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Don. Briefly 10/3/91

October 2, 1991

Employment and the Number of Jobs

Representative Obey's claim that there are 300,000 fewer jobs today than when you took office is arguably correct. In January 1989 there were 116,708,000 civilians who had jobs. The August 1991 figure was 116,416,000, a decline of 292,000.

This data comes from the household survey on which the unemployment data is based. There is also a survey known as the establishment survey which asks non-farm businesses how many people they have working for them. This is a better measure of the number of jobs in the economy due to the size of its data base.

Under the establishment survey, there were 108,846,000 jobs in August. In January 1989, the figure was 107,395,000. Under this measure, the number of jobs has increased by 1,451,000 since you took office. The unemployment data for September will be released on Friday. Most analysts expect a modest increase in the number of jobs as measured by the establishment survey.

It is important to put these job changes in context. During the economic expansion from November 1982 to July 1990, a total of 21.6 million jobs were added using the establishment survey and 17.8 million jobs were added using the household survey. That means an average monthly rate of job creation of between 190,000 and 230,000 jobs. So, the 300,000 job loss figure is roughly equivalent to the employment expansion during six weeks of economic growth.

Differences Between the Surveys

The household survey asks 60,000 individuals each month whether members of their household were employed during the month. Someone is considered employed for the purposes of this survey even if they are on leave, work as few as 15 hours in the week, work on a farm or are self employed. The survey counts workers, not jobs.

The establishment survey asks 350,000 establishments, employing 41,000,000 workers, for the number of people on their payrolls. The survey does not include farm workers, the self-employed, household help or people on leave. The survey counts the number of jobs, not the number of workers. This is important since some workers hold multiple jobs and the number of multiple job holders increased during the 1980s.

Given the differences in the way the data is collected we should expect some discrepancies between the two surveys. Since 1982, employment increases were 1.4 million higher under the establishment survey than under the household survey. Statisticians still debate the reasons for the discrepancies. However, since the sample size of the establishment survey is almost 700 times larger than the household survey, it obviously has a smaller sampling error.

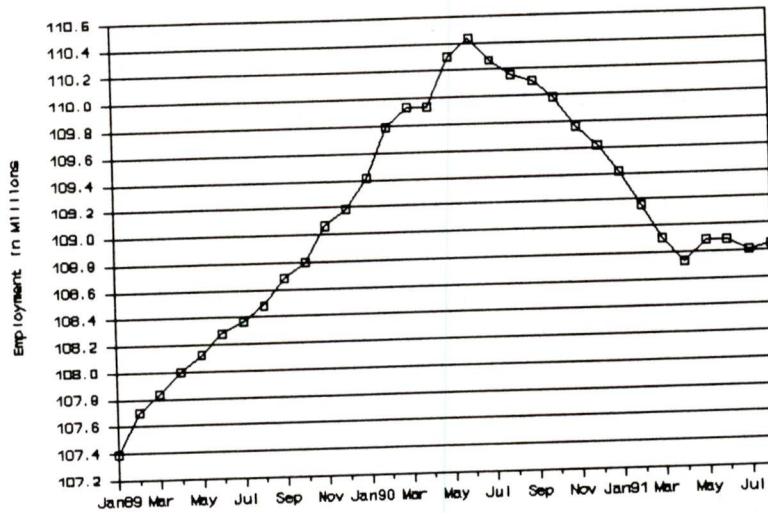
The following is a list of the sources of discrepancy, in rough order of their importance.

- The establishment survey counts jobs, the household survey counts workers. During the 1980s, multiple job holding increased so that the establishment survey would be expected to show a greater increase.
- The establishment survey only observes the legal economy whereas the household survey theoretically covers all households. Phenomena such as illegal immigration and the underground economy would be detected differentially by the two surveys.
- The establishment survey excludes agricultural workers, the self employed, people on unpaid leave and household workers which the household survey includes.
- Seasonal adjustment, which can account for up to 95 percent of month to month changes in employment, is done slightly differently for the two surveys.
- The establishment survey includes all workers regardless of age but the household survey excludes those under 16 years of age.

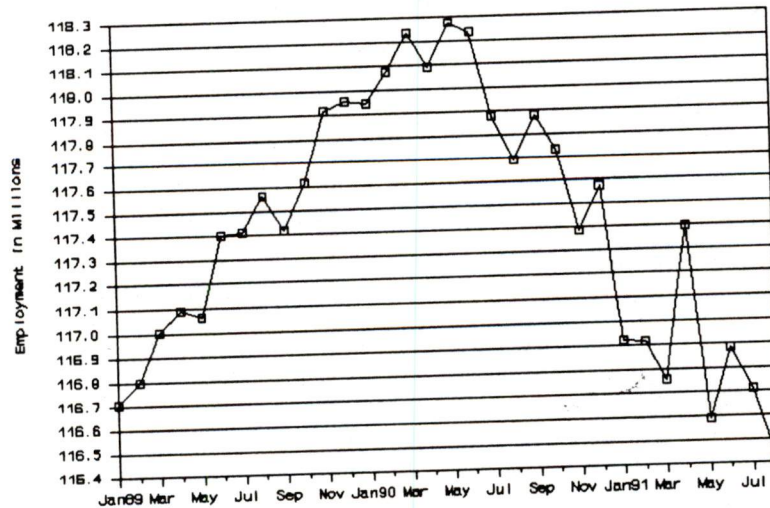
Attachment: Chart

THE ESTABLISHMENT VERSUS THE HOUSEHOLD SURVEY

Establishment Survey



Household Survey



Employment Levels Using Different Measures

	<u>Establishment Survey</u>	<u>Household Survey</u> <u>Civilian</u>	<u>With Armed Forces</u>
January 1989	107,395	116,708	118,404
July 1990 (Business cycle peak)	110,269	117,882	119,509
April 1991 (Business cycle trough)	108,736	117,398	118,854
August 1991	108,846	116,416	118,032

Don Buick

September 26, 1991

AGRICULTURAL TRADE POLICY

Senator Dole has written you describing the agricultural economy as a house of cards and encouraging you to announce by October 1 a major shift in our export subsidy policy, if the Uruguay Round has not produced results by June 1, 1992.

His letter is partially in reaction to the legislation recently proposed by Dan Glickman (D-Kansas) that would mandate marketing loans for wheat and feed grains, expand export credit programs, and reorient the Export Enhancement Program.

Assumptions

Senator Dole's recommendations are based on several key assumptions:

1. Grain markets and prices remain depressed and the downward spiral has been interrupted only because of droughts in 1988 and 1989.

2. The United States has lost world market share because of: (a) idling productive land, (b) carefully targeting our export subsidies to avoid impinging on the markets of our friends, and (c) subsidized competition from the EC.

3. Republicans have promised farmers that a market-oriented policy and trade reforms (leveling the playing field) would "place the United States in the driver's seat of world agriculture."

4. While the European Community has boosted its export subsidies, our response has deteriorated to nothing more than a selective and reactionary "unilateral surrender."

5. Harkin/Gephardt/Kerrey, et al, will aggressively promote supply management and import protection during the coming year, populist proposals that may play well in farm communities.

Recommendation

Senator Dole recommends that if the GATT fails we should: (a) stop idling productive land, and (b) implement across-the-board export subsidies for all customers, notwithstanding the budgetary cost. In essence, he calls for issuing an ultimatum now to energize the GATT negotiations, with the understanding that we would make good on it, if necessary, next summer.

Assessing the Assumptions

Senator Dole would build on the so-called GATT trigger, a provision attached to the 1990 budget agreement that would expand agricultural programs (at a budget cost of \$2-3 billion) if no GATT agreement is reached by June 30 of next year. His assumptions are partially correct but do not reflect several key factors influencing world agriculture.

1. It is inaccurate to characterize the 1980's as a period of downwardly spiralling prices and to imply that this has led to depressed farm incomes. Real net farm income reached \$48 billion (1982 dollars) in 1987. While there has been some erosion since then, real income is still above levels of the early 1980's.

2. When U.S. farmers talk about our agricultural leadership worldwide they usually cite the 1970's. It was in many respects a remarkable decade. U.S. agricultural exports grew from \$7 billion in 1970 to \$41 billion in 1980, due largely to favorable exchange rates and high foreign demand. This major export-led boom increased not only farm income but dramatic increases in land prices. Many farmers invested heavily in purchasing more land on the assumption that these favorable trends would continue.

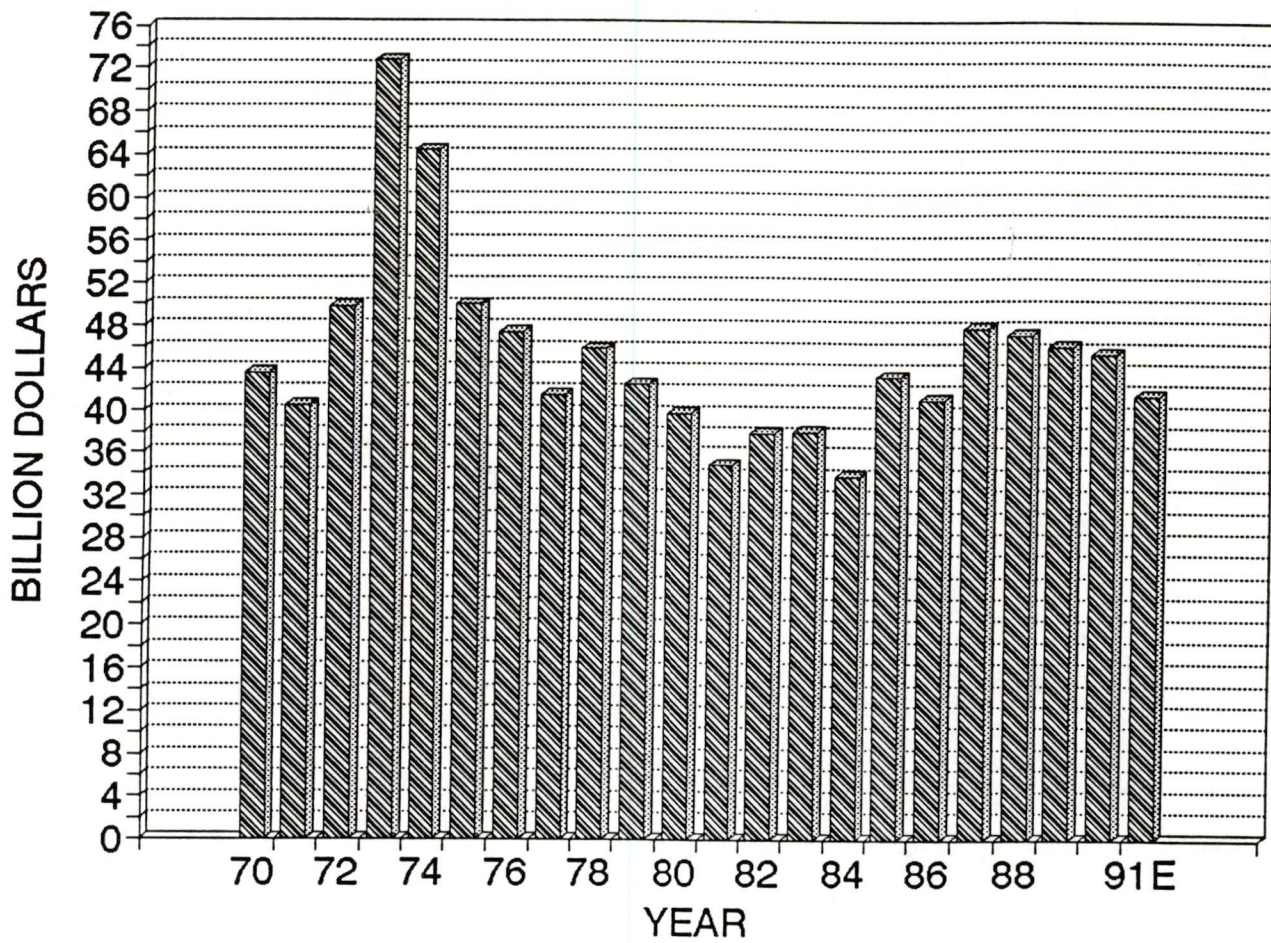
3. During the 1980's, several factors combined to change the situation: (a) The world economy turned downward, reducing demand for U.S. food. The devaluation of the dollar also hurt. (b) Other countries began to be substantial food producers, many using techniques and technologies learned from the U.S. During this period, India and China turned from net importers to net exporters of grain. (c) The Soviet grain embargo resulted in decisions by Canada, Argentina and Australia, to significantly expand their grain production. (d) High U.S. loan rates during the early 1980's disadvantaged U.S. commodities in world markets.

4. Given the substantial increase in world production relative to demand, it is unrealistic to assume that, with or without a Uruguay Round agreement, we will return to the dominant export position we enjoyed during the 1970's.

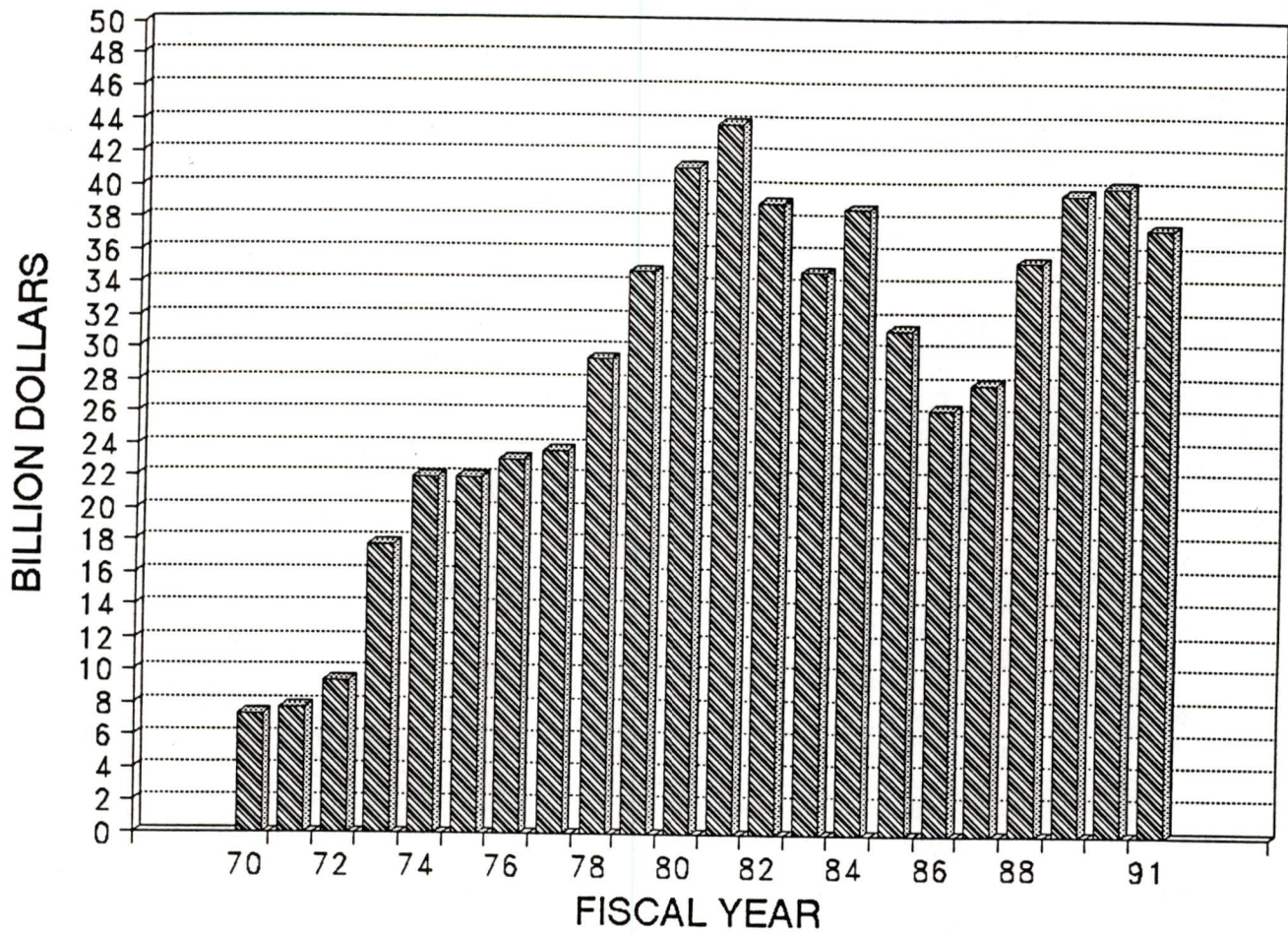
5. Senator Dole is correct in asserting that the European Community has generated higher levels of production than are warranted by market conditions and, in order to dispose of this excess production, has significantly increased agricultural export subsidies.

The agricultural community is split on taking an aggressive approach such as Senator Dole suggests. Some (e.g. dairy, sugar, peanuts) hope that failure of the Uruguay Round will protect and even enhance the support and protection they already receive. Others (e.g., grains, livestock, specialty crops) view themselves as internationally competitive want either a successful trade negotiation that effectively dismantles EC export subsidies, price supports, and provides for market access or the commitment of the budget resources necessary to neutralize the trade distorting elements of the EC Common Agricultural Policy (CAP).

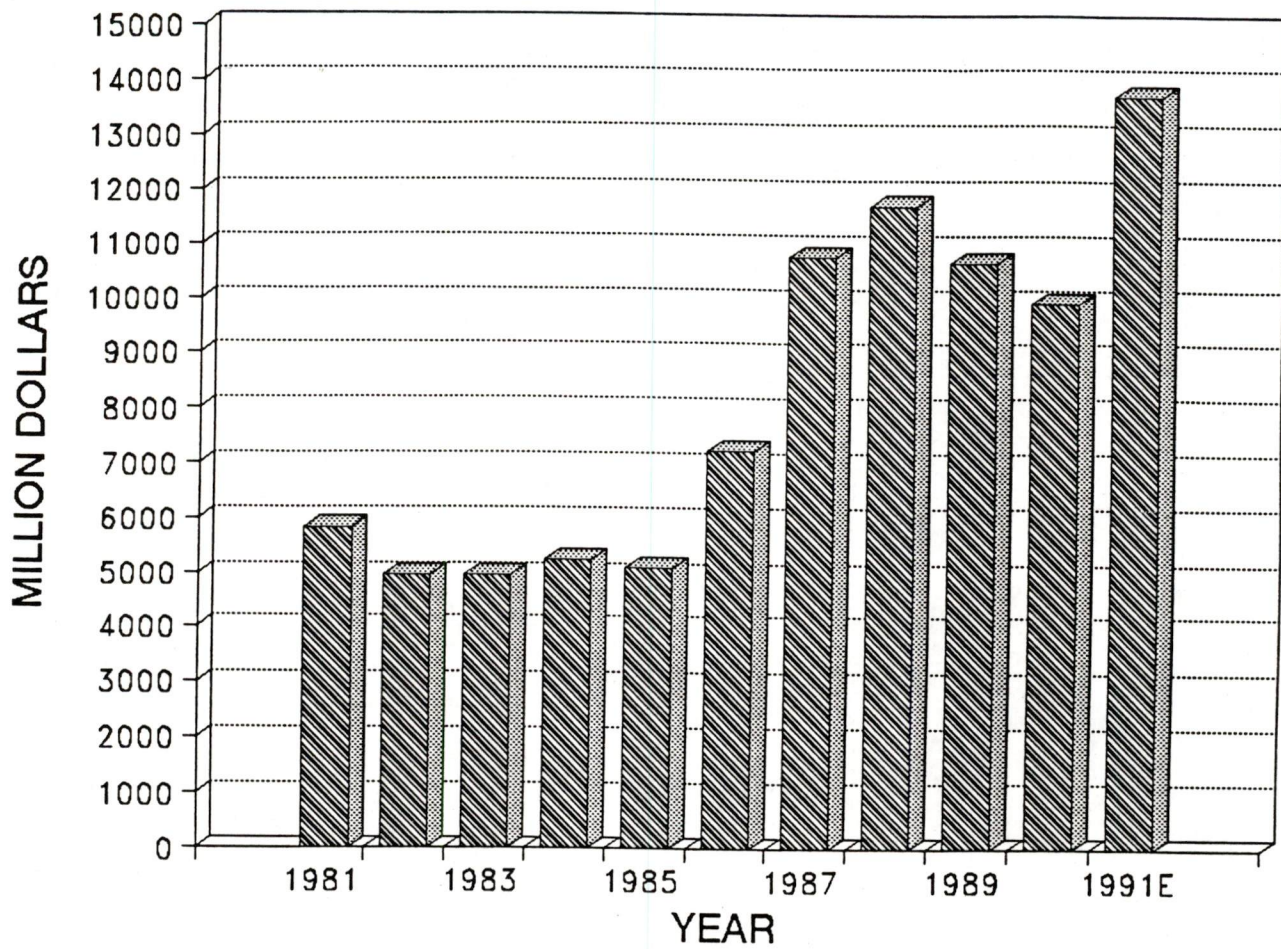
U.S. NET CASH FARM INCOME [1982\$]



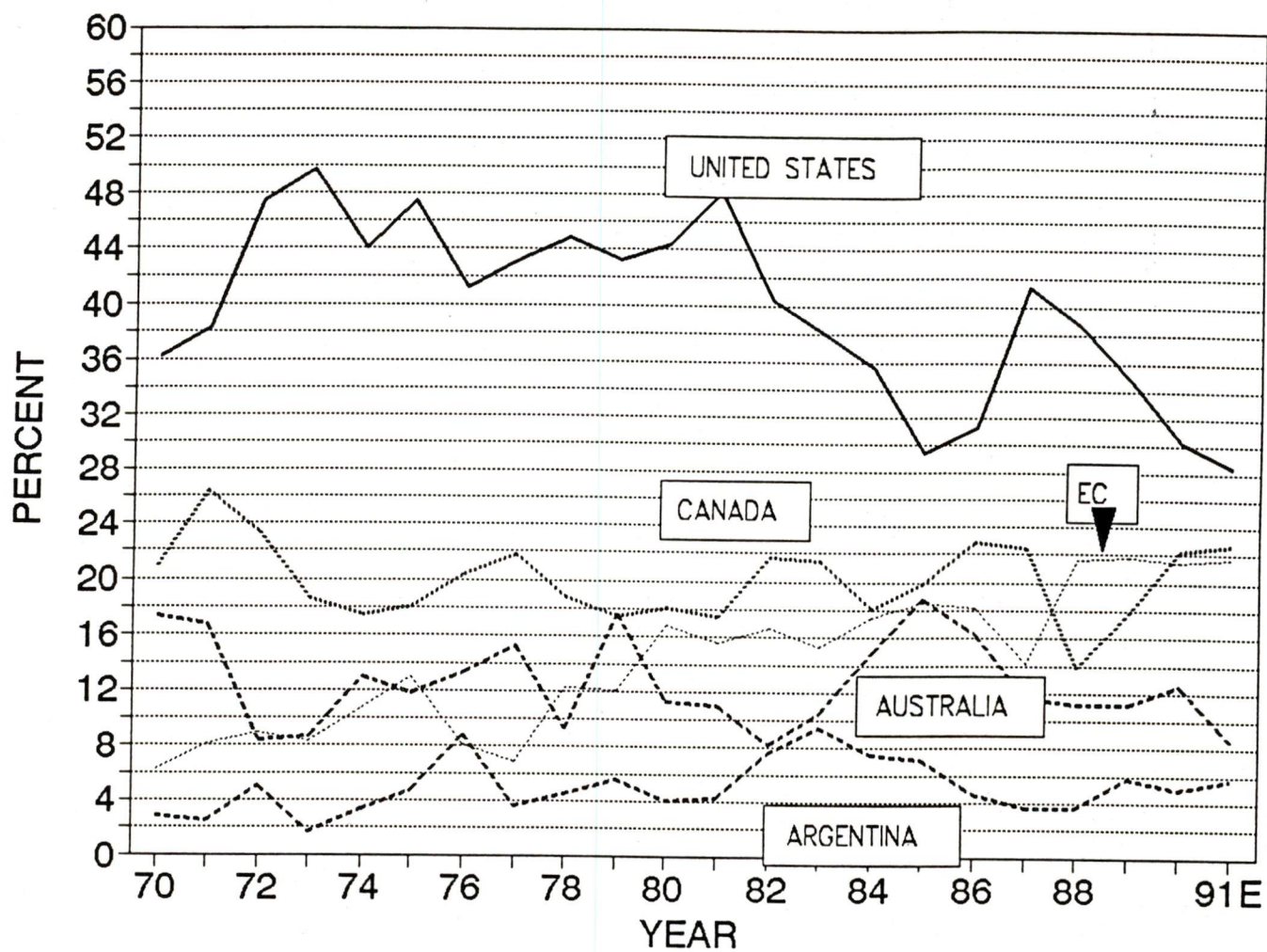
U.S. AGRICULTURAL EXPORT VALUE



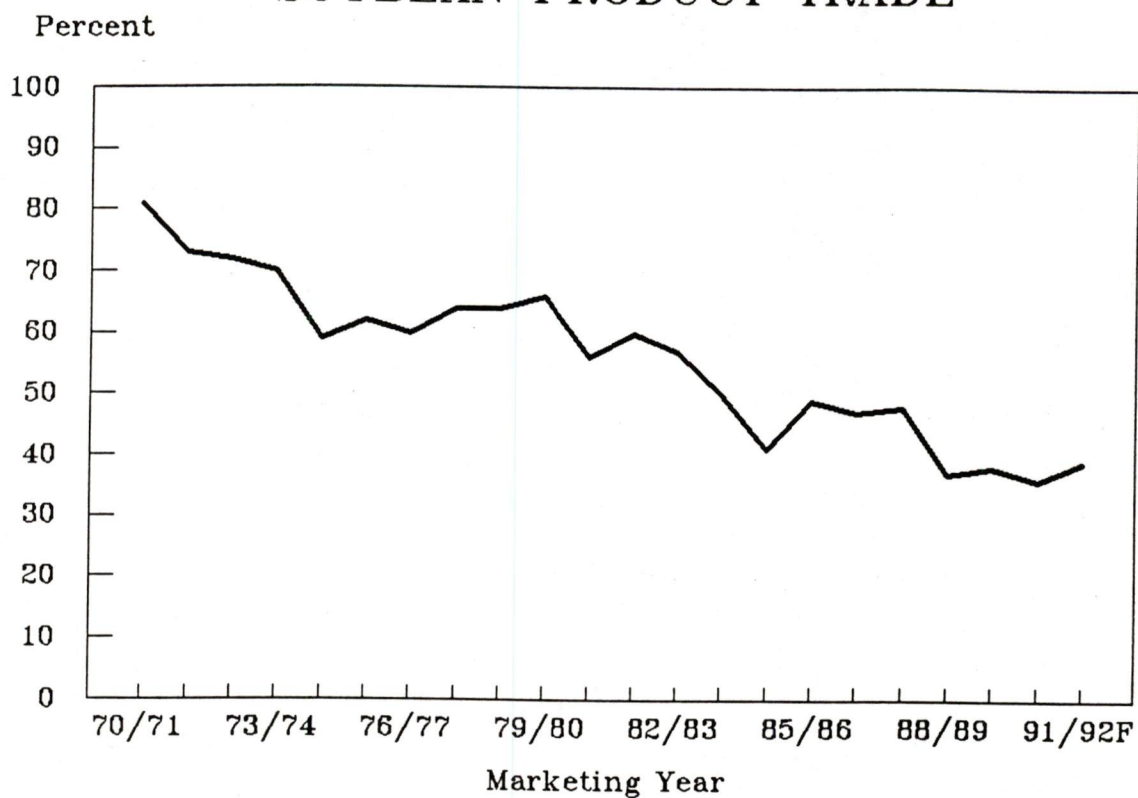
EC EXPORT SUBSIDIES



WORLD WHEAT EXPORT MARKET SHARES



U.S. SHARE OF WORLD SOYBEAN AND SOYBEAN PRODUCT TRADE



United States Senate

OFFICE OF THE REPUBLICAN LEADER
WASHINGTON, DC 20510

September 12, 1991

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

During the August recess I have spent several weeks in Kansas and visited nearly two-thirds of our 105 counties. Many of these counties are rural and agriculture-dependent, so I had the opportunity to listen to farmers, ranchers, and others express their concerns. I want to share conclusions with you and discuss probable political implications. I have taken the liberty of sharing this privately with Secretary Madigan.

While the multitude of factors currently depressing agricultural markets in the U.S. are complex and varied, the bottom line for those in farm country is obvious. Grain markets have bottomed out after a downward spiral that was interrupted only by the drought years of 1988 and 1989. Farmers and ranchers throughout the country have been hanging on thanks to a cyclical upswing in the livestock sector, but livestock markets have shown signs of weakness in recent months. The agricultural economy now could best be described as a house of cards.

Years of idling productive land and carefully targeting our export subsidies to combat the trading practices of the European Community without impinging upon the markets of our friends has wiped out our world market share. We have gone from being the wheat exporting nation to a mere residual supplier, content to enter a market only after the EC, the Canadians, and the Australians have filled the market needs. While U.S. carry-over grain stocks are low this year by historical standards, prices remain stagnated because we are moving backwards in the world market -- and the market senses that there is no firm commitment in Washington to do anything about it.

For the past decade, Republicans have been promising farmers and ranchers that a: (1) fiscally responsible, market-oriented farm policy; and (2) reforms in global trade would, together, place the United States in the driver's seat of world agriculture. While I believe in that policy approach, "market-oriented" doesn't fly in farm country or in the grain markets without the aggressive use of export tools such as the Export Enhancement Program. Since 1985, we have oriented our commodity

The President
September 12, 1991
Page 2

programs to the market, and we have shown the willingness to reduce farm spending. But, at the same time, competitors such as the European Community have boosted subsidy spending twelve-to-one over us and paid five years worth of lip-service to Clayton Yeutter and Carla Hills, while our "aggressive trade stance" has deteriorated to nothing more than a selective and reactionary way of doing business through the State Department. Some would say our policy amounts to "unilateral surrender."

Given this, we will have a farm policy debate next year, and, very likely, we need one. While such a debate would not likely impact your re-election, the stakes are high for Congressional Republicans. A high-visibility farm policy debate -- pitting the Republican farm policy against the Harkin/Gephardt/Kerrey school of supply-management and isolationism -- would fan the flames of populism and possibly reduce Republican strength in Congress.

In my view, there is time to turn this around. One way would be to announce by this October 1 that as a policy, beginning next June 1, the United States intends to implement across-the-board export subsidies for all customers and to stop idling productive land. In essence, assure farmers and ranchers that, if the GATT fails, your Administration will support them notwithstanding the added cost.

Farm policy will be a vital issue in 1992, and critical to the men and women of rural America who together keep the agriculture industry alive and provide one out of every five jobs in America.

Sincerely,



BOB DOLE
United States Senate

AGENDA -- 9/26/91

- (1) Dole letter re export subsidies
 - GATT trigger
 - "targeting"
 - issues: budget, foreign relations, trade, politics
- (2) Gas tax
 - 2.5 cent extension ["increase"]
 - "Intermodal Surface Transportation Act"
- (3) Supplemental
 - No deal with Whitten -- on to '92
and 3rd CR
- (4) Further re Aspin . . .
- (5) AIDS Commission

Don Rumsfeld

September 26, 1991

National Commission on AIDS

The National Commission on AIDS was created by statute in November 1988 to succeed the Presidential Commission established by President Reagan. The 15-member Commission was required to report to the President and the Congress within two years after it began functioning.

Five of the members were appointed by the President, five by the Speaker of the House, and five by the President Pro Tempore of the Senate. Three of the five presidential appointees were ex officio (non-voting) members: Secretaries Cheney, Sullivan, and Derwinski. The other two presidential appointees were Belinda Mason (died September 9, 1991) and Dr. David Rogers.

The Commission's 30 recommendations were far more general in nature than the 597 recommendations made in the 1988 report of the Presidential Commission chaired by Admiral Watkins.

The principal thrust of the recommendations was largely predictable given the subject matter: we need to do more and be better coordinated. In fact, during the life of the commission Federal funding for AIDS research and prevention rose sharply. Government-wide spending related to AIDS in FY 1992 will be nearly \$4.3 billion. By the end of FY 1992 the Federal Government will have devoted nearly \$17 billion to the fight against AIDS.

The most striking of the Commission's recommendations was the call for universal health care coverage for all persons living in the U.S. The Commission also called for Medicaid coverage for all low-income people with HIV, not just those who are so sick as to qualify as "disabled."

Report of the National Commission on AIDS:
"America Living with AIDS"

1. Prevention and research

Commission recommendations:

HHS should develop an initiative to fund state and local prevention efforts. Greater priority should go to behavioral and service delivery research (as opposed to developing drugs and vaccines.) Drug abuse programs should be expanded so that all who apply can be accepted into a treatment program. Barriers to needle exchanges by drug users should be allowed.

HHS response:

More federal research and prevention funding is now devoted to AIDS than to any other disease, except cancer.

2. Health care

Commission recommendations:

Government should assure access to a system of health care for all HIV-infected individuals. The system should offer testing, counseling for persons found infected, medical care, pharmaceuticals, drug treatment, and social services.

HHS response:

Health care's ability to help people live with AIDS has developed rapidly. In 1985, fewer than 40 percent of those diagnosed with AIDS lived 18 months. By 1987, 60 percent lived that long.

3. Paying for health care

Commission recommendations:

Universal health care coverage should be provided for all living in the US. Medicaid should cover all low-income people with HIV, not just those who are so sick as to qualify as "disabled."

HHS response:

Medicaid serves some 40 percent of all people with HIV at some point during their infection. Medicaid treats people

equally when deciding if they are "disabled," not distinguishing AIDS from other potentially disabling conditions.

4. Clinical trials for new drugs

Commission recommendations:

Efforts to increase minority participation should be increased. The FDA should be more aggressive in permitting use of promising new therapies. The NIH should do more to make state of the art treatment knowledge available to all doctors.

HHS response:

HHS has created new drug review structures to speed review of promising therapies. Efforts to recruit more minorities are underway.

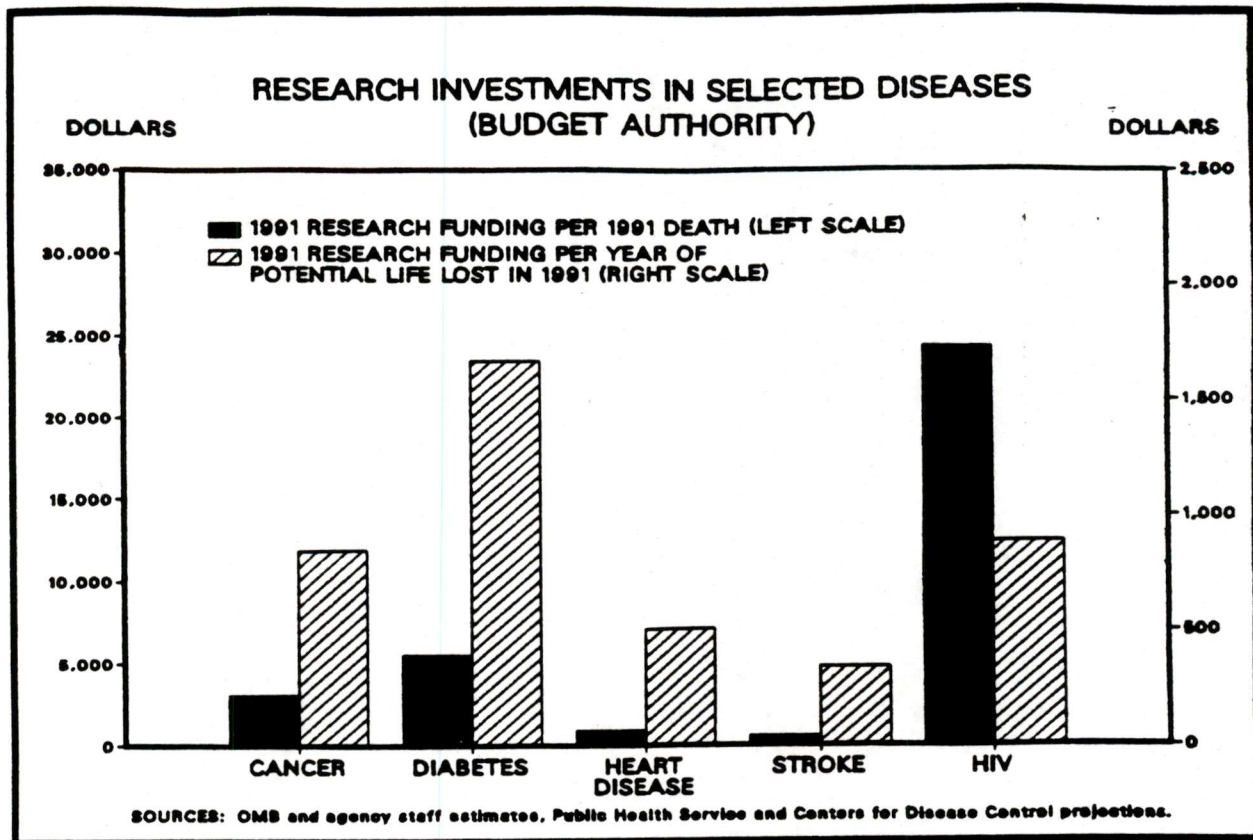
5. Government responsibilities

Commission recommendations:

Calls for the President to designate an individual or lead agency with the authority and responsibility for instituting a cabinet-level process to articulate a single plan for federal government activity. The Commission alleges no level of government has given sufficient leadership and attention to the epidemic.

HHS response:

Through the Secretary of Health and Human Services, AIDS has Cabinet-level coordination.



**Table C-10. THE BUDGET PROPOSES A 15 PERCENT INCREASE IN
FEDERAL FUNDING FOR HIV/AIDS¹**

(Dollar amounts in millions)

	1991 Enacted	1992 Proposed	Dollar change	Percent change
HIV/AIDS:				
Research	1,152	1,210	+58	+5
Treatment	1,614	1,999	+385	+24
Prevention	630	637	+7	+1
Income Support	305	414	+109	+36
Total²	3,701	4,259	+558	+15

¹Funds are for programs in the Departments of Health and Human Services, Defense, Veterans Affairs, Education, Justice, State, Labor, and independent agencies. Total also includes obligations for the Social Security Administration.

²In addition to the spending identified above, the budget includes other initiatives, most notably those related to drugs and infant mortality, that contribute to the fight against HIV and AIDS.

natives will also be pursued in the research program.

The budget proposes that the United States continue international participation in the engineering design phase of the International

Thermonuclear Engineering Reactor. This 6-year collaboration among four equal partners (U.S., European Community, Japan, and the Soviet Union) is a model for international cooperation in science and technology. Such a

COUNTRIES TARGETED:

79 - Algeria, Angola, Bahrain, Bangladesh, Belize, Benin, Botswana, Brazil, Bulgaria, Burkina Faso, Burundi, Canary Islands (Spain), Cameroon, Central African Republic, China, Colombia, Congo, Costa Rica, Cote d'Ivoire, Cyprus, Czechoslovakia, Dominican Republic, Egypt, El Salvador, Finland, Gabon, German Democratic Republic, Ghana, Guatemala, Guinea, Honduras, Hong Kong, Hungary, India, Indonesia, Iraq, Israel, Jordan, Kenya, Kuwait, Lebanon, Lesotho, Liberia, Mali, Malta, Mauritania, Mexico, Morocco, Namibia, Nicaragua, Niger, Nigeria, Norway, Oman, Panama, Peru, Philippines, Poland, Qatar, Romania, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Soviet Union, Sri Lanka, Switzerland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, Yemen, Venezuela, Yugoslavia, Zaire, Zambia, Zanzibar (Tanzania).

COMMODITIES TARGETED:

12 - Barley, Barley Malt, Dairy Cattle, Eggs, Frozen Poultry, Poultry Feed, Rice, Semolina, Sorghum, Vegetable Oil, Wheat, Wheat Flour.

19-Sep-1991

92591

Domestic Briefing

AGENDA -- 9/25/91

(1) Crime Bill

(2) Agriculture Issues

- (a) Implementing June 11 Soviet loan guarantee decision -- favorable terms now offered;
- (b) Domestic farm disaster assistance:
- o tentative compromise with Senate (\$1 billion for respectable program -- partially offset, partially cap-consuming);
 - o awaiting a reluctant Whitten.
- (c) Dole letter re export subsidies.

(3) CR -- on the House Floor today

- o clean, runs 'til October 17th (House);
- o Byrd will try to keep it clean by avoiding Committee;
- o trouble likely to be postponed (for a while).

(4) Appropriations Status

- o 2 signed;
- o 1 vetoed (D.C.) -- to return;
- o all others (10) passed by House; 8 of 10 have passed the Senate
- o all but DoD and Foreign Ops passed by Senate;
- o 8 Conferences ready to go;
- o possible to do those 8 by next CR.

(5) Pressure on Defense:

- 1/2
- o Obey amendment (defeated, but deferred);
 - o Aspin amendment;
 - o Sasser briefing (effects seen on B-2);
 - o more to come.

(6) Gramm-Gingrich

September 24, 1991

Crime Bill

As in the past, the center of gravity in the House Judiciary Committee is a considerable distance from that in the House as a whole. Last year, the Judiciary Committee's tightly drawn rule on crime bill was rejected on the floor and ultimately replaced with a rule that permitted votes on several key amendments.

This year we will likely see a rule that will permit amendments on the House floor dealing with several key provisions including:

1. Equal Justice (McCollum)

- The potentially most damaging proposal in the Democrat's bill is the so-called racial justice act which would de facto establish racial quotas and require juries to consider the race of both the victim and convicted criminal.
- The McCollum amendment would insert the equal justice provisions of the Administration's bill which codify the extensive Federal case law that bars racial discrimination in the criminal justice system.

2. General Death Penalty (Gekas)

- The House Democrats are trying to give the appearance of supporting a tough death penalty provision. They have included a death penalty provision in the Committee crime bill that covers more offenses than the Administration's bill.
- But the Democrat's bill contains troubling procedures and, with the exception of five offenses, covers only the intentional killing of a victim. This "state of mind" requirement would exclude most killings committed in the course of hostage taking and kidnapping, by explosive devices such as mail bombs, by various terrorist acts, and by stray shootings by drug gangs.
- Gekas will offer an amendment with the Senate-passed provisions supported by the Administration.

3. Drug Kingpin Death Penalty (McCollum)

- The Democrats have included a narrowly drafted death penalty for major drug kingpins. To highlight the differences on this issue Representatives Gekas and McCollum have decided to separate the drug kingpin issue from the Gekas general death penalty amendment.
- McCollum's amendment would substitute the Administration's drug kingpin provisions relating to attempted murders of judicial officers and reckless killings in the course of drug-related crimes.

4. Habeas Corpus Reform (Hyde)

- The Democrat's habeas corpus provisions would overturn certain Supreme Court decisions and expand the ability of prisoners to repeatedly appeal their convictions.
- Representative Hyde will offer language identical to the Senate passed bill which gives deference to "full and fair" adjudications by the states.

5. Exclusionary Rule Reform (McCollum)

- Both the Senate-passed bill and the House Judiciary bill attempt to codify current case law which provides a good faith exception in the case of a search with a warrant. Unfortunately, however, both bills actually narrow current law.
- McCollum will offer an amendment along the lines of the Administration's proposal for exclusionary rule reform.

Last year, we won virtually every contested floor amendment with the exception of the racial justice provisions where we fell seven votes short. It will require a strong, sustained Administration effort to win the racial justice vote.

Doing so could prove crucial in the conference committee deliberations. By winning the racial justice vote, and the other key amendments, we stand a good chance of emerging from conference with the major provisions of your crime bill intact.

I. PRINCIPLES FOR A COMPREHENSIVE HEALTH STRATEGY

The following are principles that might be used publicly to frame a "comprehensive strategy for health." We would say that a strategy must meet these tests:

(A) Affirmative tests

(things a comprehensive strategy must do):

(1) Emphasize Prevention. The strategy must put greater emphasis on prevention of accidents and illnesses that can be avoided with preventive health measures and responsible individual behavior. [NOTE: Controlling ten behavioral risk factors could cut premature death and disability by a third to a half. This is relatively non-controversial.]

(2) Increase "Access" and Fairness. The strategy must assure access to affordable basic health insurance coverage for all Americans -- while reducing excessive subsidies for the rich. [NOTE: The former is, for all practical purposes, part of the definition of "comprehensive."]

(3) Reduce Abuse and Excess. If health care coverage is to be expanded on an affordable basis and without a tax increase, the strategy must first reform existing financial abuses. The excesses of defensive medicine must be reduced by incentives for malpractice reform. Regulatory and legislative reforms must eliminate Medicaid scams by the States. Administrative reforms must prevent unjustifiable overcharges by insurers and providers. [NOTE: This is controversial only among those who are hit. Dems would go further: reducing administrative costs and/or controlling all prices.]

(4) Build on American Strengths. While advancing reforms, the strategy must build on the strengths of America's health system -- preserving the private practice of medicine, investing in R&D, expanding options for consumer choice, and increasing incentives for innovation. [NOTE: The Canadian system and "all-payer" price controls fail the latter two tests.]

(5) Strengthen Consumer Choice and Incentives for Cost Control. On an orderly basis, the strategy must move away from the current provider-dominated, highly inflationary, fee-for-service, third-party-payment system toward a system in which providers have greater incentives for efficiency, and consumers play a greater role in the choices of health care and of health insurance plans. [NOTE: The Canadian system and price-controlled fee-for-service system fail this test.]

(B) Negative tests

(things a comprehensive strategy must not do):

(1) No "Rationing." The strategy must not depend upon (or lead to) rationing of health care service delivery by government. [NOTE: A Canadian-type system fails this test.]

(2) No Comprehensive Governmental Price Controls. The strategy must not require comprehensive government price-setting and control for the health care sector. [NOTE: Since health accounts for 12% of GNP, a move to comprehensive price control amounts to a move of our economy in the exact direction that the Soviet system has had to abandon. This is what Canadian and NY-style "all-payer" systems would do.]

(3) No Threat to Older Americans. The strategy must not threaten those who are dependent on Medicare. [NOTE: A pure form of tax credit system could displace Medicare.]

(4) No New Spending Mandates for States or Employers. The strategy should not require employers to "play-or-pay" [as the Dukakis plan did and most Democratic plans do]. It should have States continue to meet the financial obligations of current Medicaid law (or the equivalent); but no new federal financial mandates for health care should be placed upon the States. [NOTE: Small business would welcome this -- although most plans mitigate small business burdens with credits. States would welcome this; but also want to unload responsibility for long-term care.]

(5) No Net Increase in Taxes. The strategy should finance expanded coverage by a combination of reduced abuse, increased efficiency, and improved tax incentives -- without a net increase in taxes. [NOTE: Democratic plans fail this test.]

In simpler (more politically salient) form, these principles could be said to be consistent with a plan that would:

- o assure access to affordable basic health insurance coverage for all Americans;
- o restrain the growing cost of health care;
- o preserve the best of the private, innovative American health system; and
- o avoid a turn toward foreign-style government-managed health systems.

A more detailed programmatic framework for such a plan follows.

II. PROGRAMMATIC FRAMEWORK FOR A COMPREHENSIVE HEALTH STRATEGY

As a practical matter, there are very few plans that could meet all the tests noted above. With careful crafting, however, it would appear possible to meet the tests by fitting a plan to the following programmatic framework. The plan would have these elements:

(1) To increase the emphasis on prevention:

(a) Increase investment in appropriate discretionary prevention programs -- expanding upon initiatives already taken;

(b) Reduce belated reliance upon emergency acute care for the uninsured -- by assuring access to basic insurance coverage for all Americans (as outlined below).

(c) Encourage a shift toward HMOs, PPOs, and "managed care" systems generally -- through the incentive effects of a cap on the income tax exclusion for health insurance premiums and through conditions placed on new insurance premium tax credits noted below;

(2) To assure access to basic health insurance coverage for all Americans:

(a) For all who are not eligible for Medicaid or Medicare:

(i) Require that each individual obtain coverage under a basic minimum health insurance plan -- as offered by his or her employer, or as purchased privately, or (if the individual is poor, unemployed, and initially uninsured) as arranged by the State.

(ii) Provide tax subsidies to defray the costs of the required coverage as follows:

o For employed people under employer plans, allow the employer to deduct premium costs and the employee a capped income tax exclusion for employer-paid premiums.

o For individuals (whether employed or not), provide a refundable tax credit for the purchase of coverage under a specified basic insurance plan -- in the amount of 100% of a specified basic premium level for individuals at or below the poverty level (phased out at [say 150]% of poverty).

(b) For those currently employed by small businesses without affordable group insurance coverage, enact a federal law that would require each State to do the following:

(i) Make insurance more affordable for small groups by establishing a state-wide community rating system; pooling the entire small group market; setting a community rate for a defined basic health insurance plan for this market -- and allowing insurers to charge individual firms only the community rate plus-or-minus [say 25]%; and, further, by eliminating State mandates of excessive coverage and removing limitations on managed care.

(ii) Make insurance more accessible -- by:

(a) requiring all companies doing business in the State to arrange to offer -- but not necessarily pay for -- a basic group health insurance plan for all employees; and

(b) requiring all insurers doing small group business in the State to accept certain limits on limitations for preexisting conditions, to guarantee plan renewability, to accept the community rate pricing system, and to offer any small group plan equitably to all small groups.

(c) For the self-employed:

(i) Provide access to the small group pool rates, as discussed above.

(ii) Provide full deductibility and capped excludability of health insurance premiums on the same basis as other employers and employees.

(d) For those currently covered by employer plans, continue the current full tax deductibility of employer-paid premium costs; but cap the related premium exclusion from individuals' taxable income at a level deemed sufficient to pay for an efficiently-run basic health insurance plan (thereby creating an incentive for providers to develop, and employees to seek, more economical health insurance plans).

(e) For the Medicaid population (the aged poor and poor single parents with children), continue to implement current law -- but provide more opportunities for reform by states (as discussed below); and do not propose, support, or allow any new federal spending mandates for States.

(f) For the Medicare population (older Americans), continue to assure that all older Americans are able to be covered by Medicare. [NOTE: Medicare requires financing reforms such as reducing upper income subsidies and moving the eligibility age toward 67 (as in Social Security). These might or might not be mentioned with the strategy. Further, at some stage, if the tax credit approach works well, it could be expanded to substitute for some or all of Medicare; but that is best left for another time.]

(3) To allow continued innovation by States and a learn-before-leap approach for further possible national reform:

(a) Provide and implement broader federal waiver authority to permit and support State innovation.

(b) Allow individual States to develop different new programs for the Medicaid and non-Medicaid poor population -- provided: States meet a maintenance of financial effort test with respect to their current Medicaid obligations; the Federal government meets a similar test; the Federal government contributes to the innovating individual States the equivalent of the refundable tax credit for the population eligible for it; and the State program provides at least the specified minimum basic insurance plan required for tax credit eligibility.

(c) Over time, consider broader expansion of State innovations (whether regulatory or market-oriented) as they demonstrate success.

(4) To offset the governmental costs associated with expanded coverage:

(a) Reduce projected costs by enacting malpractice reform, ending scams, and assuming appropriate efficiency gains from the new incentive systems (provider restructuring, more "managed care," and more consumer attention to possible costs and choices in the market place).

(b) Set the new specified basic insurance plan's terms, its assumed premium level, and the new tax cap, tax credit and phase-out schedule so that the cost of the new tax credit exactly equals what is gained from the capping of excludable premiums (plus amounts reclaimed from windfalls that would otherwise accrue from increased coverage -- as, e.g., in Medicare DSH, IME, and DME subsidies for currently uncovered care.)

(c) [If Medicare or long-term care initiatives are also to be included, add partial means-testing for Medicare and (perhaps) conforming Medicare age eligibility with Social Security.]

III. NEXT STEPS

If a detailed plan could credibly be fit within this framework, it would allow the President to propose:

- o access to affordable health insurance coverage for all Americans;
- o incentives to increase individual choice; to emphasize prevention; and to restrain the growth of health costs;
- o without abandoning the strengths of America's private health system; without new spending mandates for States and employers; and without an overall increase in taxes.

If this framework has appeal, detailed design work, pricing, and analysis needs to be done (discretely) to determine whether the framework is in fact viable. If it does not prove viable upon detailed analysis, it is probably the case that no plan can be designed to provide universal coverage unless:

- o either it involves a net tax (or deficit) increase;
- o or it involves a move toward a Canadian-type system.

Neither of these options is attractive at this stage. The fall-back then would have to be some form of incremental initiative(s) plus experimentation by States and continued study.

* * *

1992 Real GNP Consensus Remains At +2.7%

SEPTEMBER 1991 Forecast For 1992 SOURCE:	Percent Change 1992 From 1991 (Year-Over-Year)								Average for Year-1992			Total Units-1992			1992- Net Exports (Con. \$)	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
	Real GNP (Con. \$) (Output)	GNP Deflator (Prices)	Total GNP (Cur.\$)	Consumer Price Index	Indust. Prod. Total	Dis. Pers. Income (Con.\$)	Non-Res. Fix. Inv. (Con.\$)	Profits Pretax (Cur.\$)	Treas. Bills 3-mo.	Corp. Aaa Bonds	Unempl. % Labor Force	Housing Starts (Mil.)	Auto Sales Total (Mil.)	Truck Sales Total (Mil.)		
Bostian Economic Research	3.8H	3.7	7.7H	3.8	5.0	3.4	6.0	21.0	6.8	9.0	5.8	1.45	9.9	4.8	14.0H	
Morris Cohen & Associates	3.7	3.2	7.0	4.0	5.5	3.2	4.0	19.0	6.8	8.2	6.2	1.45	9.7	4.8	-9.5	
Chicago Corporation	3.5	3.8	7.5	3.7	7.5H	2.9	7.4	24.7	5.9	9.1	6.3	--	9.7	4.7	-16.0	
Arnhold & S. Bleichroeder*	3.4	3.8	7.3	4.0	5.0	3.5H	4.6	11.0	7.5H	9.2	5.7	1.40	10.0	4.5	-9.0	
Morgan Stanley & Co.	3.4	3.5	7.0	3.8	5.6	2.9	4.8	11.1	--	--	6.6	1.25	9.9	--	-1.0	
UCLA Business Forecast*	3.4	2.7	6.2	3.8	6.6	3.5H	5.4	15.2	6.1	9.3	6.1	1.39	10.1H	4.5	-7.0	
Wayne Hummer & Co.-Chicago*	3.3	3.7	7.1	3.8	3.7	3.0	5.2	19.0	5.8	9.2	6.4	1.37	9.8	4.7	8.0	
Caterpillar	3.2	3.0	6.2	3.5	5.4	2.8	2.7	17.3	6.0	8.6	6.3	1.13	9.1	--	-25.3	
Northern Trust Company	3.1	4.0	7.3	3.6	5.5	2.7	4.7	13.1	6.0	8.9	6.6	1.25	9.7	4.8	-8.4	
Shawmut National Corp	3.1	4.0	7.2	3.9	4.4	3.1	3.4	16.1	5.8	9.1	6.4	1.34	9.7	4.1L	-30.9	
Turning Points (Micrometrics)	3.1	3.8	7.0	3.1	3.8	2.7	3.5	11.9	5.9	9.0	6.4	1.36	9.7	4.5	-16.8	
LaSalle National Bank	3.1	3.4	6.6	3.7	3.9	3.0	3.6	10.4	6.1	9.1	6.2	1.17	9.3	4.7	-14.0	
Cahners Economics	3.0	3.8	6.9	4.3	4.3	2.6	4.3	10.7	6.8	9.4H	6.5	1.27	9.1	4.2	-6.1	
Sears Roebuck & Co.	3.0	3.5	6.5	4.7	4.5	2.9	6.9	8.5	6.5	9.2	5.6L	1.27	9.6	--	-20.0	
Econoclast	3.0	3.1	6.1	3.0	4.1	2.9	3.2	8.5	6.4	9.4H	6.7	1.27	9.7	4.5	12.0	
First Interstate Bancorp	3.0	3.0	6.1	3.4	4.0	2.8	2.4	7.0	5.6	8.6	6.6	1.28	9.6	4.6	-9.1	
Faimodel	2.9	3.9	6.9	3.8	3.3	2.5	0.9	29.9H	6.1	8.6	6.2	1.36	9.2	--	-43.5	
Chase Manhattan Bank	2.9	3.7	6.7	4.0	3.4	2.7	5.3	10.0	5.4	9.2	6.8	1.22	9.3	--	-41.0	
Eggert Economic Enterprises, Inc.	2.9	3.6	6.6	3.8	4.3	3.5H	4.2	11.0	6.2	8.9	6.4	1.34	9.6	4.7	-6.0	
Dean Witter Reynolds, Inc.	2.9	3.5	6.4	3.7	4.4	2.8	5.5	14.1	5.9	9.0	6.6	1.29	9.5	--	-3.3	
Chrysler Corporation	2.8	3.9	6.9	3.8	3.9	3.1	1.7	15.3	5.8	9.1	6.4	1.40	9.7	5.1	-27.3	
Merrill Lynch	2.8	3.8	6.6	3.8	4.7	2.8	2.5	18.5	5.5	9.0	6.7	1.24	9.5	--	-17.5	
E I Du Pont de Nemours & Co.**	2.8	3.6	6.5	3.9	5.4	2.7	2.2	--	6.3	8.5	6.5	1.28	9.9	4.8	-20.5	
Morgan Guaranty Trust Co.	2.8	3.5	6.4	3.1	3.7	2.8	4.1	22.0	4.7	8.7	6.8	1.24	9.8	4.7	-16.9	
Dun & Bradstreet	2.7	3.9	6.6	4.1	3.7	2.1	4.3	8.0	5.7	8.9	6.6	1.13	9.3	4.5	-21.8	
Brown Brothers Harriman	2.7	3.6	6.4	3.4	4.7	2.6	3.7	2.8L	--	--	6.3	1.35	9.4	--	-10.1	
Univ. of Michigan M.Q.E.M.**	2.7	3.4	6.2	3.9	2.4	1.5	3.6	15.8	5.6	8.8	6.5	1.49H	10.0	4.8	-38.3	
Bank of America*	2.7	3.4	6.1	3.9	4.4	2.1	7.5H	12.5	5.5	8.9	6.5	1.16	9.4	--	-17.0	
Laurence H. Meyer & Assoc.	2.7	3.0	5.8	3.7	4.8	2.2	4.0	16.5	5.1	8.1	6.6	1.17	9.1	--	-29.0	
Reeder Associates (Charles)	2.6	3.4	6.1	3.9	4.6	1.8	0.9	9.8	5.2	8.6	6.9	1.20	9.3	4.5	11.3	
National Assn. of Home Builders	2.6	3.3	6.0	3.1	4.7	2.5	3.5	14.1	5.3	8.7	6.5	1.25	9.2	5.2H	-18.6	
Ford Motor Co.	2.5	4.0	6.6	3.6	2.9	2.2	1.9	--	5.8	--	6.4	1.29	--	--	-27.8	
Metropolitan Life Insurance Co.	2.5	3.8	6.4	4.0	3.9	2.5	5.5	14.0	5.7	9.0	6.5	1.30	9.8	--	-15.0	
Prudential Insurance Co.	2.5	3.6	6.1	3.5	3.3	3.0	2.5	5.0	5.8	8.2	6.6	1.30	9.2	--	-15.0	
PNC Financial Corp.	2.5	3.5	6.2	4.0	3.8	2.9	2.1	8.3	6.1	8.3	6.5	1.30	9.5	4.5	-25.2	
U.S. Trust Co.	2.5	3.4	6.0	3.5	4.1	2.1	2.1	15.0	5.9	8.9	6.8	1.29	9.0	4.8	-5.0	
Inforum - Univ. of Maryland	2.5	2.9	5.4	2.3L	4.3	2.2	4.1	13.9	3.9L	7.8L	7.7H	0.78L	9.6	--	-20.5	
Conference Board	2.4	3.6	6.1	3.9	3.8	2.7	2.7	13.8	5.2	9.0	6.6	1.21	--	--	-19.9	
Mortgage Bankers Assn. of Amer.	2.4	3.2	5.7	3.4	4.1	2.2	4.0	10.0	5.1	8.5	6.5	1.23	9.0	--	-19.8	
Security Pacific Nat'l. Bank	2.4	3.2	5.6	3.2	3.4	2.4	0.7	11.5	5.3	8.5	6.7	1.16	8.9	--	-21.2	
Nat'l. City Bank of Cleveland	2.3	4.0	6.3	4.1	2.4	2.0	2.5	10.0	6.0	9.1	6.8	1.20	9.2	4.6	-11.0	
Georgia State University	2.3	3.8	6.1	3.7	4.1	2.1	1.2	6.8	5.6	9.1	6.6	1.20	9.4	4.3	-4.0	
CRT Government Securities	2.3	3.5	5.9	3.9	3.3	2.4	2.2	15.2	5.6	8.9	6.4	1.19	9.5	5.0	-3.0	
C.J. Lawrence, Inc.	2.3	3.2	5.8	3.0	2.0	2.7	1.1	15.0	5.0	8.0	6.3	1.30	9.6	--	0.0	
CoreStates Financial Corp.	2.2	3.1	5.4	3.3	3.5	2.0	3.1	7.0	5.9	8.7	6.7	1.17	8.8L	--	-10.3	
Econoviews International Inc.	2.1	4.1H	6.0	5.2	3.7	1.4L	2.5	12.5	6.3	8.7	6.4	1.45	9.8	4.6	-20.0	
Bankers Trust Co.	2.1	3.4	5.7	3.9	3.5	2.1	1.9	8.6	--	--	6.3	1.30	9.3	4.5	-13.6	
Evans Economics	2.1	3.4	5.7	5.3H	2.5	2.8	1.8	6.3	5.2	9.3	6.6	1.27	9.4	--	-70.7L	
Manufacturers Nat'l Bank-Detroit	1.9	3.3	5.4	3.4	1.5L	2.5	1.7	10.0	5.6	8.6	6.8	1.20	9.5	4.5	-10.0	
Manufacturers Hanover Trust Co.	1.9	2.5L	4.4L	3.2	2.9	2.1	-1.2L	4.6	6.2	9.4H	6.6	1.16	9.5	--	-10.6	
SOM Economics, Inc.	1.8	4.1H	6.1	4.1	2.1	1.8	1.0	10.6	5.4	8.3	6.9	1.25	9.1	4.4	2.0	
U.S. Chamber of Commerce	0.9L	3.7	4.6	4.1	1.6	1.6	-0.4	4.6	6.0	8.9	7.5	1.21	9.3	4.3	-15.9	
1992 Consensus:	Sept. Avg. (2.7)	3.5	6.3	(3.7)	4.0	2.6	3.3	12.6	5.8	8.8	6.5	1.26	9.5	4.6	-14.9	
	High 10 Avg. 3.4	4.0	7.2	4.4	5.6	3.2	6.0	20.4	6.6	9.3	7.0	1.41	9.9	4.9	3.6	
	Low 10 Avg. 2.0	3.0	5.4	3.1	2.4	1.8	0.8	6.0	5.0	8.2	6.1	1.12	9.1	4.4	-35.9	
	August Avg. (2.7)	3.6	6.3	(3.8)	3.8	2.6	3.3	11.8	6.0	8.9	6.5	1.27	9.5	4.6	-11.9	
Number Of Forecasts Changed From A Month Ago:																
	Down	17	19	22	23	12	17	20	19	30	23	09	15	11	05	23
	Same	21	27	18	22	18	17	18	11	16	18	34	27	28	22	15
	Up	14	06	12	07	22	18	14	20	03	07	09	09	11	04	14
September Median	2.7	3.5	6.2	3.8	4.0	2.7	3.3	11.7	5.8	8.9	6.5	1.27	9.5	4.6	-15.0	

BASIC DATA SOURCES: ¹Gross National Product (GNP), Constant 1982 \$, Bureau of Economic Analysis (BEA); ²GNP Implicit Price Deflator, BEA; ³GNP, Current dollars, BEA; ⁴Consumer Price Index-All Urban Consumers, Bureau of Labor Statistics (BLS); ⁵Total Industrial Production, Federal Reserve Board (FRB); ⁶Disposable Personal Income, Constant 1982 \$, BEA; ⁷Non-residential Fixed Investment, Constant 1982 \$, BEA; ⁸Corporate Profits Before Taxes, Current \$, with Inventory Valuation and Capital Consumption Adjustments, BEA; ⁹Treasury Bills, 3-Month, new issues, Bank Discount Basis, Economic Indicators; ¹⁰Moody's Seasoned, Economic Indicators; ¹¹Unemployment Rate For All Civilian Workers, BLS; ¹²Housing Starts, Bureau of Census, SAAR; ¹³Total U.S. Auto Sales, Annual Rate, BEA; ¹⁴Total U.S. Truck Sales, Annual Rate, Motor Vehicle Manufacturers Association; ¹⁵Net Exports Of Goods And Services, Constant 1982 \$, SAAR, BEA. COPYRIGHT 1991, CAPITOL PUBLICATIONS, INC.

Nearly Three Out Of Four Panel Members Expect Further Fed Easing

When asked, "Will the next shift in Federal Reserve policy be to ease or to tighten?" 73 percent of the 56 panel members who responded to the question said it would be to ease. Most of this group felt the easing would come in September or October of this year and would take the form of a 25 basis point reduction in the federal funds rate target, accompanied by a 50 basis point reduction in the Fed's discount rate.

Additional steps proposed by those who thought the Fed should act more aggressively to spur the economy (two or more mentions) included: actions designed to stimulate money supply growth; a lowering of bank reserve requirements; a delay in the timetable for meeting new bank capital requirements; and stepped-up pressure on banks to pass along to borrowers the benefits of previous easing moves by the Fed.

Of the 27 percent who felt the next Fed move would be to tighten monetary policy, most said that such action would not occur until the first quarter of 1992. At that time, the majority of those in this camp expect a 25 basis point hike in the fed funds rate. Only one panel member foresees an early 1992 increase in the Fed's discount rate.

BEST!
Bob

R.J. Eggert's Summary The overwhelming majority of our panel members continue to believe that a sustainable, though modest, economic recovery is definitely underway. However, it remains clear that the after-effects of the statistically "soft" recession will continue to play "hardball" with many segments of the economy for months to come.

***Yellow logo signals low economic growth, between zero and +2.9%. Red logo warns that Real GNP may drop below 0% growth. Green logo means the economy is expanding above long-range growth potential of 3%**

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II. What are ^{other} forecasting for 1992?

DeWolf Associates—Reston, VA
WEFA Group—Philadelphia, PA
Fortune Magazine—New York, NY
M.A.P.I.—Washington, DC
Eaton Corp.—Cleveland, OH
Standard & Poor's Corp.—New York, NY
DePrince & Associates—New York, NY
Gil Heebner, Eastern College—St. Davids, PA
Peter Bernstein, New York, NY*
Herman I. Liebling Associates—Bethesda, MD
Leonard Silk, New York Times, New York, NY
Albert T. Sommers, The Sommers Letter, New York, NY
Argus Research—New York, NY
The Currency Forecasters Digest—White Plains, NY
First Fidelity Bancorp—Philadelphia, PA
General Motors—New York, NY
Hagerbaumer Economics—Waukegan, IL
Wells Fargo Bank—San Francisco, CA
Conrail—Philadelphia, PA
Motorola Co.—Schaumburg, IL
Joel Popkin & Co.—Washington-DC
Predex Corp.—New York, NY
Weyerhaeuser Co.—Tacoma, WA
Statistical Indicator Associates—N. Egremont, MA
George Gols—Cambridge, MA
Business Economics—Chicago, IL

Percent Change (1992 over 1991)	Full Year
Real GNP	Percent Unemployment
3.4	6.5
3.4	6.4
3.3	6.2
3.2	6.6
3.1	6.6
3.0	6.4
2.9	6.1
2.9	6.6
2.9	6.2
2.8	6.5
2.8	6.2
2.7	6.4
2.6	6.5
2.6	6.2
2.6	6.2
2.6	6.4
2.6	6.3
2.6	6.5
2.6	6.7
2.5	6.3
2.5	6.3
2.4	6.7
2.3	6.7
2.0	6.6
1.3	6.3
0.0	7.5
-0.7	7.3
3.2	6.4 ²
3.4	6.2
2.7	6.5
Compared With: BLUE CHIP CONSENSUS	

¹Mid-Session Review of the Budget, Office of Management and Budget, July 15, 1991. The economic assumptions were developed by the Council of Economic Advisers, the Treasury Department and the Office of Management and Budget. ²Includes armed services residing in the U.S. ³The Economic and Budget Outlook: An Update, Congressional Budget Office, August, 1991, p. xvii. *Former winner of Theodore H. Silbert Forecasting Award, Sterling National Bank & Trust, NY.

September 10, 1991

Class Size and Education Performance

At yesterday's meeting with education reporters, a New York Newsday reporter inquired about the relationship between class size and educational performance, implying that classroom size was increasing and affecting adversely the performance of American school children. The facts suggest otherwise.

1. Average class size in U.S. elementary and secondary schools fell from 29 in 1961 to 23 in 1987. In New York, the average class size in 1987 was 22 students, compared to the national average of 23.

2. Pupil/teacher ratios (another common education measure often discussed with classroom size) suggest similar trends. The pupil/teacher ratio is generally lower than class size, since many teachers do not actually teach in the classroom but work in areas such as curriculum development, mentoring other teachers, and administration.

Pupil/teacher ratios in the United States have gone from 22.32 in 1970-71 to 17.20 in 1989-90. Likewise, for New York, the ratio went from 19.64 in 1970-71 to 14.69 in 1989-90.

3. In March 1988, the Education Department reviewed the literature on the effects of class size on educational achievement and generally found no correlation:

- Unless the number of pupils per class is reduced substantially below 20 -- at least to 15 according to one research review -- there is little measurable change in student achievement.
- Practices in other countries lend little support to the idea that academic excellence requires smaller classes. Japan, for example, has an average of 41 pupils in its mathematics classes, yet leads the world in math achievement.
- Reducing class size is an expensive proposition, especially if it requires the building of additional classrooms. To reduce the average size of all U.S. public school classes by just one student in one year would cost an estimated \$5 billion.

September 11, 1991

1. How is it possible that number 2 did not know what was going on?
 - o There are few places in government where you need the permission or concurrence of a deputy to see the boss.
 - o Similarly, there are always instances where the deputy and the boss pursue some issues independently of each other.
 - o This is even more true in the intelligence community when one deals with covert and very sensitive activities.
 - o Investigation of Iran-Contra showed that this was a rogue operation thereby underscoring that even if there were normal channels for communication, they were not followed.
 - o It is common knowledge that Casey had a special interest in Central America and that those running the program reported directly to him.
2. Is it true he shaped intelligence estimates to suit the political goals of his superiors?
 - o As an analyst for 20 years, Gates understands that the objectivity and integrity of CIA assessments are essential to its value.
 - o There are many instances when the CIA published intelligence studies unwelcome to the administration during his tenure as DDI and DCI (examples: Lebanon in 1983, Soviet Military Spending, Pessimism regarding the Contras).
 - o Mr. Gates has written repeatedly about this in scholarly publications, spelling out how you can combine relevance to issues and yet preserve the objectivity of the analysis and the organization.
 - o During the time he served as DDI and DCI, committees of Congress received numerous assessments from the CIA and not once did they complain about slanted or politicized intelligence.
 - o This has been recognized by administrations spanning both parties.
 - o I take this as an endorsement of his dedication and expertise.

- o His professionalism has also been recognized by awards he has received.
3. Do you think the confirmation will be politicized?
- o I hope that no one would play politics with our national security.
 - o Gates has the respect of senators from both parties.
 - o We have been impressed by the professional and fair handling of the nomination to this point.
4. He was wrong on his assessment of Gorbachev.
- o Gates always acknowledged Gorbachev's accomplishments in bringing change to the Soviet Union particularly as regards the domestic political situation and foreign policy.
 - o Gates believed that Gorbachev's indecisiveness and continued dedication to communism fatally affected the progress of his reforms, particularly in the economic area.
 - o He pointed out that even with the reforms, the instruments of repression remained available and this was proven during the coup attempt.
 - o The coup proved him correct.
 - o We are still not out of the woods.
 - o He wants reform to succeed as much as anyone else.
 - o Gates also pointed to the continuing expansion of the Soviet military capabilities even under Gorbachev.
5. Shouldn't we postpone the vote until all the facts are in?
- o Examination of this issue has been going on since 1986.
 - o Gates has testified.
 - o If there are any questions, he can address them in the hearings.
 - o Our understanding is that the committee has interviewed dozens of people and is, in our view, in a strong position to make a prompt and informed judgment.
 - o Our national security warrants a professional to head it now -- without delay.
 - o We have already had a postponement.

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August 31, 1991

Andrew H. Card, Jr.
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Arlington, Virginia 22205

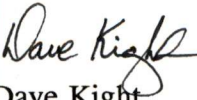
Dear Mr. Card,

I am a senior at the University of North Carolina at Charlotte, and I am currently working on my senior thesis, which is on the Presidency of Ronald Reagan. More specifically, I am focusing on the roles played by the Chiefs of Staff under President Reagan during his tenure as President of the United States. It is my wish to publish this thesis after it is completed.

I have been doing extensive research on the Reagan presidency for some six full months and while there have been numerous books and articles on the subject of the Reagan presidency, I find that the so-called "insider" books are quite self-serving for the authors. Therefore, I feel it necessary to interview or at least speak with as many senior Reagan officials as possible. I feel that your tenure as head of the White House Office of Intergovernmental Affairs allowed you enviable access to the inner workings of the White House. It is for this reason that I write to you. I would consider it an honor to meet with you to discuss with you the information (or misinformation) that has been written about the Reagan White House. If a face-to-face meeting is impossible, a telephone interview would be acceptable.

I realize that your time is precious, and I would be working around your schedule. I appreciate the time you have taken to read this and I await your response.

Respectfully,


Dave Kight

COMPREHENSIVE HEALTH PLANS:
MAJOR ALTERNATIVES

Dom. Briefing 9/16/91

<u>PLAN/CHARACTERISTIC:</u>	<u>"PLAY-OR-PAY"</u>	<u>"CANADIAN"</u>	<u>POTENTIAL</u>
Access for <u>All</u> (including poor)	Yes	Yes	Yes
Net New <u>Mandated</u> Employer Spending or Employer Tax	Yes*	No (serious adaptation issues -- Yes* w. Russo)	No
Comprehensive Gov- ernmental <u>Price</u> <u>Regulation</u>	Yes (in Mitchell and Rosty Plans)	Yes	No
Continued Major Role for <u>Private</u> <u>Insurance</u> Companies	Yes	No*	Yes
Income <u>Tax Exclusion</u> for Employer-paid Premiums (or tax equivalent)	Unlimited	Unlimited	Capped*
Refundable <u>Tax</u> <u>Credit</u> for Low Income (to cover health insurance)	No	No	Yes
Treatment of <u>Small Business</u>	Play-or-Pay* (w. credits)	Universal plan (some new pay)	Regulatory reforms and market pooling tax benefit equalization
Treatment of <u>Medicaid</u>	Replaced with "Americare" (for all not in "play")	Replaced by single universal plan	Replaced, over time, as State innovate with broader pools
Consumer <u>Choice</u>	Medium	Low	Higher
<u>"Rationing"</u> Potential	Low	High*	Low

* Note: Bold entries signify special political risk.

AGENDA -- 9/16/91

Dom. Briefing
9/16/91
AHO

(1) Health: OK to go to next steps?

(2) CR Risk (or 2nd CR Risk)

The risk is a conventional CR plus:

- Gag rule repeal;
- Agriculture disaster assistance;
- FEMA addition (without offsets);
- Israeli loan guarantees; and
- Extended unemployment benefits.

(3) Other



Don. Buehig 9/16/91

[] - delete _____ - add

POSSIBLE AGREEMENT ON POLICY WITH RESPECT TO PREGNANCY-
RELATED SERVICES IN TITLE X FUNDED CLINICS

When a woman comes in for family planning services and is determined in the course of the visit to be pregnant, she should be offered information regarding her pregnancy if she requests it. The provider of services will furnish a list of community resources for [medical care] pre-natal care and social services. In addition, the project will provide the woman with written information to be developed by the Secretary of Health and Human Services about appropriate prenatal care that includes a discussion of proper nutrition and exercise, the need to avoid alcohol, drug and tobacco use, and the importance of receiving medical care.

The provider will also make available, at the woman's request a separate list(s) [a list] of [all known] providers of adoption and abortion services within the service area. Except in those areas where there are no other providers of abortion services, the list may not include providers whose principal activity is the provision of abortions.

The project shall give factual answers to questions the woman has about [her] pregnancy and all [her] legal and medical options. Questions about an individual's medical conditions that relate to her pregnancy should be referred to an appropriate practitioner. [The project is not to provide directive counseling to the woman on her pregnancy.] Should this process of answering questions be found to be directive or "steering" women towards abortion, the Title X project would be subject to the procedures proscribed for misuse of grant funds, including termination of the grant or portion of the grant which funds the project.

If requested, the project will make every effort to assist the pregnant woman in making an appointment with a prenatal care provider.

Nothing in these regulations is intended to [limit the responsibility of a licensed clinician to provide information necessary to the needs of an individual patient] preclude a licensed health care professional fulfilling his or her professional duty to an individual patient. However, the notion of 'professional responsibility' does not allow actions that 'steer' women towards abortion.

Nothing in these regulations is intended to circumscribe the services offered by a Title X provider with other segregated public or private funds.

COMPREHENSIVE HEALTH PLANS:
MAJOR ALTERNATIVES

file 9-13-91
Dom. Briefing

<u>PLAN/CHARACTERISTIC:</u>	<u>"PLAY-OR-PAY"</u>	<u>"CANADIAN"</u>	<u>POTENTIAL</u>
Access for <u>All</u> (including poor)	Yes	Yes	Yes
Net New <u>Mandated</u> Employer Spending or Employer Tax	Yes*	No (serious adaptation issues -- Yes* w. Russo)	No
Comprehensive Gov- ernmental <u>Price</u> <u>Regulation</u>	Yes (in Mitchell and Rosty Plans)	Yes	No
Continued Major Role for <u>Private</u> <u>Insurance</u> Companies	Yes	No*	Yes
Income <u>Tax Exclusion</u> for Employer-paid Premiums (or tax equivalent)	Unlimited	Unlimited	Capped*
Refundable <u>Tax</u> <u>Credit</u> for Low Income (to cover health insurance)	No	No	Yes
Treatment of <u>Small Business</u>	Play-or-Pay* (w. credits)	Universal plan (some new pay)	Regulatory reforms and market pooling tax benefit equalization
Treatment of <u>Medicaid</u>	Replaced with "Americare" (for all not in "play")	Replaced by single universal plan	Replaced, over time, as State innovate with broader pools
Consumer <u>Choice</u>	Medium	Low	Higher
<u>"Rationing"</u> Potential	Low	High*	Low

* Note: Bold entries signify special political risk.

? studies stop

Don. Biegi 9/5/91

ONDCP
OSTP
OPD
WHO
Space Council
etc

Federal Civilian Employment (Full Time Equivalent, Executive Branch Only)				
Agency	FY 1989	FY 1992	Difference 1992 less 1989	Percent Change 1989 to 1992
Justice	76,402	96,236	19,834	25.96%
Environmental Protection Agency	14,088	17,621	3,533	25.08%
Executive Office of the President	1,551	1,925	374	24.11%
Transportation	63,197	70,609	7,412	11.73%
Education	4,424	4,927	503	11.37%
Commerce (excluding Census)	25,091	27,868	2,777	11.07%
Energy	16,533	18,330	1,797	10.87%
NASA	23,054	25,032	1,978	8.58%
Housing & Urban Development	13,212	14,250	1,038	7.86%
Health and Human Services	117,495	125,103	7,608	6.48%
All Other Agencies	146,070	154,166	8,096	5.54%
Interior	71,372	74,491	3,119	4.37%
State	25,491	26,458	967	3.79%
Veterans Affairs	212,231	218,138	5,907	2.78%
Agriculture	109,567	111,402	1,835	1.67%
Treasury	154,432	156,889	2,457	1.59%
Labor	18,444	18,628	184	1.00%
Census	15,059	7,572	-7,487	-49.72%
Subtotal	1,107,713	1,169,645	61,932	5.59%
Defense <i>civilians</i>	1,023,085	942,184	-80,901	-7.91%
TOTAL	2,130,798	2,111,829	-18,969	-0.89%

September 4, 1991

Don. Bink 9/5/91

National Education Goals Panel Report

The National Education Goals Panel (6 Governors, 4 Administration Representatives, 4 Congressional Leaders) will issue its first report on September 30, on the two year anniversary of the Charlottesville Summit.

1. The title of the report, "The 1991 National Education Goals Report: Building a Nation of Learners" echoes a central theme of America 2000, that we must become a nation of students.

2. The format of the report is straightforward. The first part includes measures related to the six national education goals. The second part will include some other data the panel felt was useful and some selected measures of the 21 objectives adopted as part of the goals document. What is important is that by separating out the goals we have been able to retain the focus on performance (results). The objectives, by and large, tend to measure inputs (resources).

3. There will be two sections for each goal. The first will focus on what we now know. The second on what we still need to know. For example, we do not know have any accurate measures of goal 1 (readiness for school) and we will simply report that we are in the process of developing these measures.

4. We have made good progress on the goal of all students demonstrating competence in mathematics, science, English, history, and geography as measured in the fourth, eighth, and twelfth grades. There is now agreement on the need for national standards (what students should know and be able to do) and an assessment system to measure whether students have achieved those standards. Most of the Panel's work has been on this goal which is clearly driving the system towards measuring results rather than inputs.

5. The Federal report card, by reporting on Federal spending and activities in 1989, 1990, and 1991, gives us high marks for effort. It reveals marked increases in spending for most categories in both nominal and constant dollars.

THE FEDERAL ROLE IN MEETING THE NATIONAL EDUCATION GOALS

Chapter Overview

State and local governments bear the primary responsibility for providing educational services and, therefore, restructuring the education system to achieve the education goals. However, at the Charlottesville Summit and in the Goals Statement the President and the Governors recognized that the federal government has an important role to play as well. That role includes financial support for access, equity, and excellence in education as well as research and development, improving the flexibility of federal programs, and reducing federal mandates that divert states' resources away from the needs of children.

This chapter is intended to provide a report on the status of the federal role. It differs from other parts of this document in that it includes neither goals and targets, nor specific performance measures. Instead it provides baseline expenditure and participation data against which future changes in federal resources and federal priorities can be evaluated.

The reason for this difference is twofold. First, the federal role is not primary. That is, in most cases federal programs are designed specifically to supplement other state, local or private resources. As a result there is little outcome data that relates to the impact of federal programs alone. Instead, the impact of federal programs is subsumed in the general data on overall educational outcomes. Second, while the President and the Governors agreed on the importance and nature of the federal role, they recognized that the final decision as to the scope and scale of the federal role is ultimately determined through the legislative and appropriations process.

Unlike the measures selected for the goals and objectives which provide data largely independent of the agencies and individuals to be held accountable, the data on the federal role is provided almost exclusively by the federal government itself. The Panel relied on the U.S. Office of Management and Budget to supply the necessary fiscal data and agency reports and budget justifications for data on program participation levels. While the panel believes that every effort has been made to ensure the accuracy of the data and the appropriateness of its classification, it is unable to offer independent verification.

In developing financial data and program participation data to describe the federal role, the panel faced five separate but related problems. These problems shape the nature of this first report on the federal role and provide direction for improving it in future years:

- 1) The selection of the programs to be included in the report - The broad nature of the goals and the inclusion of both

readiness and lifelong learning suggest the need to include a variety of programs that go beyond the traditional list of education programs. The combination of programs included in this report thus differ from any previous compilation of federal programs in education. They also suggest a need in future years to collect similar information from state and local governments as well as the private sector to provide a better understanding of the context for federal support;

- 2) **The financial data to be used** - The nature of the federal budget process often produces significant differences between budget authority (appropriations), budget obligations (commitments to spend fund) and budget outlays (actual spending). In addition, the inclusion of loan guarantee programs in higher education add another degree of complexity. Agencies were asked to provide the kind of financial data that best reflect the resources committed to the program during the 1989, 1990, and 1991 federal fiscal years. To monitor changes in the federal financial role over time will usually require that the same reporting method selected this year for reporting financial data on individual programs be used in future years;
- 3) **The classification or assignment of programs to specific goal areas** - Assigning a dollar figure to individual goals was not possible this year. Many programs are only partially designed to meet the national goals or provide services that cut across the six goal areas. To make it possible to report some useful information this year, agencies and departments were asked to identify programs with goal-related activities in one of three categories -- preschool-aged children, school-aged children (elementary and high school), and postsecondary individuals and adults. Where only parts of the programs supported the goals (a frequent occurrence for programs outside of the U.S. Department of Education), they were asked to estimate the proportion of funds for goal-related activities in each of the three categories. While we expect to continue to report financial data in the three classifications, we hope that future reports will allow more precise accounting of data in relation to the six individual goals as new data collection methods are developed;
- 4) **The use of participation data** - Where appropriate and available participation data were gathered from the programs highlighted in this chapter. They are intended to provide a baseline with which to assess changes in the federal role in future years. As with financial information, the kinds of data breakouts required for this initial report were often incompatible with the programs' existing participation classifications or noncomparable from program to program. Again, we expect that future editions of this report will include more complete and readily applicable participation data as new data gathering methods are developed;

- 5) **The absence of state and local context** - In future years we hope this report can define, in measurable terms, the "needs" that are supposed to be addressed through federal assistance, either singly or in combination with other levels of government and the private sector. We would also like to depict both the financial contributions and program impacts of the federal government and other sectors in meeting these identified needs. For this year's report, it was only possible to collect the most limited information of this type, making it difficult for one to assess the adequacy of the federal financial investment.

This chapter is organized by four core sections that reflect explicit areas of commitment by the President and the Governors regarding the appropriate nature of the Federal role in helping to achieve the goals:

The Federal Financial Role - this section identifies and describes federal programs that support activities related to meeting the National Education Goals. It lists their budget allocations (or where noted, their obligations or expenditures) for fiscal years 1989 through 1991 for three distinct categories: preschool-aged children; school-aged children, and; postsecondary/adult. Participation data when available are also included. Future editions of this report will compare the most recent data from these programs with the initial baseline data in order to describe changes over time in the size and scope of the federal financial role.

Federal Support for Educational Research and Development - this section describes Federal efforts to investigate and develop theory, methods, techniques, etc. that foster activities related to the National Education Goals. Spending levels for Indicators and Assessment, and Research and Development are specifically highlighted.

Federal Efforts to Increase State and Local Flexibility - this section contains a rationale for increasing "flexibility" in how state and local governments may use federal funds for enhancing educational outcomes. A short description of preliminary efforts to increase spending flexibility is also included.

Federal Efforts to Control Mandates - this section describes the possible negative impact on education of federal "mandates" or requirements for states to spend more of their money in non-education areas designated by the Federal government. A list of mandates imposed on the states since 1989 is included.

In combination, the information contained in these sections illustrates the overall federal role in education and documents the federal government's contribution to the achievement of the education goals. By reporting similar and expanded data in future years we hope to allow the policymakers and the public to monitor changes in the federal role and provide a partial bases for the making of informed decisions on its desired nature and breath.

The Federal Financial Role

Introduction

The federal government will appropriate about \$59 billion in FY 1991 for services and activities related to the National Education Goals. While this may represent a fraction of our nation's total education investment its special focus on activities to promote access, equity, and excellence makes its impact on the educational system particularly important.

In this section we identify baseline indicators of the federal financial investment in goal-related activities through the description of pertinent federally sponsored programs and their levels of funding. In carrying-out this task, we relied upon the U.S. Office of Management and Budget (OMB) to supply the necessary fiscal data and agency reports and budget justifications for program participation data. Assigning a dollar figure to individual goals, however, was not possible this year. Instead, OMB requested that federal agencies and departments identify programs with goal-related activities that serve one of three general categories: preschool-aged children (birth through age 5), school-aged children (ages 6 through 18 or grades 1 through 12), or individuals beyond high school age (19 and older). The federal departments and agencies were then asked to estimate the amount of money appropriated in each identified program for goal-related activities. In those cases where a federal program covered more than one general category, the department or agency was instructed to break-out or estimate the proportion of funds appropriated for goal-related activities in each category¹.

In what follows, we list the level of federal education spending and percent change in current and constant dollars in different federal agencies over the past three years for three groups: young children who have yet to enter first grade; elementary and secondary school students; and persons over the age of 18. For each of these groups we then highlight major programs² within groups, note the current condition of education in areas relevant to promoting increased educational access, equity, and excellence and, where available and appropriate, report program participation levels. Little, however, is said about the size of the target population or the success at which the perceived need has

¹OMB also allowed agencies to categorize data by programs that provide general support to improve education; i.e., a residual category designed to capture information on funding for programs or activities which do not fit into any of the three general categories.

²"Major" programs have appropriations of \$100 million dollars or more for fiscal year 1991.

been met. As was stated in the Chapter Overview, data of the kinds presented here have not been compiled in quite this form or combination in the past and there are many "gaps" that must be filled. There are state and local efforts not included that speak to specific needs and which support goal related activities. In order to make definitive statements regarding the meeting of need, therefore, these programs and activities must also be considered as well as an analysis of combined federal efforts in a given need area. Without this information, it is difficult to put the federal financial role in perspective. These kinds of analyses are our goal as data collection and reporting methods for the federal financial role are developed and improved.

The Federal Financial Investment: Preschool to Adult

The preschool-aged, school-aged, and beyond high school categories emerged from an analysis of the National Education Goals and from statements jointly issued by the President and the Governors. Goal 1, for example, explicitly deals with the preschool child while Goal 5 and its objectives are concerned with the postsecondary years. Goals 2, 3, 4 and 6, on the other hand, cover the elementary and secondary years of school-aged children. The overall result of using this categorizing scheme is illustrated in TABLE 1 and Figure 1.

TABLE 1

Federal Funding¹ for Programs that Improve the Education/Provide Services to Preschool-aged, School-aged, and Postsecondary Students and Adults

\$ in millions

	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS
Preschool-aged	9,155	11,119	14,201	55%	41%
School-aged	15,437	16,848	18,764	22%	11%
Postsecondary/- Adult	21,453	22,710	24,286	13%	3%
Other ²	2,871	1,309	1,499	N/A	N/A
TOTAL	48,916	51,986	58,750	20%	9%

TABLE 1 highlights the amount of money that the federal government has appropriated over the past three years for National Education Goals activities related to the education and well being of preschool-aged children, children in school, and students and adults in the post-secondary years; while Figure 1 illustrates the proportion of the total funds that each of these three areas represent in fiscal year 1991. The "other" categories in both TABLE 1 and Figure 1 reflect those cross-cutting programs that promote the Education Goals but are not unique to one of the three broad categories. Programs for preschool-aged children has the largest percent change in funding between years 1989 and 1991 both in constant and current dollars (TABLE 1). In terms of the proportion of funds expended by category, post-secondary/adult programs received the largest share in fiscal year 1991 (Figure 1).

¹Figures rounded to nearest \$million.

²Programs that cut across the other three Program Types

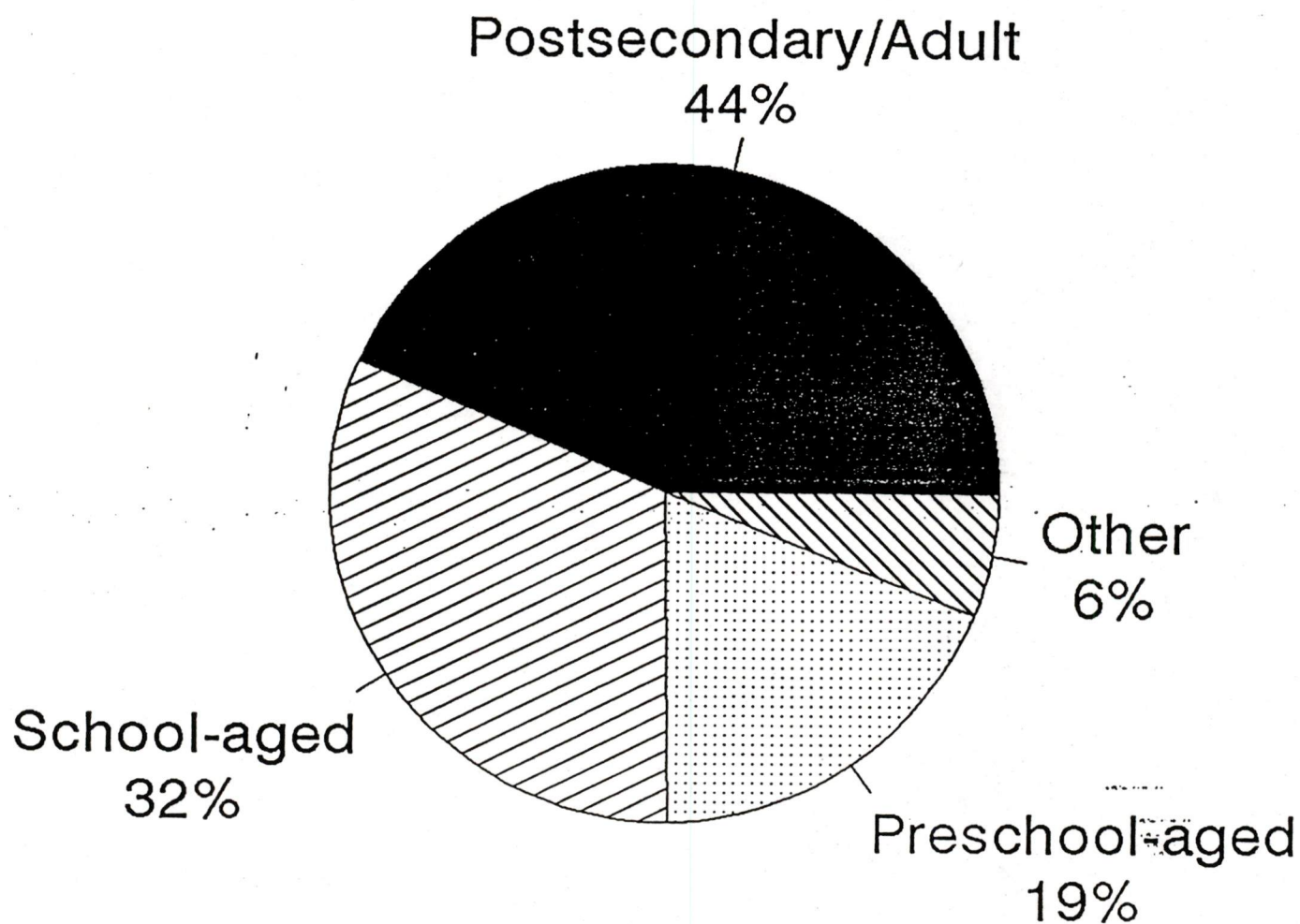


Figure 1: Proportion of 1991 Federal dollars allotted to programs that improve the education/services to preschool-aged, school-aged and postsecondary students (Percents exceed 100% due to rounding).

The Preschool-age Years

In the Charlottesville joint statement, the President and the Governors reiterated the federal government's role in promoting "national education equity by helping poor children get off to a good start in school." Research has demonstrated that early childhood experiences such as participation in preschool programs, access to adequate health care, good nutrition, and parental involvement in learning can be important factors in ensuring that all children enter school ready to learn. This focus is embodied in the statement that "[o]ur first priority must be to provide at least one year of preschool for all disadvantaged children (National Education Goals Statement, Feb. 15, 1990)." This is a formidable challenge since the most recently available statistics (1990) indicate that only about a third of children from families with incomes of \$10,000 or less have preschool experiences.

TABLE 2 lists federal spending by department or agency supporting the education and services to young children for fiscal years 1989, 1990, and 1991³. This level of spending currently constitutes about 19% of all Federal spending for services and activities related to the National Education Goals.

TABLE 2

Federal Funding³ by Department/Agency⁴ for Programs that Improve Education/Provide Services to Preschool-aged Children.

\$ in millions

DEPARTMENT/ AGENCY ⁵	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS
HHS	5,556	6,956	9,379	69%	54%
USDA	2,565	2,998	3,435	34%	22%
ED	962	1,082	1,287	34%	22%
DOD	47	56	71	51%	38%
ACT	24	26	26	8%	-1%
DOI	0	0	2	N/A	N/A
DOJ	1	1	1	0%	-9%
TOTAL	9,155	11,119	14,201	55%	41%

³Programs allotting less than \$1 million are not included.

³Figures rounded to nearest \$million.

⁴Agencies contributing less than \$1 million are not included.

⁵Complete Department/Agency titles are in Appendix A.

The bulk of these funds move through eleven large programs that make up approximately 93% of the 1991 federal dollars appropriated to improving the education and/or providing services to preschool-aged children in the 50 states and territories. These eleven programs, in turn, focus on preparing young children and their parents for the school experience, improving young children's health, and providing for nutritional supplements if needed. TABLE 3 lists these programs.

TABLE 3

Major Federal Programs⁶ that Improve Education/Provide Services to Preschool-Aged Children

\$ in millions

PROGRAM	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS	SERVICE LEVELS
Medicaid for Children (HHS)	2,731	3,614	4,729	73%	58%	4.8 million young children received Medicaid cards (1990)
WIC (USDA)	1,829	2,126	2,350	28%	17%	1.9 million pregnant woman & infants 2 million children
Head Start (HHS)	1,235	1,552	1,952	58%	44%	596,295 children (1991)
CACFP (USDA)	677	814	1,024	51%	38%	1.3 million children
Foster Care (HHS)	440	390	742	61%	54%	
Chapter 1 (ED)	494	583	682	35%	23%	407,186 children (88-89)
MCH Block Grant (HHS)	554	554	587	6%	-3%	
Special Education (ED)	450	478	584	30%	18%	356,000 children
Community & Migrant Health Centers (HHS)	184	190	198	8%	-2%	
Indian Health Service (HHS)	112	141	173	54%	41%	130,000 children, 0-5 years old (1991)
Other	307	490	962	N/A	N/A	
TOTAL	9,155	11,119	14,201	55%	41%	

⁶Program definitions are in Appendix B.

The amount of money devoted to these activities has increased by 41% between 1989 and 1991. This translates into about \$4 billion (in constant dollars). Most of this amount is accounted for by increases in the Medicaid for Children program, the Women, Infants and Children's program (WIC), Head Start, and CACFP (Child and Adult Care Food Program) programs. The latter provides nutritional assistance to preschoolers in Head Start and other early childhood programs. CACFP serves about 1.3 million children under the age five. About 25% of these children are enrolled in Head Start centers.

These eleven major programs may be divided by the three general types of service/activities that they provide: education, health, and nutrition. Most of these programs are aimed specifically at serving the disadvantaged. Figure 2, illustrates the proportion of 1991 Federal dollars among these eleven programs devoted to each of the three general types of service/activities.

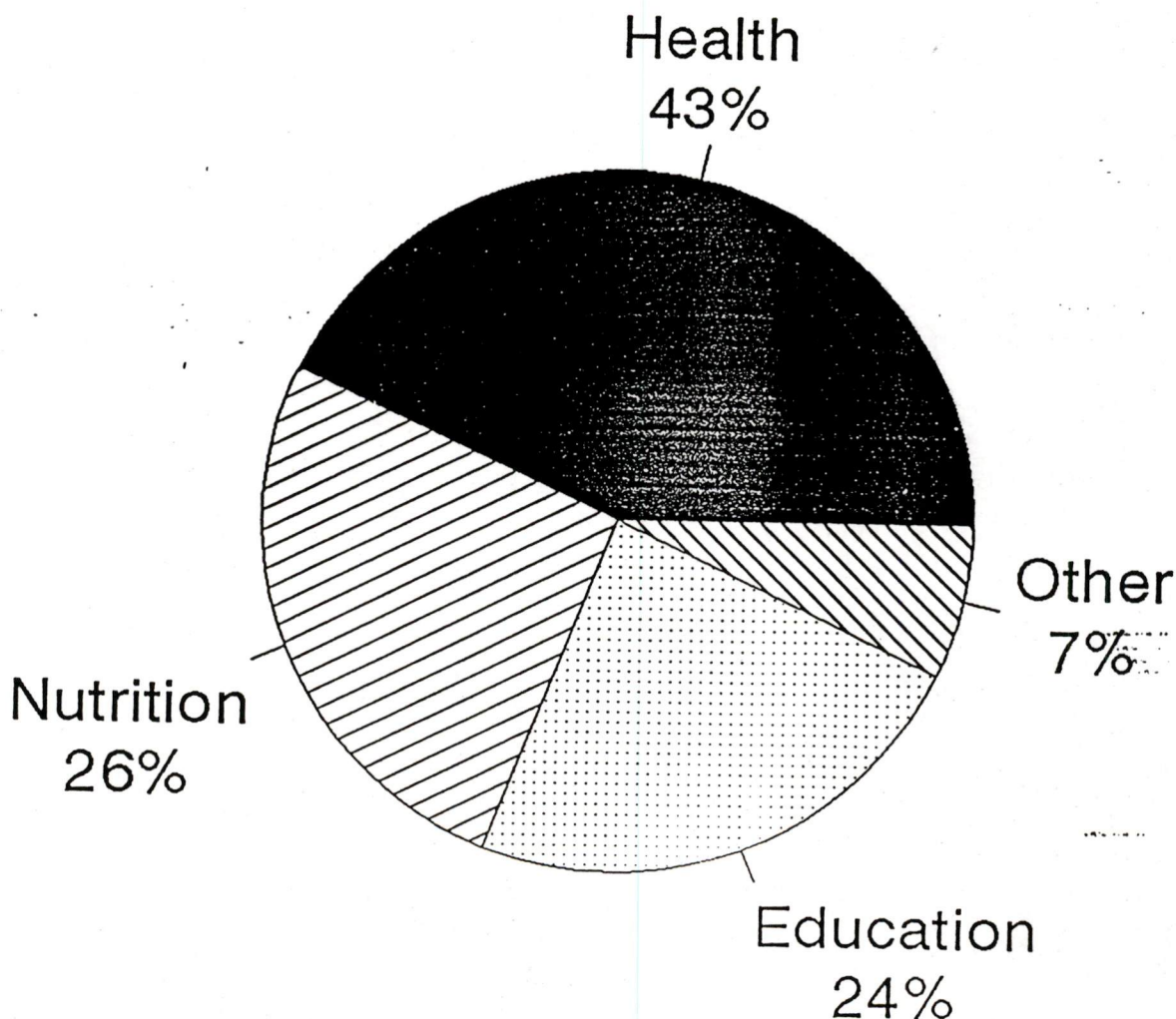


Figure 2: Proportion of 1991 Federal dollars within 11 major preschool programs allotted to nutrition, health, and education.

The School-Aged Years

In establishing the National Education Goals, the President and the Governors addressed the need to improve the education for, and services to, school-aged children in restating the federal government's role in "promoting educational equity by ensuring access to quality educational programs for all students regardless of race, national origin, sex or handicapping condition (National Education Goals Statement, Feb. 25, 1990)." In 1988, over 19% of children 18 years of age and under were living in poverty⁵. Federal funds target those students most in need of assistance due to economic disadvantage or risk of academic failure and should be used to help states in their own efforts to improve academic achievement and school completion. In addition, the federal government provides financial assistance to state and local governments in areas identified to be of critical importance to our country's future such as improving mathematics and science education and promoting drug-free schools.

The federal share of revenues for public elementary and secondary schools has always been relatively small. In 1980 it reached a high of about 10%; by 1988 it had decreased to about 6% where it remains today. The major investment in elementary and secondary education has always been borne by state and local governments with local governments out spending state governments in every year up until 1979. In that year, an historic shift occurred when the state share of revenues rose above the local share for the first time. Today, the states pay for about half the cost of elementary and secondary public education with local and federal governments accounting for the remaining 44% and 6% respectively.

TABLE 4 lists the Federal spending supporting the education of children during their elementary and secondary school years in 15 Federal departments and agencies for fiscal years 1989, 1990, and 1991. Overall, such spending currently constitutes about 32% of the Federal monies spent on services and activities related to the National Education Goals. The Federal investment in these programs has risen approximately 11% in constant dollars between 1989 and 1991. This amounts to an increase in funding of nearly \$2 billion (constant dollars) over this same period.

The 15 departments or agencies listed in TABLE 4 identified nearly 170 individual programs that provide education to, or services aimed at, enhancing the education of, elementary and secondary school children. Out of these nearly 170 programs, 16 accounted for about 92% of the Federal dollars earmarked for this focus area in each of fiscal years 1989, 1990, and 1991. TABLE 5 lists these 16 programs and their appropriations by year. These 16 major programs can be characterized as providing education or services that either: enhances the school environment, fosters excellence in mathematics and science, aids disadvantaged youth, furthers access to education for all, provides job training for youth or promotes school improvement and restructuring.

TABLE 4*

Federal Funding⁷ by Department/Agency⁸ for Programs that Improve Education/Provide Services to School-aged Children (Elementary & High School)

\$ in millions

DEPARTMENT/ AGENCY	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS
ED	8,364	9,342	10,651	27%	16%
USDA	3,823	4,069	4,335	13%	3%
DOL	1,737	1,782	1,835	6%	-4%
DOD	1,068	1,142	1,305	22%	11%
DOI	166	199	222	34%	22%
NSF	128	147	210	64%	49%
HHS	103	110	126	22%	11%
DOE	N/A	7	21	N/A	N/A
ACT	19	19	19	0%	-9%
NEH	12	12	15	25%	14%
NASA	6	7	13	117%	97%
NEA	5	5	5	0%	-9%
SMTH	3	3	3	0%	-9%
STATE	3	3	3	0%	-9%
EPA	0	1	1	N/A	N/A
TOTAL	15,437	16,848	18,764	22%	11%

⁷Figures rounded to nearest \$million.

⁸Agencies contributing less than \$1 million not included.

TABLE 5

14 Major Federal Programs⁹ that Improve Education/Provide Services to
School-aged Children (Elementary & High School)

\$ in millions

PROGRAM	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-91 CONSTANT DOLLARS	SERVICE LEVELS
Chapter I (ED)	4,026	4,721	5,466	36%	24%	4,650,230 students grades 1-12 (88-89)
School Meals Programs (USDA)	3,762	4,007	4,271	14%	3%	24.4 million lunches & 4.4 million breakfasts daily; 1.7 million sum- mer meals; 183 million 1/2 pts of milk (1991)
Special Ed. Basic State Grants (ED)	1,366	1,420	1,705	25%	14%	4,097,837 children served (1991)
Classroom Instruction (DOD)	845	885	998	18%	8%	
Job Corps (DOL)	742	803	867	17%	6%	
Impact Aid (ED)	708	717	741	5%	-5%	
JTPA Summer Jobs (DOL)	709	700	683	-4%	-12%	466,006, 14-17 yr. olds (1990)
Vocational Ed. Basic State Grants (ED)	503	515	518	3%	-6%	97% of all high school students enrolled in at least 1 course (1989)
Drug-Free Schools (ED)	323	504	553	71%	56%	78% of nation's LEA receive program funds (1988-1989)
Chapter 2 (ED)	463	457	450	-3%	-11%	99% of nation's schools received program funds (84-85)
JTPA II-a (DOL)	286	279	285	0%	-9%	43,841, 14-15 yr. olds (1989)
Eisenhower Math/ Science (ED)	128	127	200	56%	42%	1/3 of all math/science teachers benefit annually
Indian Schools (BIA)	162	170	192	19%	8%	40,841 students (1991)
Bilingual Ed. (ED)	100	103	109	9%	-1%	281,322 students (90)
Vocational Rehabilitation State Grants (ED)	116	122	131	13%	3%	
Magnet Schools (ED)	114	113	110	-4%	-12%	54 LEAs in 25 states received funds (1990)
Other ¹⁰	1,084	1,205	1,485	N/A	N/A	
TOTAL	15,437	16,848	18,764	22%	11%	

⁹Figures rounded to nearest \$million.

¹⁰All other Federal programs that improve education/provide services to school-aged children.

The largest nutritional program is the WIC program. This program is designed to meet special nutritional needs and supplement the resources provided through basic income maintenance programs such as food stamps and aid to families with dependent children. Priority for services is generally given to pregnant women and infants. Of the eligible members of these two groups, 85% percent were served in 1989. This represents about 1.9 million women and infants out of an eligibility pool of approximately 2.3 million individuals. An additional 2 million children (ages 1 to 5 years), or 45% of those fully eligible, were also served in 1989. While the WIC program provides direct nutritional services to mothers and their children, other services supporting young children are more indirect. For example, the MCH (Maternal and Child Health) Block Grant allocates funds to states to provide a wide range of health services to mothers, infants and children, particularly those with low income or limited availability of health services, including primary care and rehabilitative services which help alleviate infant mortality problems and provide better access to health care.

The Head Start and Chapter 1 programs are the two largest education oriented programs; both target disadvantaged children. Head Start is a full service program that helps preschool-aged children and their families be better prepared to start school. Chapter 1 provides financial assistance to local education agencies to meet the special needs of educationally deprived children who live in areas with high concentrations of children from low income families. Chapter 1 provides services for children from preschool through high school. The Chapter 1 figures that appear on TABLE 3 are those devoted to preschool-aged children.

Funding levels for both Head Start and the Chapter 1 program have increased in constant dollars between 1989 and 1991 (44% and 23% respectively). Currently, the Head Start program provides services to about 600,000 children ages three to five from low income families. Fifty-five percent of children from low income families who enter kindergarten have had at least one year of Head Start; 20% have had two years. Chapter 1 will serve about 400,000 disadvantaged preschool children and their families in 1991. Figures available from the 1990 October Supplement to the Current Population Survey⁴ indicate that 33% of three- to five-year-olds with incomes under \$10,000 received preschool education verses well over 50% of three- to five-year-olds from families with incomes of \$30,000 or more.

⁴Population Division, U.S. Bureau of the Census.

⁵Ibid

Chapter 1 is the largest program listed. Available data (Fall 1988) indicate that 12% of the k-12 public school enrollment and 11% of the public and private enrollment were served by Chapter 1. The Chapter 1 program provides supplementary reading and/or mathematics instruction to over 5 million Kindergarten through grade 12 disadvantaged students. This represents about 55% of the eligible population pool.

The greatest increase in terms of percent change, however, occurred in the Drug Free Schools program. It has received about a 56% increase in constant dollars between 1989 and 1991. This program is now available in approximately 12,000 out of the nation's 15,000 school districts.

Increasing the incidence of school completion is one of the priorities of the National Education Goals Panel. On average, about 4.5% of all 15- to 24-year-olds in grades 10 to 12 dropped out of school each year between 1986 and 1988⁶. Dropout rates for Blacks and Hispanics are higher than those for whites. Of the programs listed on TABLE 5, Chapter 1, Vocational Education, Drug-Free Schools, Bilingual Education and Magnet Schools all have a potential positive effect on the dropout problem. These programs provide education and other services to the disadvantaged and children at risk.

⁶SOURCE: U.S. Department of Education, National Center for Education Statistics, *Dropout Rate in the United States: 1989; High School and Beyond survey, sophomore cohort.*

The Post-Secondary Years

In the National Education Goals document is a commitment is made to broaden accessibility to a quality postsecondary education and to better prepare America's workforce. A larger share of our population, especially from working class, poor, and minority backgrounds, must be helped to attend, remain in, and graduate from college. The federal government's role in ensuring access for qualified students is critical. As noted in the National Education Goals statement, "[t]he federal government should continue to examine ways to reduce students' increasing debt burden and to address the proper balance between grant and loan programs." Moreover, learning itself must be broadened to include all adult Americans whether or not they are formally enrolled in postsecondary education. Comprehensive, lifelong learning and training opportunities should be available for workers throughout their careers. The federal government has an important role in helping to provide such opportunities through programs such as the Job Training Partnership Act and adult and vocational education. A more well-educated, literate population will be better prepared to compete effectively in the world economy.

TABLE 6 lists the Federal spending supporting the post-secondary education of adults. These figures represent the efforts of 19 Federal departments and agencies for fiscal years 1989, 1990, and 1991. Overall, such spending currently constitutes about 43% of the Federal monies expended on activities and programs related to the National Education Goals.

The figures in TABLE 6, cover over 200 Federal programs. Out of these programs, 28 account for over 92% of the Federal funds appropriated to the improvement of education or the provision of services to individuals after high school in fiscal years 1989, 1990, and 1991 (some of these 28 programs include several individual Federal efforts subsumed under a common program title). TABLE 7 lists these 28 major program titles and their dollar figures for years 1989 through 1991. In general, these programs focus on accessibility to higher education, adult literacy, and the work force.

TABLE 6

Federal Funding¹¹ by Department/Agency for Programs that Improve Education/Provide Services to Individuals after High School (Postsecondary/Adult)

\$ in millions

DEPARTMENT/ AGENCY	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS
ED	13,032	13,799	14,685	13%	3%
DOD	3,322	3,402	3,464	4%	-5%
HHS	1,941	2,372	2,828	46%	33%
DOL	1,711	1,711	1,737	2%	-7%
VA	882	736	797	-10%	-18%
USDA	141	174	187	33%	21%
NSF	97	122	156	61%	47%
DOT	118	128	130	10%	0%
NEH	63	67	74	17%	7%
DOI	66	68	70	6%	-3%
NASA	32	44	55	72%	57%
DOE	N/A	35	43	N/A	N/A
SMTH	24	23	25	4%	-5%
ACT	10	11	13	30%	18%
HUD	5	6	8	60%	46%
COMMERCE	3	4	4	33%	21%
EPA	1	3	3	200%	173%
HST	2	2	2	0%	-9%
BGSF	1	1	2	100%	82%
NEA	1	1	1	0%	-9%
DOJ	1	1	1	0%	-9%
OPM	0	0	1	N/A	N/A
TOTAL	21,453	22,710	24,286	15%	5%

¹¹Figures rounded to nearest \$million.

TABLE 7 highlights some major changes from years 89 to 91. Both Pell Grants and Higher Education Special Programs for the Disadvantaged have experienced sizable proportional increases. Both these programs broaden the accessibility of post secondary education for individuals who may not have the means to otherwise attend college.

Programs that enhance accessibility to higher education represent the largest proportion of funds spent on postsecondary and adult education. Such programs enable many individuals to attend postsecondary institutions. In 1988, 59% of white 1988 high school graduates were enrolled in college by October 1988, verses about 50% of Blacks and 49% of Hispanic 1988 high school graduates. These figures may be contrasted with the college completion rates for 1990. While about 28% of 25-29 year old white high school graduates had completed four years or more of college, about 16% of Black 25-29 high school graduates and 14% of Hispanic 25-29 year old high school graduates had done so.

Among programs that enhance accessibility to higher education by far the largest programs are Pell Grants and Guaranteed student loans. The figures for Guaranteed Student Loans itemized on TABLES 7 include only the contracted subsidies for the loans; i.e., interest payments while students are in school and during a grace period upon completing school, plus an interest subsidy over the life of the loan⁷. If, however, the total aid available to the student; i.e., the loan amount, on the basis of the Federal Government's commitment is factored into the equation then the figures increase to about: \$12.2 billion in Fiscal Year (FY) 1989; \$10.9 in FY 1990; \$11.7 in FY 1991.

⁷The TABLE 7 allotment figures also include costs associated with loan defaults. The FY 1991 default costs will be approximately \$2 billion.

TABLE 7

Major Federal¹² Programs that Improve Education/Provide Services to
Individuals after High School (Postsecondary & Adult)

\$ in millions

PROGRAM	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS	SERVICE LEVELS
Pell Grants (ED)	4,484	4,805	5,376	20%	9%	3,421,000 grants (91)
Guaranteed Student Loans (ED)	4,067	4,348	4,210	4%	-6%	3,958,000 loans (91)
JTPA Title II-a (DOL)	1,502	1,465	1,494	0%	-9%	691,098, 16 yrs old and up (1989)
Vocational Rehabilitation State Grants (ED)	1,334	1,406	1,502	13%	3%	Over 931,000 served (1991)
Medicare Payments to Hospitals (HHS)	1,440	1,380	1,465	2%	-7%	
Flight Training (DOD)	721	755	828	15%	5%	
AFDC JOBS (HHS)	0	427	725	N/A	N/A	
Special Skills Training (DOD)	604	648	662	10%	0%	
Work Study Grants (ED)	610	602	598	-2%	-11%	Provided assistance to 841,000 (90-91)
G.I. Bill (VA)	660	493	568	-14%	-22%	
ROTC (DOD)	600	551	555	-8%	-16%	
Supplemental Ed. Opportunity Grants (ED)	438	459	520	19%	8%	728,000 student grants (90-91)
Officer Assessments (DOD)	449	462	440	-2%	-11%	

¹²Figures rounded to nearest \$million.

PROGRAM	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS	SERVICE LEVELS
Vocational Education Basic State Grants (ED)	335	343	345	3%	-6%	76% of students in public 2 yr. schools; 100% of proprietary school students (1987)
Higher Education Special Programs for Disadvant- aged Youth (ED)	219	242	334	53%	39%	Over 500,000 service events through a variety of programs (90-91) ¹³
Continuing Ed. (DOD)	380	362	324	-15%	-22%	
NIH Research Training (HHS)	256	286	306	20%	9%	
HRSA Health Professions Grant (HHS)	200	215	261	31%	19%	
Professional Develop- ment Training (DOD)	192	231	230	26%	9%	
Civilian Training (DOD)	168	180	212	26%	15%	
Higher Ed. Aid for Insti- tutional Development (ED)	175	196	205	17%	7%	
Adult Education State Grants (ED)	137	158	201	47%	34%	3.3 million received services 1988-1989)
Medical Training (DOD)	185	189	190	3%	-6%	
JTPA (Indians, migrants, etc.) (DOL)	155	156	159	3%	-7%	
Perkins Loans (ED)	206	148	156	-24%	-31%	688,000 student loans (1991)

¹³There are a number of individual programs subsumed under this heading that account for the 500,000 "events." There were: 174,280 students in the Student Support Services program; 37,670 students in the Upward Bound program; 185,170 students in the Talent Search program; 109,500 students served through Educational Opportunity Centers, and; 1,020 graduate students in the Graduate Outreach program.

PROGRAM	1989	1990	1991	% CHANGE 1989-1991 CURRENT DOLLARS	% CHANGE 1989-1991 CONSTANT DOLLARS	SERVICE LEVELS
Food Stamp Employment & Training (USDA)	126	148	154	22%	11%	
Vocational Rehabilitation (VA)	119	137	121	2%	-7%	
Dependent Education Assistance (VA)	103	106	108	5%	-4%	
Other ¹⁴	1,588	1,812	2,037	N/A	N/A	
TOTAL	21,453	22,710	24,286	13%	3%	

¹⁴All other Federal programs that improve education/provide services to individuals after high school.

TABLE 8 lists the number of students served and the average award for both Guaranteed Student Loans and Pell Grants. The average Guaranteed Student Loan is consistently larger than the average Pell Grant award. The averages for both types of awards have risen modestly over the past three years. The TABLE 8 Pell Grant figures may be compared to those appearing on TABLE 9 which includes the maximum award allowed under the Pell Grant program and the average cost of one year of college for years 1989 through 1991. As can be seen, the average cost of college is larger than the maximum Pell Grant in any of the three years. For instance, in 1991, a maximum grant of \$2,300 would cover a high of 39% of a single year's cost for a two year public institution and a low of 15% of college costs for the average "Independent" (private four and two year institutions). The "average" Pell Grant awards for 1991 (TABLE 8) was about 65% of the maximum allowable award.

TABLE 8

Average Guaranteed Student Loan and Pell Grant Award and Number of Students Served by Fiscal Year

AWARD TYPE	FISCAL YEAR	AVERAGE AWARD	NUMBER OF AWARDS
Pell Grants	1989	\$1,373	3,473,000
	1990	1,438	3,276,000
	1991	1,484	3,421,000
Guaranteed Students Loans	1989	\$2,669	4,558,078
	1990	2,773	3,978,000
	1991	2,774	3,958,000

TABLE 9

Maximum Pell Grants as Percentage of College Costs¹⁵ by Type of Institution and Fiscal Year

	FY 1989	FY 1990	FY 1991
Maximum Award	\$2,300	\$2,300	\$2,300
Average cost of Public 2-year	5,455	5,804	6,176
Maximum as % of " cost	42%	40%	39%
Average cost of Public 4-year	7,109	7,557	8,035
Maximum as % of " cost	32%	30%	30%
Average cost of Independent	14,186	15,223	16,336
Maximum as % of " cost	16%	15%	15%

¹⁵The figures on college costs assume living expenses, and include tuition and fees, room and board, books, supplies, transportation, and miscellaneous expenses. They are averages weighted by undergraduate enrollment, and serve as an analytical index rather than what the average student pays.

In contrast, the maximum Guaranteed Student Loan for FY 1991 ranges from \$2,500 to \$4,000 depending on the loan type and school year; i.e., first, second, third, or fourth year student. The average Guaranteed student loan for FY 1991 is \$2,774 or anywhere from about 45% to 17% of the cost of a single year of college.

Two other programs listed on TABLE 7 are worth noting. The Job Training Partnership Act (JTPA) and the Adult Education program. The JTPA program is designed to provide a broad range of employment training services to disadvantaged youths and adults. There are two JTPA program headings on TABLE 7; the state controlled JTPA Title II-A program and a federally administered program for indians and migrants. Nearly 700,00 disadvantaged individuals age 16 and above participated in the JTPA II-A program in 1990. However, both the JTPA II-A program and the JTPA Indians and migrants program have experienced funding decreases in constant dollars between fiscal years 1989 and 1991. JTPA II-A had a 9% decrease in appropriations while the JTPA indian and migrant program had a 7% decrease.

In contrast to the JTPA program, the Adult Education program has realized about a 34% increase in appropriations in the same time period. Among other activities, the Adult Education program provides educational services to individuals who are less than fully literate. About 3.3 million individuals received services through the Adult Education State Grant program between 1988 and 1989. In spite of these efforts, adult literacy is still a pressing problem. In 1986, the National Assessment of Educational Progress (NAEP) released a report on literacy levels of 21-25 year olds. This report revealed that while most of this population of young adults cannot be classified as "illiterate," neither are they fully "literate" for a technologically advanced society. NAEP developed "literacy scales," representing distinct aspects of literacy, including prose literacy, document literacy, and quantitative literacy. Most young adults adequately performed tasks at the lower levels on each of the three scales, but only a small percentage could perform at levels required for more complex and challenging tasks. Moreover, other NAEP data revealed that approximately 15% of young adults cannot perform simple addition and subtraction.

APPENDIX A

DEPARTMENT/AGENCY TITLES

ACT --	ACTION
BGSF --	Barry Goldwater Scholarships and Excellence in Education Foundation
DOD --	Department of Defense
DOE --	Department of Energy
DOI --	Department of the Interior
DOJ --	Department of Justice
DOL --	Department of Labor
DOT --	Department of Transportation
ED --	Department of Education
EPA --	Environmental Protection Agency
HHS --	Health and Human Services
HUD --	Housing and Urban Development
HST --	Harry S. Truman Scholarship Foundation
NASA --	National Air and Space Administration
NEA --	National Endowment for the Arts
NEH --	National Endowment for the Humanities
NSF --	National Science Foundation
OPM --	Office of Personnel Management
Smth --	Smithsonian
State --	Department of State
USDA --	United States Department of Agriculture
VA --	Veterans Administration

APPENDIX B

PROGRAM DEFINITIONS

Adult Education State Grants -- Grants to states for programs to improve the literacy skills of adults who lack a high school diploma.

AFDC JOBS -- Funding to states for the provision of remedial education, training and work programs for welfare recipients.

CACFP -- The Child and Adult Care Food Program. Provides federal funds and USDA-donated foods to nonresidential child care and adult day care facilities to serve nutritious meals and snacks to participants.

Chapter 1 -- Provides financial assistance to local education agencies to meet the special needs of educationally deprived children who live in areas with high concentrations of children from low-income families.

Chapter 2 --

Childhood Immunization -- Grants to states for immunization services to protect children from many contagious diseases.

Community and Migrant Health Services -- Provide assistance to at-risk and migrant communities for health centers and services that benefit.

Dependent Education Assistance -- Education assistance for immediate family members of veterans who died in service or were captured or missing in action.

Drug Free Schools -- Emergency grants to local education agencies to establish drug education and prevention programs in schools.

Eisenhower Math/Science -- Provides assistance to states and local education agencies for programs to improve the quality of mathematics and science instruction.

Food Stamp Employment and Training --

Foster Care --

G.I. Bill --

Guaranteed Student Loans -- Provides loans to students to help pay for the cost of a higher education.

Head Start -- An early childhood development program for disadvantaged and disabled children ages 3 to 5 that combines education, health and nutrition and active parental involvement to help children be healthy and ready for school.

Higher Education Aid for Institutional Development --

Higher Education Special Program for Disadvantaged (TRIO) -- Support to higher education institutions for programs that provide support services for disadvantaged students.

HRSA Health Professions Grant -- A federal student loan program that helps support graduate students pursuing degrees at health professions schools.

Impact Aid -- Provides financial assistance to school districts whose enrollments are affected by federal activities such as military bases.

Indian Health Service -- A public health service intended to raise the health of American Indians and Alaska Natives.

Indian Schools --

Job Corps -- Residential education program that provides basic education and job skills for disadvantaged youth and adults.

JTPA II a -- Job Training Partnership Act. Federal assistance for alternative education and job skills programs serving disadvantaged youth and adults.

JTPA (Indians, migrants, etc.) --

Magnet Schools --

MCH Block Grant -- Maternal and Child Health Block Grant. Assistance to states for services to reduce infant mortality and improve the health status of mothers and young children.

Medicaid for Children -- Health care for children from low-income families through the Federal Medicaid Program.

Medicare Payments to Hospitals --

NIH Research Training --

Pell Grants -- Federal student aid program that provides grant awards to low-income qualified students to defray the cost of postsecondary education.

Special Education -- A program that ensures that all children with disabilities have available to them a free, appropriate public education.

Vocational Education Basic Grants --

Vocational Rehabilitation State Grants (ED) --

Vocational Rehabilitation (VA) --

WIC -- The Special Supplemental Food Program for Women Infants and Children. Provides nutrition assistance and education to at-risk pregnant women and young children from birth to five years.

FLEXIBILITY

The joint statement from the 1989 education summit at Charlottesville recognized that improving our education performance would require a "...national, bipartisan commitment to excellence and to dramatically altering our system of education." To address this, the President and the nation's governors promised to seek greater flexibility in how state and local recipients used Federal funds in exchange for a greater emphasis on educational outcomes. In short, they sought to "...swap red tape for results."

The National Education Goals Panel remains committed to dramatically improving our education system and achieving results at all levels. In order to do this, we must move from a system that regulates inputs and processes to one that report on outcomes and encourages performance. Both legislative and regulatory changes are needed to ensure maximum flexibility. At the same time, while statutes and regulations should be reviewed and updated regularly to ensure needed flexibility for program administrators and educators, these are not the only impediments to using Federal funds in new and creative ways.

Our unique multi-layered system of providing education services often inhibits educators from being innovative and from taking risks. We must recognized that years of rigidity in the system have yielded policies practices that can often result in individuals unwilling or unable to make bold changes or experiment with new ideas. Our laws, rules, regulations, audit procedures, and, possibly most importantly, our culture must not only allow for such innovation, but actually enable and encourage it. Educators and administrators at the state and local level need to know all of the options available to them and be encouraged to depart from traditional practice when necessary to improve performance.

The National Governors' Association asked the states to identify aspects of existing federal law and regulation that limited their ability to provide effective instructional programs. This information was given to the Federal government and has resulted in some clarifications of federal regulations and recommendations that existing regulations be modified. For instance, the U.S. Department of Education has made clear that equipment used during regular school hours under the Federal Chapter One programs can also be used in the evening for adult education classes.

The Goals Panel considers the efforts made over the last two years to promote increased flexibility in the use of Federal funds to be important first steps in enhancing the effectiveness of the federal/state partnership in education. We will continue to promote the status of structure simplifications, regulatory reform, and other activities that encourage flexibility in future annual reports.

MANDATES

At Charlottesville, the President and the nation's Governors noted how Federal action in area outside of education could adversely affect financial support for education. They expressed particular concern over "mandates" which are federal requirements for states or localities to spend more monies in areas designated by the federal government. These mandates have an especially damaging effect on education, because large and increasing shares of the education dollar come from state sources. Thus, new mandates from the federal government have the effect of limiting the ability of states to support one of its traditional functions, at a time when state financial support for restructuring and reform efforts to help achieve the national education goals is so critical. Recognizing this reality, the joint statement urged "...that the Congress not impose new Federal mandates that are unrelated to children but that require states to spend tax money that could otherwise go to education."

Since Charlottesville there have continued to be additional mandates from the federal government. These mandates enacted by the 101st Congress that impose costs unrelated to children are listed in Table 1. The impact of these mandates, combined with a slowed growth in revenue and rapid increases in the costs of other services such as health and correction, makes it increasingly difficult for states to continue to increase their share of education costs. Localities face similar limits.

The National Education Goals Panel is concerned about the continued imposition of new Federal mandates on states and the subsequent impacts these mandates have on state's ability to provide educational services and support

restructuring and reform. It is especially troubling because of the difficult fiscal situation that state governments are currently facing throughout the country.

NOTE: It is proposed that mandates marked with an asterisk, on the attached list, be include in table 1.

Table 5

Preliminary Listing of 101st Congress Mandated Laws

Program Area	Bill/Regulation Number	Brief Title	Explanation & Programs Affected	Bill Status
Education	S580	Student Athlete Right-to-Know	Requires college disclosure of athlete graduation rates.	P.L. 101-542
	HR7	Vocational Education Act Reauth.	Requires state legislation review of state plan for federal funding.	P.L. 101-392
	HR3614	Drug Free Schools & Community Act	School anti-drug policy required for all fed. school funds.	P.L. 101-226
Environment	S1630	Clean Air Restoration & Standards	Smog, acid rain, toxics—Sharp auto emission reduction by substance.	P.L. 101-549
Health	HR5835	Budget Reconciliation Act of 1990	States are required to phase-in coverage of children below 19 years of age, in households with incomes below 100 percent of poverty level, over a 10-year period beginning in 1992. Effective July 1, 1991.	P.L. 101-508
	HR5835	Budget Reconciliation Act of 1990	Requires states to provide continuous coverage to infants during their first year and post partum women.	P.L. 101-508
	HR5835	Budget Reconciliation Act of 1990	Prohibits states from imposing duration limits on medically necessary inpatient care for Medicaid eligible children under age 6 in disproportionate share of hospitals.	P.L. 101-508

Table 5

Preliminary Listing of 101st Congress Mandated Laws

Program Area	Bill/Regulation Number	Brief Title	Explanation & Programs Affected	Bill Status
Transportation	HR5835	Budget Reconciliation Act of 1990 OASDI	Requires Social Security coverage for state and local employees who are not covered under a retirement plan offered by a state or local employer.	P.L. 101-508
	S2936	Hazardous Materials Transportation	Establishes federal uniform standards and enforced by states in technical areas and for route designation.	P.L. 101-615
	DOT Appropriation	Driver's License Revocation	Reduces the amount of federal highway funds for those states that do not revoke drivers' licenses in certain cases regarding drugs and alcohol.	P.L. 101-516
	HR3015	Drug Abuse/Transportation	War on Drugs funds, 43% domestic cut; requires state plan and education.	P.L. 101-164
	S926	Cash Management Improvement Act	Sets uniform standards for cash flow between federal and state government.	P.L. 101-453
	HR2788	Lobbying: Interior Approp.	Amendment bans all federal funding of lobbying; states must report all lobbying.	P.L. 101-121

Table 5

Preliminary Listing of 101st Congress Mandated Laws

Program Area	Bill/Regulation Number	Brief Title	Explanation & Programs Affected	Bill Status
Human Services	HR5835	Budget Reconciliation Act of 1990	Requires states to provide reimbursement for a larger number of prescription drugs.	P.L. 101-508
	HR 5835	Budget Reconciliation Act of 1990 Child Care	There are no federal standards in the agreement, however, state and local governments must establish minimum health and safety standards, health and safety training, and standards to prevent and control infectious diseases. Some reporting requirements exist. A voucher program must be in place Oct. 1992.	P.L. 101-508
Justice	S3266	Crime Control Act of 1990	States must meet certain criteria to receive grant money.	P.L. 101-647
	HR3562	Nutrition Labeling & Education Act	Federal standards on nutritional labeling set, preempting all previously enacted state standards.	P.L. 101-535
Labor	S933/HR2273	Americans With Disabilities Act	Civil rights to employment, public accommodations, transportation, telecommunications.	P.L. 101-336
Env. & Tax	HR5257	Appropriations Act	Appropriations for Labor, Health & Human Services,	P.L. 101-517

Don. Brink 9/5/91

FEDERAL ACTIVITIES AND THE NATIONAL EDUCATION GOALS

<u>Summary</u>	(\$ in millions)		
	<u>1989</u>	<u>1990</u>	<u>1991</u>
I. Federal programs addressing the National Education Goals.....	48,914	51,985	58,749
II. Federal education research and development.....	219	261	310
III. Federal research and development conducted in universities.....		8,996	9,846
* IV. Tax expenditures.....	9,660	9,990	10,655

This report presents information on Federal support for the national education goals in the four categories shown above. The resources displayed for each category cannot be totalled because of the overlap among amounts reported.

only about half of this \$ is in DoEd.

* childcare credit, etc.

Dom. Buildg 9/5/91

AGENDA -- 9/5/91

> CR only for Foreign Sps build
get Domestic Skills on Time!
problems w/ Defense

- (1) CR Strategy *Break \$10b*
- (2) Federal Civilian Employment
put a freeze on Domestic Civilian Employment?
- (3) HHS Medicare physician reimbursement regulations (Simpson letter to President).
\$6b over five years - AMA now happy w/ Reg. change.
- (4) Education Goals Panel
 - (a) OMB report on education spending
 - (b) 9/4/91 meeting
- (5) Other

AC through Ltr
fold in OPD to W40

Domestic Briefing

August 5, 1991

Domestic Briefing

1. Wallop-Breaux

2. Wetlands

- Fulfilling your no net loss commitment.
- Moving toward a streamlined regime of regulatory reasonableness. Less delay; less confusion.
- Seeking an appropriate balance between wetlands protection and economic development.
- Using market-oriented principles (categorization, mitigation banking) in the service of the environment.
- Remaining issue: The EPA veto.
- Administration approach: Make as many changes as possible administratively. Support legislative changes as appropriate. Likely congressional reactions.

3. Education Event

- Arnold Schwarzenegger*
- National Education Goals: Getting the message into the schools. Generating interest by students, teachers, and parents.
 - Reinforcing the partnership with the Governors. A broadcast into the Schools involving the President, the Governor of the State, and Arnold Schwarzenegger.
 - Classroom discussion and a town meeting-type evening event with parents.

4. Crime Statistics

- Conflicting signals.
- Bureau of Justice Statistics household survey released this week will show a 1 percent decrease in victimization.

- Federal Bureau of Investigation (FBI) report that is embargoed until Sunday measuring crimes reported to police departments will show a 10-11 percent increase in violent crime.

- Possible Responses:

- Renew call for Comprehensive Violent Crime Bill.
- Need for more Federal law enforcement resources. Administration request reduced by the House.

Justice Department release on Federal reforms in the last decade -- sentencing guidelines, bail reforms, etc. -- and the need for positive state actions along the same lines.

5. Congressional Action to Date in 102nd Congress

- Democratic Assertion (Mitchell) of Administration Veto Strategy.
- What the Congress has actually produced and your veto record.

6. Status of Major Domestic Legislation

- America 2000
- Comprehensive Violent Crime Control Act
- Surface Transportation Reauthorization
- Banking Legislation
- National Energy Strategy

7. Title X

- Meeting with Senator Nickles
- Regulations relating to counseling in Family Planning Clinics
- Parental notification



*gun
legislation
prison
construction*

Domestic Policy
8/6/91

AMERICA 2000 EXCELLENCE IN EDUCATION ACT

SENATE

- Staff-level negotiations in progress on compromise version incorporating related Kennedy bills (including S. 2).
- Full committee markup postponed three times. Action expected in September.

HOUSE

- Hearings held. Subcommittee action expected in September.

COMMENTS

- Major issues in Senate negotiations: school choice proposal that includes private schools; competing Goals Panel (basis for veto threat last session); and abortion counseling language in Kennedy flexibility proposal.
- On Sunday, Sen. Mitchell said: "We haven't made a decision on when we will act on the education package."

CRIME BILL

HOUSE

- Two Judiciary subcommittees marked-up drafts on July 31.

SENATE

- S. 1204 passed 7/11/91.

COMMENTS

- The Administration is generally satisfied with the Senate bill. In the House we will pursue identical language for floor amendments with the exception of the exclusionary rule. It is crucial to delete the Racial Justice Act from the House bill. The handgun waiting period provisions are likely to be identical to the Senate Dole-Mitchell amendment.

SURFACE TRANSPORTATION REAUTHORIZATION

HOUSE

- House proposal was reported out of Public Works and Ways and Means Committees with five cent gas tax increase. Ways and Means scored revenue from gas tax lower than Public Works.

SENATE

- Bill was passed in June by 91-7 vote.

COMMENTS

- The Administration has threatened to veto House and Senate bills. Main issues are higher Federal matching share and budget authorizations than proposed by the Administration (House and Senate), little support for National Highway System (Senate), gas tax increase (House), and large amount of earmarked projects (House).
- Our strategy in the House is to force a separate vote on the gas tax and continue to highlight the large amount of earmarked projects.
- Representative Michael was successful in showing strength to separate the gas tax vote from the rest of the bill.
- Speaker Foley sent the bill back to committees to deal with the gas tax increase and scoring differences.

BANKING LEGISLATION

<u>House</u>	<u>Senate</u>	<u>Comments</u>
The Banking Committee approved HR.6 on June 28 by a 31-20 vote. The House Ways and Means, Energy and Commerce, Agriculture and Judiciary committees will markup HR.6 in September.	The Senate Banking Committee approved S.543 on August 2 by a 12-9 vote.	The Energy and Commerce Committee is expected to eliminate bank affiliation with either commercial firms or insurance underwriting firms. It is also expected to impose severe firewalls between a bank and its securities affiliate.

Aspects of the Administration's proposal included in the legislation

Expanded bank powers, including securities and insurance powers.	Expanded bank powers, including securities and insurance powers.	Both the House and Senate bills contain the main tenets of the Administrations' proposal. The most important distinction between the two bills is the treatment of commercial ownership of banks.
Commercial ownership of banks.	Interstate banking and branching.	
Interstate banking and branching.	Recapitalization of the Bank Insurance Fund.	
Recapitalization of the Bank Insurance Fund.	Restructuring the financial regulatory framework.	

Aspects of the Administration's proposal not included in the legislation

Reduction of the deposit insurance safety net.	Commercial ownership of banks.
Restructuring the financial regulatory framework.	Reduction of the deposit insurance safety net.
	Restructuring the financial regulatory

NATIONAL ENERGY STRATEGY

HOUSE

- Committee markup has begun and will continue after the August recess.

SENATE

- The Johnston-Wallop bill is very similar to the National Energy Strategy. While it is ready for Senate floor consideration, Mitchell has not committed to bring it up this Fall.

COMMENTS

- ANWR and CAFE will be major issues during the Senate floor consideration. At this time, it is unclear whether the House Committee will approve legislation on ANWR.

<u>Bill #</u>	<u>Short Title</u>	<u>Passed House</u>	<u>Passed Senate</u>	<u>Final</u>	<u>Signed</u>
H.R. 2427	Energy & Water	5/29/91	7/10/91	8/2/91	
H.R. 2426	Mil Con	5/30/91			
H.R. 2506	Legislative	6/5/91	7/17/91	8/2/91	
H.R. 2519	Veterans	6/6/91	7/18/91		
H.R. 2521	Defense	6/7/91			
H.R. 2608	Commerce, Justice	6/13/91	7/31/91		
H.R. 2621	Foreign Ops	6/19/91			
H.R. 2622	Treasury, Postal	6/18/91	7/18/91		
H.R. 2686	Interior	6/25/91			
H.R. 2698	Agriculture	6/26/91	7/30/91		
H.R. 2699	D.C.	6/26/91	7/18/91	8/2/91	
H.R. 2707	Labor, HHS	6/26/91			
H.R. 2942	Transportation	7/24/91			

No vetoes yet this year.

Don. Briggs

8/8/91

Legislative Activity of the 102nd Congress

As of August 2, 1991, when it adjourned for the summer recess, the Congress had passed 109 pieces of legislation, of which 90 have been received at the White House and 80 have been signed.

(None have been vetoed.)

- 45 are commemorative, asking for days, months, or years to be designated or commemorating anniversaries of past achievements
- 11 are by-products of Operation Desert Shield/Desert Storm and other elements of the Gulf Crisis
- 6 name public buildings
- 8 are from the Veterans Affairs committees and relate solely to the Department of Veterans Affairs
- 4 relate to the federal government's relationship with the District of Columbia
- 5 are technical amendments
- 2 are simple extensions of expiring authorities
- 3 are appropriations bills

The remaining 25 include:

- National Literacy Act of 1991
- Education Council Act of 1991 [Commission on a Longer School Year]
- Resolution Trust Corporation Funding Act of 1991
- Emergency Unemployment Compensation
- Federal Maritime Commission Reauthorization
- Performance Management and Recognition System Amendments of 1991
- Ocmulgee National Monument Act

Gins
Education
Transportation
Energy
Social Security Reform
Civil Rights

August 2, 1991

The Spotted Owl

1. Critical Habitat, the Courts, and the Fish & Wildlife Service

- The Fish and Wildlife Service (FWS), in response to a Federal court order, is expected to announce by Monday a proposed final rule to designate "critical habitat" deemed crucial for the owl's long term survival.
- In May, FWS initially proposed 11.7 million acres as critical habitat. Their new proposal is 8.6 million acres, exempting most private lands and all state and Indian lands. The proposal has two major problems:
 - First, it fails to adequately take into account, as promised, economic considerations. They estimate an additional 2,800 jobs lost as a result of the rule. This brings to total job loss from current court injunctions and agency actions to protect the owl to approximately 38,000 jobs (direct and indirect).
 - Second, it provides virtually no relief for communities dependent on timber from Federal lands and would disproportionately favor large private companies vis-a-vis small logging and processing operations.
- Secretary Lujan proposes to go forward with the announcement on Monday, but to withdraw the delegation of authority to FWS and to conduct the economic analysis with a departmental team and make modifications before the rule is made final in December.

2. Packwood, et.al. Legislation

- Yesterday, administration witnesses testified in support of the Packwood, Hatfield, Gorton legislation to protect some old growth forests, but also provide for a predictable timber supply, and thus reduce job losses.
- In discussions with Packwood and his staff, and in testimony, the Administration indicated we could not support the provisions in his bill that would assign a portion of Federal timber sale revenues for worker and community adjustment assistance. This would violate the paygo provisions of the budget agreement.

POTUS
JHG
Dammann
Patterson
Card

Sec. Lujan
↑
Mike Hughes
↑
John Turner

as proposed
final rule

- The Administration also indicated to Packwood that we could not support a provision in his bill that would mandate special economic assistance programs for timber workers.
- The Packwood legislation is clearly viewed as supportive of timber communities and workers and is supported by an industry-labor coalition. It includes a predictable timber supply for the next three years while the Forest Service and the Bureau of Land Management are developing long-term plans for Federal forests in the Northwest.
- A bipartisan group of House members has struggled to find a solution and are inclined to put additional specified acres off limits to timber harvesting. Their approach would protect fewer timber jobs than the Packwood approach.

3. The 'Gang of Four' Report

- At the request of two House committees, a four-member panel of leading forestry and wildlife scientists has submitted a report providing options for the short-term management of Federal forests in the Northwest.
- The panel recommended deep cuts in timber harvest levels in order to protect the spotted owl, other at-risk species (marbled murrelet -- a bird), and fish stocks.
- Their recommendations are even more restrictive than the restrictions contemplated by the FWS "critical habitat" proposed designations.

Domestic
Bill/4 p. 6

AGENDA -- 7/25/91

AC HAS SEEN

- (1) Title X (cont'd)
- (2) Domestic Effects of Israeli Loan Guarantees
 - (a) Credit Reform Scoring in FY'92 and beyond
 - (b) Contagion of "Emergency" (if used)
 - (c) Domestic equity problem if '91 loophole used (on supp.)
- (3) EPA elevation to Cabinet
 - "clean" option temporarily available;
 - Hayes bill as possible amendment;
 - Waxman/Dingell et al. ahead.
- (4) Medicaid "Scam" prevention: controversial corrective regulation coming
- (5) Doctors' problems with "RVS" (Gingrich follow-up)
- (6) Rosty move on "EB"; Senate Republican move on "EB"
- (7) House Republican gas tax whip check
- (8) Continuing tightness of money

Domestic Budget f.l.

AC HAS SEEN

AGENDA -- 7/23/91

Introductory NOTE: During the President's trip, Congressional Democrats pushed an "If-you-care-for-the-Kurds-why-not-Americans" line. It has focused on:

- o agricultural disasters (and milk);
- o unemployment insurance;
- o infrastructure investment; and
- o use of "emergency" designations in Supplementals.

(1) Agricultural "Disasters" [This is NOT the "milk" issue.]

- House: Whitten has drafted a \$1.75 billion addition to the pending supplemental -- without offsets. It covers all crops, all farm regions, for both 1990 and 1991. In response to a Darman/senior advisors veto threat, Whitten adjourned the Thursday mark-up, and said he would have to discuss this directly with the President -- arguing that the President couldn't properly declare "emergencies" for Kurds, etc. and ignore American farmers.
- Senate: Thad Cochran (with Bumpers and 20 co-sponsors) has introduced a similar disaster bill. At the same time, he has been talking with us privately about a very much smaller possible compromise -- which we have hoped might be achieved without supplementary appropriations. (Dole has been OK.)
- Administration/Veto Strength: We have based our position on the following facts:
 - (i) 1990 farm disasters, in aggregate, were not extraordinary.
 - (ii) Crop insurance payments and administrative relief have been provided to deal with much of the 1990 (and known 1991) problem.
 - (iii) It is too late to determine reliably who should receive what for 1990 (the ground has been planted for '91).
 - (iv) 1991 looks like it will yield a normal harvest (based on current meteorological estimates -- and praying for rain!).
 - (v) House Republican appropriators believe disaster assistance should be offset. The House Whip organization (Gingrich, but not Weber) believes we can sustain a veto.

(2) Milk (as requested)

- Consumers Lobby*
- Prices: Although the 1990 Farm Bill stopped the decline in dairy price supports, dairy prices have fallen dramatically -- from abnormally high levels in late 1989 to historically "normal" levels (about the same as '88). Current forecasts are for dairy prices to turn back up after this Summer, going into '92.
 - Pending Legislative Threats: The House and Senate Ag Committees have drafted "two-tier" dairy price support bills. Madigan has sent senior adviser veto threats. The House bill could come to the floor as soon as Thursday (although 3 Committees are asking for referral). If milk does not move freestanding, it could be added to the Supp.
 - Administration Position to Date: Ag study has shown how two-tier approach is inefficient and costly. Consumers could be hit for \$2-3 billion in higher milk prices. We have said we could accept a bill only if it:
 - o does not mandate supply controls;
 - o does not raise target prices;
 - o is consistent with "international obligations"; and
 - o is budget neutral.
 - Congressional Ag Staff: Hill staff have raised the possibility of voluntary supply controls as a compromise -- after a credible veto threat is established. (For now, Democrats seem to want the issue.)

(3) Unemployment Insurance -- Extended Benefits (Update)

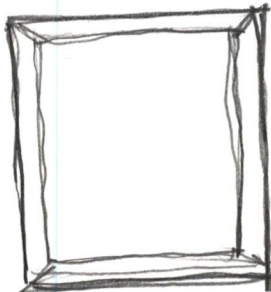
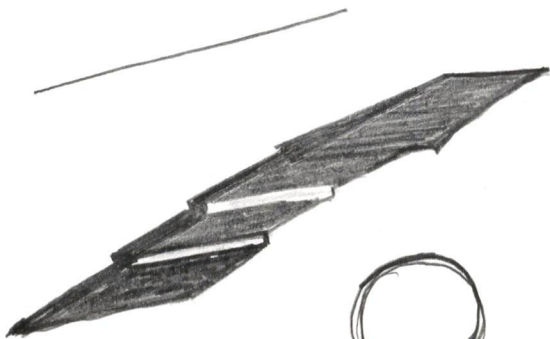
- Bentsen (and Packwood) joined the Sasser-Sarbanes campaign -- came out in favor of use of "emergency" authority, and a deficit increase of \$5.8 billion. Other Dems (Riegle, House) are screaming, too.
- But note: Rosty objected to the use of "emergency," and to Bentsen's adding this to the Supp. He favors reform that is paid for.
- If we can get by the August recess, and if unemployment statistics improve . . .

(4) Surface Transportation (highway/mass transit) Bill (Update)

- Veto threat on "Nickle for America" was sent via Sununu letter. Brady/Skinner/Darman are to address House Republican leadership today.
- Subcommittee acts today; full Public Works Committee Thursday; Rosty referral and floor thereafter.
- NOTE: House draft bill spends \$153 billion over 5 years -- vs. 105 in Administration bill and 125 in Senate.

current law \$85b

(5) Wetlands (Update)



Deby



Domestic Budget
7/9/91 p. 6

AC HAS SEEN

AGENDA -- 7/9/91

HOLD

(1) "Kemp additions" (cont'd)

- See points (3), (4) from 7/2/91 memo and associated illustration re: "implicit marginal tax."

(2) Unemployment Insurance ("UI") extension/modification

- See Sasser-Sarbanes letter (dated 7/5/91) -- to extend the "EB" program (as has been done before), and declare an "emergency" (to avoid the pay-as-you-go requirement) -- at a cost of \$125 million to \$1.5 billion depending upon the degree of liberalization.
- Downey bill -- to restructure EB program at a cost of \$6 billion over 2 years (then pay-as-you-go).

(3) Gas tax/surface transportation bill

- Potential gas tax fait accompli -- unless veto threat soon.

(4) Farm Disaster Bill -- Cochran et al.

- Trouble for supplemental; veto potential ahead.

SELECTED REPUBLICAN CONTENDERS FOR
THE "AGENDA" RE: JOBS-GROWTH/CHILDREN-ANTI-POVERTY

(1) Gramm-Gingrich draft package for "jobs-growth"

over 5 yrs

(a) Includes:

- +9.5b -- President's capital gains;
- 4.6b -- indexing;
- +11.6b -- IRA-plus (back-loaded);
- 1.8b -- enterprise zones;
- 4.5b -- increased Social Security earnings test;
- 6.2b -- R&E credit extension;
- 4.0b -- [housing or children's initiative TBD]; and
- "growth dividend."

→ (b) Is intended to be revenue neutral over 5 years;

(c) Is intended to be political counter-weight to Democratic packages (expected to be before Ways & Means in September); and

(d) Loses money in out-years if enacted as is (a remote, remote possibility).

(2) Wolf focus on tax measures for children

(a) Includes personal exemption increase and targeted credit for children under 5;

→ (b) Costs about \$15 billion/year in current form, though could be down-sized.

(3) Kemp additions (above and beyond the foregoing) to "end" the "poverty trap"

(a) Allow asset accumulation among those eligible for welfare programs:

- Costs about \$0.5 billion per year for AFDC and \$5-9 billion/year for Food Stamps.

(b) Eliminate marriage-and-work-penalties ("hundred hour" rule, "attachment to workforce" rule, and high implicit marginal tax rate)

NOTE: "Implicit tax rate" refers to benefit reduction rate (rather than tax rate, which is zero for most poor people). "Fixing" this costs \$5-30 billion/year. To get to 31% rate would put about half of all families on welfare! These are old issues involving questions of welfare eligibility, and the possible desirability (or undesirability) of negative income tax and work requirements. There is no easy, reliable fix.

(4) Administration initiatives: Could be modified, and presented in State of Union.

? how do we pay for this

look at AFDC



6/27/91

Domestic Brief

Title X's Abortion Prohibition

AC HAS SEEN

1.6
Don Brady

Language in House-passed Labor/HHS/Education appropriations bill prohibits use of funds to implement the prohibition on abortion counseling and referral. (The rider would leave intact the requirements that Title X projects be physically separate from abortion providers and that funds not be used to lobby for or advocate abortion.)

Title X's Abortion Prohibition

Section 1008 of the Public Health Service Act reads:

None of the funds appropriated under this title shall be used in programs where abortion is a method of family planning.

1981 Guidelines

The 1981 guidelines required nondirective "options counseling," with abortion among the options to be discussed with pregnant women who desire counseling. The 1988 rules determined the 1981 guidelines, which had not been subject to notice-and-comment rulemaking, were in error. The guidelines erroneously included an activity that HHS, speaking in the 1988 rule, said violated the statutory abortion prohibition.

The 1988 Rule

The rule requires that "once a client served by a Title X project is diagnosed as pregnant, she must be referred for appropriate prenatal and/or social services ..."

The rule provides several examples of what is required. One of these has been quoted in arguing that this is a "gag rule" -- "A pregnant woman requests information on abortion and asks the Title X project to refer her to an abortion provider. The project counselor tells her that the project does not consider abortion an appropriate method of family planning and therefore does not counsel or refer for abortion."

Approaches

1. Defend the 1988 regulation. (June 4, 1991 Presidential letter)
2. Revert to the 1981 guidelines, requiring all Title X projects to provide non-directive counseling. (Chafee bill)
3. Permit, but do not require, non-directive "options counseling." Provide "conscience clause" exemption for those who oppose abortion and work for clinics that present the abortion option.

*I suggested
sign bill and
change
as paragraph*

The Abortion Counseling Rule and the First Amendment

First Amendment Concerns

Chief Justice Rehnquist, in the majority opinion upholding the abortion counseling rule, wrote:

[T]he title X program regulations do not significantly impinge upon the doctor-patient relationship. Nothing in them requires a doctor to represent as his own any opinion that he does not in fact hold. Nor is the doctor-patient relationship established by the Title X program sufficiently all-encompassing so as to justify an expectation on the part of the patient of comprehensive medical advice. The program does not provide post-conception medical care, and therefore a doctor's silence with regard to abortion cannot be reasonably be thought to mislead a client into thinking that the doctor does not consider abortion an appropriate option for her. The doctor is always free to make clear that advice regarding abortion is simply beyond the scope of the program.

Analogous Speech Restrictions

The restrictions posed by the HHS rule are analogous to the restraints on speech imposed in other areas. They no more burdensome than those imposed by organizations with 501(c)(3) tax status and less burdensome than those imposed by the Hatch Act. Title X, 501(c)(3) and the Hatch Act all represent cases of individuals freely agreeing to speech restrictions in exchange for federal grant dollars, favorable tax status, and federal employment, respectively.

The individuals who make up organizations with 501(c)(3) status agree that while they are carrying out the work of the organization they will not seek to influence legislation. Speech intended to influence legislation is a constitutionally protected right, and yet the Supreme Court has ruled that the constitutional protection of the right does not preclude the government from offering preferred tax status to groups that agree not to exercise the right.

The most striking example is the Hatch Act. As a condition of employment, federal employees agree not to exercise their constitutional right to advocate a partisan agenda. Unlike the Title X and 501(c)(3) examples, the prohibition covers all the activities of an individual. A federal employee does not escape the Hatch Act's reach by doing activity outside the work day. The only escape from the Hatch Act by a federal employee is to resign.

(supported by such documentation as the Secretary may request) as to compliance with each of the requirements in § 59.8 through § 59.10. A project must comply with such requirements at all times during the period for which support under Title X is provided.

§ 59.8 Prohibition on counseling and referral for abortion services; limitation of program services to family planning.

(a)(1) A Title X project may not provide counseling concerning the use of abortion as a method of family planning or provide referral for abortion as a method of family planning.

(2) Because Title X funds are intended only for family planning, once a client served by a Title X project is diagnosed as pregnant, she must be referred for appropriate prenatal and/or social services by furnishing a list of available providers that promote the welfare of mother and unborn child. She must also be provided with information necessary to protect the health of mother and unborn child until such time as the referral appointment is kept. In cases in which emergency care is required, however, the Title X project shall be required only to refer the client immediately to an appropriate provider of emergency medical services.

(3) A Title X project may not use prenatal, social service or emergency medical or other referrals as an indirect means of encouraging or promoting abortion as a method of family planning, such as by weighing the list of referrals in favor of health care providers which perform abortions, by including on the list of referral providers health care providers whose principal business is the provision of abortions, by excluding available providers who do not provide abortions, or by "steering" clients to providers who offer abortion as a method of family planning.

(4) Nothing in this subpart shall be construed as prohibiting the provision of information to a project client which is medically necessary to assess the risks and benefits of different methods of contraception in the course of selecting a method; *provided*, that the provision of this information does not include counseling with respect to or otherwise promote abortion as a method of family planning.

(b) *Examples.* (1) A pregnant client of a Title X project requests prenatal care services, which project personnel are qualified to provide. Because the provision of such services is outside the scope of family planning supported by Title X, the client must be referred to appropriate providers of prenatal care.

(2) A Title X project discovers an ectopic pregnancy in the course of conducting a physical examination of a client. Referral arrangements for emergency medical care are immediately provided. Such action is in compliance with the requirements of paragraph (a)(2) of this section.

(3) A pregnant woman asks the Title X project to provide her with a list of abortion providers in the area. The Title X project tells her that it does not refer for abortion but provides her a list which includes, among other health care providers, a local clinic which principally provides abortions. Inclusion of the clinic on the list is inconsistent with paragraph (a)(3) of this section.

(4) A pregnant woman asks the Title X project to provide her with a list of abortion providers in the area. The project tells her that it does not refer for abortion and provides her a list which consists of hospitals and clinics and other providers which provide prenatal care and also provide abortions. None of the entries on the list are providers that principally provide abortions. Although there are several appropriate providers of prenatal care in the area which do not provide or refer for abortions, none of these providers are included on the list. Provision of the list is inconsistent with paragraph (a)(3) of this section.

(5) A pregnant woman requests information on abortion and asks the Title X project to refer her to an abortion provider. The project counselor tells her that the project does not consider abortion an appropriate method of family planning and therefore does not counsel or refer for abortion. The counselor further tells the client that the project can help her to obtain prenatal care and necessary social services, and provides her with a list of such providers from which the client may choose. Such actions are consistent with paragraph (a) of this section.

(6) Title X project staff provide contraceptive counseling to a client in order to assist her in selecting a contraceptive method. In discussing oral contraceptives, the project counselor provides the client with information contained in the patient package insert accompanying a brand of oral contraceptives, referring to abortion only in the context of a discussion of the relative safety of various contraceptive methods and in no way promoting abortion as a method of family planning. The provision of this information does not constitute abortion counseling or referral.

§ 59.9 Maintenance of program integrity.

A Title X project must be organized so that it is physically and financially

separate, as determined in accordance with the review established in this section, from activities which are prohibited under section 1008 of the Act and § 59.8 and § 59.10 of these regulations from inclusion in the Title X program. In order to be physically and financially separate, a Title X project must have an objective integrity and independence from prohibited activities. Mere bookkeeping separation of Title X funds from other monies is not sufficient. The Secretary will determine whether such objective integrity and independence exist based on a review of facts and circumstances. Factors relevant to this determination shall include (but are not limited to):

(a) The existence of separate accounting records;

(b) The degree of separation from facilities (e.g., treatment, consultation, examination, and waiting rooms) in which prohibited activities occur and the extent of such prohibited activities;

(c) The existence of separate personnel;

(d) The extent to which signs and other forms of identification of the Title X project are present and signs and material promoting abortion are absent.

§ 59.10 Prohibition on activities that encourage, promote or advocate abortion.

(a) A Title X project may not encourage, promote or advocate abortion as a method of family planning. This requirement prohibits actions to assist women to obtain abortions or increase the availability or accessibility of abortion for family planning purposes. Prohibited actions include the use of Title X project funds for the following:

(1) Lobbying for the passage of legislation to increase in any way the availability of abortion as a method of family planning;

(2) Providing speakers to promote the use of abortion as a method of family planning;

(3) Paying dues to any group that as a significant part of its activities advocates abortion as a method of family planning;

(4) Using legal action to make abortion available in any way as a method of family planning; and

(5) Developing or disseminating in any way materials (including printed matter and audiovisual materials) advocating abortion as a method of family planning.

(b) *Examples.* (1) Clients at a Title X project are given brochures advertising an abortion clinic. Provision of the brochure violates subparagraph (a) of this section.

(2) A Title X project makes an appointment for a pregnant client with

6/27/81 Domestic Briefing

1.6
DomesticCriticisms and Responses: Title X and Abortion CounselingMcNeil-Lehrer, Tuesday, June 26

Rep. John E. Porter (R-IL), author of the appropriations rider prohibiting use of funds to implement the abortion counseling rule.

Criticism #1: The rule is "a disgrace to our constitutional system" because "an individual seeking help can't be told all the legal options available."

Response: Constitutional objection. The Supreme Court decision said of the rules, "Nothing in them requires a doctor to represent as his own any opinion that he does not in fact hold."

All legal options available.

- The rule states that for pregnant women, counseling is beyond the scope of the program.
- To assure continuity of care, the clinic provides a list of providers of prenatal services.
- The rule does not suggest the list be purged of all doctors who include abortion in their counseling. The rule requires only that organizations whose primary purpose is to provide abortions not be included.

Criticism #2: When counseling a pregnant woman, "under the new regulation, you list all the options except abortion."

Response:

- This assumes that pregnant women are being served by Title X clinics. The rule is intended to assure that they are not. Pregnant women are to be referred to a provider of prenatal services.
- Title X clinics should not be presenting any options on what to do with a pregnancy. It is the provider a woman sees after a Title X clinic that provides options counseling. The rule does not preclude that provider from including abortion among the options presented to the pregnant woman.

- The rule does not affect any of the federal programs whose purpose includes serving pregnant women (Maternal and Child Health Block Grant, Medicaid.)

Criticism #3: On pregnant women seeking services from Title X clinics, "We're talking about someone coming, seeking help. The government is not giving her the information she needs."

Response:

- Title X is set up as a preventive program. It targets resources on women who seek those preventive services. It refers pregnant women to other providers.

Criticism #4: "Five million poor people depends on these clinics to provide primary health care."

Response:

- Title X is not intended to provide general primary health care.
- The federal government funds the provision of primary care services to poor people through the Community Health Center program. This program, funded at \$478 million this year, three times the level of Title X, provides the services Congressman Porter has in mind. The abortion counseling rule does not apply to services provided by Community Health Centers.

Criticism #5: Women "would not be told they have this option. The AMA has adopted a resolution telling government to keep out of the doctor/patient relationship."

Response:

- This assumes there is a duty to counsel pregnant women on their options. There is no such duty.
- The medical duty with respect to pregnant women is fulfilled in the requirement that women be provided with information to protect their health and that of their unborn child until the woman sees a prenatal care provider.

- The rule also makes clear that it does not interfere with the duty of a physician to treat emergency conditions. The one emergency condition involving abortion is ectopic pregnancy. In this circumstance, proper treatment requires an abortion to save the life of the mother. The rule requires a physician to refer for the appropriate emergency service, even when it is an abortion.

New York Times, June 26

Nancy Kelleher, associate director for external affairs, Planned Parenthood of Northern New England: "Planned Parenthood of Northern New England will not take the Federal hush money."

Response:

- Title X is a grant program, not an entitlement program. If a grantee is unwilling to comply with the terms of the grant, HHS will find a grantee that will comply.

Kimberly Edwards, worker in Title X grantee clinic, Portland, Maine: About counseling a woman who may become pregnant through incest and another who is alcohol-dependent and becomes pregnant, "If ... they ask me about abortion, how could I possibly say I can't answer their questions? It would be abandoning my responsibility to them."

Response:

- Ms. Edwards is not a physician. The individuals in questions need health care, and should be referred to a place where a contact with a doctor can take place.

Linda -

6/21/91

I will need
an active
Domestic Issue
file. - There will
be weekly or twice
weekly mtgs. Andy

Document Originally
Attached to
Following Page

AGENDA -- 6/20/91

- (1) This meeting
- (2) Surface Transportation bill
 - o NOTE: Byrd addition must fit within cap.
 - o Problems ahead are:
 - (a) match rate;
 - (b) gas tax, etc. (House);
 - (c) pork and potential for veto override;
 - (d) heavy reliance on negotiations with conferees.
 - o See handout (FYI and wastebasket).
- (3) Education 2000 legislation
 - o Senate: Mark-up scheduled for Wednesday (may be delayed) -- see handout.
 - o House: Ford wants Higher Ed. instead; Kildee will move bill if Senate does.
 - o Legislative Strategy: get authorization through Senate (only) then fund through Appropriations (Senate first, then conference)
 - o NOTE: Real keys are choice and R&D breakthroughs -- neither of which is yet moving much.
- (4) Crime bill: up today in Senate . . .
- (5) Outstanding veto threats: FYI-- see handout
- (6) Appropriations status -- the new legislative order:
 - o "on time";
 - o significance of 3 House floor wins;
 - o supplementals ahead

6/19/91

VETO THREATS OUTSTANDING

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
A. <u>Presidential Veto Threats</u>			
1. S. 3 - Senate Election Ethics Act	Imposition of campaign spending limits	Presidential letter to Sen. McConnell - 5/22/91	Passed Senate 56-42 on 5/23/91. Speaker plans action on related bill in July.
2. H.R. 2100 - National Defense Authorization Act	Would severely compromise Administration objectives through pork barrel and Reserve forces spending at expense of B-2, SDI and other important programs	Presidential letter to Reps. Foley, Michel, Aspin and Dickinson - 5/20/91	Passed House 268-161 on 5/22/91. S. Armed Services Cte. markup of its version (S. 1066) scheduled week of 7/8/91. Senate floor action likely week of 7/22.
3. H.R. 2621 - Foreign Operations Appropriations Bill, FY 1992	Weakens current law with respect to abortions	OMB letter to House Appropriations Cte. - 6/12/91	On House floor 6/19/91.
4. H.R. _____, District of Columbia Appropriations Bill, FY 1992	Weakens current law with respect to abortions	OMB letter to House Appropriations Cte. - 6/19/91	House Appropriations Cte. markup scheduled for 6/20/91.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
5. Any legislation that would change Federal policy with respect to abortion	Weakens current law or regulations with respect to abortion	Presidential letter to House/Senate leadership - 6/4/91	See S. 323 (no. 21), H.R. 2507 (no. 12), H.R. 2508 (no. 13), H.R. 2585 (no. 15), H.R. 2621 (no. 3), and H.R. _____ (no. 4).
6. Any legislation that mandates the use of CBO scoring for pay-as-you-go purposes	Would undo the pay-as-you-go enforcement mechanisms contained in Budget Agreement, which provides for OMB scoring	Presidential statement - 1/3/91	See H.R. 1236 (no. 11)
B. <u>Senior Advisers Veto Threats</u>			
7. H.R. 1 - Civil Rights Act of 1991	Would encourage quotas and other unfair preferences and lead to endless litigation	Statement of Administration Policy (SAP) to House - 6/3/91	Passed House 273-158 on 6/5/91. No Senate action scheduled.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
8. H.R. 2 - Family and Medical Leave Act	Requires Federal Government to mandate leave policies, thus ignoring differing family needs and limiting role of labor-management negotiations	DOL letter to House Education and Labor Cte. - 3/19/91	Ordered reported by House Education and Labor Cte. on 3/20/91. No floor action scheduled.
9. H.R. 5 - National Labor Relations Act Amendment to prevent discrimination for participation in labor disputes (striker replacement)	Would destroy balance in collective bargaining system	Letter signed by Secretaries Mosbacher, Martin and Skinner to all House members - 5/20/91	Ordered reported by House Education and Labor Cte. on 4/18/91. No floor action scheduled.
10. H.R. 7 - Brady Handgun Violence Prevention Act	Any bill relating to the identification of felons attempting to purchase handguns must be part of legislation consistent with President's crime proposal	SAP to House - 5/7/91	Passed House 239-186 on 5/8/91. Sen. Mitchell alternative included in Senate crime bill (S. 1241). (See no. 25.)

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
11. H.R. 1236 - National Flood Insurance, Mitigation, and Erosion Management Act of 1991	Mandates CBO scoring language	SAP to House - 4/30/91	Passed House on 5/1/91 after motion to strike CBO scoring language failed 160-248. Hearing on Senate bill expected in late June.
12. H.R. 2507 - National Institutes of Health Revitalization Amendments of 1991	Would eliminate the authority of the Secretary of HHS to control human fetal tissue transplantation research within PHS; could lead to increased abortions	HHS letter to House Energy and Commerce Cte. on H.R. 2281, predecessor bill to H.R. 2507 - 6/4/91	Ordered reported by House Energy and Commerce Cte. on 6/4/91. No floor action scheduled.
13. H.R. 2508 - International Cooperation Act of 1991	Allows funds to be used for activities that promote abortion. Limits President's flexibility in administering foreign aid programs and raises constitutional concerns	SAP to House - 6/7/91	House expected to pass its bill on 6/19/91. Senate Foreign Relations Cte. ordered reported its version on 6/11/91; Senate floor action not expected before week of 7/15/91.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
14. H.R. 2521 - Defense Appropriations Bill, FY 1992	Provisions that would severely compromise national defense objectives, including elimination of funding for continuation of B-2 Stealth bomber procurement and underfunding of SDI program	SAP to House Rules Cte. - 6/5/91	Passed House 273-105 on 6/7/91. No Senate action scheduled.
15. H.R. 2585 - Family Planning Amendments Act of 1991	Would overturn Supreme Court decision upholding HHS regulation prohibiting use of family planning funds for abortion counseling	HHS letter to House Energy and Commerce Sub. on H.R. 2343, predecessor bill to H.R. 2507 - 6/6/91	Awaiting markup by House Energy and Commerce Sub., which could be as soon as late June.
16. H.R. 2624 - Technology Preservation Act (amends Exon-Florio)	Discourages foreign investment in the United States by imposing significant government interference (screening, performance requirements, etc.) in markets. Seriously erodes global support for more open investment regimes	Treasury testimony before House Energy and Commerce Sub. - 6/12/91	H.R. 2624 jointly referred to House Banking, Energy and Commerce, and Foreign Affairs Cttes on 6/12/91; no additional House action scheduled.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
17. S. 5 - Family and Medical Leave Act of 1991	Same as H.R. 2 (see no. 8)	DOL letter to Senator Labor and Human Resources Cte. - 4/11/91	Reported by Senate Labor and Human Resources Cte. on 5/30/91. No floor action scheduled.
18. S. 55 - National Labor Relations Act Amendment to prevent discrimination for participation in labor disputes (striker replacement)	Same as H.R. 5 (see no. 9)	Letter signed by Secretary Martin to Senate Labor and Human Resources Cte. - 6/18/91	Marked up by Senate Labor and Human Resources Cte. on 6/19/91. No floor action scheduled.
19. S. 173 - Telecommunications Equipment Research and Manufacturing Competition Act (Baby Bells)	Domestic content and domestic manufacturing requirements	SAP to Senate - 6/4/91	Passed Senate on 6/5/91 after motion to strike offensive language was defeated 32-64. No House action scheduled.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
20. S. 279 - Motor Vehicle Fuel Efficiency	Would have adverse effect on highway safety	DOT/Energy letter to Senate Commerce, Science and Transportation Cte. - 3/18/91	Reported by Senate Commerce Cte. on 4/25/91. On Sen. Mitchell's list of bills to be considered on Senate floor in June.
21. S. 323 - Title X Pregnancy Counseling Act of 1991	Same as H.R. 2585 (see no. 15)	HHS letter to Senate Labor and Human Resources Cte. - 6/5/91	Ordered reported by Senate Labor and Human Resources Cte. on 6/6/91. No floor action scheduled.
22. S. 429 - The Consumer Protection Against Price-Fixing Act of 1991	Would inhibit manufacturers and distributors from entering into pro-competitive distribution agreements for products in a wide variety of markets	Justice letter to Sen. Thurmond on Brown substitute - 5/8/91	Passed Senate on 5/9/91 after 63-35 cloture vote. House Judiciary Subc. marked up related bill (H.R. 1470) on 6/19/91; full Cte. action possible on 6/25/91.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
23. S. 1194 - Federal Mass Transportation Act of 1991	Principal issue is the excessive Federal matching share	SAP to Senate on S. 1204 - 6/11/91	Added to S. 1204 (see next item) on 6/13/91.
24. S. 1204 - Surface Transportation Efficiency Act	Absence of dedicated funding for National Highway System and adequate increase in State and local matching share	SAP to Senate - 6/11/91	Expected to pass Senate on 6/19/91. House committee action expected week of 7/8/91.
25. S. 1241 - Comprehensive Crime Control Act of 1991	Thwarts death penalty, reverses Supreme Court decision that protects finality of criminal justice (habeas corpus), and narrows exclusionary rule	SAP to Senate - 6/19/91	Senate floor action could begin on 6/19-20/91.

C. Single-Agency Veto Threats

26. H.R. 14 - Flight Attendant Duty Time Act	Regulatory burden and cost to air carriers of mandated rest time and rest areas	DOT letter to House Public Works Cte. - 5/20/91	Ordered reported by House Public Works and Transportation Cte. on 5/21/91. No further action scheduled.
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<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
27. H.R. 568 - Creation of District of Columbia Supreme Court	A D.C. Supreme Court creates an unnecessary judicial layer	Justice testimony before House District Sub. - 5/9/91	Marked up by House District Subc. on 5/9/91. No further action scheduled.
28. H.R. 777 - Strategic Petroleum Reserve Enhancement Act of 1991	In-kind tax on oil importers, expansion of SPR beyond 1 billion barrels, implementation difficulties, and potential Fifth Amendment takings concern	Energy testimony before House Energy and Commerce Sub. - 5/16/91	No additional House action scheduled; House Energy and Commerce Cte. may consider the bill when it marks up the National Energy Strategy legislation in July.
29. H.R. 778 - Expanded Strategic Petroleum Reserve Draw Down Authority	Authorizes a draw down to relieve economic problems caused by oil price increases (draw down is currently authorized only for "severe supply interruption")	Energy testimony before House Energy and Commerce Sub. - 5/16/91	No additional House action scheduled; House Energy and Commerce Cte. may consider the bill when it marks up the National Energy Strategy legislation in July.

<u>BILL NO./TITLE</u>	<u>BASIS FOR VETO THREAT</u>	<u>LATEST DOCUMENT/ DATE</u>	<u>NEXT CONGRESSIONAL ACTION</u>
30. H.R. 1989 - American Technology Preeminence Act	Authorizes inappropriate \$100M Federal "technology commercialization loan" program	Commerce letter to House Science Cte. - 5/21/91	Ordered reported by House Science Cte. on 5/1/91. No further action scheduled.
31. S. 310 - Prevailing Wage Rate Adjustment Reform Act of 1991	Lifts blue collar Federal employee pay cap; associated costs of \$900M	OPM letter to Senate Governmental Affairs Cte. - 6/13/91	Letter fore-stalled Cte. action. No future action anticipated.
32. S. 347 - Defense Production Act (DPA) Amendments of 1991	Provisions pertaining to industrial policy, limits on delegating authority and DPA Fund contingency liabilities	Defense in SAP to Senate - 2/21/91	Passed Senate by voice vote on 2/21/91. House Economic Stabilization Subcte. will mark up the bill after the July 4th recess. House Banking Cte. will bring it to the House floor before the August recess.

PENDING EDUCATION LEGISLATION

ADMINISTRATION WANTS/ SEN. KENNEDY DOESN'T [Col. I]	AREAS FOR NEGOTIATION Admin. Proposals [Col. IIA] Sen. Proposals [Col. IIB]		SEN. KENNEDY WANTS/ ADMINISTRATION DOESN'T [Col. III]
Private School Choice in -- Assistance for Parental Choice Programs (\$200M) -- Choice Demonstrations (\$30M) : Pell may be more open -- Ch. 1 & Ch. 2 choice amendments	<u>Tentative Agreements</u>		Head Start as an entitlement (S. 911)
	1. Teacher/Administrator Training		
	Govs. Academies: --Teachers --School Leaders Alt. Certific. Tchr. Awards Partnerships for Tchr. Education	Natl. Tchr. Acads. (S. 379) Alt. Cert. (S. 695) Prof. Devel. Schs. (S. 379)	Public School Choice only (S. 1136)
	2. Literacy expansions ED negotiated compromises in S.2 Kennedy likely to push in separate bill.		National Report Card (Bingaman)
	3. Natl. Comm. on Time, Study, etc. Passed in acceptable form; not yet arrived for signature.		
	<u>Negotiations On-going</u>		
	--New American Schools --Merit Schools --Ed. Flexibility/ Accountability --NAEP expansion --Choice demos.	--Education USA (S. 1135) --old Merit School bill (S.695) --Services integ. bill (S.1133) --more modest NAEP changes	

JUN 19 1991

PENDING EDUCATION LEGISLATION
DESCRIPTION OF LEGISLATIVE COMPONENTS

Col. I - Legislation the Administration Wants and Sen. Kennedy Does Not

Private school choice in

- **Assistance for Parental Choice Programs:** Provide formula grants to "reward" any school district which has an approved choice plan involving public and private schools. Funds received would be used for educational services provided by the school district. (FY 1992: \$200 million)
- **Parental Choice Programs of National Significance:** A national demonstration program to determine what works and what doesn't in school choice. Sen. Pell may be receptive to a demonstration program involving private schools. (FY 1992: \$30 million).
- **Chapter 1 and Chapter 2 Choice Amendments:** For Chapter 1, amend the current program to permit compensatory services to follow the participant to the school selected by the child's parents. For Chapter 2, amend the current program to increase the funds available at the State level to support education reform and to encourage funds to be used for educational choice programs.

Col. II - Areas for Negotiation:

Tentative Agreements

A1. Teacher/Administrator Training: Administration Proposals

- **Governors' Academies for Teachers:** One-time five year grant to each State to establish and operate academies in each of five core subject areas. Increasing State match required. (FY 1992: \$62.4 million)
- **Governors' Academies for School Leaders:** One-time five year grant to each State to establish an academy to train and retrain school leaders. Increasing State match required. (FY 1992: \$22.5 million)

- **Alternative Certification of Teachers and Principals:** One-time grants to States to develop and implement alternative teacher and principal certification programs. (FY 1992: \$25 million)
- **Teacher Awards:** Grants to each State to provide cash awards (maximum: \$5,000) to outstanding teachers in the five core subjects. Teacher Academies select winners and distribute awards. (FY 1992: \$7.5 million)
- **Partnerships for Innovative Teacher Education:** Discretionary grants to establish teaching schools that develop and put into practice the best knowledge about teaching. Focus is on improving the training of prospective teachers in real school settings. Part of the Higher Education Act reauthorization. (FY 1992: \$20 million).

Col. IIB Teacher Administrator Training: Senate Proposals

- **National Teacher Academies:** Five year renewable grants for 10 national teacher academies, each devoted to a subject area, to provide year round in-service training for classroom teachers, and summer institutes to train 3 person teams from professional development schools (see below). Federal share: 50 percent. (FY 1992: \$38 million).
- **Alternative Certification for Teachers:** Included in last year's omnibus education bill (S. 695). Similar to the Administration proposal for teachers and principals, but limited to teachers. (FY 1991: \$15 million)
- **Professional Development Schools:** Formula grant to States to establish a professional development school (PDS) in each congressional district. The PDS provides in-service training to all public and private school teachers in the area to improve subject matter competence and instructional skills. (FY 1992: \$50 million)

The tentative staff level compromise being drafted would incorporate all the above teacher elements in a way that preserves the Governors' academies and alternative certification for teachers and principals.

Col. II Literacy Expansions

Kennedy is likely to push the literacy component of S. 2 as a separate bill; it is essentially the same as the House passed literacy bill (H.R. 751).

- S. 2 expands a number of existing Adult Education Act and related authorities, and creates new ones, including a National Literacy Institute, State or regional literacy Resource Centers, a National Workforce Literacy Collaborative (in DOL), grants to CPB for Family Literacy public broadcasting. (FY 1992: \$93 million for new programs).

Regional literacy resource centers are provided in the Administration bill. Education negotiated agreements last winter with Sen. Simon and Reps. Goodling and Sawyer that are incorporated into S. 2.

Col. II National Commission on Time, Study, Learning & Teaching

- S. 64, which contains a satisfactory version of the Administration bill (Title VII of S. 1141) and creates a temporary Commission on Standards and Testing that codifies the Commission already created by the National Education Goals Panel. The bill has been enrolled, but not yet received at the White House.

Col. II Areas for Negotiations: Negotiations On-Going

Administration proposals

- **New American Schools:** Provide up to \$1 million per school to create at least one New American school in each Congressional district. Federal funding authorized over three years. (FY 1992: \$180 million)
- **Merit Schools:** Formula grants to States for awards to public and private schools that document progress primarily in achieving Goal 3 (core subject competency) and Goal 4 (math and science) over a three year period. (FY 1992: \$100 million)
- **Educational Reform and Flexibility:** Authority to the Secretary of Education (and to other Federal agency heads) to waive regulatory requirements in exchange for improved performance in affected schools or programs. (No new funding required).
- **National Assessment of Educational Progress:** Revise current law to permit State by State testing in every subject and at all three grades (no State testing beyond 1992)

permitted under current law); shift NAEP testing from a biennial to an annual cycle; permit States to use NAEP tests at the district, school or individual child level. (No effect on 1992 funding).

- **Choice Demonstrations:** Attempting to secure agreement on a demonstration program including private school choice that will be targeted to low-income areas and children consistent with the approach taken in the Child Care bill.

Sen. Kennedy proposals

- **Education USA (S. 1135).** New programs: (a) formula grant to States to support school districts' efforts to achieve the national education goals, through planning grants and incentive awards to support activities in individual schools; (b) a formula grant to school districts to repair and renovate instructional facilities in urban and rural schools; (c) a National Institute for Urban Education; (d) a rural school research and evaluation program. (FY 1992: All authorizations are for "such sums"; staff indicate the goal is a multi-billion dollar authorization.)
- **Merit Schools (S. 695).** Last year's omnibus education bill contained a merit schools program that was limited to rewarding improvement in Chapter 1 schools; limitations were placed on the use of funds by private schools selected for awards. (FY 1991: \$175 million)
- **Services Integration (S. 1133).** Creates a program in ED of demonstration grants to eligible entities (composed of entities that provide services to low-income, at-risk youth and their families) for the purpose of improving coordination of those services. Stresses co-location of services, one-stop shopping, and other strategies. (FY 1992: \$50 million).
- **NAEP changes.** There is no Senate bill on NAEP as yet. Sen. Kennedy's staff have expressed interest in extending the authority in current law to conduct State-by-State assessments in three grades and three subjects through 1994, but no interest in other changes to the current statute.

Compromises may be possible on New American Schools; and between Education USA and the current Merit Schools proposal; Education Flexibility and the Services integration bill; NAEP, delaying consideration until later on issues beyond authorizing State-based NAEP in

1994. In services integration, language will be needed to forestall objections to "school-based clinics" that might engage in birth control counseling.

Col. III Legislation Sen. Kennedy Wants and the Administration Does Not

-- Head Start as an Entitlement (S. 911)

-- Public School Choice only (S. 1136). A new grant program to help States or school districts plan (one year) and operate (up to five years) programs that allow parents to choose a public school for their child. (FY 1992: \$100 million)

-- National Report Card (title I of S.2). This is the Bingaman bill from last year.

SURFACE TRANSPORTATION BILL

(Authorizations in Billions)

	<u>CURRENT LAW</u> <u>(1987-1991)</u>	<u>ADMINISTRATION</u> <u>(1992-1996)</u>	<u>SENATE</u> <u>(1992-1996)</u>
I. HIGHWAYS	68.8	86.8	100.6
II. MASS TRANSIT	17.9	16.3	21.0
III. HIGHWAY SAFETY	0.8	1.5	1.4
TOTAL	87.5	104.5	123.0

I. HIGHWAY PROVISIONS

ISSUE	CURRENT LAW	ADMINISTRATION BILL	SENATE BILL (S. 1204)
Length of Bill	Five years (1987-1991)	Five years (1992-1996)	Five years (1992-1996)
Funding	\$68.8 billion for highways from the Highway Trust Fund.	\$86.8 billion for highways from the Highway Trust Fund.	\$100.6 billion for highways from the Highway Trust Fund.
Distribution of Funds	<u>Formula Programs:</u> Program funds are distributed to the States by various statutory formulas. Formula factors include land area, population, and highway mileage. <u>Minimum Allocation:</u> Additional funds are given to some States to ensure that each State receives at least 85 cents back for each dollar contributed to Trust Fund. These additional funds can be used within any Federal-aid highway program.	<u>Formula Programs:</u> Formula for the National Highway System is based on fuel use, land area and public road mileage. The Urban/Rural Program formula is based on the State's contribution to Highway Trust Fund. <u>Minimum Allocation:</u> Discontinued. The formulas ensure that all States receive back at least 85%.	<u>Formula Programs:</u> Interstate Maintenance funding is based on lane miles and traffic. Surface Transportation Programs funds are apportioned to guarantee each State a share of all Federal funds equal to its 1987-1991 average. <u>Minimum Allocation:</u> Continued in its present form. Total of \$3.2 billion. <u>"Bonus Funds"</u>, totaling \$8.2 billion, are created. The funding is split between: 1) <u>"Level of Effort" Bonus</u> that distributes funds based on a formula composed of the percentage a State's gasoline tax is above the national average, reduced by the percentage a State's per capita income is above the national average; and 2) <u>"Donor State Bonus"</u> to supplement Minimum Allocation. Over 40 States qualify for these funds. Funding for both categories can be spent on any project normally eligible for Federal funding. All other programs must be fully funded before the "Bonuses" become available. If there is extra funding available, then both "Bonuses" receive an equal portion of the extra funding.

ISSUE	CURRENT LAW	ADMINISTRATION BILL	SENATE BILL (S. 1204)
Program Structure	Of the twenty existing highway programs, six are considered to be the most important. The Federal-aid highway system is comprised of four of these programs: Interstate, Primary, Secondary, and Urban systems. The two others are Bridges and Minimum Allocation (which ensures that every state gets at least 85 cents back for each dollar it contributes to the Trust Fund).	Six major programs combined into three programs: 1: <u>National Highway Program</u> funds a National Highway System (NHS) comprised of 150,000 miles. It includes the Interstate system and portions of the Primary system. (\$43.5 billion) 2: <u>Urban/Rural Program</u> All other highways are eligible for this block grant. (\$22.2 billion) 3: <u>Bridge Program</u> provides formula and discretionary funds for rehabilitation and increased capacity. (\$10.6 billion) <u>Maglev. (Magnetic Levitation Transportation)</u> No specific maglev program, although bill would permit states to: (1) make available without charge highway right-of-way for maglev projects, and (2) use highway grant funds for highway modifications necessary to accommodate maglev facilities.	Six major programs combined into four programs: 1: <u>Interstate Maintenance Program</u> to maintain the existing 44,000 mile Interstate system. (\$14.2 billion) 2: <u>Surface Transportation Program</u> All other highways are eligible for a new block grant program which will account for half of total Federal highway funds. States have to spend at least 16.5% (or \$7.6 billion) of this program's funds on an <u>NHS</u>. (\$44.8 billion) 3: <u>Bridge Program</u> provides formula funds for rehabilitation and increased capacity. (\$13.3 billion) 4: <u>Congestion Mitigation and Air Quality Improvement Program</u> Provide grants to help cities meet Clean Air standards. Funds cannot be used to increase capacity for single-occupant vehicles. (\$5.0 billion) <u>Maglev.</u> Provides \$750 million in contract authority to develop and construct a maglev prototype. Contract authority is subject to the obligation limitation and the Secretary must spend (if qualified applicants exist) what is made available within the limitation.

ISSUE	CURRENT LAW		ADMINISTRATION BILL		SENATE BILL (S. 1204)	
Program Structure (cont.)	Provided funds to complete the Interstate. Funds have proven to be insufficient. (\$15.6 billion)		Provides funds to complete the Interstate system. (\$7.2 billion)		Provides funds to complete the Interstate system. (\$7.2 billion) Contains two year study and designation by the Secretary of Transportation of a <u>National Highway System</u> . In the interim, the current system of Principal Arterials (a subset of the Federal-aid Primary highways system) is the NHS.	
Federal Matching Shares	Interstate Completion	90%	Interstate Completion	90%	Interstate Completion	90%
	Interstate Rehabilitation	90%	Interstate Rehabilitation	90%	Interstate Rehabilitation.	80%
			National System Capacity	75%	Interstate Capacity	75%
			National System Rehabilitation	75%	Bonus Program	80%
	Bridge Program	80%	Bridge Program	75%	Bridge Rehabilitation.	80%
					Bridge Capacity	75%
	All Non-Interstate Systems	75%	Urban/Rural Program	60%	Surface Trans.-Rehabilitation.	80%
					Surface Trans.-Capacity	75%
					"Smart Cars/Highways"	80%
			Toll roads	35%	Toll roads	35%
					Converting existing roads into toll roads	80%
Federal Tax Level	Highway Trust Fund originally financed by 9 cents gas tax (8 cents for highways and 1 cent for transit). Gas tax raised to 11.5 cents (10 cents for highways and 1.5 cents for transit) by 1991 OBRA through 1995.		Reduces tax rate to original 9 cents rate at the end of 1995, as scheduled in 1991 OBRA, and extends tax through 1998.		Senate will not deal with tax rates or the continuation of taxes until House action has been completed.	

ISSUE	CURRENT LAW	ADMINISTRATION BILL	SENATE BILL (S. 1204)
Transferability and Flexibility	Limited.	Up to 15% of National System funds can be transferred to Urban/Rural Program. Urban/Rural Program funds can be used for transit capital projects.	Sends some of the Surface Transportation funds directly to the Metropolitan Planning Organizations, bypassing State DOTs. Up to 20% of Interstate Maintenance funds can be transferred to Surface Transportation program. Surface Transportation block grant funds can be used for transit capital. Rail is also eligible. Transit operating expenses are not eligible.
Toll Roads	Prohibited on any Federally funded highway.	Expands use of Federal funds for toll roads.	Expands use of Federal funds for toll roads.
IVHS-Intelligent Vehicle and Highway Systems	Eligible for funding from normal research program.	States can choose to use their highway grants to fund IVHS.	Authorizes appropriations of \$150 million to fund IVHS in 3 to 10 corridors.

II. MASS TRANSIT PROVISIONS

ISSUE	CURRENT LAW	ADMINISTRATION BILL	SENATE BILL (S. 1204)
Funding Levels (5 year)	\$17.9 billion in total, \$6.3 billion from the highway trust fund and \$11.6 billion from General Funds.	\$16.3 billion in total, all from the highway trust fund.	\$21 billion in total, \$12.2 billion from the highway trust fund and \$8.8 billion from General funds.
Federal Matching Shares	Formula Capital: 80% Formula Operating: 50% Discretionary Capital: 75%	Formula Capital: 60% Formula Operating: 50% Discretionary Capital: 50%	Same as current law, except the Federal share for certain capital projects (e.g., disability access) is increased to 90%.
Operating Assistance	Available for all cities.	Eliminated for cities over 1M in population. For cities under 1M, assistance also available for materials and supplies.	Available for all cities. No changes to current law.
Discretionary Capital Grants	Funds available for rail rehabilitation, new bus and rail systems, and bus facilities.	Funds available almost exclusively for new bus and rail systems (funding of \$1.8 billion over five years is about \$300M less than in the previous five year authorization).	Funds available for same categories as under current law. Allows funding commitments for new transit systems in excess of the levels authorized in the bill.
Transferability and Flexibility	Transit funds may not be used for highway projects, with the exception of high occupancy vehicle lanes.	Formula and discretionary capital funds, other than for new bus and rail systems, may be used for highways.	Urban formula funds allocated to areas over 250,000 in population may be used for highways.

III. HIGHWAY SAFETY PROVISIONS

ISSUE	CURRENT LAW	ADMINISTRATION BILL	SENATE BILL (S. 1204)
Funding	\$0.8 billion from General Funds and the Highway Trust Fund.	\$1.4 billion over the authorization period. All highway safety activities would be funded by the Highway Trust Fund.	\$1.4 billion over the authorization period. Retains General Fund/Trust fund split of current law.
Transportation Employee Testing (Drug and Alcohol)	DOT has implemented drug testing for transportation employees in safety sensitive positions. DOT does not have current authority to test mass transit workers.	Requests specific legislative authority for drug testing mass transit employees.	Requires specific testing procedures and includes mandated drug treatment. Testing would include <u>alcohol</u> . Administration has opposed similar legislation in the past.
Automobile Safety Regulations	Current broad authority allows DOT to implement necessary safety standards and regulations.	No proposals.	Eleven significant regulatory requirements, many of which the Administration opposes. The Administration has opposed similar legislation passed by the Senate in the 101st Congress. One provision would require passenger and driver airbags in all cars and light trucks. DOT has already issued final regulations requiring passive restraints (including airbags).
Highway Safety Grants	Combination of formula grants and drunk driving prevention grants to improve safety.	Administration proposed continuation of safety formula grants and consolidation of safety incentive grants. Administration proposal does not require seat belt use or motorcycle helmet use laws.	Senate bill includes a provision that would provide grants to States that have both a seat belt use law and motorcycle helmet use law. States which don't have either law must spend 1.5% of Federal highway funds on safety programs.

VIOLENT CRIME BILL

Issue

Administration Bill

Biden Bill

1. Habeas Corpus

Curbs abuse of habeas corpus through adoption of Powell Committee proposal and provisions of Senate passed bill in the last Congress. Includes time limits, limits second and successive petitions in capital cases to factual claims concerning guilt, and limits time for disposition by courts in capital cases.

Is worse than current law in that it overturns recent decisions limiting delay and abuse of habeas petitions. (Including recent *McCleskey* (1991) and *Teague* (1989) decisions.) Includes provisions to permit overturning a conviction and sentence because of decisions rendered after final judgment.

Prospects: The Administration's bill is generally recognized as being tougher than the Biden bill. On a straight motion to strike the Biden provisions and insert the Administration provisions, the Administration likely would prevail. Senator Graham is expected to offer a substitute that, although as objectionable as Biden, may give the impression to some of a compromise. It is unclear how the Administration proposal would do against the Graham amendment.

2. Exclusionary Rule

Codifies existing "good faith" exception to rule where search made in objectively reasonable belief that narrows warrant was valid. Extends the "good faith" exception to warrantless searches. Permits firearms seized to be admitted in Federal cases without regard to officers actions. Remedy is to compensate victim for violation and discipline officer.

Attempts to codify current law but actually narrows the "good faith" exception.

Prospects: Little is known about the prospects for the Administration's new proposal with respect to firearms. It is unlikely, however, that it could receive a majority vote. Even extending the "good faith" exception to warrantless searches is in doubt. Senators Rudman and Specter oppose the Administration's bill in this regard. Senator Specter may offer a motion to strike the warrantless language from the Administration's proposal if it is offered as a substitute for Biden.

3. Death Penalty

Provides the death penalty for the most heinous Federal crimes. Provides the necessary procedures for carrying out penalty, including aggravating and mitigating factors. Includes use of firearm in a killing or prior conviction of violent felony involving firearm as aggravating factor. Requires imposition of sentence, including death penalty, without regard to race and provides safeguards against racial bias of jury.

Includes the "Racial Justice Act" that would, in effect, invalidate state death penalty statutes and sentences.

Prospects: The primary fight on the death penalty will be with respect to the "Racial Justice Act." Last year, the provisions of that section were stricken by a the vote of 58-38. The principal issue with regard to the death penalty procedures relates to the provision of the Biden bill that requires the jury to be instructed that even though they find aggravating factors, they need not impose the death penalty. The vote on this provision of the bill is unclear.

4. Assault Weapons

Provides for a ban on the manufacture of magazines with capacity of more than 15 rounds. This provision has been included in the revised Biden bill.

Contains the DeConcini assault a weapons bill.

Prospects: A motion to strike the DeConcini assault weapons bill was narrowly defeated in the 101st Congress. The vote was 49-50. This is too close to call.

5. Enhanced Firearm Provisions

Includes various new provisions to enhance firearm penalties including a mandatory five year prison term for possession of a firearm by offenders with a prior conviction for violent felony or serious drug offense.

Biden generally has incorporated the firearms provisions of the President's bill in his revised bill.

Prospects: Little disagreement is anticipated with respect to these provisions.

6. Felon Identification

No provision.

Includes a new the "Brady Handgun Violence Prevention Act" (a Mitchell, Kohl, Gore proposal) which differs from the Brady bill, as considered in the House, by providing financial incentives to the states to update their criminal history files, share that information with the FBI, and conduct background checks.

Prospects: Senators Dole and Stevens are each expected to offer substitute amendments for the revised Brady bill. Those substitutes will resemble the Staggers amendment in the House (each would cause problems for the Department of Justice, if enacted). Many senators who could be expected to oppose the Brady bill have been reluctant to state how they will vote. For that reason, it is thought that the vote will be very close.

7. Authorizations

Approximately \$3.2 billion in new authorizations.

Prospects: Southern democrats, who tend to prefer the Administration's substantive provisions, are generally inclined to support the funds for state and local law enforcement in the Biden bill. According to Justice Department representatives, pressing the issue with them appears to threaten their support for our substitute amendments. We have not identified any member who intends to offer an amendment to strike any of the authorizations.