

File: Puerto Rico

Memorandum

To: Nancy Soderberg

Date: February 22, 1993

From: Jeffrey Farrow

Re: Sec. 936 Proposal Squeezing Puerto Rico Commonwealth

The economic plan proposal to limit the tax exemption on corporate income from insular areas will not only strengthen the argument for statehood against the current commonwealth arrangement in Puerto Rico, it will also strengthen the argument for free association to replace the current commonwealth.

The minority of the commonwealth party that advocates free association (a relationship based upon mutual agreement and sovereignty) will point out that the two states in free association with the U.S., the Marshall Islands and Micronesia, have a guarantee against the proposed limitation in their international agreement with the U.S.

The majority leadership of the commonwealth party, including Democratic State Chair Hernandez Agosto, has felt that promoting free association is a serious political liability for the party because many Puerto Ricans equate it with independence. The 936 proposal will weaken them, however, since it will show the unreliability and lack of power of commonwealth as it is.

Meanwhile, statehooders who want to use the proposal to defeat commonwealth in the planned referendum this year and eliminate the greatest economic impediment to statehood -- like Congressman Romero Barcelo, are flexing their muscles vis a vis leaders who are more concerned about the severe near-term adverse economic impacts -- like Governor Rossello's chief of staff, Cifuentes.

How this is resolved will be a major factor in congressional consideration of changes to the proposal, which commonwealthers, some statehooders, and 936 companies are trying to stimulate directly through Hill contacts and indirectly through Puerto Rican communities in the states. A key strategy meeting is planned for Thursday.

cc: MARK Gearau  
Rahm Emanuel  
Carol Rascoe  
Richard Feinberg  
Howard Pastor

who is handling this issue?  
NS

Confidential <sup>RW</sup>

## MEMORANDUM

To: Nancy Soderberg

Date: February 27, 1993

From: Jeffrey Farrow

Re: Puerto Rico Matters Requiring Action

This is to note some of the priority matters regarding Puerto Rico which need to be acted upon soon.

o The President's reported promise to Representative Serrano to state that he will encourage acceptance of whatever status Puerto Ricans choose. This is particularly important in light of the plans of Puerto Rico's new statehood leaders to hold a referendum this year and the expectation that the majority will be for statehood. An interpretation that the promise supported the referendum plan was of interest because of the uncertain position of commonwealth Democrats on it. Finally, the commitment seemed to go beyond the campaign pledge to work for congressional action on the choice.

o The President's reported promise to Representative Gutierrez to consider all the ramifications related to Puerto Rico of limiting the exemption on corporate income from the island (Sec. 936.) The possible ramifications include: increased support for statehood at the expense of commonwealth; an increase in the 17% jobless rate; general economic decline as well as major problems for many business sectors (in addition to the intended pharmaceutical companies;) reduced investment in Caribbean Basin Initiative countries; decreased government revenues; increased migration to states; and increased demands for social programs funding.

o The reported White House intent to rescind Bush's last minute revision of the basic Executive Branch policy regarding Puerto Rico. The Bush directive put the President in the middle of the status debate. Commonwealthers want the previous policy issued by President Kennedy reinstated, statehooders want the Bush policy to stand, and there are Democrats on both sides. The new policy undermines commonwealth as Puerto Ricans approach a status choice. It also contradicts the longstanding U.S. defense against annual efforts in the U.N. to reclassify the island as a colony.

o An expected request from Governor Rossello, supported by Members of Congress, to revise the economic plan proposal to limit Sec. 936. Rossello is willing to eliminate excessive tax benefits (in relation to jobs) enjoyed by pharmaceutical firms; but hopes to preserve the incentive as much as possible. A critical element is \$15 billion in 936 profits reinvested in the island and the region. Some statehooders like Resident

Commissioner Romero, though, are willing to accept more severe economic adjustments to advance the statehood cause and this will complicate the matter. The effort to promote a compromise could include enlisting support in U.S. communities and the Caribbean.

o The treatment of Puerto Rico under the health care initiative. Puerto Rico provides seriously inadequate health care, in part because of limited Medicaid funding (\$79 million in FY '92 versus \$1.12 billion it would have received as a state.) It has six of the 10 hospitals in the nation with the worst incidence of infant mortality and one of the highest neonatal mortality rates among Hispanics. It has the second highest AIDS rate in the country with the fastest rate of growth but cannot provide AZT. It provides less in services to the needy, including pregnant women, infants, the aged, and the disabled. Romero wants some of the \$7 billion which are projected to be raised by the economic plan's 936 proposal used to pay for more equitable treatment.

o The treatment of Puerto Rico under the welfare reform initiative. Puerto Rico also only receives a tiny fraction of the funds for its needy that it would receive as a state under AFDC and SSI. The limitation means that human needs go unmet, provides an incentive to the poor to move to the states, and results in support for statehood. The disparity in Puerto Rico's treatment under food stamps is not as great (about two-thirds of state-like treatment) but is also an issue that may have to be considered in a welfare reform proposal. The gap between the island's treatment under the programs and state-like treatment is \$2 billion a year.

In concluding, let me point out that the items above are only those matters on which there is an urgent or compelling need to act. This is not intended to be a comprehensive list of issues.

**MEMORANDUM**

**TO:** Carol Rasco  
Robert Rubin  
Pat Griffin  
Christine Varney  
Joe Valazquez  
Kevin O'Keefe

**FROM:** Marcia Hale *MH*

**DATE:** January 11, 1994

*file*

---

Attached please find materials that you may find helpful for our Puerto Rico meeting tomorrow. The meeting is at 10:00 A.M. in my office and should run no longer than half an hour. You can call Jessica in my office with any questions (6-7060).

**U.S. House of Representatives**  
**Committee on Natural Resources**  
Washington, DC 20515-6201

December 9, 1993

The Honorable Marcia Hale  
Assistant to the President  
for Intergovernmental Affairs  
The White House  
Washington, D.C. 20500

Dear Ms. Hale:

As you know, the plebiscite that Puerto Rico held November 14th petitioned the federal government for certain developments in the Commonwealth's current relationship with the United States.

As I am sure you also know, the President and the Congress have an obligation to seriously consider the decision that the people of Puerto Rico made through that act of self-determination.

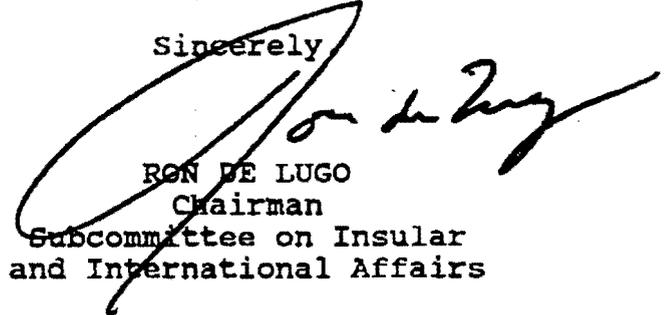
I am pleased that our President recognized this duty even before the voting in commitments to respect the will of Puerto Ricans regarding their political status and a pledge to make the present situation work better for them if that is what they chose. I have already informed my colleagues of the responsibility that they face.

The Subcommittee on Insular and International Affairs, which has jurisdiction over matters relating to Puerto Rico, will conduct a hearing at the beginning of the next Session of the Congress to explore how the federal government can constructively respond to the wishes expressed by some 1.7 million U.S. Citizens.

Since you have been designated as the primary point of contact regarding Puerto Rico within the Administration, I want to alert you to the need for a representative of the Executive Branch to appear to make recommendations on the measures that the federal government should take in reaction to the results of the plebiscite. Leaders of Puerto Rico will also be invited.

In closing, let me note that I have enclosed thoughtful suggestions that some of the nation's newspapers made about the necessity of addressing Puerto Rico's fundamental problems.

Sincerely



RON DE LUGO  
Chairman  
Subcommittee on Insular  
and International Affairs

## **Proposed Enhancements to the Commonwealth Relationship**

The vote in favor of continuing the Commonwealth relationship gave the Popular Democratic Party a mandate to propose to the U.S. President and Congress legislative changes designed to promote greater equality between the U.S. citizens in Puerto Rico and residents in the 50 states. In addition, it was a mandate to seek opportunities to promote greater economic development through effective economic tools that promote self-sufficiency, employment and investment. These two concepts, equality for citizens and economic development, were encapsulated in four specific enhancements approved by the voters with their vote for Commonwealth:

- (1) As part of welfare reform, to implement the existing federal policy of granting full participation in federal nutritional assistance programs, so that the U.S. citizens in Puerto Rico are not treated less fairly than even non-citizens who reside in the 50 states.

- In 1981, during Ronald Reagan's first year in the White House, the traditional food stamp program for Puerto Rico was terminated and replaced by the Nutritional Assistance Program ("NAP") "block grant," which severely reduced, at a capped level, the level of funding for the program. During the ensuing decade of Republican Presidents, it was not possible to fully rectify this inequity and Puerto Rico's participation in the national program has consistently declined.

In the 1990 Farm Bill, Congress established as policy that "the citizens in the Commonwealth of Puerto Rico should be safeguarded against hunger and treated on an equitable and fair basis with other citizens under Federal nutritional assistance programs." Unfortunately, the current levels of funding for the NAP still do not provide such "equitable and fair" funding for the U.S. citizens in the Commonwealth.

- (2) To assure equal treatment for the poor elderly and handicapped who reside on the Island by eliminating the current disparate treatment effected by the Supplemental Security Income program.
  - The SSI program currently provides greater protection to aliens residing in the United States than to U.S. citizens residing in Puerto Rico. This inequitable treatment has resulted in great hardship to the poor elderly and handicapped in Puerto Rico and to those Puerto Ricans residing on the mainland who have not been able to move back to Puerto Rico because they would lose these benefits.
- (3) To reformulate Section 936 of the U.S. Internal Revenue Code in order to create more and better jobs in Puerto Rico.

- Considering the drastic changes to Section 936 in the 1993 Budget Reconciliation Act, it is essential to obtain a commitment from the President to evaluate the effect of these changes on Puerto Rico's economy and to look at other types of investment incentives that can promote the continued economic progress of the Island.
- (4) To obtain special protection for Puerto Rico's main agricultural products by obtaining a tariff-imposing authority similar to the one that currently exists for coffee.
- Many mainland agricultural industries obtained special protections as part of the legislation on the North American Free Trade Agreement. Puerto Rico's main agricultural crops deserve similar protections from low-cost imports. One way to effect such protections is to extend to other tropical crops the tariff-imposing authority available for Puerto Rican coffee since 1930.

In addition to these four points, Commonwealth seeks a renewed affirmation of the democratic, non-colonial nature of the relationship. Commonwealth means the preservation of the identity of the Puerto Rican people, their language and their culture, in a framework of common citizenship, common defense, common currency, a common market and common loyalty to democratic values. This relationship is based on mutual consent and is governed by the compact entered into in 1952. In recent years, Republican Presidents and other Statehood supporters have sought to erode the original understanding of the existence of a compact between Puerto Rico and the United States. They have labeled the Commonwealth of Puerto Rico a "territory" subject to the plenary powers of Congress and raised fears that the U.S. citizenship of Puerto Ricans may be revoked by Congress.

The nature of the Commonwealth relationship can be reaffirmed through a Presidential Memorandum, which would revoke the one issued by President Bush in the last few weeks of his administration and would clearly set the understanding of the bases of the Commonwealth relationship as non-colonial and democratic.

November 18, 1993

Washington Post

## Stateless in San Juan

**F**OR YEARS the principal issue in Puerto Rican politics has been the so-called status question. Is the island better off in the constitutional halfway house it currently occupies as a "commonwealth," or should it try to become a state? That's what divides the two major island political parties. The plebiscite last Sunday can't have been a great comfort to either. Commonwealth won—but only by 48 percent to 46 percent. The voters are split; the fight will go on. For now, however, a plurality seems to think the likely cost of becoming a state is greater than the likely benefit. That's probably right.

Statehood would mean tremendous economic change for Puerto Rico. It's anything but clear that the change would be for the better. The island now is a major enterprise zone. Mainland companies are given a lucrative tax break if they build plants there. In part because of the lure of this tax break, Puerto Rico has a high per capita income by Latin American standards. At the same time, more than half the population is officially poor by mainland standards.

If the island were to become a state on a par with all others, it would lose the tax advantage (already reduced last summer). Puerto Ricans would also have to pay federal income taxes, which they don't now. At the same time, they would presumably become entitled to full federal welfare and related benefits, which they also aren't now; benefits currently are limited,

lest they flood the economy. If benefits went up, wages would likely have to be increased to match. Labor costs would rise; the island would lose competitive advantage. The Congressional Budget Office has estimated that the unemployment rate, already too high, could approach a quarter of the work force. The statehooders haven't really spelled out how they would deal with this. Some commonwealthers also argue that statehood would cost the island some of its cultural identity.

The statehooders' leading contrary argument is that commonwealth status is politically unjust. Puerto Ricans are U.S. citizens who serve in the armed forces, are subject to other federal law and yet can't vote in federal elections. They could if Puerto Rico became a state—but that's the bargain that the voters rejected last Sunday. It isn't clear that Congress would have been receptive to a statehood petition anyway.

The plebiscite was a gamble by the statehood party now in power on the island. The statehooders lost, just as the commonwealthers also lost when they tried to lock up the issue a couple of years ago when they were in power. The lesson may be to leave status alone for a while and work on the island's other problems. Status aside, what should U.S. policy be toward Puerto Rico, and how well do present policies fulfill the federal obligation? That's the right question.

November 16, 1993

New York Times

## Puerto Rico Chooses, for Now

The close vote in Puerto Rico favoring continued commonwealth status rather than statehood will be greeted with relief in Washington. It spares Congress from deciding how and whether to admit a Spanish-speaking island to the Union.

Gov. Pedro Rossello's New Progressive Party hoped that Sunday's nonbinding referendum would build momentum for Puerto Rico's admission as the 51st state. But this course was preferred by only 46 percent of the voters, compared with 48 percent for commonwealth status and 4 percent for independence. That effectively sidetracks the statehood campaign, at least for now.

Yet the plebiscite does not resolve a more fundamental question: Is Puerto Rico a colony? The honest answer is yes and no.

Puerto Rico is clearly a willing subordinate. President Clinton, and most mainlanders, agree that the islanders themselves should be free to choose their final status. And overwhelmingly, Puerto Ricans favor one of two forms of association with the United States; there is no clamor for independence. In 1952 Congress approved commonwealth status, and a year later Washington persuaded the United Nations to take Puerto Rico off its list of colonies.

Even so, in vital respects Puerto Rico remains a dependent ward. Under commonwealth status Puerto Ricans are U.S. citizens, to a point. They can settle anywhere on the mainland, and on the island

they elect their Governor and legislature. But because islanders pay no Federal income taxes, they do not elect U.S. senators or representatives or vote for President.

This arrangement, sweetened by other tax breaks, has spurred investment from the mainland, created jobs and raised wages, a boon that doubtless caused many Puerto Ricans to prefer remaining in a familiar halfway house to the risks of economic pain with any change.

But Puerto Ricans are reminded of their diminished citizenship when Washington gives short shrift to their petitions. The Treasury Department barely consulted islanders this year in proposing elimination of Federal tax incentives that Puerto Ricans deem essential to their economy. Twice since 1953, Puerto Ricans petitioned Congress for changes to enhance commonwealth status; Congress did nothing. Nor could it agree two years ago on a plebiscite whose results would be binding.

Many who voted for continued commonwealth status did so to protect Puerto Rico's distinct culture from homogenization into the English-speaking mainland. This choice of cultural autonomy short of national independence deserves respect in a world groping with the dilemmas of self-determination. Now that Puerto Rico has voiced its preference, it is incumbent upon Washington to react more sensitively to Puerto Rican requests and to continued exploration of the island's status.

New York Daily News

November 17, 1993

## What now for Puerto Rico?

**C**ONGRESS HEAVED a sigh of relief when voters in Puerto Rico narrowly rejected petitioning for statehood in favor of remaining a United States commonwealth. The results of Sunday's referendum, though, don't mean that all is well between Puerto Rico and the U.S. The relationship will not be sound until the island moves toward greater autonomy and less economic dependence.

The Puerto Rican statehood movement is driven by powerful forces — a sense of second class status and feelings of lost identity, among them. Impatience at having citizenship but not the right to vote in federal elections or any true representation in Washington is widespread even among those who voted for the status quo. Their ballots were cast for economic reasons: Statehood would mean having to pay federal income tax while losing much of the assistance that has elevated Puerto Rico, poor as it is, over other islands.

The mission now is to chart a course that moves Puerto Rico toward self-sufficiency. The effort will have to be made jointly by the island's leadership and Congress, but early movements do not bode well. Those who supported maintaining Puerto Rico as a commonwealth are proposing an "enhanced commonwealth" status, whose components leave a lot to be desired. If anything, they'd increase the island's dependency.

The "enhancement" goes no further than asking Congress to restore tax breaks to mainland and foreign companies investing in Puerto Rico, to impose tariffs on some imported agricultural products, and to make Puerto Ricans eligible both for Supplemental Security Income, a federal aid program for the elderly and handicapped, and full food stamp benefits. The cost of the latter two alone would be \$1.6 billion annually. Even in good times Washington would balk.

A real "enhanced commonwealth" proposal would include ideas such as allowing Puerto Rico to initiate its trade relations with other countries and to participate in regional economic organizations. It would also seek to give Puerto Rico greater control over its own borders. The more the island is encouraged to go it alone, the better off it will be in the long run.

FEB 23 REC'D

Emailed MHale 2/23

THE PRESIDENT HAS SEEN  
01-21-94 ab

MEMORANDUM

To: The President  
From: Nancy Hernreich  
Date: February 16, 1994  
Re: Puerto Rico

file

Beryl Anthony sent you a statement concerning Puerto Rico, which he said he discussed with you recently. Marcia Hale said we must be very careful, that we must weave a very thin path. According to Marcia, there is an explosion in the making. A former client of Harold Ickes is working in favor of the Statehood Party; Beryl is for the Commonwealth Party. There are definitely two sides to this issue, and Marcia will have a memo to you before the end of the week about Puerto Rico. Do you have any guidance for her?

This needs to be reviewed by Marcia + Harold  
+ can use a document  
Beryl's guy was the  
1st person for this - wound up  
with both Democratic factions  
98% in Puerto Rico  
Romero - no deal  
Serrano - Puerto Rico  
But don't delay  
(see Roberts)

WINSTON & STRAWN 1.

*Ce m. Hall for 2/14  
2. BC.*

FREDERICK H. WINSTON (1853-1886)  
SILAS H. STRAWN (1891-1946)

1400 L STREET, N.W.  
WASHINGTON, D.C. 20005-3502

(202) 371-5700

CHICAGO OFFICE  
35 WEST WACKER DRIVE  
CHICAGO, ILLINOIS 60601  
(312) 558-5600

BERYL F. ANTHONY, JR.  
(202) 371-5754

FACSIMILE (202) 371-5950

NEW YORK OFFICE  
175 WATER STREET  
NEW YORK, NY 10038-4981  
(212) 289-2500

**MEMORANDUM**

**TO:** Nancy Hernreich  
Deputy Assistant to the President  
The White House

**FROM:** Beryl F. Anthony, Jr. *Beryl*

**DATE:** February 10, 1994

**RE:** Statement for the President

I spoke with the President last night about the Puerto Rico issue and he instructed me to draft a statement for him and to send it to him through you. The statement is attached; please deliver it to the President.

Thank you very much. Best personal regards.

# WINSTON & STRAWN

FREDERICK H. WINSTON (1853-1886)  
SILAS H. STRAWN (1891-1946)

1400 L STREET, N.W.  
WASHINGTON, D.C. 20005-3502

(202) 371-5700

FACSIMILE (202) 371-5950

CHICAGO OFFICE  
35 WEST WACKER DRIVE  
CHICAGO, ILLINOIS 60601  
(312) 558-5600

NEW YORK OFFICE  
175 WATER STREET  
NEW YORK, NY 10038-4981  
(212) 269-2500

BERYL F. ANTHONY, JR.  
(202) 371-5754

February 10, 1994

The Honorable William J. Clinton  
The White House  
Washington, DC 20500

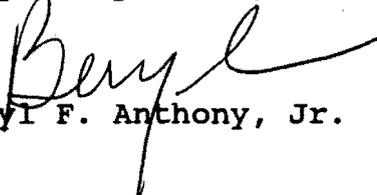
Dear Mr. President:

As we discussed last night, I am enclosing a proposed draft of a Presidential statement or press release regarding the vote in Puerto Rico and your commitment to studying the various proposals that have been presented to the White House. Our Democratic friends in Puerto Rico are very enthusiastic about your willingness to move forward on the results of the referendum vote.

We have made this statement very simple so that it can be approved and released as soon as possible. I have also enclosed a two-page summary of the proposals presented by the Popular Democratic Party. These proposals should be the starting point of the proposed task force's discussions.

Thank you very much for your interest in this most important matter.

Very Truly Yours,

  
Beryl F. Anthony, Jr.

BFA/ang  
Enclosure

## PRESIDENTIAL STATEMENT

On November 14, 1993, the U.S. citizens of the Commonwealth of Puerto Rico exercised their right to self-determination and voted in a three-way referendum to continue the Commonwealth relationship. The Commonwealth relationship was established in 1952 as a compact based on mutual consent. Its democratic nature has once again been reaffirmed through this referendum vote.

The supporters of the Commonwealth are committed to further develop this relationship with the United States. They have presented to me proposals designed both to promote greater equality between the U.S. citizens in Puerto Rico and residents in the 50 states and to increase the opportunities for economic development in Puerto Rico. Before the referendum vote, I stated that I was committed to do my best to make the Commonwealth "work better." Today, I want to reaffirm my commitment to work on these proposals.

To this end, I am pleased to announce that I am forming an inter-agency task force that will work directly with Commonwealth supporters to find ways to make the goals of greater equality and economic development a reality for the U.S. citizens in the Commonwealth of Puerto Rico.

This task force will be headed by \_\_\_\_\_ and comprised of members of the Departments of Agriculture, Commerce, Health and Human Services, and Treasury and by members of the White House staff.

## Proposed Enhancements to the Commonwealth Relationship

The vote in favor of continuing the Commonwealth relationship gave the Popular Democratic Party ("PDP") a mandate to propose to the U.S. President and Congress legislative changes designed to promote greater equality between the U.S. citizens in Puerto Rico and residents in the 50 states. In addition, it was a mandate to seek opportunities to promote greater economic development through effective economic tools that promote self-sufficiency, employment and investment. These two concepts, equality for citizens and economic development, were encapsulated in four specific enhancements approved by the voters with their vote for Commonwealth. The PDP presents the following proposals to initiate a dialogue as to how the goals of equality and economic development can best be achieved within the existing budgetary constraints and the national agenda:

- (1) As part of welfare reform, to implement the existing federal policy of granting full participation in federal nutritional assistance programs, so that the U.S. citizens in Puerto Rico are not treated less fairly than even non-citizens who reside in the 50 states.

- In 1981, during Ronald Reagan's first year in the White House, the traditional food stamp program for Puerto Rico was terminated and replaced by the Nutritional Assistance Program ("NAP") "block grant," which severely reduced, at a capped level, the level of funding for the program. During the ensuing decade of Republican Presidents, it was not possible to fully rectify this inequity and Puerto Rico's participation in the national program has consistently declined.

In the 1990 Farm Bill, Congress established as policy that "the citizens in the Commonwealth of Puerto Rico should be safeguarded against hunger and treated on an equitable and fair basis with other citizens under Federal nutritional assistance programs." Unfortunately, the current levels of funding for the NAP still do not provide such "equitable and fair" funding for the U.S. citizens in the Commonwealth.

- (2) To assure equal treatment for the poor elderly and handicapped who reside on the Island by eliminating the current disparate treatment effected by the Supplemental Security Income program.

- The SSI program currently provides greater protection to aliens residing in the United States than to U.S. citizens residing in Puerto Rico. This inequitable treatment has resulted in great

hardship to the poor elderly and handicapped in Puerto Rico and to those Puerto Ricans residing on the mainland who have not been able to move back to Puerto Rico because they would lose these benefits.

- (3) To reformulate Section 936 of the U.S. Internal Revenue Code in order to create more and better jobs in Puerto Rico.
  - Considering the significant changes to Section 936 in the 1993 Budget Reconciliation Act, it is essential to evaluate the effect of these changes on Puerto Rico's economy and to evaluate adjustments that may generate additional employment and investment.
- (3) To obtain special protection for Puerto Rico's main agricultural products by obtaining a tariff-imposing authority similar to the one that currently exists for coffee.
  - Many mainland agricultural industries obtained special protections as part of the legislation on the North American Free Trade Agreement. Puerto Rico's main agricultural crops deserve similar protections from low-cost imports. One way to effect such protections is to extend to other tropical crops the tariff-imposing authority available for Puerto Rican coffee since 1930.

In addition to these four points, Commonwealth seeks a renewed affirmation of the democratic, non-colonial nature of the relationship. Commonwealth means the preservation of the identity of the Puerto Rican people, their language and their culture, in a framework of common citizenship, common defense, common currency, a common market and common loyalty to democratic values. This relationship is based on mutual consent and is governed by the compact entered into in 1952. In recent years, Republican Presidents and other Statehood supporters have sought to erode the original understanding of the existence of a compact between Puerto Rico and the United States. They have labeled the Commonwealth of Puerto Rico a "territory" subject to the plenary powers of Congress and raised fears that the U.S. citizenship of Puerto Ricans may be revoked by Congress.

The nature of the Commonwealth relationship can be reaffirmed through a Presidential Memorandum, which would revoke the one issued by President Bush in the last few weeks of his administration and would clearly set the understanding of the bases of the Commonwealth relationship as non-colonial and democratic.

WINSTON & STRAWN  
1400 L STREET, NW  
WASHINGTON, DC 20005-3502

Telephone: (202) 371-5700

DATE: February 10, 1994

Facsimile: (202) 371-5950

**FACSIMILE TRANSMISSION**

PLEASE DELIVER THE FOLLOWING PAGE(S)

TO: Nancy Hernreich  
FIRM: The White House  
FAX#: 94562883

FROM: Beryl F. Anthony  
PHONE: 371-5754

TOTAL # OF PAGES (INCLUDING COVER SHEET): 6

SUBJECT: Presidential Statement

COMMENTS:

Please deliver RUSH. Thanks.

The information contained in this facsimile message is attorney privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by telephone, and return the original message to us at the above address via the U.S. Postal Service. Thank You.

If you do not receive all the pages, please call our facsimile operator at (202) 371-5881 as soon as possible. Thank you.

# WINSTON & STRAWN

FREDERICK M. WINSTON (1893-1986)  
SILAS H. STRAWN (1891-1948)

1400 L STREET, N.W.  
WASHINGTON, D.C. 20005-3502

(202) 371-5700

FACSIMILE (202) 371-5950

## MEMORANDUM

CHICAGO OFFICE  
25 WEST WACKER DRIVE  
CHICAGO, ILLINOIS 60601  
(312) 550-2000

NEW YORK OFFICE  
175 WATER STREET  
NEW YORK, NY 10038-4901  
(212) 706-2000

BERYL F. ANTHONY, JR.  
(202) 371-6754

**TO:** Nancy Hearnreich  
Deputy Assistant to the President  
The White House

**FROM:** Beryl F. Anthony, Jr. *Beryl*

**DATE:** February 10, 1994

**RE:** Statement for the President

I spoke with the President last night about the Puerto Rico issue and he instructed me to draft a statement for him and to send it to him through you. The statement is attached; please deliver it to the President.

Thank you very much. Best personal regards.

# WINSTON & STRAWN

FREDERICK H. WINSTON (1853-1882)  
SILAS H. STRAWN (1891-1946)

1400 L STREET, N.W.  
WASHINGTON, D.C. 20005-3502

(202) 371-5700

FACSIMILE (202) 371-6950

CHICAGO OFFICE  
30 WEST WAGNER DRIVE  
CHICAGO, ILLINOIS 60601  
(312) 588-5400

NEW YORK OFFICE  
175 WATER STREET  
NEW YORK, NY 10038-4981  
(212) 269-2500

BERYL F. ANTHONY, JR.  
(202) 371-5754

February 10, 1994

The Honorable William J. Clinton  
The White House  
Washington, DC 20500

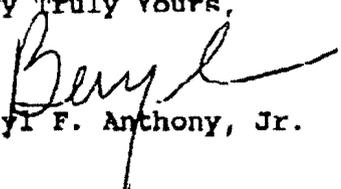
Dear Mr. President:

As we discussed last night, I am enclosing a proposed draft of a Presidential statement or press release regarding the vote in Puerto Rico and your commitment to studying the various proposals that have been presented to the White House. Our Democratic friends in Puerto Rico are very enthusiastic about your willingness to move forward on the results of the referendum vote.

We have made this statement very simple so that it can be approved and released as soon as possible. I have also enclosed a two-page summary of the proposals presented by the Popular Democratic Party. These proposals should be the starting point of the proposed task force's discussions.

Thank you very much for your interest in this most important matter.

Very Truly Yours,

  
Beryl F. Anthony, Jr.

BFA/ang  
Enclosure

U.S. DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY



DATE: February 10, 1994

\*\*\*\*\*

SENT TO: Carol Rascoe, WH Office of Domestic Policy

PHONE #: 456-2216

FAX #: 456-2878

NUMBER OF PAGES SENT: One  
(excluding cover sheet)

\*\*\*\*\*

FROM: Ron Blackley, Chief of Staff

PHONE #: 202-720-3631

FAX #: 202-720-5437

\*\*\*\*\*

COMMENTS: Per your request, one page on points on nutrition programs in Puerto Rico follows.

\*\*\*\*\*

**Points on Nutrition Programs in Puerto Rico:**

- Puerto Rico receives a Nutrition Assistance Block Grant which is separate from the Food Stamp Program. In addition to the block grant, Puerto Rico participates in other USDA feeding programs including the Child Nutrition and WIC programs.
- The President's fiscal year 1995 budget funds the Puerto Rican Block grant at the full level authorized by law -- \$1,143,000,000, an increase of \$64 million or 6% over the 1994 level.
- Puerto Rico will also benefit from other Administration nutrition Initiatives, including the commitment to fully fund the WIC program.

The paper points out that the Food, Agriculture, Conservation and Trade Act of 1990 (FACT) established a policy that "the citizens in the Commonwealth of Puerto Rico should be safeguarded against hunger and treated on an equitable and fair basis with other citizens under Federal nutritional assistance programs." The paper goes on to point out that the current funding levels of the Nutrition Assistance Program for Puerto Rico (NAP) "still do not provide such 'equitable and fair' assistance for the U.S. citizens in the Commonwealth."

- The FACT Act established the above policy as a preface to establishing the authorized limits for NAP. As indicated above NAP is funded at the full authorized level.
- The FACT Act also required GAO to complete a study about the nutritional needs of Puerto Rico to determine the incidence of inadequate nutrition, as well as to see if the situation had changed when the food stamp program ended in Puerto Rico and NAP was implemented. GAO completed the report in August of 1992 and concluded that:
  - Over the past 50 years, nutritional status of Puerto Ricans has improved, although very recent data was not available.
  - There was insufficient data to determine the extent to which Puerto Rican nutritional status might have changed when NAP was implemented in lieu of food stamps.
  - GAO also determined that the food stamp program would have cost from \$100 million to \$400 million more than NAP. Depending on the economic conditions prevailing in Puerto Rico and other assumptions about participation and benefit levels, the costs could be higher in 1995 (Subsequent to the report, Congress increased the NAP authorized level.)



DEPARTMENT OF HEALTH & HUMAN SERVICES

Chief of Staff

Washington D.C. 20201

**FACSIMILE**

DATE FEB 10 1994

TO: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER):

Carol Rasco  
Assistant to the President  
for Domestic Policy

456-2216

FROM: (NAME, ORGANIZATION, CITY/STATE AND PHONE NUMBER):

Kevin Thurm  
Chief of Staff

690-6133

RECIPIENT'S FAX NUMBER: ( ) 456-2878

NUMBER OF PAGES TO SEND (INCLUDING COVER SHEET): 2

COMMENTS:



EXECUTIVE OFFICE OF THE PRESIDENT

09-Feb-1994 10:02pm

TO: Rosalyn A. Miller

FROM: Carol H. Rasco  
Economic and Domestic Policy

CC: Patricia E. Romani

SUBJECT: Agriculture and HHS materials to expect

I gave Pat the source document on two things I talked with Kevin THurm directly and Ron Blackley's (Chief of Staff to Espy) assistant which are to be faxed to me tomorrow with a copy to Marcia Hale immediately ... she will be able to clarify if the material is what she needs...don't hesitate to fax if it gets too confusing.

THE WHITE HOUSE  
WASHINGTON

FAX COVER SHEET

OFFICE OF THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY  
SECOND FLOOR, WEST WING  
THE WHITE HOUSE  
WASHINGTON, DC 20500  
(202)456-2216 PHONE  
(202)456-2878 FAX

TO: Ron Blackley  
FAX #: 720-5437  
FROM: CAROL H. RASCO  
DATE: 2/9/94  
NUMBER OF PAGES (including cover sheet): 3  
COMMENTS: Per conversation w/ Carol Rasco

If you have any problems with the fax transmission, please call Carol Rasco at (202)456-2216.

The document accompanying this facsimile transmittal sheet is intended only for the use of the individual or entity to whom it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying or distribution, or the taking of any action in reliance on the contents of this communication is strictly prohibited.

*Look for responses on Friday -*  
*① Dagi - tell CHR if they do not arrive.*  
*② HHS*  
**TRANSMISSION REPORT**  
*pr.*

THIS DOCUMENT (REDUCED SAMPLE ABOVE) WAS SENT

**\*\* COUNT \*\***  
**# 3**

\*\*\* SEND \*\*\*

NO	REMOTE STATION I. D.	START TIME	DURATION	#PAGES	COMMENT
1	97205437	2- 9-94 17:03	1'57"	3	

TOTAL 0:01'57" 3

THE WHITE HOUSE  
WASHINGTON

FAX COVER SHEET

OFFICE OF THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY  
SECOND FLOOR, WEST WING  
THE WHITE HOUSE  
WASHINGTON, DC 20500  
(202)456-2216 PHONE  
(202)456-2878 FAX

TO: Kevin Thurn  
FAX #: 690-7755  
FROM: CAROL H. RASCO  
DATE: 2/9/94  
NUMBER OF PAGES (including cover sheet): 3  
COMMENTS: Per conversation w/ Carol Rasco

If you have any problems with the fax transmission, please call Pat Roman at (202)456-2216.

The document accompanying this facsimile transmittal sheet is intended only for the use of the individual or entity to whom it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying or distribution, or the taking of any action in reliance on the contents of this communication is strictly prohibited.

TRANSMISSION REPORT

THIS DOCUMENT (REDUCED SAMPLE ABOVE)  
WAS SENT

\*\* COUNT \*\*  
# 3

\*\*\* SEND \*\*\*

NO	REMOTE STATION I. D.	START TIME	DURATION	#PAGES	COMMENT
1	96907755	2- 9-94 17:05	3'10"	3	

TOTAL 0:03'10" 3

XEROX TELECOPIER 7020

## Proposed Enhancements to the Commonwealth Relationship

The vote in favor of continuing the Commonwealth relationship gave the Popular Democratic Party a mandate to propose to the U.S. President and Congress legislative changes designed to promote greater equality between the U.S. citizens in Puerto Rico and residents in the 50 states. In addition, it was a mandate to seek opportunities to promote greater economic development through effective economic tools that promote self-sufficiency, employment and investment. These two concepts, equality for citizens and economic development, were encapsulated in four specific enhancements approved by the voters with their vote for Commonwealth:

- (1) As part of welfare reform, to implement the existing federal policy of granting full participation in federal nutritional assistance programs, so that the U.S. citizens in Puerto Rico are not treated less fairly than even non-citizens who reside in the 50 states.

- In 1981, during Ronald Reagan's first year in the White House, the traditional food stamp program for Puerto Rico was terminated and replaced by the Nutritional Assistance Program ("NAP") "block grant," which severely reduced, at a capped level, the level of funding for the program. During the ensuing decade of Republican Presidents, it was not possible to fully rectify this inequity and Puerto Rico's participation in the national program has consistently declined.

In the 1990 Farm Bill, Congress established as policy that "the citizens in the Commonwealth of Puerto Rico should be safeguarded against hunger and treated on an equitable and fair basis with other citizens under Federal nutritional assistance programs." Unfortunately, the current levels of funding for the NAP still do not provide such "equitable and fair" funding for the U.S. citizens in the Commonwealth.

- (2) To assure equal treatment for the poor elderly and handicapped who reside on the Island by eliminating the current disparate treatment effected by the Supplemental Security Income program.

- The SSI program currently provides greater protection to aliens residing in the United States than to U.S. citizens residing in Puerto Rico. This inequitable treatment has resulted in great hardship to the poor elderly and handicapped in Puerto Rico and to those Puerto Ricans residing on the mainland who have not been able to move back to Puerto Rico because they would lose these benefits.

- (3) To reformulate Section 936 of the U.S. Internal Revenue Code in order to create more and better jobs in Puerto Rico.

FOOD  
STAMPS

NO 95  
Wm. Oset

SSI  
HHS

Sec 936

• Considering the drastic changes to Section 936 in the 1993 Budget Reconciliation Act, it is essential to obtain a commitment from the President to evaluate the effect of these changes on Puerto Rico's economy and to look at other types of investment incentives that can promote the continued economic progress of the Island.

(4) To obtain special protection for Puerto Rico's main agricultural products by obtaining a tariff-imposing authority similar to the one that currently exists for coffee.

• Many mainland agricultural industries obtained special protections as part of the legislation on the North American Free Trade Agreement. Puerto Rico's main agricultural crops deserve similar protections from low-cost imports. One way to effect such protections is to extend to other tropical crops the tariff-imposing authority available for Puerto Rican coffee since 1930.

Trade FF

In addition to these four points, Commonwealth seeks a renewed affirmation of the democratic, non-colonial nature of the relationship. Commonwealth means the preservation of the identity of the Puerto Rican people, their language and their culture, in a framework of common citizenship, common defense, common currency, a common market and common loyalty to democratic values. This relationship is based on mutual consent and is governed by the compact entered into in 1952. In recent years, Republican Presidents and other Statehood supporters have sought to erode the original understanding of the existence of a compact between Puerto Rico and the United States. They have labeled the Commonwealth of Puerto Rico a "territory" subject to the plenary powers of Congress and raised fears that the U.S. citizenship of Puerto Ricans may be revoked by Congress.

The nature of the Commonwealth relationship can be reaffirmed through a Presidential Memorandum, which would revoke the one issued by President Bush in the last few weeks of his administration and would clearly set the understanding of the bases of the Commonwealth relationship as non-colonial and democratic.

November 18, 1993

Washington Post

## Stateless in San Juan

**F**OR YEARS the principal issue in Puerto Rican politics has been the so-called status question. Is the island better off in the constitutional halfway house it currently occupies as a "commonwealth," or should it try to become a state? That's what divides the two major island political parties. The plebiscite last Sunday can't have been a great comfort to either. Commonwealth won—but only by 48 percent to 46 percent. The voters are split; the fight will go on. For now, however, a plurality seems to think the likely cost of becoming a state is greater than the likely benefit. That's probably right.

Statehood would mean tremendous economic change for Puerto Rico. It's anything but clear that the change would be for the better. The island now is a major enterprise zone. Mainland companies are given a lucrative tax break if they build plants there. In part because of the lure of this tax break, Puerto Rico has a high per capita income by Latin American standards. At the same time, more than half the population is officially poor by mainland standards.

If the island were to become a state on a par with all others, it would lose the tax advantage (already reduced last summer). Puerto Ricans would also have to pay federal income taxes, which they don't now. At the same time, they would presumably become entitled to full federal welfare and related benefits, which they also aren't now; benefits currently are limited,

lest they flood the economy. If benefits went up, wages would likely have to be increased to match. Labor costs would rise; the island would lose competitive advantage. The Congressional Budget Office has estimated that the unemployment rate, already too high, could approach a quarter of the work force. The statehooders haven't really spelled out how they would deal with this. Some commonwealthers also argue that statehood would cost the island some of its cultural identity.

The statehooders' leading contrary argument is that commonwealth status is politically unjust. Puerto Ricans are U.S. citizens who serve in the armed forces, are subject to other federal law and yet can't vote in federal elections. They could if Puerto Rico became a state—but that's the bargain that the voters rejected last Sunday. It isn't clear that Congress would have been receptive to a statehood petition anyway.

The plebiscite was a gamble by the statehood party now in power on the island. The statehooders lost, just as the commonwealthers also lost when they tried to lock up the issue a couple of years ago when they were in power. The lesson may be to leave status alone for a while and work on the island's other problems. Status aside, what should U.S. policy be toward Puerto Rico, and how well do present policies fulfill the federal obligation? That's the right question.

November 16, 1993

New York Times

## Puerto Rico Chooses, for Now

The close vote in Puerto Rico favoring continued commonwealth status rather than statehood will be greeted with relief in Washington. It spares Congress from deciding how and whether to admit a Spanish-speaking island to the Union.

Gov. Pedro Rossello's New Progressive Party hoped that Sunday's nonbinding referendum would build momentum for Puerto Rico's admission as the 51st state. But this course was preferred by only 46 percent of the voters, compared with 48 percent for commonwealth status and 4 percent for independence. That effectively sidetracks the statehood campaign, at least for now.

Yet the plebiscite does not resolve a more fundamental question: Is Puerto Rico a colony? The honest answer is yes and no.

Puerto Rico is clearly a willing subordinate. President Clinton, and most mainlanders, agree that the islanders themselves should be free to choose their final status. And overwhelmingly, Puerto Ricans favor one of two forms of association with the United States; there is no clamor for independence. In 1952 Congress approved commonwealth status, and a year later Washington persuaded the United Nations to take Puerto Rico off its list of colonies.

Even so, in vital respects Puerto Rico remains a dependent ward. Under commonwealth status Puerto Ricans are U.S. citizens, to a point. They can settle anywhere on the mainland, and on the island

they elect their Governor and legislature. But because islanders pay no Federal income taxes, they do not elect U.S. senators or representatives or vote for President.

This arrangement, sweetened by other tax breaks, has spurred investment from the mainland, created jobs and raised wages, a boon that doubtless caused many Puerto Ricans to prefer remaining in a familiar halfway house to the risks of economic pain with any change.

But Puerto Ricans are reminded of their diminished citizenship when Washington gives short shrift to their petitions. The Treasury Department barely consulted islanders this year in proposing elimination of Federal tax incentives that Puerto Ricans deem essential to their economy. Twice since 1953, Puerto Ricans petitioned Congress for changes to enhance commonwealth status; Congress did nothing. Nor could it agree two years ago on a plebiscite whose results would be binding.

Many who voted for continued commonwealth status did so to protect Puerto Rico's distinct culture from homogenization into the English-speaking mainland. This choice of cultural autonomy short of national independence deserves respect in a world groping with the dilemmas of self-determination. Now that Puerto Rico has voiced its preference, it is incumbent upon Washington to react more sensitively to Puerto Rican requests and to continued exploration of the island's status.

New York Daily News

November 17, 1993

## What now for Puerto Rico?

**C**ONGRESS HEAVED a sigh of relief when voters in Puerto Rico narrowly rejected petitioning for statehood in favor of remaining a United States commonwealth. The results of Sunday's referendum, though, don't mean that all is well between Puerto Rico and the U.S. The relationship will not be sound until the island moves toward greater autonomy and less economic dependence.

The Puerto Rican statehood movement is driven by powerful forces — a sense of second class status and feelings of lost identity, among them. Impatience at having citizenship but not the right to vote in federal elections or any true representation in Washington is widespread even among those who voted for the status quo. Their ballots were cast for economic reasons: Statehood would mean having to pay federal income tax while losing much of the assistance that has elevated Puerto Rico, poor as it is, over other islands.

The mission now is to chart a course that moves Puerto Rico toward self-sufficiency. The effort will have to be made jointly by the island's leadership and Congress, but early movements do not bode well. Those who supported maintaining Puerto Rico as a commonwealth are proposing an "enhanced commonwealth" status, whose components leave a lot to be desired. If anything, they'd increase the island's dependency.

The "enhancement" goes no further than asking Congress to restore tax breaks to mainland and foreign companies investing in Puerto Rico, to impose tariffs on some imported agricultural products, and to make Puerto Ricans eligible both for Supplemental Security Income, a federal aid program for the elderly and handicapped, and full food stamp benefits. The cost of the latter two alone would be \$1.6 billion annually. Even in good times Washington would balk.

A real "enhanced commonwealth" proposal would include ideas such as allowing Puerto Rico to initiate its trade relations with other countries and to participate in regional economic organizations. It would also seek to give Puerto Rico greater control over its own borders. The more the island is encouraged to go it alone, the better off it will be in the long run.

*File : Puerto Rico*

THE WHITE HOUSE

WASHINGTON

September 29, 1993

MEMORANDUM FOR SENIOR STAFF

FROM: MARCIA HALE

SUBJECT: PUERTO RICO

The attached letter will be mailed on Friday, October 1, 1993. If you have any questions please call me x7060.

THE WHITE HOUSE

WASHINGTON

September 29, 1993

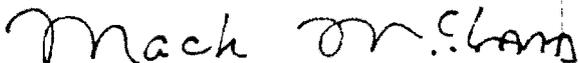
The Honorable Pedro Rosello  
Governor of Puerto Rico  
La Fortaleza  
San Juan, Puerto Rico 00901

Dear Governor Rosello:

Your letter to the President regarding the relationship between Puerto Rico and the White House has been received and noted. As Chief of Staff, I am designating the White House Office of Intergovernmental Affairs, directed by Marcia Hale, to serve as the Government of Puerto Rico's primary point of federal contact with the Administration. Of course, this designation still permits you to have direct communication with Cabinet departments and agencies when appropriate.

It is my belief that having the Office of Intergovernmental Affairs as your contact point will help to promote continuity and would provide a more direct line of communication between Puerto Rico and the President. Please call upon me if I may be of further assistance, and again, thank you for writing. Your interest in this Administration is appreciated.

Personally,



Mack McLarty  
Chief of Staff to the President

THE WHITE HOUSE  
OFFICE OF DOMESTIC POLICY

**CAROL H. RASCO**  
*Assistant to the President for Domestic Policy*

To: \_\_\_\_\_  
\_\_\_\_\_

Draft response for POTUS  
and forward to CHR by: \_\_\_\_\_

Draft response for CHR by: \_\_\_\_\_

Please reply directly to the writer  
(copy to CHR) by: \_\_\_\_\_

Please advise by: \_\_\_\_\_

Let's discuss: \_\_\_\_\_

For your information: \_\_\_\_\_

Reply using form code: \_\_\_\_\_

File: ~~\_\_\_\_\_~~ \_\_\_\_\_

Send copy to (original to CHR): \_\_\_\_\_

Schedule ? :  Accept  Pending  Regret

Designee to attend: \_\_\_\_\_

Remarks: *Get a letter cc of*

*this for me to distribute*

*to Policy Staff w/ a note*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

distribute to <sup>APC</sup> Proj  
Staff w/ note we  
need to cooperate  
fully w/ Inter-Agency  
Working Group

THE WHITE HOUSE

WASHINGTON

March 9, 1994

The Honorable Ron de Lugo  
Chairman  
Subcommittee on Insular  
and International Affairs  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This is to reiterate what I said in our discussion earlier today concerning the actions that the Federal Government should take following the plebiscite that the Commonwealth of Puerto Rico conducted last November on political status proposals made by the islands' three principal political parties. I have conveyed the same points to Resident Commissioner Carlos Romero-Barceló, Governor Pedro Rosselló, and Popular Democratic Party of Puerto Rico President Miguel Hernández-Agosto.

President Clinton has been committed to strongly support the will of the people of Puerto Rico regarding their islands' status, whether they decide to change it or want to make the present relationship work better for them. He is also very concerned about the health of the economy of Puerto Rico and dedicated to helping Puerto Ricans meet their pressing needs and overcome the serious problems they face.

The importance of the United States responding to the wishes that these citizens expressed highlights the need for us to examine and seek to form policy in light of the plebiscite.

The President has, therefore, directed the organization of an Inter-Agency Working Group on Puerto Rico. It is my understanding that Jeffrey L. Farrow, Staff Director of the Subcommittee, has agreed to join the Department of Commerce. Among his other responsibilities, Jeffrey will serve with me as Co-Chair of the Inter-Agency Working Group. We will coordinate the development and review of policy with senior officials of the relevant departments and agencies as well as with other staff in The White House and the Executive Office of the President.

A primary task will be to construct positions on economic and other proposals from the plebiscite; but the working group will also provide guidance and serve as a liaison on other economic issues and other matters related to Puerto Rico. Because the Commonwealth's economic situation is such a major factor in the issues, measures to improve it will be a priority along with equitable treatment in programs and status matters.

The working group will assist the President in fulfilling his pledge to consider the islands' situation in consultation with its leaders as policy that would substantially affect it is made and carried out. It will, additionally, provide a better means of working with Congress on Puerto Rican questions.

Finally, this new policy process will not replace the responsibilities of any other part of the Executive Branch. It will, instead, fill in a gap in the existing structure that you and others in the Congress have asked the Administration to fill.

We should be able to assemble the working group and be prepared to report further to the Subcommittee in about ninety days. In light of this, we believe it would not be productive for an Administration witness to testify at this time. We look forward to discussing with you appropriate Administration testimony as the working group makes progress.

In concluding, let me note that we look forward to working with you and others on the issues raised by the plebiscite and other matters of importance to the people of Puerto Rico.

Sincerely,



Marcia L. Hale  
Assistant to the President and  
Director of Intergovernmental Affairs

cc: The Honorable Carlos A. Romero-Barceló  
The Honorable Pedro Rosselló  
The Honorable Miguel Hernández-Agosto

# News

## Committee on Natural Resources

George Miller, CHAIRMAN  
U.S. House of Representatives  
Washington, D.C. 20515

**RELEASE: March 9, 1994**

**CONTACT: Cynthia Rivera  
(202) 225-9297**

### De Lugo Releases Clinton Puerto Rico Policy Initiative Letter

U.S. House of Representatives Insular and International Affairs Subcommittee Chairman Ron de Lugo (D-VI) has released the attached letter that he received this evening from Marcia L. Hale, Assistant to President Clinton and Director of the White House Office of Intergovernmental Affairs.

In releasing the letter, de Lugo made the following statement:

"The President is to be commended for recognizing that there needs to be a working group here in Washington whose main function is to become knowledgeable about the needs and complexities of Puerto Rico and to assist him in developing policy that meets the needs of the people of the island. This is what has been missing in this town.

"Too many administrations in the past have tried to wing it on Puerto Rico. President Clinton recognizes that the issues of Puerto Rico are far too complex for that approach. I think the President's approach is in the best interests both of the United States and Puerto Rico."

De Lugo also said that the Subcommittee's first hearing on how the Federal Government should respond to the results of the political status plebiscite held in Puerto Rico last year -- now scheduled for this Friday, March 11th -- would be postponed in light of the President's action.

*Carol  
FYI  
Looks like we even got  
Jeff Farrow a promotion  
in spite of himself -  
He had my job  
during Carter admin  
on Puerto Rico.*

THE WHITE HOUSE  
WASHINGTON

March 9, 1994

MAR 21 1994

The Honorable Don de Luco  
Chairman  
Subcommittee on Insular  
and International Affairs  
U.S. House of Representatives  
Washington, D.C. 20518

Dear Mr. Chairman:

This is to reiterate what I said in our discussion earlier today concerning the actions that the Federal Government should take following the plebiscite that the Commonwealth of Puerto Rico conducted last November on political status proposals made by the islands' three principal political parties. I have conveyed the same points to Resident Commissioner Carlos Romero-Barceló, Governor Pedro Rosselló, and Popular Democratic Party of Puerto Rico President Miguel Hernández-Agosté.

President Clinton has been committed to strongly support the will of the people of Puerto Rico regarding their islands' status, whether they decide to change it or want to make the present relationship work better for them. He is also very concerned about the health of the economy of Puerto Rico and dedicated to helping Puerto Ricans meet their pressing needs and overcome the serious problems they face.

The importance of the United States responding to the wishes that these citizens expressed highlights the need for us to examine and seek to form policy in light of the plebiscite.

The President has, therefore, directed the organization of an Inter-Agency Working Group on Puerto Rico. It is my understanding that Jeffrey L. Farrow, Staff Director of the Subcommittee, has agreed to join the Department of Commerce. Among his other responsibilities, Jeffrey will serve with me as Co-Chair of the Inter-Agency Working Group. We will coordinate the development and review of policy with senior officials of the relevant departments and agencies as well as with other staff in The White House and the Executive Office of the President.

MAR 10 '94 14:22 FROM HOUSE NAT. RES. COMM. TO OMB

PAGE.004/004

Page 2

A primary task will be to construct positions on economic and other proposals from the plebiscite; but the working group will also provide guidance and serve as a liaison on other economic issues and other matters related to Puerto Rico. Because the Commonwealth's economic situation is such a major factor in the issues, measures to improve it will be a priority along with equitable treatment in programs and status matters.

The working group will assist the President in fulfilling his pledge to consider the islands' situation in consultation with its leaders as policy that would substantially affect it is made and carried out. It will, additionally, provide a better means of working with Congress on Puerto Rican questions.

Finally, this new policy process will not replace the responsibilities of any other part of the Executive Branch. It will, instead, fill in a gap in the existing structure that you and others in the Congress have asked the Administration to fill.

We should be able to assemble the working group and be prepared to report further to the Subcommittee in about ninety days. In light of this, we believe it would not be productive for an Administration witness to testify at this time. We look forward to discussing with you appropriate Administration testimony as the working group makes progress.

In concluding, let me note that we look forward to working with you and others on the issues raised by the plebiscite and other matters of importance to the people of Puerto Rico.

Sincerely,



Harold G. Hale  
Assistant to the President and  
Director of Intergovernmental Affairs

cc: The Honorable Carlos A. Rosendo-Barcalis  
The Honorable Pedro Rosselló  
The Honorable Miguel Hernández-Agostó

# News

## Committee on Natural Resources

George Miller, CHAIRMAN  
U.S. House of Representatives  
Washington, D.C. 20515

RELEASE: March 9, 1994

CONTACT: Cynthia Rivera  
(202) 225-9297

### De Lugo Releases Clinton Puerto Rico Policy Initiative Letter

U.S. House of Representatives Insular and International Affairs Subcommittee Chairman Ron de Lugo (D-VI) has released the attached letter that he received this evening from Marcia L. Hale, Assistant to President Clinton and Director of the White House Office of Intergovernmental Affairs.

In releasing the letter, de Lugo made the following statement:

"The President is to be commended for recognizing that there needs to be a working group here in Washington whose main function is to become knowledgeable about the needs and complexities of Puerto Rico and to assist him in developing policy that meets the needs of the people of the island. This is what has been missing in this town.

"Too many administrations in the past have tried to wing it on Puerto Rico. President Clinton recognizes that the issues of Puerto Rico are far too complex for that approach. I think the President's approach is in the best interests both of the United States and Puerto Rico."

De Lugo also said that the Subcommittee's first hearing on how the Federal Government should respond to the results of the political status plebiscite held in Puerto Rico last year -- now scheduled for this Friday, March 11th -- would be postponed in light of the President's action.

cc

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR BILL GALSTON  
KATHI WAY  
JEREMY BEN-AMI

FROM: Carol H. Rasco

SUBJ: Puerto Rico

DATE: August 9, 1994

I met today with Congressman Romero-Barcelo. Attached is his agenda. We did not cover item #2 as he said he knew that was not really in my "area."

I of course listened and made no commitments.

FYI:

#1: Galston: He is hoping the Administration will work in the next day or so to help get the provision in the Senate bill. His arguments are outlined in the letter to Secretary Riley. I have read the Secretary's response and assume this means no Administration push will be made to meet the Congressman's request. I simply wanted to make sure you have examined this, even if briefly.

#3. Way: He states this is longterm. He has included his statement from August 2. He apparently asked the Secretary some questions in the hearing that he feels weren't adequately answered. I am sure you all have worked with Puerto Rico throughout the process but wanted to bring this to your attention.

#4. Ben-Ami; He is of course asking our help in getting this project higher on the list. His arguments are outlined in the letter and fact sheet.

cc: Marcia Hale

CARLOS A. ROMERO-BARCELO  
PUERTO RICO

WASHINGTON OFFICE:  
1517 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-5401  
(202) 225-2615

DISTRICT OFFICE:  
P.O. BOX 4751  
OLD SAN JUAN, PR 00902-4751  
(809) 723-6333



Congress of the United States  
House of Representatives  
Washington, DC 20515-5401

COMMITTEES:  
EDUCATION AND LABOR  
SUBCOMMITTEES:  
ELEMENTARY, SECONDARY AND  
VOCATIONAL EDUCATION  
LABOR-MANAGEMENT RELATIONS  
HUMAN RESOURCES

NATURAL RESOURCES  
SUBCOMMITTEES:  
NATIONAL PARKS, FORESTS  
AND PUBLIC LANDS  
INSULAR AND  
INTERNATIONAL AFFAIRS

AGENDA

August 9, 1994  
Meeting with Mrs. Carol Rasco  
Assistant to the President  
(Domestic Policy)

---

1) 85/15 issue, vocational & technical schools in Puerto Rico -- disproportionate impact of new retroactive regulations of the Dept. of Education -- approx. 75,000 students enrolled and over 5,000 full-time employees (See attached CRB letter dated 6/14/94 for more details).

Current status in Congress: H.R. 4606, the Labor-HHS-Education Appropriations bill, as passed by the full House, contains a provision prohibiting the Dept. of Education from spending any funds to implement the 85-15 regulation until July 1, 1995 (thus delaying the regulation for one year). The Senate version of the bill, currently being considered by the Senate with a final vote expected tomorrow, does not contain any similar provision.

2) Democratic politics in Puerto Rico -- Recent White House letter to the Mayor of Mayaguez -- See attached letters (one signed by President Clinton, and one by CRB).

3) Welfare Reform -- Puerto Rico's dilemma and the "cap" situation -- See attached copy of CRB's statements before the Education and Labor Committee. Bottom line: goals of national welfare reform will not touch the working poor and the indigent in P.R. Island/Mainland per capita income gap continues to grow.

4) Veterans' health concerns in P.R. -- San Juan's VA outpatient clinic -- for the last 15 years funds have been asked for this project. See attached CRB letter and fact-sheet.

Current status in Congress: Project was authorized last year (total amount \$46 M), VA has listed San Juan has one of the top-eight priority projects in the nation. No money appropriated in the House, Senate appropriated funds for two of the eight VA priority projects. VA-HUD Appropriations bill is now going to Conference (date: TBA). Key players: Louis Stokes and Sen. Barbara Mikulski.

CARLOS A. ROMERO-BARCELÓ  
PUERTO RICO

WASHINGTON OFFICE:  
1517 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-5401  
(202) 225-2615

DISTRICT OFFICE:  
P.O. BOX 4751  
OLD SAN JUAN, PR 00902-4751  
(809) 723-6333



Congress of the United States  
House of Representatives  
Washington, DC 20515-5401

COMMITTEES:  
EDUCATION AND LABOR  
SUBCOMMITTEES:  
ELEMENTARY, SECONDARY AND  
VOCATIONAL EDUCATION  
LABOR-MANAGEMENT RELATIONS  
HUMAN RESOURCES

NATURAL RESOURCES  
SUBCOMMITTEES:  
NATIONAL PARKS, FORESTS  
AND PUBLIC LANDS  
INSULAR AND  
INTERNATIONAL AFFAIRS

June 14, 1994

COPY

The Honorable Richard W. Riley  
Secretary  
Department of Education  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202

Dear Mr. Secretary:

Now that the final regulations have been issued on the so-called 85/15 rule under Title IV of the Higher Education Act, I am writing again to express my deep concern and distress regarding the retroactive application of this regulation and the devastating impact it will have on Puerto Rican proprietary institutions and their students.

I strongly implore you to postpone the July 1, 1994, effective date for a one-year period. At a time when many of this Administration's initiatives center on meaningful employment -- School-to-Work, the Reemployment Act, and welfare reform -- it seems particularly short-sighted to arbitrarily close so large a number of the very post-secondary career schools which can contribute to reaching our employment goals. A year's postponement would give many of these institutions an opportunity to comply with these regulations. While some may still face difficulties in complying, it will be virtually impossible for them to comply retroactively in the brief time period available.

In my Congressional District of Puerto Rico, the impact of the 85/15 rule will be nothing short of catastrophic. There are 65 proprietary institutions with 60 branches for a total of 125 proprietary educational units dispersed around the Island. These institutions serve more than 40 municipalities, many of which depend on them exclusively for vocational and technical education and training. Under the final 85/15 regulations, it is anticipated that almost all of these institutions will be forced to close on July 1, 1994.

These institutions serve 75,000 students who will not have any other alternative to further their education in order to find employment. Unlike the mainland, there is no community college system in Puerto Rico with the capacity to absorb and serve these students. Total aid to students was in excess of \$107 million. 86 per cent of the financial aid to these students was from Pell grants, 10 per cent came from the federal student loan program, and the remainder came from programs such as college work study (CWS) and supplemental aid (SEOG). Proprietary schools

The Honorable Richard W. Riley  
June 14, 1994  
Page 2

in Puerto Rico generate tuition revenues of close to \$120 million a year. It is easily evident that the total financial aid received is almost 90 per cent of this \$120 million figure and thus, it will be extremely difficult for the Puerto Rican career schools to meet the 85/15 rule.

The proprietary sector currently employs around 5000 people and the payroll is estimated at \$71 million dollars. In addition, this sector is a solid contributor to the Puerto Rican economy, paying about \$3 million in income taxes. Therefore, the forced closing of these institutions would have a substantial impact on the chronic unemployment situation and already depressed economy of Puerto Rico.

Despite a limited number of abuses in a few institutions which, of course, should be dealt with, postsecondary proprietary institutions play a vital role in this nation's higher education system. I again appeal to you to postpone the effective date of the 85/15 regulations for a one-year period in order that we may all work together to develop a more equitable solution to this dilemma while ensuring that our citizens have the opportunity to pursue their educational and employment goals.

Sincerely,



Carlos Romero-Barceló

CRB/MAS



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

July 28, 1994

Honorable Carlos Romero-Barcelo  
House of Representatives  
Washington, D.C. 20515

AUG 05 1994

Dear Carlos:

Thank you for your letters requesting that the Department of Education consider delaying implementation of the 85 percent rule until July 1, 1995.

The Higher Education Amendments of 1992, (P.L. 102-325) was enacted on July 23, 1992, and amended section 481(b)(6) of the Higher Education Act of 1965 (HEA) by adding a new sixth eligibility criterion to the definition of the term "proprietary institution of higher education." As you know, a for-profit institution must qualify as an eligible proprietary institution of higher education in order for its students to receive assistance under the student financial assistance programs authorized by Title IV of the HEA (Title IV, HEA programs).

The new sixth criterion requires that an institution that satisfies the first five conditions must also derive at least 15 percent of its revenues from non-Title IV, HEA program funds. Put another way, the section prohibits a proprietary institution of higher education from deriving more than 85 percent of its revenues from Title IV, HEA program funds (the 85 percent rule). Furthermore, by statute, the Secretary was required to issue regulations interpreting the term "revenue" for purposes of implementing the rule. On April 29, 1994, the Department published final regulations in the Federal Register implementing this provision. These regulations took effect on July 1, 1994.

As you know, an issue raised by proprietary schools is that basing an initial determination of an institution's compliance under the new regulations on its past fiscal-year revenue is unfair because it makes the rule retroactive. As a result, they want the effective date delayed for a year to allow them time to comply. However, the statutory provision upon which the regulations are based has been in effect since July 23, 1992, the date of enactment of the Higher Education Amendments of 1992. Thus, these institutions have been aware for almost two years that they would need to take appropriate steps to comply with the 85 percent rule.

Furthermore, these institutions and their representatives have been intimately involved in the development of these regulations since enactment of the law. They participated in the regional meetings and negotiation sessions that were held under the requirement for

negotiated rulemaking. They have had access to drafts of proposed regulations, have had the benefit of discussions with Department staff, and have had the opportunity to comment on the proposed regulations. The final regulations do not significantly depart from the position adopted as a result of negotiations on the proposed regulations.

Therefore, these institutions have known for nearly two years the direction in which implementation of the 85 percent rule was moving. We regard that period as ample time for proprietary institutions to have made the appropriate adjustments to ensure that they derive a minimum of 15 percent of their revenues from sources other than Title IV, HEA program funds. In addition, as explained below, the regulations do not cover any period of time prior to the effective date of the 1992 Amendments.

This regulatory approach has recently been upheld as a reasonable and appropriate manner of implementing section 481(b)(6) of the HEA by the United States District Court for the District of Puerto Rico in the case of Ponce Paramedical College, Inc., et al vs. the Department of Education, and by the United States District Court for the District of Columbia in the case of Career Colleges Association vs. Riley.

Effective on July 1, 1994, each proprietary institution must determine whether it qualifies as an eligible proprietary institution for the 1994-95 award year under the 85 percent rule. The following rules have been developed for this initial determination.

- o If an institution's latest complete fiscal year ended during the period of October 1, 1993 through June 30, 1994, the institution shall use information based on that fiscal year to determine whether the institution satisfies the 85 percent rule.
- o If an institution's latest complete fiscal year ended before October 1, 1993, the institution shall use the fiscal year that ends between July 1, 1994 and September 30, 1994 to determine whether the institution satisfies the 85 percent rule.

Therefore, the earliest possible fiscal year that would be used to determine whether the institution satisfies the 85 percent rule would be a fiscal year beginning October 2, 1992 and ending October 1, 1993.

Moreover, most institutions participating in the Title IV, HEA programs have fiscal years that coincide with the calendar year or the award year. Thus, for those institutions whose fiscal year parallels the calendar year, their latest complete fiscal year began January 1, 1993, more than five months after the enactment of section 481(b)(6) and ended December 31, 1993, more than 17 months after enactment. With regard to those institutions whose fiscal year parallels the award year, their latest complete fiscal year began July 1, 1993, more than 11 months after the enactment of section 481(b)(6) and ended June 30, 1994, more than 23 months after enactment.

Page 3

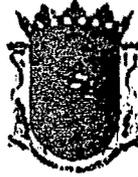
We believe the regulations accurately reflect the intent of current law, and are aware of the recent House action to delay the effective date of the 85 percent rule for one year. The Department will, of course, take appropriate action to comply with any changes in the law.

I hope this information will be helpful in addressing your concerns. If I can be of further assistance, please let me know.

Yours sincerely,

A handwritten signature in cursive script that reads "Dick".

Richard W. Riley



*The Governor of Puerto Rico*

August 2, 1994

The Honorable Robert C. Byrd  
Chairman, Committee on Appropriations  
United States Senate  
311 Hart Senate Office Building  
Washington, D.C. 20510-4801

Dear Mr. Chairman:

With regard to the House/Senate Conference concerning the Fiscal Year 1995 Appropriations Bill for the Departments of Labor, Health and Human Services, Education and Related Agencies, I strongly urge that you support the House-approved provision contained in H.R. 4606 that would require that no funds be appropriated prior to July 1, 1995 for the implementation of a regulation promulgated under Section 481(b)(6) of the Higher Education Act of 1965 and known as *the 85-15 percent rule*. The aforementioned provision would delay the implementation of said rule for a year, to give post-secondary institutions time to comply with the new regulation, which was issued on April 29, 1994.

The 85-15% rule requires that private post-secondary institutions demonstrate that at least 15 percent of their revenue, generated until June 30, 1994, was derived from sources other than the Federal assistance provided under Title IV of the Higher Education Act. In Puerto Rico, as in numerous other jurisdictions, a substantial number of private post-secondary institutions, serving economically-disadvantaged students, derive more than 85 percent of their revenue from Title IV funds. Consequently, throughout the island, the retroactive implementation of this regulation would oblige 125 private educational facilities to terminate their operations. That, in turn would deal a devastating blow to the educational aspirations of approximately 75,000 students in Puerto Rico, while simultaneously leaving hundreds of teachers and other personnel unemployed.

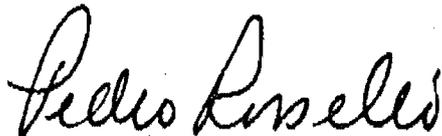
The Honorable Robert C. Byrd  
August 2, 1994  
Page Two

At a moment when many of President Clinton's Initiatives target meaningful job creation -- examples include School-to-Work, the Reemployment Act and Welfare Reform -- the hasty imposition of the 85-15% rule would seem particularly ill-advised, given the extraordinary potential of post-secondary career schools to play a major role in helping us reach our employment and education goals.

Despite instances of abuse by a few institutions (which, of course, should be firmly sanctioned), post-secondary institutions can and must remain a key component of our nation's higher education system. I therefore urge your favorable consideration of this request that schools be granted sufficient time to comply with the regulations, thereby protecting our students' cherished opportunity to fulfill their educational and employment aspirations.

With very best personal regards.

Sincerely,



Pedro Rosselló  
Governor of Puerto Rico



*The Governor of Puerto Rico*

August 2, 1994

The Honorable Tom Harkin  
Chairman, Appropriations Subcommittee  
on Labor, Health and Human Services,  
and Education  
United States Senate  
186 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Mr. Chairman:

With regard to the House/Senate Conference concerning the Fiscal Year 1995 Appropriations Bill for the Departments of Labor, Health and Human Services, Education and Related Agencies, I strongly urge that you support the House-approved provision contained in H.R. 4606 that would require that no funds be appropriated prior to July 1, 1995 for the implementation of a regulation promulgated under Section 481(b)(6) of the Higher Education Act of 1965 and known as *the 85-15 percent rule*. The aforementioned provision would delay the implementation of said rule for a year, to give post-secondary institutions time to comply with the new regulation, which was issued on April 29, 1994.

The 85-15% rule requires that private post-secondary institutions demonstrate that at least 15 percent of their revenue, generated until June 30, 1994, was derived from sources other than the Federal assistance provided under Title IV of the Higher Education Act. In Puerto Rico, as in numerous other jurisdictions, a substantial number of private post-secondary institutions, serving economically-disadvantaged students, derive more than 85 percent of their revenue from Title IV funds. Consequently, throughout the island, the retroactive implementation of this regulation would oblige 125 private educational facilities to terminate their operations. That, in turn would deal a devastating blow to the educational aspirations of approximately 75,000 students in Puerto Rico, while simultaneously leaving hundreds of teachers and other personnel unemployed.

The Honorable Tom Harkin

August 2, 1994

Page Two

At a moment when many of President Clinton's initiatives target meaningful job creation -- examples include School-to-Work, the Reemployment Act and Welfare Reform -- the hasty imposition of the 85-15% rule would seem particularly ill-advised, given the extraordinary potential of post-secondary career schools to play a major role in helping us reach our employment and education goals.

Despite instances of abuse by a few institutions (which, of course, should be firmly sanctioned), post-secondary institutions can and must remain a key component of our nation's higher education system. I therefore urge your favorable consideration of this request that schools be granted sufficient time to comply with the regulations, thereby protecting our students' cherished opportunity to fulfill their educational and employment aspirations.

With very best personal regards.

Sincerely,



Pedro Rosselló  
Governor of Puerto Rico

CARLOS A. ROMERO-BARCELO  
PUERTO RICO

WASHINGTON OFFICE:  
1517 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-5401  
(202) 225-2815

DISTRICT OFFICE:  
P.O. BOX 4751  
OLD SAN JUAN, PR 00902-4751  
(809) 723-6333



Congress of the United States  
House of Representatives  
Washington, DC 20515-5401

COMMITTEES  
EDUCATION AND LABOR  
SUBCOMMITTEES  
ELEMENTARY, SECONDARY AND  
VOCATIONAL EDUCATION  
LABOR-MANAGEMENT RELATIONS  
HUMAN RESOURCES

NATURAL RESOURCES  
SUBCOMMITTEES  
NATIONAL PARKS, FORESTS  
AND PUBLIC LANDS  
INSULAR AND  
INTERNATIONAL AFFAIRS

July 29, 1994

Hon. William J. Clinton  
The White House  
Washington, D.C. 20500

Dear Mr. President:

A letter dated July 25th was sent to the Mayor of the City of Mayaguez, Mr. José Guillermo Rodríguez, over your signature, regarding the celebration of the "Commonwealth Constitution Day" in Puerto Rico.

Although the letter does not make any specific expressions as to the result of the November 1993 plebiscite nor does it make any specific commitments to Commonwealth supporters as to what recommendations you will make or what actions you will take as a result of the aforementioned plebiscite, the structuring of the letter and the inferences that can be made from the text are politically supportive to Mayor Héctor Luis Acevedo -- the declared opponent of the incumbent Democratic Governor, Dr. Pedro Rosselló.

The letter was viewed in Puerto Rico, by the local press and by Commonwealth activists as an indication of strong support by you to the status of the so-called "Commonwealth," and by implication, as a strong endorsement of the opponent of the incumbent Governor in 1996.

I have no doubt that if you had known that your letter had these local political implications, you would not have signed it as I do not believe you would sign any letter which would give political support to the opponent of any incumbent Democratic Governor in any state.

This incident demonstrates the serious lack of familiarity at the White House with the last and only colony in the world that has a population of well over three million inhabitants.

In last year's plebiscite, 51% voted for some other form of status rather than the present colonial status -- inappropriately labeled "Commonwealth". Only 48% voted not for "Commonwealth", but for a version of "enhanced commonwealth" which is unrealistic and unattainable from a political and economic point of view. I am confident that your Administration has no intention of giving tacit or direct support to promises which raise false expectations for the people of Puerto Rico, nor would you give support to a status arrangement which you knew to be colonial in nature.

Hon. William J. Clinton  
July 29, 1994  
Page 2

I must assume that whoever drafted the letter is ignorant of status and partisan politics in Puerto Rico. I must assume this because if the person is knowledgeable and aware of status politics in Puerto Rico, he or she placed you in a position of direct opposition to the Democratic Governor and the statehood Democrats in Puerto Rico and used your good offices to give Mayor Acevedo, the opposition, a political boost. If familiar with Puerto Rico, whoever drafted that letter is against equality for the U.S. citizens of Puerto Rico. Moreover, whoever drafted that letter is not our friend, nor yours, because he or she took advantage of your trust in him or her and took advantage of your good faith and intentions.

Mr. President, as your personal friend and supporter, and Puerto Rico's only elected Member of Congress, I believe it is extremely important that we meet personally for approximately 30 minutes to discuss issues raised by this letter. I am confident that we can have a productive and informative meeting that will foster a better understanding of a colonial issue which must be solved in the 90's -- a period declared by the United Nations as the "Decade of Decolonization".

I would appreciate your thoughts and look forward to a meeting at your earliest convenience. I remain sincerely, as always,

Your friend and supporter,



Carlos Romero-Barceló

THE WHITE HOUSE

WASHINGTON

July 25, 1994

The Honorable Jose Guillermo Rodriguez  
Mayor of Mayaguez  
Mayaguez, Puerto Rico 00681

Dear Mayor Rodriguez:

President Kennedy agreed with Puerto Rico's great Governor, Luis Munoz Marin, in 1962 that the Commonwealth's 10th anniversary was an occasion to celebrate. Today's holiday is as well.

Governor Munoz's proclamation that the Constitution of the Commonwealth would take effect culminated a series of steps through which the Puerto Rican people and the federal government mutually agreed on the island's self-government authority and their relations. This significant change provided a basis for the progress and security of the U.S. citizens of Puerto Rico since that time.

In recognizing the Commonwealth's achievements, President Kennedy also agreed on the need for its further development. The people of Puerto Rico expressed their will in this regard last November.

Because their wishes must be respected, my Administration will consider their proposals and develop policy in light of the plebiscite's results. I will also continue to try to help improve the island's economy, to have it treated equitably in federal programs, and make the federal government work better for its people. I plan to see Mayor Hector Luis Acevedo, the president of your party, soon to discuss these issues.

In closing, let me express my best wishes to all attending today's ceremonies.

Sincerely,

*Rui Cinton*

Hon. Carlos Romero-Barceló  
Committee on Education and Labor  
(Remarks)  
August 2, 1994

**RE: H.R. 4605 "Work & Responsibility Act of 1994" (Welfare Reform)**

---

I COMMEND THE PRESIDENT FOR HIS LEADERSHIP IN ATTEMPTING TO BRING ABOUT MEANINGFUL CHANGE TO OUR NATION'S WELFARE SYSTEM, LIKE HE SAID -- "TO END WELFARE AS WE KNOW IT".

MY COLLEAGUES IN THE FRESHMAN CLASS HAVE ALSO TAKEN THE INITIATIVE OF ADDRESSING THE NEED FOR WELFARE REFORM, AND WE DID ENGAGE IN A THOROUGH PROCESS THAT CULMINATED IN A DOCUMENT THAT LAYS OUT THE CONSENSUS OF THIS GROUP.

AMONG THE KEY ASPECTS OF OUR RECOMMENDATIONS IS THE FIRM BELIEF THAT THE REFORM'S GOALS MUST AIM AT PROMOTING SELF-SUFFICIENCY AND THAT THE SHORT-TERM EXPENDITURES NECESSARY TO IMPLEMENT THE REFORM MUST NOT BE FINANCED BY THE POOR. WHATEVER AMOUNT WE INVEST IN WELFARE REFORM THIS YEAR MUST BE INVESTED IN SUCH A WAY THAT IT WILL RENDER MUCH GREATER BENEFITS TO OUR SOCIETY AS A WHOLE IN A FEW YEARS THAN THE PRESENT PROGRAMS HAVE BEEN ABLE TO.

THE NATIONAL CONSENSUS IS CLEAR IN ITS CONCLUSION THAT THE WELFARE SYSTEM IS BROKEN AND THAT IT NEEDS A MAJOR OVERHAUL. THEREFORE, WE MUST BE WILLING TO COME-UP WITH A MEANINGFUL STRATEGY AND WITH THE INNOVATIVE PROGRAMS NEEDED TO FIX THE PROBLEMS AND IMPLEMENT THE SOLUTIONS THAT WILL ULTIMATELY REWARD WORK, SELF-SUFFICIENCY, FAMILY UNITY AND RESPONSIBILITY.

NEVERTHELESS, LET US NOT FORGET THAT WE WILL ALWAYS HAVE A SMALL PROPORTION OF OUR POPULATION THAT FOR VALID REASONS WILL NOT BE ABLE TO ATTAIN FULL SELF-SUFFICIENCY. THOSE INDIVIDUALS AND THEIR FAMILIES WILL NEED SOME TYPE OF ASSISTANCE FROM THE GOVERNMENT: FOR EXAMPLE, PEOPLE WITH CHRONIC DISABILITIES, INDIGENT SENIOR CITIZENS, CHILDREN AT RISK AND WOMEN WITH CHILDREN WHO MUST TAKE CARE OF THEM PERSONALLY.

***WE ALSO REITERATE THAT THE REFORM EFFORT MUST ENVISION A COMPREHENSIVE WELFARE STRATEGY WHICH WILL RESULT IN CAREFULLY DESIGNED PROGRAMS THAT WILL HELP PEOPLE PULL THEMSELVES OUT OF***

**POVERTY. THUS, THE PRESIDENT'S PLAN MUST CONSIDER THE POSSIBILITY OF EXTENDING WELFARE RESOURCES AND RESPONSIBILITIES TO GROUPS THAT HAVE BEEN TRADITIONALLY EXCLUDED OR UNDERSERVED BY WELFARE MECHANISMS.**

**A CASE IN POINT IS WHAT IS HAPPENING IN MY OWN DISTRICT, PUERTO RICO, HOME TO OVER 3.6 MILLION AMERICAN CITIZENS BY BIRTH, WHERE A LARGE SEGMENT OF THE POPULATION HAS BEEN CONDEMNED TO A PERMANENT UNDERCLASS OF POVERTY BY INCONSISTENT AND TOTALLY CONTRADICTORY FEDERAL POLICIES TOWARDS THE CITIZENS IN PUERTO RICO.**

**FIRST-TERM MEMBERS OF CONGRESS HAVE CONDEMNED THE GEOGRAPHICAL DISCRIMINATION TOWARDS THE CITIZENS LIVING IN THE TERRITORIES. IN THE PARTICULAR CASE OF PUERTO RICO, I AM APPALLED BY THE RECOMMENDATIONS OF THE ADMINISTRATION, WHICH SEEM TO DISREGARD ISSUES THAT I HAVE ATTEMPTED TO BRING TO THE TABLE. THE PROPOSED LEGISLATION DOES NOT ADDRESS AT ALL THE CAUSES AND ROOTS OF POVERTY IN PUERTO RICO, THE POOREST PER-CAPITA JURISDICTION IN THE ENTIRE NATION. AS A MATTER OF FACT, IN PUERTO RICO IT DOES JUST THE OPPOSITE, THE WELFARE REFORM INCREASES THE DIFFERENCE IN RESOURCES AND OPPORTUNITIES TO THE POOR, THE ELDERLY, ABANDONED MOTHERS, THE HANDICAPPED AND CHILDREN.**

**UNFORTUNATELY, THE INCOME GAP BETWEEN THE MAINLAND AND PUERTO RICO CONTINUES TO WIDEN WITH THE PASSING OF THE YEARS AND THE ISLAND'S PER CAPITA INCOME IS THREE TIMES BELOW THE NATIONAL AVERAGE. THIS RESULT IS BROUGHT ABOUT BY THE GEOGRAPHIC DISCRIMINATION AGAINST THE U.S. CITIZENS IN PUERTO RICO.**

**THE WHITE HOUSE TASK FORCE HAS MERELY PROPOSED A 25% INCREASE TO THE ALREADY EXISTING ARBITRARY CAP APPLICABLE TO PUERTO RICO, A CAP THAT HAS NOT BEEN SIGNIFICANTLY TOUCHED IN THE LAST 15 YEARS! THE CAP WILL AMOUNT TO \$102.5 MILLION, UP FROM THE CURRENT \$80 MILLION. DO YOU HONESTLY BELIEVE THAT THE \$20.5 MILLION INCREASE WILL HAVE ANY SIGNIFICANT EFFECT TO HELP MORE THAN 50% OF THE 3.6 MILLION U.S. CITIZENS IN PUERTO RICO WHO LIVE IN POVERTY LIFT THEMSELVES OUT OF POVERTY? HOW CAN ANYONE RATIONALIZE SUCH A POLICY DECISION?**

**THE GOALS AND BENEFITS THAT WELFARE REFORM WILL RENDER TO THE POOR AND UNDER-PRIVILEGED IN THE 50 STATES ARE NOT IN THE HORIZON FOR PUERTO RICO AND THE OTHER TERRITORIES. THIS SITUATION CANNOT BE TOLERATED IN A FIRST RATE DEMOCRATIC NATION LIKE OURS. THE ADMINISTRATION IS PLAINLY IGNORING THE ISSUE IN ITS TERRITORIES. ARE THE**

LIVES OF U.S. CITIZENS IN THE TERRITORIES LESS IMPORTANT THAN THE LIVES OF U.S. CITIZENS IN THE 50 STATES?

**TO GIVE YOU AN IDEA ON HOW INCONSISTENT THE FEDERAL POLICIES TOWARDS PUERTO RICO ARE, CONSIDER THE FOLLOWING: ELDERLY POOR AND/OR DISABLED CITIZENS ARE NOT ELIGIBLE FOR SUPPLEMENTAL SECURITY INCOME ASSISTANCE. A FAMILY OF THREE ELIGIBLE FOR AFDC PAYMENTS (AID TO FAMILIES WITH DEPENDENT CHILDREN) RECEIVE ONLY A MONTHLY AVERAGE PAYMENT OF \$98, THIS SAME FAMILY LIVING IN THE MAINLAND WOULD RECEIVE APPROXIMATELY \$450 PER MONTH.**

**TO COMPLICATE MATTERS FURTHER, THIS SAME FAMILY NOT ONLY LACKS OF ADEQUATE RESOURCES TO STAY AFLOAT, BUT IN FACT FACES A CATCH-22 SITUATION SINCE SUCH A FAMILY IN PUERTO RICO CANNOT TAKE ADVANTAGE OF THE EARNED INCOME TAX CREDIT --- A PROGRAM SPECIFICALLY DESIGNED TO PROVIDE INCENTIVES FOR THE WORKING POOR --- WHICH IS INAPPLICABLE IN PUERTO RICO.**

**THE EARNED INCOME TAX CREDIT IS A CRITICAL COMPONENT OF THE WELFARE REFORM EFFORTS AND WE THANK THE PRESIDENT AND MANY MEMBERS OF THIS HOUSE FOR HAVING EXPANDED THIS PROGRAM IN A SIGNIFICANT WAY LAST YEAR. BUT IN PUERTO RICO -- TO THE WORKING POOR IN MY ISLAND -- THE EXPANSION NOT ONLY DOES NOT HELP IN ANY WAY, BUT ON THE CONTRARY, IT HELPS ONLY TO WIDEN THE INCOME GAP BETWEEN THE U.S. CITIZENS IN PUERTO RICO AND THE CITIZENS IN THE 50 STATES.**

**HOWEVER, INSTEAD OF ADDRESSING THE CRITICAL NEEDS OF THOUSANDS OF CITIZENS IN MY DISTRICT, CONGRESS AND THE FEDERAL GOVERNMENT HAVE OPTED FOR GIVING TO WEALTHY CORPORATIONS IN PUERTO RICO EXTREMELY GENEROUS TAX BREAKS, AMOUNTING TO BILLIONS OF DOLLARS EACH YEAR, YES BILLIONS -- WITH A "B" AS IN BARBARIC -- AND NOT TAXING THOSE OF US WHO CAN PAY, AND THEN DENY THE NEEDY CITIZENS THE BENEFITS THEY SHOULD BE ENTITLED TO.**

AS A COLONIAL DELEGATE WITHOUT THE POWER OF THE VOTE IN THIS HOUSE, I CAN ONLY BRING TO YOUR ATTENTION THE NEED FOR MEANINGFUL CHANGES LONG OVERDUE FOR YOUR FELLOW CITIZENS IN PUERTO RICO. I CANNOT VOTE, BUT MY COLLEAGUES CAN, AND THE POWER TO CHANGE THINGS RESTS ON THEM AND ON THE PRESIDENT.

**THE POOR DO NOT PAY TAXES AND THEY SHOULD NOT BE CONDEMNED TO A PERMANENT UNDERCLASS. WE MUST AGGRESSIVELY PROMOTE POLICIES THAT BREAK THE POVERTY CYCLE. THERE ARE OVER 140,000 CHILDREN LIVING IN POVERTY IN PUERTO RICO. WHAT SHALL I ANSWER THEM WHEN THEY OR**

***THEIR MOTHERS ASK ME WHY THEY WERE EXCLUDED?***

THE POOR, WHEREVER THEY ARE IN OUR NATION, SHOULD HAVE MEANINGFUL OPPORTUNITIES THAT WILL ENABLE THEM TO PROGRESS AND BREAK THE CYCLE OF POVERTY. POOR PEOPLE IN PUERTO RICO IN NEED OF NUTRITIONAL ASSISTANCE CAN ONLY OBTAIN 2/3 OF WHAT THEIR COUNTERPARTS IN THE 50 STATES RECEIVE BECAUSE THE FOOD STAMPS PROGRAM IS ALSO CAPPED. EVEN POOR CHILDREN ARE SHORTCHANGED IN THEIR EDUCATIONAL OPPORTUNITIES SINCE FEDERAL ASSISTANCE UNDER THE CHAPTER ONE PROGRAM, WHICH IS DESIGNED TO ASSIST POOR SCHOOL CHILDREN, IS ALSO SEVERELY CAPPED AT ABOUT 45% OF WHAT IT WOULD BE IF WE WERE A STATE.

POVERTY DEMORALIZES NOT ONLY THE ONE WHO SUFFERS FROM IT, BUT ALSO DEMORALIZES THE SOCIETY THAT TOLERATES IT.

THUS, I CALL ON THIS CONGRESS AND ON THIS ADMINISTRATION TO SERIOUSLY CONSIDER THE REPERCUSSIONS OF TOLERATING DISCRIMINATION AGAINST NEEDY U.S. CITIZENS. GEOGRAPHIC LOCATION SHOULD NOT BE A BARRIER TO BETTER OPPORTUNITIES. LET US PROVIDE THE APPROPRIATE TOOLS AND RESOURCES AND MOST PEOPLE WILL HELP THEMSELVES.

THERE IS NO JUSTIFICATION FOR THE AFDC CAP CONTAINED IN THIS BILL AND I URGE MY COLLEAGUES TO SUPPORT ME IN SEEKING ITS REMOVAL.

MR. CHAIRMAN I ASK FOR UNANIMOUS CONSENT TO REVISE AND EXTEND MY REMARKS AS I WILL BE SUBMITTING FOR THE RECORD SEVERAL ADDENDUM WHICH WILL EXPAND ON THE POINTS I HAVE JUST MENTIONED AND WHICH MAY INCLUDE ADDITIONAL QUESTIONS ADDRESSED TO ADMINISTRATION OFFICIALS.

I THANK THE ADMINISTRATION FOR FOSTERING A CAREFUL ANALYSIS OF THE WELFARE ISSUE AND FOR SEEKING A CONSENSUS ON SOLUTIONS THAT WILL BENEFIT ALL OF US HOWEVER, I MUST CRITICIZE ITS UNWILLINGNESS TO ADDRESS THE WELFARE POLICY DILEMMA THAT AFFECTS HUNDREDS OF THOUSANDS OF AMERICAN CITIZENS IN PUERTO RICO. THANK YOU.

CARLOS A. ROMERO-BARCELO  
PUERTO RICO

WASHINGTON OFFICE:  
1517 LONGWORTH HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-5401  
(202) 225-2815

DISTRICT OFFICE:  
P.O. BOX 4751  
OLD SAN JUAN, PR 00902-4751  
(809) 723-6333



Congress of the United States  
House of Representatives  
Washington, DC 20515-5401

COMMITTEES:  
EDUCATION AND LABOR  
SUBCOMMITTEES:  
ELEMENTARY, SECONDARY AND  
VOCATIONAL EDUCATION  
LABOR-MANAGEMENT RELATIONS  
HUMAN RESOURCES  
NATURAL RESOURCES  
SUBCOMMITTEES:  
NATIONAL PARKS, FORESTS  
AND PUBLIC LANDS  
INSULAR AND  
INTERNATIONAL AFFAIRS

May 3, 1994

The Honorable Louis Stokes  
Chairman  
VA, HUD-Independent Agencies Subcommittee  
House Appropriations Committee  
H-143 Capitol  
Washington, DC 20515

Dear Mr. Chairman:

I am writing to urge your support for a vitally-needed \$34.8 million appropriation to finalize the construction of a veterans outpatient clinic in Río Piedras, Puerto Rico.

As you know, this project has been under discussion for more than 15 years, during which time the hospital's serious overcrowding situation has continued to worsen. Our veterans, all American citizens, are the ultimate victims because the overcrowding prevents them from having ready access to the quality health care their courageous and gallant service deserves.

The San Juan Medical Center's recent Facility Development Plan shows that 43% of the hospital's services have a **critical** space and functional space deficiency and 36% have **significant** deficiencies. Currently, storage areas, bathrooms and hallways have been turned into clinical and operating space and patients are forced to wait for services in an area that was formerly the emergency exit.

Recognizing this need, the Department of Veterans Affairs requested and Congress appropriated \$4 million for the design stage of the project.

Approximately 135,445 veterans in Puerto Rico and the Virgin Islands are in desperate need of quality health services. When these veterans were called upon to serve their country they did so proudly and deep respect for the United States and all the principles this nation stands for -- in both World Wars, Vietnam, Korea, the Persian Gulf and in other conflicts.

Please help us to ensure that this project is funded. While it is small reward for the sacrifices our deserving veterans have made, it is the least we can do.

Sincerely,

**COPY**

Carlos Romero-Barceló

CRE/LEB

**FACT SHEET**  
**OUTPATIENT FACILITY AT SAN JUAN VA MEDICAL CENTER**

- \* Last year, Congress enacted legislation authorizing \$46 million for the design and construction of an outpatient addition facility at the VA Medical Center in San Juan, Puerto Rico. \$4 million were appropriated in FY '94 to complete design of the outpatient facility. Design work is scheduled to be completed this year, and with adequate funding construction can begin in FY '95.
- \* A total of \$34.8 million is needed for construction of the outpatient addition. At a minimum, \$5 million is essential in FY '95 to complete the first phase of construction -- a new parking facility to replace the current parking area where the outpatient addition will be built.
- \* During the House VA/HUD Appropriations Subcommittee's markup (chaired by Cong. Louis Stokes), the issue of funding the San Juan outpatient addition and seven other high priority projects was deferred until conference. Since then, the Senate Appropriations Committee has approved funding for two of the eight high priority facilities. The San Juan outpatient addition is needed **NOW**, and the conferees should provide sufficient funding so that construction can begin.
- \* The outpatient facility will finally address a 15 year old problem of severe overcrowding at the existing San Juan VA Medical Center. The Center estimates that it is currently operating at a 79% space deficit. (**The VA considers deficiencies of 30% or more to be critical**).
- \* Temporary measures such as converting storage space, bathrooms and corridors into clinical and office space have been the mode of addressing chronic space deficiencies for many years. Currently, some outpatient clinics and medical examinations are performed in the hallways and nursing stations of the facility. Exit corridors have been converted into additional waiting areas, potentially compromising the safety of patients and visitors.
- \* Demand for outpatient services has increased dramatically. In Puerto Rico, approximately 40% of the veteran population rely on the VA's medical services; in the states, only an average of 12% of the veterans do.
- \* New types of treatment and diagnosis require even more space. New regulations for patient privacy, fire and safety, seismic corrections and handicapped access all impose increased space requirements which cannot be met without the planned construction.
- \* Outpatient is one of the cornerstones of national health care reform; however, the San Juan VA Medical Center cannot shift resources from inpatient to outpatient care without the outpatient addition to the facility. Construction of this critical project must not be delayed any further.