THEIR COMMUNITIES. INSTEAD, FEDERAL MANDATES WILL REQUIRE STATES TO FOCUS AVAILABLE RESOURCES ON ONE PARTICULAR CATEGORY OF NEED. UNFORTUNATELY, THE SCIENCE OF PREVENTION IS NOT SO EXACT THAT THERE IS ANY GUARANTEE THAT ANY LEVEL OF INTERVENTION WILL PRODUCE THE DESIRED RESULT IN ANY STATE. GOVERNORS WOULD LIKE TO WORK CLOSELY WITH CONGRESS AND THE ADMINISTRATION TO DEVELOP PREVENTION STRATEGIES THAT ACHIEVE THE GOAL WE ALL SUPPORT OF KEEPING BABIES HEALTHY, WITHOUT JEOPARDIZING FUNDING FOR OTHER IMPORTANT HIV/AIDS PREVENTION AND TREATMENT EFFORTS.

GOVERNORS DO NOT SUPPORT THE NEW PERINATAL TRANSMISSION MANDATE IN GENERAL. IN ADDITION, WE ARE SPECIFICALLY CONCERNED THAT IT WILL BE VIRTUALLY IMPOSSIBLE STATISTICALLY FOR THE 37 STATES WITH FEWER THAN 10 CASES OF PEDIATRIC HIV/AIDS DIAGNOSED EACH YEAR TO REALIZE THE REQUIRED 50% REDUCTION IN PERINATAL TRANSMISSION. FOR THAT REASON, GOVERNORS BELIEVE THAT WHILE WORKING TOWARD A MORE WORKABLE PERINATAL TRANSMISSION PREVENTION STRATEGY FOR ALL STATES, LOW INCIDENCE STATES SHOULD BE EXEMPTED IMMEDIATELY FROM THE CASELOAD REDUCTION REQUIREMENTS OF THE RYAN WHITE ACT. GOVERNORS ALSO BELIEVE THAT FUTURE FEDERAL RESOURCES MADE AVAILABLE TO REDUCE PERINATAL TRANSMISSION SHOULD BE TARGETED TO HIGH INCIDENCE STATES.

6.4 Research

A comprehensive national education and prevention program, with significant federal leadership, must be a central component of the nation's fight against HIV/AIDS. At the same time, resources must be devoted to research—both to find a vaccine for HIV/AIDS as well as to develop a EFFECTIVE, ACCESSIBLE, AND AFFORDABLE treatments and a cure for present and future HIV/AIDS patients. The federal government has the primary role to play in funding HIV/AIDS-related research activities. The Governors urge that money appropriated for HIV/AIDS research be used expeditiously and that funding provided for HIV/AIDS research not be made at the expense of other public health priorities.

In addition to the substantial commitment made by the federal government, PRIVATE SECTOR HIV/AIDS RESEARCH HAS LED TO DRAMATIC BREAKTHROUGHS. GOVERNORS APPLAUD THE PHARMACEUTICAL INDUSTRY FOR THE RESEARCH AND DEVELOPMENT EFFORTS WHICH HAVE RESULTED IN THE CREATION PROTEASE INHIBITORS AND OTHER USEFUL DRUG THERAPIES. ~~some states have provided leadership by funding AIDS research with state dollars.~~ The Governors urge increased coordination between federal and ~~state~~ PRIVATE SECTOR EFFORTS ~~initiatives in this area~~ to ensure the most efficient use of research dollars. The Governors also urge the speedy dissemination of research results to the scientific community, as well as practitioners, to ensure that research findings can be applied as expeditiously as possible. THE FOOD AND DRUG ADMINISTRATION'S EXPEDITED DRUG APPROVAL PROCESS HAS HELPED MAKE NEW TREATMENTS AVAILABLE MORE QUICKLY THAN IN THE PAST AND SHOULD BE CONTINUED.

6.5 Treatment

Over the next few years, the growing number of HIV/AIDS cases will place an increasing strain on the nation's health care delivery system. The estimated cost of treating a person with HIV/AIDS from the time of infection to death is $119,000. ~~For those who receive no treatment until a diagnosis of AIDS is made, the cost is estimated at $69,000.~~ Now is the time to begin the fiscal and capacity planning required to address these future health care delivery needs. This should include an assessment of the appropriate burden of HIV/AIDS health care costs that should be borne by the public and private sectors.

At the same time, we need to provide appropriate services to those individuals presently suffering from HIV/AIDS. TREATMENT NEEDS ARE CHANGING WITH THE ADVENT OF PROMISING MULTI-DRUG COMBINATION THERAPIES WHICH ARE HELPING MANY HIV/AIDS PATIENTS LIVE LONGER AND HEALTHIER LIVES. TREATMENT PROTOCOLS RELATING TO CHRONIC DISEASE MANAGEMENT OF HIV/AIDS WILL LEAD TO CHANGES IN EXISTING SYSTEMS OF CARE.

Adequately addressing patients' health care needs requires establishment of a "continuum of care," including inpatient and outpatient hospital services, care in nursing home and alternative residential settings, home care, hospice care, psychosocial support services, and case management services. Many state and local governments have led the way in providing health care services for people with HIV/AIDS; however, more research is required to determine the most humane and cost-effective way of providing HIV/AIDS-related care. ~~The federal government has funded several demonstration projects to determine models for providing services to AIDS patients. Such demonstrations should continue.~~ Finally, as the nation moves toward networks of health care, efforts are needed to ensure that the prevention and treatment needs of people at risk for or infected with HIV/AIDS are adequately addressed in managed care settings. In addition, strategies must be developed that ensure that those in managed care arrangements also have access to other support services, such as social supports and home- and community-based services, so that the continuum of care is maintained.

6.6 Ryan White Care Act

The Governors strongly supportED the reauthorization of the Ryan White Care Act. Funds provided through the act support a network of health care, ~~and~~ support services in cities and states, AND PRESCRIPTION DRUGS for people living with HIV infection and AIDS, especially the uninsured who would otherwise be without care. This program is a critical element in HIV/AIDS prevention, education, and treatment efforts by states.

HOWEVER, DESPITE STRONG SUPPORT OF RYAN WHITE AS A WHOLE, CERTAIN PROVISIONS OF THE ACT ARE OF CONCERN TO GOVERNORS. AS PREVIOUSLY MENTIONED, THE PERINATAL TRANSMISSION MANDATE RESTRICTS STATE FLEXIBILITY TO ALLOCATE LIMITED FEDERAL FUNDING. IN ADDITION, THE AIDS DRUG ASSISTANCE PROGRAM (ADAP) FUNDING MADE AVAILABLE THROUGH RYAN WHITE HAS NOT KEPT UP WITH THE INCREASING COSTS OF THE EXPENSIVE NEW DRUG THERAPIES. ACCORDINGLY, AN INCREASING PERCENTAGE OF THE COST OF THE NEW THERAPIES IS SHIFTING FROM THE FEDERAL GOVERNMENT TO THE STATES. GOVERNORS CALL UPON THE FEDERAL GOVERNMENT TO WORK CLOSELY WITH STATES AND THE PRIVATE SECTOR TO REDUCE THE COSTS OF TREATMENT AND ESTABLISH A BALANCED AND SUSTAINABLE PARTNERSHIP OF RESPONSIBILITY IN MEETING FUNDING NEEDS.

GOVERNORS ALSO BELIEVE THE RYAN WHITE PROVISION REQUIRING STATES TO NOTIFY THE SPOUSES OF INDIVIDUALS WITH HIV INFECTION SHOULD BE BROADLY INTERPRETED BY THE FEDERAL GOVERNMENT TO BE SATISFIED BY THE LONGSTANDING REQUIREMENT THAT ALL STATES INCLUDE PARTNER NOTIFICATION AS PART OF THEIR COMPREHENSIVE HIV PREVENTION PROGRAMS.

IN IMPLEMENTING RYAN WHITE AND IN CONFRONTING THE HIV/AIDS EPIDEMIC MORE GENERALLY, GOVERNORS BELIEVE THAT THE BEST RESULTS WILL BE ACHIEVED IF THE FEDERAL GOVERNMENT, THE STATES, PRIVATE INSURERS, THE MEDICAL AND PHARMACEUTICAL INDUSTRIES, AND INTERESTED MEMBERS OF OUR COMMUNITIES WORK TOGETHER IN CLOSE PARTNERSHIP.

Time limited (effective Winter Meeting 1995-Winter Meeting 1997).

Adopted Annual Meeting 1987; reaffirmed Winter Meeting 1992; revised Winter Meeting 1995 (formerly Policy C-17).

Draft 1, November 27, 1996 DRAFT--DRAFT--DRAFT

EC-3. PRIVATE SECTOR HEALTH CARE REFORM ~~HEALTH CARE REFORM~~

3.1 Preamble

The health of our nation depends on the health of our people. And today, the United States has the most sophisticated and technologically advanced health care system in the world. However, the technological excellence of our system has come with a price. Growth in the American health care industry has exceeded growth in the overall economy for almost every one of the last thirty years. ALTHOUGH RECENTLY THERE HAS BEEN AN ENCOURAGING MODERATION IN MEDICAL INFLATION. OVER THE LAST YEAR, HEALTH CARE COST INCREASES WERE IN LINE WITH GENERAL INFLATION, THANKS IN PART TO THE COST CONTROLS AND MANAGEMENT EFFICIENCIES IMPLEMENTED IN MEDICAID AND OTHER STATE HEALTH PROGRAMS BY GOVERNORS AND THEIR PROGRAM DIRECTORS.

The cost of this HISTORY OF extraordinary growth continues to concern government, businesses, and individuals. A growing number of Americans are without health coverage, with even basic care beyond the reach of many. With health care costs HAVING FOR DECADES exceedED~~ing~~ general economic growth, coverage declining, and costs shifting to a smaller percentage of Americans who can afford to pay, affordable quality care is becoming more elusive. The challenge that we face is to extend access to affordable quality care to all Americans, including those in underserved and rural areas, while containing costs.

The last several years have seen intense federal efforts to develop a consensus on national health care reform. Thus far, those efforts have been unsuccessful. By contrast, the reform efforts of Governors and state legislators have been much more successful. The emphasis of Governors today is to develop state-based health care reform efforts.

In almost every state, strategies have been implemented to improve the quality and availability of health care. In most states, the reform efforts have been focused to address a specialized problem. In several notable cases, the state is engaged in a comprehensive effort that is likely to provide near-universal coverage for its citizens. In general, states are testing strategies to restructure the health care market and restructure the public programs that support the most vulnerable citizens.

3.1.1 **Private Market.** Within the private insurance market, states have acted to enhance access and improve equity for both employers and employees. In some states, for example, limits have been placed on preexisting conditions exclusions for certain market segments. Some states HAVE IMPLEMENTED REFORMS SETTING FORTH ~~are experimenting with~~ guaranteed issue and portability of coverage

[illegible]
needs to be done. The nation's Governors call upon the President and Congress to work with states to facilitate and accelerate the development of state reform efforts.

3.2.1 **Employee Retirement Income Security Act.** Although the Governors are extremely sensitive to the concerns of large multistate employers, the fact remains that one of the greatest barriers to some state reform initiatives is the Employee Retirement Income Security Act (ERISA).

ERISA was enacted in 1974 and applies to employee benefits plans, including employee health plans. ERISA provides for a complete federal preemption of state laws that "relate to" employee health plans. Under the McCarran-Ferguson Act, states retain the ability to regulate insurance carriers, such as indemnity plans and health maintenance organizations. However, states are powerless to regulate or otherwise affect employee health plans that "self-insure" under ERISA rather than buy insurance.

Self-insurance was very rare when ERISA was enacted, but it now covers almost half of the employees in the United States who receive health benefits. This proliferation of self-insurance, coupled with the federal courts' broad interpretation of the reach of ERISA preemption, has made ERISA a formidable barrier to states wishing to implement certain health care reform.

ERISA preempts all self-insured health plans from state regulations and subjects those plans only to federal authority. As a result of judicial interpretations of ERISA, states are prohibited from:

- establishing minimum guaranteed benefits packages for all employers;
- ~~developing standard data collection systems applicable to all state health plans;~~
- ~~developing uniform administrative processes, including standardized claim forms;~~
- REQUIRING ALL HEALTH PLANS TO PROVIDE STATES WITH INFORMATION CRUCIAL TO DEVELOPING A COMPREHENSIVE UNDERSTANDING OF THE STATUS OF THE STATE'S HEALTH CARE ACCESS AND DELIVERY SYSTEMS;
- establishing all-payer rate-setting systems;
- establishing a statewide employer mandate;
- imposing a level playing field through premium taxes on self-insured plans; and
- OVERSEEING QUALITY IN SELF-FUNDED HEALTH PLANS AND ESTABLISHING CONSUMER PROTECTIONS.
- ~~imposing a level playing field through provider taxes where the tax is interpreted as having an impermissible direct or indirect impact on self-insured plans~~

3.2.1.1 ALTHOUGH THE NEW YORK STATE CONFERENCE OF BLUE CROSS & BLUE SHIELD PLANS V. TRAVELERS INSURANCE COMPANY CASE SENT STATES A VERY POSITIVE SIGNAL. THERE ARE STILL CONCERNS THAT ERISA COULD PREVENT STATES FROM IMPOSING A LEVEL PLAYING FIELD THROUGH PROVIDER TAXES WHERE THE TAX COULD BE INTERPRETED AS HAVING AN IMPERMISSIBLE DIRECT OR INDIRECT IMPACT ON SELF-INSURED PLANS.

3.2.1.2 **Strategy for Reform.** A multidimensional approach to reform could be taken that includes flexibility for states directly in the ERISA statute, and through new waiver authority.

- **Statutory Flexibility.** Congress may act quickly to help states by including flexibility directly in statute. This may be accomplished through statutory directives to the federal executive branch regarding national uniformity. Specifically, a state would be permitted to impose requirements on self-funded plans if the state was willing either to adopt and build upon minimum national standards or work within some type of federal framework. The federal executive branch would be instructed to work with states to identify and define those standards.

This approach has the potential for broad applicability but is most relevant ~~to administrative simplifications and insurance reform. For example, states and the business community generally agree on the need for uniform claims and data reporting procedures. In order to encourage uniformity in health plan administrative requirements, the U.S. Secretary of Labor, in consultation with the U.S. Secretary of Health and Human Services and the states, could be directed to compile, publish, and publicize existing national standards for claims processing formats and procedures for data reporting. If a state selected one of the existing standards, it would be permitted to implement that standard and include self-funded plans. This type of directive also could be extended to~~ quality and utilization review procedures.

To facilitate the process, the legislation should be structured to rely on existing national standards. Where none exist, the legislation could direct the executive branch to develop them. However, if the executive branch finds it necessary to develop a national standard, states should be given limited flexibility during the development period so that they can move ahead with their innovations.

- **Waiver Authority.** In addition to direct statutory flexibility, Congress should establish direct waiver authority in ERISA. Waiver authority would be most applicable for states that wish to develop alternative financing and cost-control strategies that are now precluded by the statute. Waiver authority could have the.

  — The secretary of the U.S. Department of Labor would have the authority to review and grant ERISA waivers.

  — There would be no prohibition against replicating other state ERISA waivers. However, each state would have to submit a waiver application.

  — Waivers would be approved for an initial five-year period with five-year renewals thereafter.

  — Waiver applications would be submitted by the Governor.

  — As a condition for waiver approval, the state would have to demonstrate that the strategy has the support of the state's legislature.

  — For states making requests for exemptions in the areas of financing or cost control, the state's waiver application would have to include a plan for expanding coverage and a strategy for documenting the state's progress toward achieving that goal.

3.2.2 **The Health Insurance Market.** With the enactment of the McCarran-Ferguson Act in the 1930s, a state's prerogative to regulate health insurers has been recognized by federal law. However, since ERISA's enactment in 1974, that delineation of state and federal responsibilities has been blurred. ERISA provides that self-funded single employer or Taft-Hartley jointly administered plans are exempt from state regulation. States cannot establish minimum solvency and capital requirements for these self-funded plans. They cannot ensure that employees and dependents in self-funded plans receive the basic consumer protections that are offered to those in commercial state-regulated plans; nor can they ensure that those in self-funded plans have remedies available when problems arise over coverage decisions and other matters. ~~States, attempting to make the private insurance market more stable and equitable, are prohibited from imposing guaranteed issue or limitations on preexisting conditions exclusions requirements on self-funded plans.~~ As such plans proliferate, they represent a growing share of the total health care market and greatly erode the ability of states to regulate the private health care market. The federal government must act to rectify the situation.

The nation's Governors call on the federal government to correct these inequities by adopting one or more of the following options.

- Congress should establish national health care standards for self-funded plans that are similar to those imposed by states on commercial plans. If Congress is unwilling to define legislative standards in ERISA, the U.S. Department of Labor should be given the authority to develop regulations that, at the very least, establish essential consumer protections and remedies standards for self-funded plans.

- Anecdotal evidence suggests that consumer protections problems are more likely to arise in small self-funded plans. Congress could limit self-funding authority to businesses above a certain size. Businesses below that limit would be required to follow state laws. The U.S. Department of Labor would need to enforce standards for those plans that remain under its jurisdiction.

~~The Governors also support standards that result in portability of coverage, guaranteed renewability of policies, limitation on both medical underwriting and preexisting conditions exclusions, and opportunities for states to establish meaningful and equitable rating systems.~~

If Congress chooses to set minimum national standards, they should be developed with state officials in consultation with representatives of affected small businesses, insurers, and consumers.

3.2.3 THE HEALTH INSURANCE PORTABILITY ANC ACCOUNTABILITY ACT OF 1996. WITH THE PASSAGE OF THIS IMPORTANT NEW LAW, THE FEDERAL GOVERNMENT HAS

3.2.4 MADE PROGRESS TOWARD EXTENDING BASIC MARKET REFORMS TO ERISA PLANS.

GOVERNORS LOOK FORWARD TO WORKING CLOSELY WITH THE FEDERAL GOVERNMENT AS IMPLEMENTATION DECISIONS ARE MADE. IN PARTICULAR, GOVERNORS WILL BE FOLLOWING VERY CAREFULLY THE PROCESS FOR DETERMINING WHETHER STATE ALTERNATIVES FOR THE REGULATION OF THE INDIVIDUAL INSURANCE MARKET ARE DEEMED ACCEPTABLE BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES. THE STATUTE IS VERY SPECIFIC CONCERNING WHAT CONSTITUTES AN ACCEPTABLE ALTERNATIVE, AND GOVERNORS DO NOT WHAT STATE FLEXIBILITY TO BE DIMINISHED THROUGH THE REGULATORY PROCESS.

GOVERNORS ALSO BELIEVE STATES SHOULD BE CONSULTED EXTENSIVELY AS THE DEPARTMENT OF HEALTH AND HUMAN SERVICES DEVELOPS STANDARDS FOR THE ADMINISTRATIVE SIMPLIFICATION PROVISIONS IN THE NEW LAW. NATIONAL STANDARDS WILL BE ADOPTED AND ENACTED WITHIN 24 MONTHS REGARDING TRANSACTIONS, DATA ELEMENTS FOR SUCH TRANSACTIONS, AND STANDARDS FOR THE ELECTRONIC TRANSMISSION OF CERTAIN HEALTH INFORMATION. STATE PARTICIPATION IS NEEDED TO ENSURE THAT STATE DATA NEEDS ARE ADDRESSED AND THAT PATIENT PRIVACY IS PROTECTED.

3.2.5 MULTIPLE EMPLOYER WELFARE ARRANGEMENTS. GOVERNORS SUPPORT EFFORTS DESIGNED TO ENABLE SMALL EMPLOYERS TO JOIN TOGETHER TO PARTICIPATE MORE EFFECTIVELY IN THE HEALTH INSURANCE MARKET. IN FACT, STATES HAVE TAKEN THE LEAD IN FACILITATING THE DEVELOPMENT OF SUCH PARTNERSHIPS AND ALLIANCES. HOWEVER, THESE PARTNERSHIPS MUST BE CAREFULLY STRUCTURED AND REGULATED. MANY STATES HAVE EXPERIENCED EXTENSIVE AND WELL-DOCUMENTED PROBLEMS WITH FRAUDULENT MULTIPLE EMPLOYER WELFARE ARRANGEMENTS (OR MEWAS) IN RECENT YEARS. GOVERNORS STRONGLY OPPOSE CONGRESSIONAL REFORMS THAT WOULD EXTEND ERISA STATUS TO MEWAS OR OTHERWISE LIMIT STATE OVERSIGHT. STATE INSURANCE REGULATION IS CRUCIAL TO ENSURING THAT SMALL BUSINESS ALLIANCES RECEIVE RELIABLE AND SECURE COVERAGE.

~~Congress.~~

~~States could not operate these programs with funds that are subject to annual federal appropriations. Rather, the financing structure should appear in statute and be treated as a permanent appropriation.~~

~~Finally, in order to operate this program effectively, states must be given significant flexibility in program design and implementation. Moreover, the Governors can support the "entitlement to states"~~

~~option only if states are given substantial statutory flexibility in defining benefits packages, eligibility requirements, payment rate setting, and other administrative requirements.~~

~~3.2.6.3 Statutory Changes to the Social Security Act. States have begun to look seriously at comprehensive systems of health care where the artificial categorical barriers of Medicaid are removed and where they can establish statewide networks of care for Medicaid beneficiaries. Unfortunately, there are no provisions in the Social Security Act that can be used to establish such programs on an ongoing basis.~~

~~Currently, states have been developing these more comprehensive networks through the research and demonstration provisions of Section 1115(a) of the Social Security Act. Section 1115(a), however, was designed for research purposes and has some important limitations. States must demonstrate, through the application process, that they are testing an innovation. The law requires an evaluation that, in some cases, requires control groups. Projects approved under the 1115(a) process are approved for a limited time period, usually three to five years at the discretion of the administration, and require special statutory changes to go beyond the demonstration period. Finally, these projects must be cost-neutral over the life of the project. Section 1115(a) is essential to ensure the testing of alternative health and social policies.~~

~~However, the current statute falls short by requiring states who want to continue a successful effort to continually reapply for and renew their waivers. In short, once a state has proven that its research project works, it cannot continue without pursuing demonstration goals and waiver renewals for a programmatic effort or without special treatment in federal laws undertaken by Congress. Existing Section 1115(a) waivers should be grandfathered into this new system.~~

~~The Governors support changes to the Social Security Act to permit these types of programs to be approved in a manner similar to the "plan amendment process" under Medicaid, where the state describes the plan and, once approved, it becomes a permanent program subject to routine federal oversight. If this strategy is not chosen, the waiver application process must be streamlined, there must be no research and demonstration requirements, and the waivers must be approved for five years and be renewable no less than every five years. Moreover, the executive branch must be instructed to streamline the waiver oversight process and shorten review and approval periods.~~

3.2.7 **Medical Tort Reform.** Reform of the medical tort system should be undertaken with a view toward achieving high-quality and appropriate care. Ideally, the medical tort reform will reduce the cost of defensive medicine and provide appropriate levels of compensation for patients injured by medical negligence. Toward that end, the federal government should establish national minimum tort and liability standards. States could establish more restrictive standards if they so choose. The federal government, working with states, also must consider alternative dispute resolution strategies that could be used to reduce the costs of litigation.

3.2.8 **Antitrust.** More and more Americans are receiving their care through health delivery networks. Establishing those networks requires new approaches to cooperation among providers and businesses that heretofore have been competitors. Congress and the administration must work with the states to accommodate this new health care environment while ensuring that competition remains in the marketplace.

3.2.9 **Outcome and Quality Standards.** If meaningful choices are ever to be made in health care, research must be supported to develop outcomes and quality standards for use by providers and consumers alike. Also, information systems must be developed that include price and quality information for all providers and consumers of health care services in a given geographic area. The federal government, ~~and~~ the states, AND THE PRIVATE SECTOR must cooperate in the development and implementation of such standards. DATA MEASURES MUST PROVIDE INFORMATION RELEVANT TO STATE PROGRAMMATIC DECISIONS AND CONSUMER CHOICE. THE COLLABORATIVE PROCESSES OF STANDARD DEVELOPMENT AND MEASUREMENT MUST BE DESIGNED IN SUCH A WAY THAT THEY DO NOT CREATE UNREASONABLE ADMINISTRATIVE BURDENS WITHOUT YIELDING USEFUL RESULTS.

3.2.10 **Administrative Simplifications.** The administrative complexity of the current system must be reduced. GOVERNORS SUPPORT THE REFORMS SET FORTH IN THE HEALTH INSURANCE PORTABILITY AND ACCESSIBILITY ACT TO MOVE the nation ~~must move~~ toward uniform claims forms and uniform standards for electronic data interchange. HOWEVER, STATES MUST BE CLOSELY INVOLVED IN THE DEVELOPMENT OF THE NATIONAL STANDARDS TO ENSURE THAT STATE DATA NEEDS ARE MET.

3.2.11 **Public Sector Health Care Delivery.** Although the Governors support the delivery of care through the private health care system, there are some areas in the country that have an inadequate number of health care providers or services. In other areas, the private system does not provide services to low-income individuals and families, and these people seek care through public clinics. In these circumstances, federal and state governments have provided for the delivery of personal health care services. The Governors believe that this public health care system should be considered in any budget strategy and coordinated with the private health care sector, wherever possible.

3.2.12 **Enhance Opportunities for Primary Care Practice.** DESPITE THE RECENT INCREASE IN THE PERCENTAGE OF MEDICAL STUDENTS CHOOSING TO PURSUE CAREERS IN GENERAL MEDICINE, the medical education system STILL is not preparing the providers that are needed for a health care system with a focus on preventive and primary care. States are currently experimenting with a wide variety of initiatives that address the critical issue of increasing primary care practice, especially in rural and urban medically underserved areas. These initiatives include data collection to better understand the distribution of, and need for, providers in specific locations; loan repayment programs to

D R A F T – December 3, 1996

IMPLEMENTATION OF WELFARE REFORM

Preamble

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, PL 104-193,reallocates responsibilities between the federal government and the states, and provides states with the opportunity and flexibility to restructure welfare as a transitional program that will enable recipients to become productive, self-sufficient and working members of our society. The welfare legislation incorporated many of the recommendations supported by the nation's Governors including increased funding for child care, a contingency fund to assist states during periods of economic downturn, and a fund to reward high performing states. In other areas, however, such as the work participation requirement and time-limits, Governors believe that greater flexibility, beyond that provided in the law, would facilitate implementation and enable Governors to accommodate the unique needs of their own state's economy and welfare population.

States now face the challenge of implementing sweeping changes within a limited period of time. Governors are committed to ensuring successful implementation of the legislation to achieve the following goals:

- reducing dependency by moving families into work and off of welfare
- increasing the support of both parents for their children
- reducing out-of-wedlock births

In order to meet the goals, the flexibility embodied in the bill must be retained through the regulatory process and any subsequent legislative modifications to the bill. The Governors pledge to continue to work with Congress and the federal government throughout the implementation process so that any problems can be identified early and redressed quickly through legislation or regulation.

Principles and Recommendations for Welfare Reform Implementation

Governors believe that implementation and the monitoring of implementation must be a collaborative effort among federal, state and local governments. Governor must be involved and consulted in the drafting of regulations and proposed technical changes to the bill Governors support the following principles and recommendations to facilitate the successful implementation of welfare reform

Block grant. PL 104-193 provides a fixed amount of funding for welfare in the form of a block grant to states for Fiscal Years 1997-2002. The TANF block is funded as an entitlement to states. A state's TANF block grant is based on the level of federal funding a state received in a base year. Overtime, for many states, the block grant allocation will be less than the funding the state would have received under the open-ended AFDC program. Governors supported the block grant concept because of the added flexibility it provided and with the understanding that the full entitlement funding would be available each year. The federal government must honor its commitment to providing full funding for TANF and child care at the entitlement level. Additionally, Governors oppose any efforts to create set-asides or additional requirements in the block grant. Any future federal activity—legislative or regulatory—must enhance and not narrow state flexibility. Governors support significant transferability between block grants including the Social Services Block Grant and a workforce development block grant, if enacted.

Time-Limited Aid to Families. Governors believe that cash assistance to families with children should be available for a time-limited period during which activities that are designed to make the transition from welfare to work take place. States should have the ability to extend or waive the time limit in appropriate circumstances as is permitted by the 20% hardship exemption in the

- that the federal government provide enhanced federal funding to states to implement the management information systems requirements created by PL 104-193.

Definition of Administration. PL 104-193 sets a 15% limitation on use of TANF funds for administrative purposes. The definition of administrative costs will be defined in regulation. Under TANF, states have the ability to provide a wide-range of services, not just cash assistance. With the emphasis on moving recipients swiftly into work, staff will be expected to do much more than determine benefit eligibility. Case management will be a much larger component of service delivery and should not be considered administrative costs. Regulations must reflect this expanded understanding of service delivery and confine administrative costs to ....?

Penalties. Within a very short period of time, states must implement major changes in their welfare programs—transforming their JOBS program into a work first system, developing new and complex management information systems, redesigning support services and implementing new work requirements, time limits and requirements on teen parents. While Governors are fully committed to successful implementation, it is possible that every state will not be able to meet the requirements of the bill, despite their best efforts. States that have shown a good faith effort or have a reasonable cause for failure to meet a requirement in the bill should not be penalized by the federal government. As provided for in the bill, states should be allowed an adequate amount of time to correct the violation and come into compliance before a penalty is levied.

Contingency Fund. The inclusion of a contingency fund that provides additional federal matching dollars to states experiencing an economic downturn was a key recommendation made by Governors during the welfare reform debate. Congress adopted the Governors recommendation of providing $2 billion in that fund for fiscal years 1997-2001. Governors are concerned, however, that restrictions contained in the final bill diminish the value of the fund and will result in states drawing down fewer dollars. These restrictions include limiting the amount a state may access in any month to 1/12th of 20 percent of its TANF grant, imposing a very narrow definition of what counts toward meeting the 100 percent maintenance-of-effort requirement and an end-of-the year reconciliation provision that effectively reduces the federal match rate. Governors urge Congress to consider some modifications in these areas.

Measuring performance. Governors support the performance bonus for high performing states which will reward states for meeting to goals of the PL 104-193, including reducing welfare dependency by increasing employment and earnings. Governors strongly urge that HHS work closely with NGA, as instructed in the legislation, to develop the criteria and formula for the award of performance bonuses.

Governors remain concerned about the work participation rate requirement in the bill. The work participation rate that states must meet in order to receive full TANF funding is a process rather than an outcome measure and fails to measure the number of individuals who have left welfare for work or have been diverted from the welfare roles. States are actually given greater credit for keeping someone in a subsidized job and on welfare rather than placing them in a job with a sufficient income so that they no longer are eligible for cash assistance.

Governors support moving toward an outcome-based system that would allow a state to use performance measures to assess its progress toward meeting benchmarks and goals established by the state.

SSI State Supplements. While states are given a great deal of flexibility under TANF and state spending associated with TANF, states are still mandated to meet maintenance-of-effort provisions for their SSI state supplementary payments. All but eight states provide some form of optional state supplementation—using their own resources to supplement the federal SSI program. Currently, states must meet a maintenance of effort requirement based on prior year spending or 1983 payment levels, even though state entrance into this program was optional. Governors recommend that the maintenance of effort requirement for SSI state supplements be repealed and that states be given the authority to set their own state supplementary payment levels.

Cross Agency Coordination. Successful implementation of welfare reform will require cross agency coordination and collaboration at all levels of government. The child care, education, workforce, health, and child welfare systems will all play an integral role in welfare reform. Governors urge the federal government to eliminate regulatory and legislative barriers that impede collaborative efforts.

Programs to Support Welfare Reform

Earned Income Tax Credit. The Earned Income Tax Credit (EITC) should be expanded over time so that with food stamps, a family of four with a full-time, year-round worker will be brought to the poverty line. Administration of EITC should be simplified, outreach and education to ensure full participation should be expanded, and worker choice regarding the frequency of payment should be preserved.

Job Development/Job Creation. As jobs are created in the economy through various means, every effort should be made to ensure that employment is available to those making the transition from welfare to work. The private sector, the major source of new job opportunities, should be encouraged to train workers and to hire those recipients who are ready to work. Governors are interested in working with the private sector to identify the strategies that are most successful in creating jobs for welfare recipients. These might include new targeted tax credits, wage supplementation, empowerment zones and enterprise communities. Governors are also interested in working with the private sector to develop programs that will enhance job retention and promotion and provide on-the-job training.

The Congressional Budget Office has estimated that states will need to spend an additional $13 billion on work programs beyond what is provided in the TANF block grant to meet the work requirements in the bill. Some members of Congress and the Administration have expressed an interest in creating a new program to facilitate job creation and retention for welfare recipients. Any new federal program providing funds for job creation/retention should be directed to the state since Governors are accountable for meeting the work requirement and will be penalized for failure to do so. Funds should flow to the state to enable maximum coordination with a state's welfare reform program and targeting to areas with the greatest needs.

Public agencies at all levels of government should lead by example and accept their obligation to employ those in transition from welfare as jobs are developed. Where appropriate, government vendors also should bring these individuals into their workforce.

To be added:

Child Support: Governors oppose private right of action in child support enforcement (Blessing vs. Freestone)

To be discussed:

Benefits to legal immigrants

Possible WIC policy

3.6.5 **Funding Level.** At a minimum, funding for the program should be at a level equal to the WIN appropriation in fiscal 1985. The provision of employment and training services for welfare recipients represents a cost-effective investment of federal and state dollars, with savings shared by both levels of government. The recent trend of reducing the federal share of work and welfare expenditures should be reversed.

3.6.6 **Quality Control.** States should not be liable for quality control (QC) penalties based on recipient nonregistration in employment and training activities. The emphasis in the state program should be on the placement of welfare recipients in jobs rather than the fulfillment of QC requirements that have no impact on benefit levels.

3.6.7 **Employment and Training.** The Governors urge that the current employment- and training-related programs for AFDC recipients and applicants authorized by the Social Security Act, which are optional for states, be continued.

Governors recognize the need to work closely with the private sector and to maximize the use of existing federal employment and training opportunities in designing their program for welfare recipients, e.g., JTPA, employment services, and vocational education. Toward that end, the Governors urge that the federal Job Training Partnership Act be modified to permit a welfare department representative on the local private industry councils.

WIC

3.7 **The Supplemental Food Program for Women, Infants, and Children**

3.7.1 **Preamble.** Since its creation in 1972, the Supplemental Food Program for Women, Infants, and Children (WIC) has provided supplemental foods to millions of low-income women, infants, and children. Its success over time has been clearly shown, not only as a program that has limited the human suffering associated with the nutritional problems of children and pregnant women, but also as a program that has reduced government spending over time by preventing low-birthweight babies and undernourished children with health problems that would cost society substantial amounts of money.

Research by the U.S. Department of Agriculture has found that the program has resulted in a significant drop in the number of premature births to women in the program and a substantial reduction in the late fetal death rate. In addition, it has been shown that women participating in the program are more likely to seek prenatal care early and more regularly.

Despite the WIC program's success, however, it has not fulfilled its optimal potential. Although 3.6 million women, infants, and children participate in the program, that is less than half of the individuals who are eligible. Issues regarding funding limitations and program coordination have prevented the WIC program from being as effective as it could be.

3.7.2 **Funding Limitations.** A continuing problem within the WIC program has been low enrollment levels due to the limited funding from the federal government. Although funding for the WIC program has grown over the past several years, as a discretionary program, no state provides services to all of the women and children in their state who are potentially eligible. Although several states have income eligibility levels at the maximum of 185 percent of poverty, funding limitations have prevented them from serving the entire group.

Recently states have begun to seek competitive bids on their infant formula contracts. WIC purchases one-third of the total infant formula in the country. States have gained extraordinary savings through this process, with rebates ranging from 50 percent to 85 percent on their wholesale purchases.

Beyond the issue of overall funding, states have found that the ratio of nutrition services and administrative dollars to food dollars (i.e., 20/80) is too inflexible, particularly when such services as nutritional screening are considered an administrative cost. In addition, states have found the penalty for not spending all of their allocated funds in a given year to be unnecessarily restrictive.

3.7.3 **Program Coordination.** In addition to funding limitations, coordination with other programs has been a problem. Many women on Medicaid, who are eligible for WIC, are unaware of the program. An underlying problem is that the WIC and Medicaid programs do not necessarily coordinate their efforts. Often they are located in different departments, which requires that a formal arrangement be established if regular communication is to occur. Coordination with other health programs often is limited as well.

The lack of coordination between the two programs leads to independent eligibility processes that do not encourage women eligible for both programs to enroll in both of them. If a women goes to a health clinic to test for pregnancy, that health clinic may enroll her in the WIC program after making an eligibility determination, but Medicaid eligibility workers are rarely stationed in health clinics and therefore she is not enrolled in Medicaid at the same time. Further, the state, and therefore the clinic, may not have a policy of even referring the woman to a welfare office to seek Medicaid eligibility. Similarly, problems arise when a woman seeks Medicaid eligibility, but the Medicaid eligibility worker does not refer the woman to the WIC program. Each of these situations results from a lack of program coordination that could be avoided. Finally, due to the variation in eligibility rules, pregnant woman and children in the same circumstances can be eligible for Medicaid and not for WIC. For example, a pregnant woman can be treated as a family of two by Medicaid, but as a family of one by WIC.

3.7.4 **Recommendations.** The National Governors' Association believes that the goal of the WIC program should be that each state reach their maximum number of women, infants, and children. In order to reach this goal, NGA recommends the following.

- Federal funding for the WIC program should be adequate to meet the needs of individuals at nutritional risk. This means that, within recognized budgetary constraints, federal funding for the program should continue to be increased over time.
- Cost-saving initiatives, such as competitive bidding for infant formula, should be encouraged as a method of lowering average program costs and allowing more individuals to be covered under the program. Any policy that allows the limited program dollars to be stretched further is good.
- States should be given maximum flexibility in the use of WIC funds in order to effectively serve those in need. Current requirements that restrict the balance between administrative and benefit spending should be modified. Rather than the current penalty system for states that do not spend all of their allotted funds, incentives should be provided. States should be afforded greater flexibility to carry over funds into the next year.
- States should coordinate the program policies and operations of the WIC and Medicaid programs. Communication between the different programs is a necessity in order to make the WIC program as effective as possible in benefiting infants, children, and pregnant women at nutritional risk. Special attention should be given to the coordination of outreach and presumptive eligibility efforts given the recent changes in the Medicaid program. Coordination between the WIC program and other health programs also is important.
- States should automatically refer recipients of WIC and Medicaid from one program to the other. Although placing Medicaid eligibility workers in health clinics may expedite this process, at the very least making the recipient aware of the other program and where eligibility may be obtained is critical to improving program participation.
- The eligibility methodology used by each of the two programs should be more consistent.

3.8 Supplemental Security Income

3.8.1 **Preamble.** Established by the 1972 amendments to the Social Security Act, the Supplemental Security Income (SSI) program provides important income assistance to needy aged, blind, and disabled citizens.

The legislative history of the 1972 amendments shows the clear intent of Congress to encourage states to supplement, with state funds, the federal SSI payment by allowing for federal administration of the state supplement at no cost to the states. As a result, the majority of states supplement SSI payments with state funds.

3.8.2 **State and Federal Responsibilities.** Since the inception of SSI, the federal government has imposed increasingly greater restrictions on states' ability to structure state supplements. In most cases, state supplements are now mandated through maintenance-of-effort provisions; in the Omnibus Reconciliation Act of 1993, the federal government imposed fees on states for administering the state supplement.

D R A F T – December 3, 1996

HR-22. CHILD CARE

Preamble

1 As America's most valuable human resource, children deserve a safe and healthy child care environment. The Governors recognize that parents are children's first and primary nurturers, and government policies should acknowledge and support the family as the primary child care unit. Over the past two decades, major economic and social change has resulted in growing numbers of parents at all income levels seeking quality care opportunities for children. The challenge to all levels of government is to respond to this need and preserve for parents the fundamental choice of how to best meet the child care needs of their children.

2 Governors, the federal government, the private sector and families all have a vested interest in ensuring that our child care system is providing the services and resources that working families need. Governors believe that the private sector is an important partner in this effort.

3 The Governors believe that the expansion of quality child care opportunities is vital to the economic growth of the nation and crucial for the well-being of the nation's families and children. The Governors also recognize that dramatic and ongoing changes in our society will continue to fuel a growing demand for quality child care over the next decade. For example, the passage of welfare reform, PL 104-193, with tough work requirements and time-limited assistance will greatly increase the demand for affordable and accessible child care over the next several years. During this time, child care for low-income working families will also need to be expanded.

4 Governors supported additional funding for child care during the welfare reform debate. Governors believe that adequate funding for child care is absolutely essential if state welfare reform initiatives are to be successful in transitioning families from welfare to work and self-sufficiency. Congress must provide funding for child care for both the discretionary and mandatory funding streams at the full levels authorized in the welfare law. Additionally, because the Social Services Block Grant (SSBG) is used in

many states to fund child care for working poor families, funding for this program must be maintained as well. Governors strongly oppose any attempts to reduce funding for the SSBG.

5 The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, PL 104-193, achieved the consolidation recommended by Governors by combining Title IV-A child care funding (AFDC, At-Risk, and Transitional) with the Child Care Development Block Grant to create a single child care system. The new child care block grant to states will facilitate the operation of a seamless system of child care, enabling states to serve families more smoothly and effectively without changes in services as families' situations change. Child care will be provided through a single state agency and states will have total flexibility to set payment rates for providers and provide different reimbursement rates for different categories of care and in different geographic settings.

6 **Flexibility.** Given the increased demand for child care services, flexibility will be key as states provide child care services under the block grant. As more welfare recipients move into the workforce, states will need to expand child care during non-traditional hours and in alternative settings such as schools and the work place. Governors urge the Department of Health and Human Services, in writing regulations, to honor the congressional intent to accord states maximum flexibility.

7 Governors appreciate that several set-asides have been modified or eliminated. Governors consider the expansion of affordable and accessible child care to be a priority but are concerned that the 5% administrative cap may limit states' ability to create innovative and effective programs. Activities such as eligibility determination, child care placement, recruitment, licensing, inspections, training, computerized systems, front-line workers and field staff should not be considered administrative costs. Additionally, all cost related to management information systems and ongoing data collection and analysis required under the law should outside of the administrative cap.

8 **Use State Standards.** The child care block grant requires states to develop health and safety standards that all providers must meet. These standards are related to the prevention and control of infectious diseases, building and physical premises safety, and minimum health and safety training. In some cases, these standards may be inappropriate to the provider setting. The Governors believe the

states are in the best position to set health and safety standards and recommend that providers funded by federal funds be required to comply with health and safety standards as prescribed under state law. Governors also urge the elimination of the 85% of state median income cap requirement for eligibility. States are committed to targeting child care to those most in need and do not need prescriptive federal requirements. As Congress monitors the implementation of the law and opportunities arise to make modifications, Governors ask that these changes be considered.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 6, 1995

REMARKS BY THE PRESIDENT
AT NGA NATIONAL SUMMIT ON YOUNG CHILDREN

Stouffer Renaissance Harbor Place
Baltimore, Maryland

1:38 P.M. EDT

THE PRESIDENT: Thank you very much. To Governor Dean and Governor Leavitt and all of the governors who are here -- Governor Glendening and Mayor Schmoke, and Congressman Cardin. I'm glad to be back in Baltimore. I'm going to have to register as a citizen and begin to pay taxes if I don't stay out of your state a little more, Governor.

I am delighted to be here in Baltimore because Baltimore was one of the six cities which won a highly-contested race for the empowerment zones in our country. And I congratulate Mayor Schmoke on that, and I look forward to his work, along with the Governor and others, in making Baltimore an even stronger and greater city as a result of that.

Governor Dean, I want to thank you for your leadership of the Governors Association. I don't think I ever enjoyed any job more than being Chairman of the Governors Association, although it was not always easy to please all the governors. I think it's still not always easy to please all of the governors. (Laughter.)

I'm delighted to see so many representatives of state government, county government, local government here. My good friend, Representative Blute from North Carolina; it's nice to see you here. Representative Campbell and Commissioner Franke, thank you for your work, sir.

I thank all of you for coming here to meet about the fate of our children. This has been a concern of mine, as the Governor said, for a long time and, of course, a profound concern for my wife. When I met her, she was spending an extra year in law school to do four years instead of three so that she could devote a year to the study of the laws that affected our children. And I might say she then predicted a lot of the more disturbing trends which we've seen unfold in our country over the last 20 years.

Hillary is working on a book now about children's issues and the responsibilities we owe to them, and she picked the title of the old African proverb: "It takes a village to raise a child." I want to come back to that a little bit during my remarks because I think there is a great difference of opinion about that in the United States today. I began with the premise that the first responsibility for children lies with their parents; but that since all our futures are bound up in theirs, the rest of us share a responsibility in the United States and in our states and in our communities for their welfare. I do believe, in other words, that it takes a village to raise a child, especially when you consider the facts of life that children face today.

I ran for this job because I wanted to ensure a better future for our children -- to ensure that instead of losing so many of our children and seeing so many of them grow up with the American Dream beyond their grasp, that they could be rewarded for their work, and that the values that we all share of work and family and community would be stronger, not weaker, when they came of age.

I realize that people my daughter's age were in danger of growing up to be the first generation of Americans to do worse economically than their parents, but perhaps even more important, to live in a country that was less supportive of the kind and quality of life that most people in my generation took for granted.

The recent report of the Carnegie Corporation tends to corroborate a lot of those disturbing trends with statistics you all know well. In the quiet crisis, they say, that still, after years of effort -- compared to other industrialized countries, our infant mortality rates are higher, our low-birth-weight baby rates are higher, our teen pregnancy rates are much higher, our childhood immunization rates are lower, and, of course, our children are subjected to far, far higher rates of violence in the United States than they would be in any other country in the world.

If we are going to rescue our children's future, we have to do a number of things. We have to grow the middle class and shrink the underclass. We have to support policies that reinforce work and families and communities. We have to change the way the government operates so that it promotes independence, not dependence; opportunity and not bureaucracy. We have to give our youngest children things that they can't guarantee for themselves.

If you believe it takes a whole village to raise a child, it means that the government has a responsibility, working with people in the private sector, to guarantee children who can't get it for themselves health, safety and education; and then when they get older, to empower them to make the most of their lives. To do that, I believe, we need not another ideological war, but a passionate and practical commitment to what we know will work.

The whole issue of welfare is at the core of that. But let me just say for a moment, for the last two and a half years a great deal of what I have sought to do has been centered in that conviction -- that we have to have a passionate and practical effort to go beyond ideological wars right to the heart of what will make life better for our children.

We've worked hard to strengthen families and to give children a better start. The earned income credit will now provide a tax reduction for working families with children with incomes below $27,000 an average of a $1,000 a year. That's a pro-family policy. We should continue that, not reverse it. The Family and Medical Leave law, more than anything I've done as President, has caused ordinary citizens to come up to me and say: Thank you -- I had a sick child; I had a sick spouse; my wife had a baby; we were able to continue to work and to provide for ourselves; we were able to be good parents and successful workers.

That, it seems to me, is the kind of thing that we ought to do. Secretary Shalala, who is here, has worked very hard to expand immunization so that all of our children under the age of two will be properly immunized by the turn of the century. We have expanded Head Start dramatically. The Goals 2000 program in which many of you have participated -- most of you have -- emphasizes grass-roots reforms to achieve national, indeed, international standards of excellence.

When children are more independent, we have given them access to lower cost, better repayment terms for college loans with tougher requirements to repay them. We've worked with you for more apprenticeship programs for the young people who don't go to four-

MORE

year colleges and universities, through the School-to-Work program. And, of course, many of you have been very active in the national service program, AmeriCorps, which gives our young people a chance to give something back to their communities and earn more funds to go on to school. And I want to say a special word of thanks to Senator Mikulski of Maryland for her work on national service.

The crime bill was an important part of this because it emphasized not simply more punishment and more prisons, but also protecting children through 100,000 more police officers on the street and through prevention programs that give our young people something to say yes to as well as something to say no to.

We were able to do those things and still reduce the deficit. The new majority in Congress uses seven-year terms. We use -- the deficit is going down by a trillion dollars over seven years, thanks to the '93 and '94 budgets. More than 6.3 million new jobs came into our economy. But we did it while saying that it takes a whole village to raise a child; that children deserve education, health and safety; that families should be strengthened and supported; that work should be exalted; and that parents have to be able to succeed in the world we are living in, both as parents and as workers.

One thing we did not do is to pass comprehensive welfare reform. And that is now what is before the Congress. And that, more than anything else in this debate, captures a lot of the philosophical arguments that are at the core of what is going on in our national discussion today.

I don't think there's any question that I believe we ought to reform the welfare system. I was proud to represent the governors when the Family Support Act was written under President Reagan's administration with strong bipartisan support. I realize what the shortcomings of it are, especially since it was never properly funded. And therefore, I have now given -- the Secretary and I have -- 29 of the 50 states exemptions from federal rules and regulations to pursue your own path to welfare reform to move people to work. Nothing like that has ever been done before.

In Missouri, Vermont and Wisconsin, Governors Carnahan, Dean and Thompson are using their waivers to impose time limits and to require work. In Ohio and Oregon, Governors Voinovich and Kitzhaber are moving people to work by using money now spent on welfare and food stamps to subsidize private sector jobs. Others are doing other things that are very important. Every governor I've ever spoken with, without regard to party, understands that welfare reform is important and must, first and foremost, be about work.

Unfortunately, to my mind, the welfare reform bill in Congress -- or the debate -- has not focused as much as it should have about work. And I believe that in important respects the tenor of the debate not only in the House, but also in the Senate, puts both children and states at risk. The House bill, clearly, was too tough on children and too weak on work. Finally, after a lot of efforts, the House did agree to be tough on deadbeat parents -- something that everyone among the governors agreed it needed to be done. The Senate Finance Committee reported a bill out the other day that clearly is a step in the right direction in many areas, but I believe, still misses the point on work and on children.

According to the Congressional Budget Office, the current Senate Finance Committee bill will not succeed in moving people from welfare to work. The Congressional Budget Office and the person who wrote the report was generally acknowledged to be one of the preeminent Republican experts on welfare reform, concluded that only six of our states would be able to fulfill the bill's work requirements in the year 2000 with the bill's funding provisions.

MORE

Forty-four states will fail. Six out of 50 in baseball is a .120 batting average. You can't play for the Orioles with that batting average. You can't stay in the minor leagues, and you sure won't elevate children or end welfare as we know it.

The reason the Senate bill failed on the standard of work seems to me is clear: It takes away the tools that states now use to move people from welfare to work -- child care, job training, greater incentives for job placement.

I very much want to work across party lines to solve this problem. But if we're going to end welfare as we know it, Congress must pass a bill that meets some basic principles. First, we have to require people who can work to go to work and make sure that they have the child care to do it so that they don't have to hurt their children to do the right thing as citizens. It defies common sense to insist that people go to work when they have very young children if doing so will actually cost them money.

Second, the legislation should have real work requirements, but it ought to be backed up with the resources necessary to get people into jobs and keep them there.

According to the CBO, the Congressional Budget Office, it would cost you, the states, $10 billion a year by the year 2000 to meet these requirements just in the Senate bill. And yet, this bill asks you to meet these requirements with less money than you have now.

Now, I was a governor long enough to remember what an unfunded mandate is. A lot of you -- Governor Voinovich was in the Rose Garden celebrating when we signed the unfunded mandates bill; I strongly supported it. Just because this doesn't say it's one doesn't mean it isn't by another term. So I think we have to look at this forthrightly.

The third thing that I think is important is that welfare reform should have real incentives to reward the states who do succeed in putting people to work, not for cutting them off. The current bill gives states an incentive, instead, to save money simply by throwing people off the welfare roles.

The House bill even gives states what the Catholic Church has called "an illegitimacy bonus," an incentive for more people to have abortions. That is not welfare reform. If we're going to change the culture of welfare, we have got to reward success, we've got to depart from the status quo. I want a performance bonus, but one that will force the welfare bureaucracy and the welfare recipients to focus on work.

The fourth thing I believe is that the legislation should protect states so they can continue to move people from welfare to work, even when there is an economic downturn, extraordinary population growth or unpredictable emergencies. In their current forms, these bills could really hurt the high-population states, the growth states, like Florida and Utah and others, and could put every state at risk in the next recession or profound natural disaster.

Finally, let me say we ought to protect our children. If you believe it takes a whole village to raise a child, we should avoid mean-spirited restrictions on benefits to children; we should avoid cuts in child nutrition and adoption and child protective services; we should give states more flexibility, but we should also make sure states continue to fulfill their responsibilities.

MORE

The proposed legislation contains no incentives or requirements for states to maintain their own funding for cash assistance or for child care or work supports.

Now, I know that if you believe in the pure theory of state experimentation -- and you know that I believe a lot of that, because if you just look at what's in these 29 waivers, I have pretty much gone along with anything the states wanted to do to move people from welfare to work. So you might argue that, in theory, if we believe that states ought to have great flexibility, why don't we just give them a block grant without any requirement for local maintenance or anything of that kind. But the serious danger there is that this will become a race to the bottom. It's always cheaper to cut people off welfare than to move them to work. It will always be cheaper to lower benefits than to figure out how to reduce the caseload by moving them to work.

We already do less for young children than most of our major competitors -- perhaps all of our major competitors -- throughout the world. And I just believe that we cannot allow welfare reform to be a race to the bottom.

Let me say again, I know in theory it's right, but let me remind all of you, I served for 12 years as a governor. I served in good times and bad times. I know that the last two years, this is the second year in a row when in all probability all 50 states will have economic growth. That is a highly unusual circumstance over the last two decades.

And I'm just telling you, I've been in enough state legislatures in my life, not just in my state but all around this country, to know what's going to happen. If you put this welfare reform block grant with less money and no local maintenance requirement up against the Medicaid cuts and the education cuts and the other things that are in this budget, you tell me how the poor children of your state are going to fare when they have to deal with the nursing home lobby. And I'm not complaining about the nursing home lobby; you just tell me how they're going to fare. (Applause.)

You know, everybody wants to cut Medicaid to shreds, because they say that's just a poor person's health care. You know as well as I do almost 70 percent of that money goes to the elderly and the disabled. And they're all coming to see you and your state legislators.

Now, how are they going to do? How are these poor children going to do? How are they going to do against some of my favorite lobbies -- the education lobbies? How are they going to do? Not very well. How are they going to do against a lobby that no one can say no to, the prison lobby? The crime rate goes up and your legislature stiffens sentences and people don't want you paroling folks that have no business on the street. And the only way you can get this federal money for prisons is if you promise to leave people in longer and ignore your own parole laws. When you have to match that money, or build prisons on your own, how are you going to stand up and say well, somehow we're going to keep doing what we used to do for poor children? And you can walk away and say, well, what we used to do doesn't work, so maybe we shouldn't do anything. But the truth is we do less -- I will say it again -- we do less for children than the countries with which we compete.

And this is not a partisan issue; at least it never has been before. Everything that happened in the last two years on Head Start, on every education initiative we did, on the Family and Medical Leave -- every single thing was a bipartisan issue. Everything.

Now, I think there are two big debates that are undergirding this welfare debate, and I'd like to just put it out on the table today. One is the debate about what causes people to be on welfare. Is it economics and politics or is it culture? That's really what's behind all this debate about what's in the movies and in the rap lyrics and all.

And, by the way, I think it's a positive thing. You know, Mrs. Gore was talking 18 years ago about the dangers of destructive entertainment forces on children. I've been challenging Hollywood and the television networks to reduce violence for years. I don't mind this debate. I think this is a good debate.

But the truth is, it's not either/or. You see, there was one young girl interviewed in a movie line last week -- asked her, what do you think about this debate in Washington about whether movies were causing the breakdown of families. And she said, well, my father's working three jobs. I'll tell you, that's not good for our family. I wish he'd just come home and spend some time with me.

On the other hand, people who deny that culture is a force are wrong. The states in this country with the lowest incarceration rates also have the highest high school graduation rates and they often don't spend the most money. There are almost no poor children in families with two parents in the home. So if I could just wave a magic wand and make this problem go away, I would never have another kid in a home where there weren't two parents until the child reached a certain age so that then the child could take care of himself or herself. That would be a wonderful thing if that could be done. And in that sense, there is a cultural component to all this.

So the people that are out there exhorting parents to be more responsible, and especially male parents to be more responsible -- people like this Promisekeepers Group -- they deserve our support. They deserve our support. There is a cultural element in all this. But to say that there is no national responsibility on the economic and political side, I think is just plain wrong and defies the experience of every, single, solitary country in the world. And, I might add, that all the people that are out there working in the private charities, go interview them and ask them if they think that we can just walk away from this.

So I would say, this cultural debate is a very good thing and we ought to have it. But there is plainly a political and economic root to this. If you look at rising poverty and stagnating middle-class incomes in this country, it is clearly the result of international economic trends sweeping all advanced countries and national economic policies. And all those things are reinforced, one with another.

We are on the verge of having a 40-year low in the minimum wage. Why would somebody who was on welfare who had two kids, who at least had health care from Medicaid, and they've got food stamps go to work ,if we won't even raise the minimum wage to keep it up to where it was 10 years ago -- in fact, we're going to let it go to a 40-year low.

So I implore you, governors are supposed to be the places where people look at the real world and they get away from all this theory and look at the practice. There's a political and an economic element to this problem, and there is a cultural element to the problem. That is one big deal. I think there is a public responsibility and there is a private responsibility -- both, not either/or.

There's another debate going on here which is, what is the most important thing we can do to help grow the economy and help stabilize the society? And on one side of that debate there are those who say the most important thing we can do is to reduce the deficit and shrink the government. And nothing else really matters because the federal government would mess up a one-car parade. And on the other side of that debate are not people who say we need a government; we need an expanded bureaucracy. That debate is not existent in Washington.

You look at the record. We have reduced already, with the two budgets already adopted, the size of the federal government by 270,000. Congressman Cardin's already voted to do that -- to bring the federal government to its smallest size since President Kennedy was President. We've had dramatic changes in regulation. The 29 states with the waivers from federal rules on welfare is just one example. The deficit has been brought down three times in a row for the first time since Mr. Truman was here. Nobody is for a higher deficit. That is not the issue.

The issue is, are there any other responsibilities of the national government. I believe there are some. I think we have to help people who cannot help themselves through not fault of their own -- not because they're irresponsible, but through no fault of their own, like little children who are poor. And I think we have to empower people to make the most of their own lives, because that way we'll all be better off. That's what I believe. Therefore, I don't think that you can sacrifice our responsibility to educate people and our responsibility for basic health and safety, security issues, on the alter of deficit reduction.

You know, sometimes I think my big problem is that I was for some of these things before they were popular, like deficit reduction. Everybody's for it now. That doesn't mean we didn't do a lot of it in the last two years.

So we have to decide that. Now, don't kid yourself -- from the point of view of the Congress, welfare reform has stopped being welfare reform primarily. Primarily welfare reform is a way to cut spending on the poor so that we don't have to worry about it and we can balance the budget in seven years and give a big tax cut, largely benefitting upper-income people who have done pretty well in the 1980s. That's what this is about. (Applause.)

It is true that a lot of people genuinely believe the states ought to have more say over this. So do I. It is true that a lot of people believe the prior system didn't do much good for people who were permanently dependent on welfare. So do it. And I have for 15 years. But we should not confuse -- if we really say it's more important to cut spending so that we can balance the budget in seven years and still give a tax increase to upper income people, even if we're going to hurt poor children, people ought to just say that flat out because that's what's really underneath this.

So I ask you to think about it. What's it going to be like the next time the coasts are growing and the middle west is in a depression, when the farmland goes to pieces? What's it going to be like the next time there's a high-tech collapse and the coasts are in trouble, and only the heartland is doing well? What's it going to be like the next time we have a serious national recession if there is not even a maintenance of effort requirement? If there is not real effort to have work? You know what it's going to be like. You'll have less people moving from welfare to work, more people getting less money, and the most important thing is our children, our future, will be in more difficult circumstances.

You could not design a program that would be too tough on work for me. You could not design a program that would give the states any more flexibility than I want to give them as long as we recognize that we, our American village, have a responsibility to our

MORE

children; and that in the end our political and economic policies must reinforce the culture we're trying to create. They ought to be pro-family and pro-work. But if we get in the fix in this country where people cannot succeed as parents without being derelict at work, or they cannot succeed at work without being derelict to their children, which is exactly what exists for too many people in America today or that is their deep worry, then we are going to suffer. We are going to suffer economically and we are going to suffer culturally.

Now, I think this is a huge opportunity. We can save some money and reduce the deficit in this welfare area. I have proposed that. I think we can. I don't believe every penny we're spending is sacrosanct, but I just would say to you we must not walk away, and you should not walk away. And you shouldn't want us to put you in a position to walk away from our fundamental responsibilities. Just imagine all the debates that are going to occur here. Children are not very well organized. Poor children are very poorly organized. They will not do well on balance in all the state legislatures of the country the next time things are really bad and, especially, after all the other budget cuts come down to all the other people who will also be on your doorstep.

We can have welfare reform. We can balance the budget. We can shrink the government and still be faithful to our fundamental responsibilities to our children and our future. Let's don't make it either/or. Let's do it all, do it right and take this country to the next century in good shape.

Thank you and God bless you all. (Applause.)

END 2:07 P.M. EDT

THE WHITE HOUSE

WASHINGTON

January 29, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: **BRUCE REED**
JOSE CERDA

SUBJECT: **NGA MEETING**

On Monday you will meet with NGA to discuss crime and violence, and there are two difficult questions that you are likely to be asked: (1) if you want states to do something about crime and violence, why are you zeroing out their formula grant monies; and (2) what is your position on the Governor Wilson's regional prisons resolution to be voted on by NGA Tuesday. These two topics are discussed briefly below.

Also, since we've included a reference to "three-strikes-and-out" in your comments for Monday, we've enclosed some statistics on the potential prison impact of state "three-strikes-and-out" initiatives.

Edward Byrne Memorial State and Local Law Enforcement Assistance

The States primary federal assistance for anti-drug purposes is the Byrne Grant program. The Byrne Grant program has a discretionary grant component that is generally limited to $50 million and a formula grant component that -- for the three years up until FY 1994 -- was appropriated at about $423 million per year. The States use these monies for a variety of anti-drug purposes, but the most common is for multi-jurisdictional task forces to target drug traffickers, which accounts for about 36% of the formula funds. Other projects, each of which account for less than 10% of the total Byrne monies, include: drug enforcement near designated Drug-Free zones; correctional options grants, which include drug treatment and alternative sentencing such as boot camps; DARE or similar drug education programs; community policing demonstration programs; and miscellaneous projects administered by the States.

The proposed FY 1995 budget zeros out the formula component of the Byrne program and doubles the discretionary component to $100 million. Justice and OMB -- neither of which has been supportive of the Byrne formula monies -- agreed to this proposal during the budget review process, and the Governors, who saw the Administration acquiesce to Byrne cuts last years (6%), are sure to ask you if you intend to allow the program to be cut again. Frankly, with the budget zeroing out States' formula monies there is little we can say about the Byrne program. The best you can do is to assure the Governors that -- Byrne or no Byrne -- your FY 1995 budget will more than quadruple the overall amount of money currently going to cities and states for anti-crime purposes, and that you're committed to working with them to make sure that States play an important role in how these monies are distributed. Additionally, your answer to the Mayors on Friday -- that whether a program is funded directly or through the states should be driven by policy reasons -- is also appropriate.

Governor Wilson's Resolution on Prisons

On Sunday, Governor Wilson will introduce a resolution on regional prisons that will be considered by the full NGA on Tuesday. Wilson's resolution will support the Republicans regional prisons proposal in the crime bill -- but urge that the "truth-in-sentencing" provisions be deleted. As you know, the Republicans' regional prisons proposal authorizes $3 billion for 10 federally-run regional prisons (2,500 inmates each) for violent state offenders and criminal aliens. The regional prison slots come with a catch: to qualify, states would have to certify that violent felons (those punishable by a maximum prison term of 5 or more years) are serving at least 85% of their sentences, and that state sentences for violent crimes are at least as rigorous as their federal counterparts. The National Conference on State Legislatures has estimated that, under the regional prisons proposal, States would have to spend $20 to get $1 in prison relief. Thus, Wilson's resolution -- while technically in support of regional prisons -- completely undermines the proposals' intent to get states to reform their parole laws.

If asked about the Wilson resolution, you could use the opportunity to point out that even Pete Wilson has problems with the Republican regional prisons proposal, and that, under the Democratic prison proposal, the same amount of money ($3 billion) would be spent -- but States would receive it directly and have the flexibility to build prisons for violent offenders or criminal aliens, or boot camps for non-violent offenders. You might also want to add that -- instead of imposing truth-in-sentencing proposals on the States' -- you'd like to work with Governors on this issue.

"Three-Strikes-and-Out

As currently drafted, your remarks for Monday's meeting end with a challenge to the Governors to pass targeted "three-strikes-and-out" provisions at the State level. Although a federal "three-strike-and-out" initiative will catch violent repeat offenders who break federal laws after having committed violent crimes at the state level, most violent offenders will be apprehended by states. We can't put the 6% of the criminals who commit 70% of the violent crimes unless states act, too.

The Justice Department has completed a preliminary analysis of the potential impact of the Federal government and States enacting the "three-strikes" proposal currently in the crime bill. Justice estimates that 8,800 to 13,200 violent state felons per year would receive life sentences if "three-strikes" was the law of the land. Without "three strikes," these violent offenders would be serving shorter sentences based on states' sentencing and parole laws.

A SMALL ~~PERCENTAGE~~ NUMBER OF VIOLENT CRIMINALS COMMIT THE VAST MAJORITY OF VIOLENT CRIMES.

-- To put violent offenders away for life. I met with the father of Polly Klass, and saw the anguish of losing a daughter in such a vicious way. Her alleged killer, a repeat offender, would still be behind bars under what we propose and I know many of you support: "Three strikes and you are out." ~~We can't throw away the key but I guarantee you repeat violent criminals will be throwing away their freedom.~~

DELETE + REPLACE WITH NEW ¶ FROM BELOW

-- An assault weapons ban.

-- Expand drug treatment.

* At the same time, where community, family and work have eroded, we must give young people something to say yes to. Our initiatives like job training, welfare reform, health reform, empowerment zones, the Community Reinvestment Act are helping to rebuild distressed communities, strengthen families and provide work.

AND AS ROY ROMER SAID IN HIS STATE OF THE STATE ADDRESS THIS YEAR, "GOVERNMENT CAN'T DO IT ALL."

* And we want our people to make it their personal responsibility to make our society better and instill that same sense of responsibility in their children. If that's not there, our best efforts cannot succeed.

* YOU + I KNOW THAT FOLKS IN WASHINGTON HAVE PLAYED POLITICS WITH CRIME FOR TOO LONG. THIS ~~[illegible]~~ ISN'T A POLITICAL ISSUE; IT'S ~~A MATTER~~ ABOUT WHETHER WE CAN RESTORE ~~THE~~ ~~[illegible]~~ CIVILIZED LIFE IN THIS COUNTRY SO OUR PEOPLE CAN BE FREE. ONE OF THE MOST IMPORTANT THINGS I LEARNED AS GOVERNOR IS SOMETHING I WISH THIS TOWN WOULD UNDERSTAND: IT DOESN'T MATTER WHO GETS THE CREDIT — THE PEOPLE WILL JUDGE US BY WHAT WE ALL GET DONE.

* In our partnership with you, we pledge this: No longer will Washington be on the sidelines as our streets become meaner and our people become more afraid. We will be there with you.

LET ME ALSO URGE TO BE TOUGH AND SMART. MAKE SURE YOUR LAWS ARE TARGETED CATCH SERIOUS VIOLENT FELONS, THE MOST LIKELY TO COMMIT CRIMES AGAIN, NOT WRITTEN SO BROADLY THAT THEY'LL PUT SOMEONE AWAY FOREVER FOR A BARROOM BRAWL. WE'VE GOT TO BE TOUGH AND SMART.

INSERT ABOVE.

~~I KNOW MANY OF YOU SUPPORT THIS MEASURE, AND I'LL MAKE YOU THIS PLEDGE: PASS~~

— YOU KNOW AS WELL AS I DO. MOST VIOLENT CRIMES IN THIS COUNTRY AREN'T FEDERAL CRIMES, THEY'RE STATE CRIMES. AND IF WE'RE GOING TO KEEP SERIOUS VIOLENT REPEAT OFFENDERS OFF THE STREET, YOU'VE GOT TO LEAD THE WAY. I URGE YOU TO ~~PASS~~ MAKE THREE STRIKES AND OUT THE LAW IN ~~[illegible]~~ YOUR STATE SO IT WILL BE THE LAW OF THE LAND, AND I'LL MAKE SURE THERE'S MONEY IN OUR CRIME BILL TO HELP YOU BUILD THE PRISONS YOU NEED.

2

NATIONAL GOVERNORS' ASSOCIATION
1994 Annual Meeting
July 16 - 19
Boston, Massachusetts

REGISTRATION CHANGE ACKNOWLEDGMENT

Name: Bruce Reed
Deputy Asst. to the President
White House
White House
Washington, DC 20500

Date: 07/01/94

Registration ID: 600955

Hotel	Nights	Rate
Sheraton Boston Hotel & Towers Single Arrival: 07/17/94 Departure: 07/18/94	1	132.00

Registration Status

Special Attendee (27)

SUMMARY

Registration Fee	Session Fee	Cancellation Fee	Total Registration Fee
0.00	0.00	0.00	0.00

Amt Rcvd: 0.00
Bal Due:

Cancellation*

No.

7/30-071-142

NGA MEETING
Boston, MA

July 17-18, 1994

fare: $124

Sunday, July 17

Cancelled

3:30p Depart Washington-National on NW Flight 1864

5:01p Arrive Boston, MA

You'll be picked up by a staff person
or a State Trooper (at the gate)

(if no one is there, call 617-954-2537)

Registration will be closed. I'll ask
Kathi Way to pick up your credentials
If you're going to the Social, you'll need
to get your pass from her or else you don't get in

Phone numbers:

Hotel (617) 236-2000
Message center: (617) 954-2500
Fax: (617) 954-2506

Before you depart on Monday, you need to phone ground transportation at 954-2537 and confirm your department for the airport. (I've given them your flight number, but you'll need to call them anyway)

Monday, July 18

3:30p Depart Boston on NW Flight 1639

5:12p Arrive Washington-National

5:15 Car #33 ??

Contact: Susan Ade 624-5317/after 7/14 617-954-2528

Called 7/11

Cy. No.
430-071-1442

NATIONAL GOVERNORS' ASSOCIATION
1994 Annual Meeting
July 16 - 19
Boston, Massachusetts

REGISTRATION ACKNOWLEDGMENT

Name: Bruce Reed
Deputy Asst. to the President
White House
White House
Washington, DC 20500

Date: 06/29/94

Registration ID: 600955

Hotel	Nights	Rate
Sheraton Boston Hotel & Towers Single Arrival: 07/17/94 Departure: 07/18/94	1	132.00

Registration Status

Special Attendee (27)

SUMMARY

Registration Fee	Session Fee	Cancellation Fee	Total Registration Fee
0.00	0.00	0.00	0.00
		Amt Rcvd:	0.00
		Bal Due:	

NATIONAL GOVERNORS' ASSOCIATION
1994 Annual Meeting
July 16 - 19
Boston, Massachusetts

The NGA Registration Center has received your registration for the NGA Annual Meeting. Please refer to the meeting registration brochure for important details related to registration, housing, and transportation, and also carefully note the following information:

NGA REGISTRATION CENTER

National Governors' Association
444 North Capitol Street, N.W., #267
Washington, DC 20001-1512
Attn: Laura Bailey

Telephone Number
(202) 624-5966
Fax Number
(202) 624-5980

HOTEL RESERVATIONS

Accommodations for meeting attendees are reserved in the following hotels:

Sheraton Boston Hotel
39 Dalton Street
Boston, MA 02199
(617) 236-2000
Check-in time: 3:00 p.m.
Check-out time: 12:00 noon

Colonnade Hotel
120 Huntington Avenue
Boston, MA 02116
(617) 424-7000
Check-in time: 3:00 p.m.
Check-out time: 12:00 noon

- Hotels will send reservation confirmations directly to attendees. Each hotel requires an advance deposit of one night's room charge. If you did not check **"charge hotel room deposit"** in the credit card authorization section of the registration form, please send a deposit directly to the hotel as soon as you receive your reservation confirmation.
- Advance arrangements must be made through your hotel's accounting department if you wish either to pay hotel charges using a purchase order, voucher, or claim, or to have hotel charges billed directly to you.

To change a confirmed hotel reservation:

- **On or before Monday, June 27:** write or fax the NGA Registration Center
- **Between Monday, June 27 and Friday, July 8:** call the NGA Registration Center
- **On or after Monday, July 11:** call the hotel directly

MEETING REGISTRATION

- Meeting credentials will not be issued until registration fees have been paid in full. If fee payment did not accompany your registration form, payment may be sent separately. **Payments should NOT be mailed to the NGA Registration Center after Monday, June 27.** After that date, all payments should be made on site.

MEETING REGISTRATION (continued)

- As part of meeting security, you will be asked as you register to present two forms of personal identification--one **with a recent photograph and one to verify your business affiliation.** Meeting credentials will be issued only upon presentation of acceptable identification.

- Refund of prepaid registration fees will be made (minus a $25 nonrefundable processing charge) if written cancellation notice is postmarked no later than Friday, July 8, 1994. No refunds will be made for cancellations made after that date. Refunds will be issued approximately thirty days after the meeting.

- No-shows will be billed the applicable registration fee.

- **Attendees who do not prepay their registration fees will be invoiced a $25 handling fee for cancellations received or postmarked on or before Friday, July 8, 1994,** and non-prepaid attendees who cancel after Friday, July 8, 1994, will be invoiced for the full registration fee.

- **General Meeting Registration and News Media Registration**, located in the Hynes Convention Center, will open on Saturday, July 16, and will be in operation daily throughout the meeting.

MEETING LOCATIONS

Most business sessions will be held at the **John B. Hynes Convention Center,** located at 900 Boylston Street in downtown Boston. Additional business sessions will be held at the Sheraton Boston Hotel and Towers, which is connected to the Convention Center by the Shops at Prudential. NGA meeting support operations will be located in both the Convention Center and the Sheraton Boston Hotel. Directional signs will be located throughout the Convention Center and the Sheraton Boston.

LATE ARRIVALS

Attendees who arrive in Boston after registration closes on Sunday or Monday evenings and who wish to attend either evening's social event should use the special shuttle transportation from the hotels to the event site, where temporary credentials will be provided. Two forms of identification will be required to obtain temporary credentials.

TRANSPORTATION

- Unless otherwise notified by NGA, attendees will need to make their own arrangements for transportation from their point of arrival in Massachusetts to their hotel in Boston.

May, 1994

NATIONAL GOVERNORS' ASSOCIATION

late afternoon - Sandy
Monday

Carroll A. Campbell Jr.
Governor of South Carolina
Chairman

Howard Dean
Governor of Vermont
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

May 31, 1994

CM —
Can you take care of this? I'm going to be on the agenda — I don't know which day. Make reservations.

Mr. Bruce Reed
Deputy Assistant to the President
Domestic Policy Council
216 Old Executive Office Building
Washington, D.C. 20500

Dear Bruce:

It is my pleasure to invite you to attend the 86th Annual Meeting of the National Governors' Association to be held in Boston, Massachusetts, July 16-19, 1994.

Enclosed are a pre-paid registration form and a preliminary program providing information concerning the meeting. Your registration fee will be paid by NGA.

If you plan to attend, please complete the *orange* registration form and send it to the NGA Registration Center noted on the form, as soon as possible, but no later than June 27, 1994 to arrange for credentials and to ensure the availability of housing.

If you have any questions, please contact Tess Moore at 624-5320.

Sincerely,

Ray

Raymond C. Scheppach

Enclosures

NGA will make reservation

NATIONAL GOVERNORS' ASSOCIATION
1994 ANNUAL MEETING ■ JULY 16-19 ■ BOSTON, MASSACHUSETTS

SPECIAL REGISTRATION/HOUSING FORM

Please type or print all information requested. An asterisk (*) indicates the information that will appear on the attendee's meeting credential.

Name* First Bruce Middle Initial N. Last Reed

Title* Deputy Assistant to the President for Domestic Policy Representing* White House

Address White House City Washington,

State* DC Zip Code 20500 Telephone (202) 456-6515

Information provided by CATHY MAYS Telephone ( ) same

MEETING REGISTRATION FEES

Check one box only to identify your affiliation.

☐ 23 Program Participant
If registering in category 23, indicate below the session in which you will participate.

Staff Accompanying Program Participant:

NGA will prepay a full meeting registration fee for two aides accompanying a program participant. Other accompanying aides may register either for the entire meeting at the registration fee listed (category 26), or for the single session at no cost (category 25).

☐ 24 Prepaid: Entire Meeting
☐ 25 Prepaid: Single Session
☐ 26 Additional Staff: Individual Payment ($120)
☐ 38 Additional Staff: Entire Meeting (Prepaid)
If registering in categories 24, 25, 26, or 38, indicate below the program participant you will be accompanying and the session you will attend.

☒ 27 Special Attendee
☐ 28 NGA Staff
☐ 29 Technician
☐ 39 NGA Corporate Fellow (Prepaid)
☐ 40 NGA Associate Corporate Fellow (Prepaid)
☐ 57 Ancillary Attendee (Prepaid)
☐ 59 Award Winner
☐ 60 Guest of Award Winner

For NGA use only: Categories 27, 28, 38, 39, 40, and 57 require an NGA cost center number:

PAYMENT

Return completed form with payment, if applicable, by Monday, June 27, 1994, to:

NGA Registration Center
444 N. Capitol St. NW
Suite 267
Washington, DC 20001-1512
Phone: (202) 624-5966
Fax: (202) 624-5980

☐ Registration fee enclosed
☐ Registration fee will be mailed separately (no later than June 27)
☐ Registration fee will be paid on site

CREDIT CARD AUTHORIZATION

Complete only if you wish to pay your registration fee or hotel room deposit by credit card (VISA, MasterCard, or American Express).

☐ Charge annual meeting registration fee
☐ Charge hotel room deposit

The NGA Registration Center is authorized to use the indicated card to bill my registration fee for the NGA Annual Meeting, in the amount indicated on the form, and/or to provide the hotel with a first-night room deposit. Refund of the registration fee (minus a $25.00 handling charge) will be made if I cancel my registration in writing no later than July 8, 1994. No refunds will be made for cancellations after that date.

I understand that one night's room charge will be billed by the hotel through this card if I fail to arrive on the confirmed date, unless I have cancelled my reservation according to the hotel's cancellation policy.

HOTEL ACCOMMODATIONS RESERVATION

☐ I do not require housing accommodations.

Check-in date 6/17 Time ☐ AM ☒ PM

Departure date 6/18 Time ☐ AM ☒ PM

Room to be shared with

Special housing needs

ACCOMMODATIONS PREFERENCE

Number the hotels in order of preference and indicate the room type and rate. Housing assignments and room rates will be based on the postmark date and room availability at the time of confirmation.

☒ Sheraton Boston Hotel and Towers
X Single, $132 (Govt Rate)
__ Double, $132
__ Single, Club Level, $180
__ Double, Club Level, $180
__ One-Bedroom Suite, $320-$675

☐ Colonnade Boston Hotel
__ Single, $128
__ Double, $128
__ Single, Premier Level, $165
__ Double, Premier Level, $165
__ One-Bedroom Suite, $310-$650

Charge card to be billed:
☐ VISA
☐ MasterCard
☐ American Express

Card Number

Cardholder's Signature

Expiration Date

Date

FOR OFFICE USE ONLY:

Pymt method Pymt # Amt

Htl Code Room Type Blk type

NATIONAL GOVERNORS' ASSOCIATION
1994 ANNUAL MEETING ■ JULY 16-19 ■ BOSTON, MASSACHUSETTS

SPECIAL REGISTRATION/HOUSING FORM

Please type or print all information requested. An asterisk (*) indicates the information that will appear on the attendee's meeting credential.

Name* First Bruce Middle Initial N. Last Reed

Title* Deputy Assistant to the President for Domestic Policy Representing* White House

Address White House City Washington,

State* DC Zip Code 20500 Telephone (202) 456-6515

Information provided by CATHY MAYS Telephone ( ) same

MEETING REGISTRATION FEES

Check one box only to identify your affiliation.

☐ 23 Program Participant
If registering in category 23, indicate below the session in which you will participate.

Staff Accompanying Program Participant:

NGA will prepay a full meeting registration fee for two aides accompanying a program participant. Other accompanying aides may register either for the entire meeting at the registration fee listed (category 26), or for the single session at no cost (category 25).

☐ 24 Prepaid: Entire Meeting
☐ 25 Prepaid: Single Session
☐ 26 Additional Staff: Individual Payment ($120)
☐ 38 Additional Staff: Entire Meeting (Prepaid)
If registering in categories 24, 25, 26, or 38, indicate below the program participant you will be accompanying and the session you will attend.

☒ 27 Special Attendee
☐ 28 NGA Staff
☐ 29 Technician
☐ 39 NGA Corporate Fellow (Prepaid)
☐ 40 NGA Associate Corporate Fellow (Prepaid)
☐ 57 Ancillary Attendee (Prepaid)
☐ 59 Award Winner
☐ 60 Guest of Award Winner

For NGA use only: Categories 27, 28, 38, 39, 40, and 57 require an NGA cost center number:
2112

PAYMENT

Return completed form with payment, if applicable, by Monday, June 27, 1994, to:

NGA Registration Center
444 N. Capitol St. NW
Suite 267
Washington, DC 20001-1512
Phone: (202) 624-5966
Fax: (202) 624-5980

☐ Registration fee enclosed
☐ Registration fee will be mailed separately (no later than June 27)
☐ Registration fee will be paid on site

CREDIT CARD AUTHORIZATION

Complete only if you wish to pay your registration fee or hotel room deposit by credit card (VISA, MasterCard, or American Express).

☐ Charge annual meeting registration fee
☐ Charge hotel room deposit

The NGA Registration Center is authorized to use the indicated card to bill my registration fee for the NGA Annual Meeting, in the amount indicated on the form, and/or to provide the hotel with a first-night room deposit. Refund of the registration fee (minus a $25.00 handling charge) will be made if I cancel my registration in writing no later than July 8, 1994. No refunds will be made for cancellations after that date.

I understand that one night's room charge will be billed by the hotel through this card if I fail to arrive on the confirmed date, unless I have cancelled my reservation according to the hotel's cancellation policy.

HOTEL ACCOMMODATIONS RESERVATION

☐ I do not require housing accommodations.

Check-in date 6/17 Time ☐ AM ☒ PM

Departure date 6/18 Time ☐ AM ☒ PM

Room to be shared with

Special housing needs

ACCOMMODATIONS PREFERENCE

Number the hotels in order of preference and indicate the room type and rate. Housing assignments and room rates will be based on the postmark date and room availability at the time of confirmation.

☒ Sheraton Boston Hotel and Towers
X Single, $132 (Govt Rate)
__ Double, $132
__ Single, Club Level, $180
__ Double, Club Level, $180
__ One-Bedroom Suite, $320-$675

☐ Colonnade Boston Hotel
__ Single, $128
__ Double, $128
__ Single, Premier Level, $165
__ Double, Premier Level, $165
__ One-Bedroom Suite, $310-$650

Charge card to be billed:
☐ VISA
☐ MasterCard
☐ American Express

Card Number

Cardholder's Signature

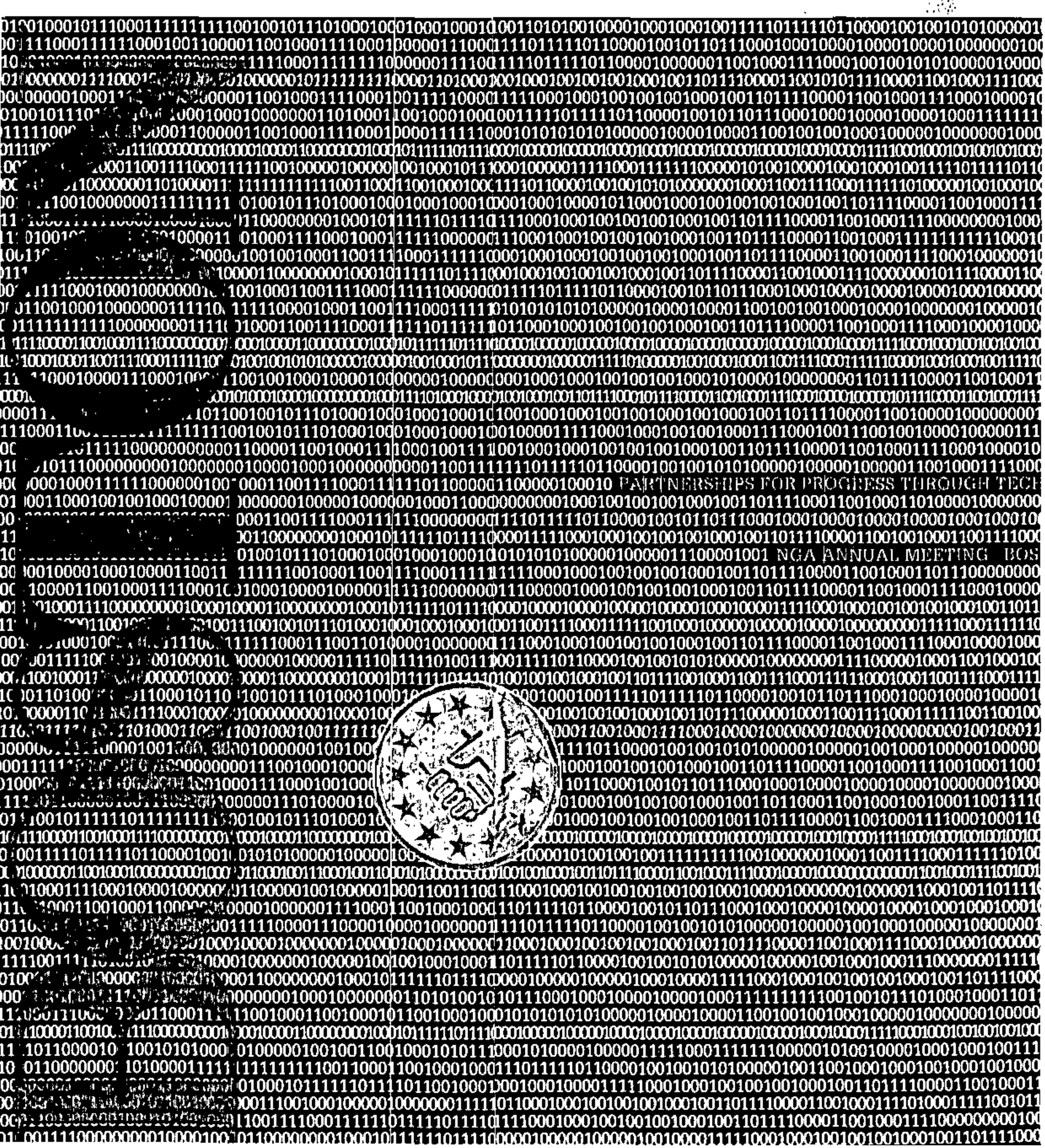
Expiration Date

Date

FOR OFFICE USE ONLY:

Pymt method Pymt # Amt

Htl Code Room Type Blk type


PARTNERSHIPS FOR PROGRESS THROUGH TECH
NGA ANNUAL MEETING BOS

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NATIONAL GOVERNORS' ASSOCIATION

Carroll A. Campbell Jr.
Governor of South Carolina
Chairman

Howard Dean
Governor of Vermont
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

February 8, 1994

Dear Colleague:

We are pleased to share with you preliminary findings from a recent National Governors' Association survey of state welfare reform proposals. During December 1993 and January 1994, we asked states to complete a short checklist of state welfare reform proposals in twelve categories. The purpose of the survey was to develop a resource list for Governors that outlines state reforms in particular areas, provides a brief description of each proposal, and gives states a list of contacts for more information.

We are not yet distributing this widely because these are preliminary findings and may be revised significantly after states have reviewed and commented on the draft. We are sharing a small number of copies, however, with key policymakers so that they have a better sense of what ideas states are already trying as national welfare reform initiatives move forward this spring. We believe that this preliminary data from 44 states represents the most comprehensive information currently available on welfare reform ideas that are being considered, have been proposed, or are being implemented in the states.

We plan to revise and update these findings and release the final survey results at the NGA annual meeting this summer. In the meantime, we would welcome your comments on this early draft. Please feel free to contact either of us if you have any questions.

Sincerely,

Julie Strawn
Senior Policy Analyst
Human Resources Group

Margaret Siegel
Director
Human Resources Group

National Governors' Association
1994 Winter Meeting
January 29 - February 1

1994 National Governors' Association Winter Meeting
JW Marriott
EVENT DATES: 01/29/94 - 02/01/94

OFFICIAL REGISTRATION ACKNOWLEDGEMENT

ACKNOWLEDGEMENT MAILING CONTACT ADDRESS ONLY:	ACTUAL REGISTERED ATTENDEE IS LISTED BELOW:
Bruce Reed	Bruce Reed
Deputy Asst to the President	Deputy Asst to the President
The White House	The White House
Washington, DC 20500	Washington, DC 20500

All Meeting Registration Fees payable to: NGA
Address Registration Payments/Correspondance to:
NGA Registration Center
P.O. Box 17413, Dulles International Airport
Washington, DC 20041 Telephone: (703) 318-0700
Facsimile: (703) 318-8833 Telex: 8991338ILLCOM-DC

INVOICE NUMBER: 702094-100387 INVOICE DATE: 01/14/94
(PLEASE INCLUDE INVOICE NUMBER SHOWN ABOVE ON ALL PAYMENTS & CORRESPONDENCE)

ACCOUNT TOTAL: $ 0.00 PAID: $ 0.00 PAID IN FULL

YOU ARE REGISTERED FOR THE FOLLOWING:
P: Adv 1/7 & Prior
SPECIAL ATTEN (27A) (1)

SPECIAL CHARGES/DISCOUNTS/CREDITS:
NONE

PAYMENT RECORD INFORMATION:
NONE

ACCOUNT TOTAL: $ 0.00 PAID: $ 0.00 PAID IN FULL

Your Registration Fees have been paid in full. Thank You!!

REGISTERED SPOUSE : NONE REGISTERED YOUTH: NONE

You have not requested hotel reservations through NGA Registration Center as of the date!!

NO HOUSING ASSIGNED!

ARRIVAL : / /
DEPARTURE: / /
NO ROOMS ASSIGNED

NGA Tax ID#52-1020381. Proper Identification must be presented at the Registration Desk before Credentials are issued!!

Registration is on
lower ballroom level

PHONE NUMBER FOR MESSAGE
CENTER IS 393-6900

[illegible]

1994 National Governors' Association Winter Meeting

EVENT DATES: 01/29/94 - 02/01/94

[illegible]

Grace Reed
Deputy Asst to the President
The White House
Washington DC 20500

[illegible]

All Meeting Registration Fees payable to NGA
Address for Registration Payments/Correspondence to:
NGA Registration Center
P.O. Box 17413, Dulles International Airport
Washington DC 20041 Telephone (703) [illegible]
Facsimile (703) 318-8985 [illegible]

[illegible]

YOU ARE REGISTERED FOR THE FOLLOWING:

[illegible]

Registration Fees have been paid in full. Thank You.

REGISTERED SPOUSE: NONE

REGISTERED GUESTS: NONE

You have not requested hotel reservations through NGA Registration Center as of this date.

[illegible] Photo Identification must be presented at the Registration Desk before credentials are issued.

National Governors' Association
1994 Winter Meeting
January 29 - February 1
JW Marriott Hotel at National Place
Washington, D.C.

Enclosed is your winter meeting registration acknowledgment which includes the payment status of your registration fee and information on hotel accommodations if housing was requested. Please carefully review the acknowledgment and note the following points related to housing and registration for the meeting:

HOTEL ARRANGEMENTS

- The JW Marriott Hotel requires an advance deposit equal to one night's room charge (including applicable D.C. city tax of 11 percent, plus $1.50 D.C. occupancy tax). If you checked "charge hotel room deposit" in the credit card authorization section of the registration form, deposit information was sent for you to the hotel. Please note that the hotel will bill your credit card for the advance deposit only if you fail to arrive on the scheduled arrival date or if your reservation is cancelled after the hotel's cancellation deadline (6:00 p.m. on scheduled day of arrival).

- If you did not check "charge hotel room deposit" on the registration form and want to guarantee your reservation, please send a check or money order for the deposit to the hotel as soon as possible.

- To make arrangements to pay hotel charges using a purchase order, voucher, or claim, or to make arrangements for charges to be billed directly to you, contact the hotel's accounting department prior to arrival.

- **To change a confirmed hotel reservation:**

    On or before January 18: write or fax the NGA Registration Center
    Between January 19 and January 25: call the NGA Registration Center
    On or after January 26: call the hotel directly

MEETING REGISTRATION

- Meeting credentials will not be issued until registration fees have been paid in full. If registration fee payment did not accompany your registration form, payment may be sent separately or be made on site. **Payments should NOT be mailed to the NGA Registration Center after January 18.** After that date, all payments should be made on site.

- As part of meeting security, you will be asked as you register to present two forms of personal identification--**one with a recent photograph and one to verify your business affiliation.** Meeting credentials will be issued only upon presentation of acceptable identification.

MEETING REGISTRATION (Continued)

- Refund of prepaid registration fees will be made (minus a $25 nonrefundable processing charge) if written cancellation notice is postmarked no later than Monday, January 24. No refunds will be made for cancellations made after that date. Refunds due for fees charged to credit cards will be credited to the card approximately thirty days after the meeting. Other refunds due will be paid by check approximately forty-five days after the meeting.
- No-shows will be billed the applicable registration fee.
- **Attendees who do not prepay their registration fees will be invoiced a $25 handling fee for cancellations received or postmarked on or before January 24.** Attendees who cancel after January 24 will be invoiced for the full registration fee.
- **General Meeting Registration**, located in the Capitol Foyer on the Ballroom Level at the hotel, will open on Saturday, January 29, and will be in operation daily throughout the meeting. **News Media Registration**, located in the Russell Room on the Meeting Room Level, also will open on Saturday.

NGA MEETING REGISTRATION CENTER INFORMATION

Regular Mail:
P.O. Box 17413
Dulles International Airport
Washington, DC 20041

Overnight Mail:
Two Vintage Park, Suite 200
45365 Vintage Park Plaza
Sterling, VA 20166

Telephone Number:
(703) 318-0700

Fax Number:
(703) 318-7568

GENERAL HOTEL INFORMATION

JW Marriott Hotel at National Place
1331 Pennsylvania Avenue, N.W.
Washington, DC 20004

Telephone Number: (202) 393-2000
Fax Number: (202) 626-6991

Check-In: 4:00 p.m.
Check-out: 12:00 p.m.

NATIONAL GOVERNORS' ASSOCIATION

Carroll A. Campbell Jr.
Governor of South Carolina
Chairman

Howard Dean
Governor of Vermont
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300

December 7, 1993

Yes

Mr. Bruce Reed
Deputy Assistant to the President
Domestic Policy Council
216 Old Executive Office Building
Washington, D.C. 20500

Dear Bruce:

I would like to invite you to attend the NGA Winter Meeting, which will be held January 30 to February 1, 1994 in Washington, D.C. Enclosed is a copy of the preliminary agenda and a special registration form.

If you are able to attend, please complete the pre-paid registration from and return it to the NGA Registration Center at the address noted on the form by January 18. Your registration fee will be paid by NGA.

Should you have any questions, please feel free to contact me. I hope you are able to join us for our winter meeting.

Sincerely,

Ray

Raymond C. Scheppach

Enclosures

AM

NATIONAL GOVERNORS' ASSOCIATION
1994 WINTER MEETING ■ JANUARY 30 - FEBRUARY 1 ■ WASHINGTON, D.C. ■

SPECIAL REGISTRATION/HOUSING FORM

Please type or print all information requested. An asterisk (*) indicates the information that will appear on the attendee's meeting credential.

Name* First: Bruce Middle Initial: ____ Last: Reed

Title* Deputy Assistant to the President for Domestic Policy Representing* The White House

Address ____ City: Washington State* DC Zip Code 20500

Information provided by: Cathy Mays Telephone (202) 456-6515

Special Accommodations: In order to ensure full participation and accessibility for all meeting attendees in accordance with the Americans with Disabilities Act, please notify Susan Dotchin at NGA of any special requirements by calling (202) 624-5327 by January 21. Written requests may be faxed to (202) 624-5313.

Return completed form to:

NGA Registration Center
P.O. Box 17413
Washington-Dulles International Airport
Washington, D.C. 20041
Phone: (703) 318-0700

For overnight mail, use the following address:

NGA Registration Center
Two Vintage Park, Suite 200
45365 Vintage Park Plaza
Sterling, VA 20166

Submit any changes to information provided on this form IN WRITING.

Please refer to accompanying materials for additional information about registration deadlines and fees.

DO NOT mail registration forms or fee payments after January 18. After that date, attendees should register on site. If housing is needed after January 18, call the NGA Registration Center.

Meeting Registration Fee

Check one box only to identify your affiliation.

☐ 23 Program Participant
If registering in category 23, indicate below the session in which you will participate.

____

NGA will prepay a full meeting registration fee for two aides accompanying a program participant. Other accompanying aides may register either for the entire meeting for $50 (category26), or for the single session at no cost (category 25).

Staff Accompanying Program Participant:

☐ 24 Prepaid: Entire Meeting
☐ 25 Prepaid: Single Session
☐ 26 Additional Staff: Entire Meeting ($50)
☐ 38 Additional Staff: Entire Meeting (Prepaid)

If registering in categories 24, 25, 26, or 38, indicate below the program participant you will be accompanying and the session you will attend.

____

☒ 27 Special Attendee
☐ 39 NGA Corporate Fellow (Prepaid)
☐ 40 NGA Associate Corporate Fellow (Prepaid)
☐ 28 NGA Staff
☐ 29 Technician
☐ 37 Ancillary Attendee (Prepaid)

For NGA use only: Categories 27, 28, 38, 39, 40, and 57 require an NGA cost center number:

2113

Hotel Accommodations Reservation

☐ I do not require housing accommodations.

* Reservations will be made at the JW Marriott Hotel.
* All reservations must be guaranteed. Refer to Hotel Accommodations section of General Information in this brochure.
* Check-in time at the JW Marriott is 4:00 pm; check-out time is noon.

Check-in date ____

Departure date ____

Room to be shared with ____

Special housing needs ____

Accommodations Preference

Check the room type/rate preferred. Housing assignment and room rate will be based on postmark date and room availability at the time of confirmation.

☐ Single Occupancy ($152)
☐ Double Occupancy ($152)
☐ *One-Bedroom Suite ($475-$1350)

* Call the NGA Registration Center for information on suite availability and rates for two-bedroom suites.

Payment (if applicable)

☐ Registration fee enclosed ☐ Registration fee will be mailed separately (no later than January 18) ☐ Registration fee will be paid on site

Meeting credentials will not be issued until registration fees have been paid in full.

Credit Card Authorization

Complete only if you wish to pay your registration fee or hotel room deposit by credit card (American Express, MasterCard, or VISA).

☐ Charge winter meeting registration fee ☐ Charge hotel room deposit

Charge card to be used: ☐ American Express ☐ MasterCard ☐ VISA

Card Number ____ Expiration Date ____

The NGA Registration Center is authorized to use the indicated card to bill my registration fee for the NGA Winter Meeting, in the amount indicated on the form, and/or to provide the hotel with a first-night room deposit. I understand that one night's room charge will be billed by the hotel through this card if I fail to arrive on the confirmed date, unless I have cancelled my reservation according to the hotel's cancellation policy.

Cardholder's Signature ____ Date ____

FOR NGA USE ONLY:

Payment: ____ Amt: ____ Type: ____ Source: ____

Hotel Code: ____ Qty ____ Unit: ____ Rm Type ____ Bk Type ____

Share With's ____ ( ) ____ ( )

Hotel Instructions: ____

Bruce
1/17

National Governors' Association
1994 Winter Meeting
Preliminary Program Structure
January 14, 1994

Saturday, January 29

11:00 a.m. - 11:30 a.m.	**Opening News Conference**
11:30 a.m. - 1:00 p.m.	**Health Care Leadership Team Luncheon Meeting** *Governor Roy Romer, Colorado, Co-Chair* *Governor Tommy G. Thompson, Wisconsin, Co-Chair* *Governors and Their Staff Only*
1:30 - 2:30 - DGA MTG. HOTEL Washington	
6:00 p.m. - 7:30 p.m.	**Reception at Austrian Embassy** *Governors and Their Spouses Only*

Sunday, January 30

10:30 a.m. - 11:30 a.m.	**Executive Committee** *Governor Carroll A. Campbell Jr., South Carolina, Chairman* • Update on Legislative Priorities • Consideration of Policy Positions
11:45 a.m. - 1:15 p.m.	**Governors-only Luncheon**
1:30 p.m. - 3:15 p.m.	**Plenary Session** *Governor Carroll A. Campbell Jr., South Carolina, Chairman* • Adoption Assistance Programs—Dave Thomas, Founder, Wendy's International Inc. • Education *Governor Jim Edgar, Illinois, Co-Chair, Education Leadership Team* *Governor James B. Hunt Jr., North Carolina, Co-Chair, Education Leadership Team* • National Education Goals • Report of the Chair of the National Education Goals Panel *Governor John R. McKernan Jr., Maine* • Discussion of State Education Reform • Presentation of State Report Card Awards *Governor Carroll A. Campbell Jr., South Carolina, Chairman* • Children and Violence *Governor Pete Wilson, California, Chair, Committee on Human Resources* *Governor David Walters, Oklahoma, Vice Chair, Committee on Human Resources*

3:30 p.m. - 4:30 p.m.

Standing Committee Business Sessions
Committee on Economic Development and Commerce
Governor Terry E. Branstad, Iowa, Chair
- Telecommunications Vision Statement
- North American Free Trade Agreement (NAFTA)
- General Agreement on Trade and Tariffs (GATT)
- Business Incentives
- Consideration of Policies

Committee on Human Resources
Governor Pete Wilson, California, Chair
- Status of Welfare Reform Initiatives
- Overview of Federal Family and Children Initiatives
- Consideration of Policies

Committee on Natural Resources
Governor Bob Miller, Nevada, Chair
- Risk Assessment and Environmental Mandate
- Consideration of Policies

5:00 p.m. - 6:00 p.m. **Reception for All Attendees**

7:30 p.m. - 10:00 p.m. **White House Dinner**
Governors and Their Spouses Only

9:30 P.M. WHITE HOUSE RECEPTION

Monday, January 31

7:30 a.m. - 9:00 a.m. Democratic Governors' Association and Republican Governors Association Breakfast Meetings

8:30 a.m. - 10:00 a.m. **Briefing for Governors' Staff and Meeting Attendees on National Service**

9:30 a.m. - 12:00 noon **Meeting with the President**
Governors Only

9:30 a.m. - 12:00 noon **Briefing on Administration's Health Care Plan**
Governors Staff Only

12:15 p.m. - 2:15 p.m. **Governors-only Luncheon**

2:30 p.m. - 4:30 p.m.

Plenary Session
Governor Carroll A. Campbell Jr., South Carolina, Chairman

- Invitation to 1994 Annual Meeting
  Governor William F. Weld, Massachusetts
- Remarks by Chancellor Helmut Kohl
- Development of Health Care Networks
  Governor Roy Romer, Colorado,
  Co-Chair, Health Care Leadership Team
  Governor Tommy G. Thompson, Wisconsin,
  Co-Chair, Health Care Leadership Team

4:45 p.m. - 6:00 p.m.

Corporate Fellows Issue Briefing
Governors, Governors' Staff, and Corporate Fellows Only

Tuesday, February 1

7:30 a.m. - 9:00 a.m.

Regional Governors' Associations' Breakfast Meetings

9:15 a.m. - 12:00 noon

Plenary Session

- Remarks by Senator Bob Dole
  Senate Republican Leader
- Chairman's Remarks
- Welfare Reform—State Initiatives and Roles
  Governor Tom Carper, Delaware,
  Co-Chair, Welfare Reform Leadership Team
  Governor John Engler, Michigan,
  Co-Chair, Welfare Reform Leadership Team
- Remarks by President Bill Clinton
- State Management Task Force
  Governor Kirk Fordice, Mississippi, Co-Chair
  Governor Mel Carnahan, Missouri, Co-Chair
- Federalism Report
  Governor George V. Voinovich, Ohio,
  Co-Lead Governor
  Governor Bruce Sundlun, Rhode Island,
  Co-Lead Governor
- Committee Reports and Consideration of Policy

12:15 p.m. - 12:45 p.m.

Closing News Conference