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THE WHITE HOUSE

WASHINGTON

January 4, 1991

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: D. Cameron Findlay 

SUBJECT: Federal Triangle Building

You have asked for some background information regarding the Federal Triangle building ("the building"). Specifically, you would like to know whether and under what circumstances the General Services Administration ("GSA") would be legally justified in not leasing 500,000 square feet of office space to the International Cultural and Trade Center ("ICTC").

I. BACKGROUND

The Federal Triangle Development Act of 1987 ("the Act"), 40 U.S.C. 1101 note, et seq., laid the groundwork for the construction of a large government building, including an ICTC, on the last remaining undeveloped parcel of the historic Federal Triangle. Because the relationships established by the Act are quite complex, it is worthwhile briefly to describe them. The Act (1) authorizes the GSA Administrator to transfer title to the property to the Pennsylvania Avenue Development Corporation ("PADC") for purposes of development, 40 U.S.C. 1102(a); (2) requires PADC to prepare a development proposal, which must include, inter alia, space for Federal offices and up to 500,000 square feet for an ICTC, 40 U.S.C. 1103(a); (3) requires PADC to gain approval of its development proposal from GSA, the National Capital Planning Commission ("NCPC"), the Commission on Fine Arts ("CFA"), and the relevant committees of the Senate and House of Representatives, 40 U.S.C. 1103(e)(1) & 1103(f); (4) establishes an ICTC Commission ("the Commission") of 15 members to oversee the work of the ICTC, 40 U.S.C. 1106; (5) authorizes the Commission to be appropriated (from interested U.S. agencies) up to \$1,000,000 each year (adjusted for inflation), 40 U.S.C. 1106(g), and provides that these appropriations must cease two years after the ICTC begins operation, 40 U.S.C. 1106(h)(5), at which point the ICTC is required to be self-sufficient financially;¹ (6) permits PADC to lease or sell the property to a

¹The Act requires that after a two-year grace period, "the aggregate amount of fees and rent" charged by the Commission for the ICTC "shall not be less than the cost to the Commission of

private developer, which must in turn lease the property back to the GSA, 40 U.S.C. 1105(a);² (7) requires the GSA to "enter into an agreement for the Commission to lease from the Administrator not to exceed 500,000 square feet of occupiable space," 40 U.S.C. 1107(a)(1), which must include "such terms relating to default or nonperformance as the Administrator considers appropriate to protect the interests of the United States," 40 U.S.C. 1107(a)(3)(C); and (8) requires the Commission to "establish, operate, and maintain an international cultural and trade center in the space leased from the Administrator," 40 U.S.C. 1107(b)(1).

In addition to these statutory relationships, the various parties have entered into at least three other contractual relationships. In September 1990 GSA, PADC, and the Commission entered into a Memorandum of Understanding ("MOU") which gives each party veto power through a steering committee. It is unclear whether the MOU is legally binding, however, as the document refers to its purpose as simply "signify[ing] these agreements" and "stat[ing] a commitment to work cooperatively." Moreover, as noted above, PADC has entered into a lease/development agreement with FTC,³ and FTC has entered into a lease agreement with GSA.

The end result of all these arrangements is that the U.S. transferred title to PADC, which in turn leased the property to FTC for purposes of development. FTC then leased all of its interests in the property to GSA. GSA currently controls the proposed building, but is apparently required by the Act to lease space to the Commission for use as an international cultural and trade center. However, the Act requires that GSA include in the

subleasing the space from the Administrator" plus the expenses of the Commission. 40 U.S.C. 1107(c)(1).

²The statute permits PADC to sell or lease the property to a developer, but requires (1) that the developer lease the property to GSA and (2) that ownership revert to the United States and GSA after 35 years. PADC awarded the development contract to Federal Triangle Corp. ("FTC"), leased the property to FTC, and then FTC in turn leased all of its interest in the property to GSA in a February 1990 lease. According to the lease agreement, FTC is intended only to hold "bare legal title."

³I have not been able to obtain a copy of the lease/development agreement(s) between PADC and FTC.

lease to the Commission terms as to "default and nonperformance" that would protect the interests of the U.S.⁴

GSA and the Office of Management and Budget are convinced that the ICTC has virtually no chance of meeting the Act's requirement that it be self-sufficient in its third year of operation. They therefore believe that "default," "nonperformance," and "inadequate demand to cover the costs of construction and maintenance" are extremely likely. On the other hand, PADC and the Commission contend that the Federal agencies are overly pessimistic, and that the ICTC would barely break even in its third year. If ICTC were to default after two years, OMB estimates that the total cost to the Treasury of converting the building to space for Federal offices would approach \$200 million. (PADC's estimate of the conversion cost is approximately \$50 million.)

II. ANALYSIS

The critical question is whether, under the Act and legal relationships created pursuant to the Act, GSA could refuse to enter into a sublease with the Commission based on its belief that the ICTC will not be self-sufficient in its third year and thereafter. I believe that the question is extremely close.⁵ However, even if GSA must, pursuant to the statute, enter into a lease with ICTC, GSA could consistently with the statute insist

⁴The Senate committee report puts the matter in a somewhat different way. It states that "the GSA will reserve in its sublease with the ICTC the right to reenter and take over space in case of default by the ICTC or inadequate demand for the space to cover the costs of construction and maintenance." It goes on to say, "In the event that GSA has to take over space from the ICTC, provision will be made for notice and equitable treatment of current leases." S. Rep. No. 100-139, 100th Cong., 1st Sess. at 11 (1987).

⁵GSA has rendered a confidential opinion stating that, if ICTC cannot demonstrate prior to entering into a lease with GSA that it will be self-sufficient by the third year, GSA would have grounds not to enter into a lease under a theory of "anticipatory breach." Since no lease agreement would ever exist under this scenario, I believe it would difficult to argue that ICTC had "breached" it. As I note below, however, one could argue that no terms relating to default could protect the interests of the U.S., so that a statutory requirement of the lease could never be met. Alternatively, GSA could insist in its lease that (1) the only way to protect the interests of the U.S. is to require immediate default and repossession by GSA, even prior to completion of the building; or (2) that the ICTC be much smaller than is currently planned.

on the inclusion of terms regarding default and nonperformance that permitted it immediately to take over the entire property from ICTC. Alternatively, GSA could insist on a significantly smaller ICTC than is currently planned.

A. The Act

At first blush, the terms of the statute clearly require GSA to lease space to ICTC. 40 U.S.C. 1107(a)(1) states: "The Administrator and the Commission shall enter into an agreement for the Commission to lease" up to 500,000 square feet of occupiable space for an ICTC. Several other provisions in the statute require the establishment of an ICTC in the space leased from the Administrator. See, e.g., 40 U.S.C. 1107(b)(1) ("The Commission shall establish, operate, and maintain" an ICTC "in the space leased from the Administrator."); 40 U.S.C. 1103(a)(3) (The development proposal "shall include . . . a plan for inclusion of an international cultural and trade center."). These provisions on their face leave little room for the GSA to argue that it need not enter into any lease with the Commission if it believes the ICTC will not be self-sufficient in the future.

The legislative history appears to confirm the terms of the Act. For instance, the Senate committee report refers to GSA's right to "reenter and take over space in case of default . . . or inadequate demand for the space." Those terms -- "reenter," "take over," and "space" -- all seem to indicate that GSA must await the construction of the building use of the space by ICTC before determining that ICTC will not be self-sufficient.

At one point, however, the Act appears to provide the Administrator with discretion not to lease space to ICTC. In describing the terms of the lease between GSA and the developer (here, FTC), the Act states that "[t]he Administrator will be permitted to sublease to the Commission for establishment, operation, and management of an international cultural and trade center under [40 U.S.C. 1107]." 40 U.S.C. 1105(b)(4). Because the language refers explicitly to 40 U.S.C. 1107, the provision that requires the Administrator to lease space to the ICTC Commission, however, it is unlikely that the language by itself gives the GSA discretion not to enter into a lease with ICTC. The most that can be said is that the language introduces some ambiguity into the statute.

Given that ambiguity, the GSA could make at least two arguments why it need not enter into a lease with the ICTC. First, one could argue that 40 U.S.C. 1107(a)(3)(C), which requires the Administrator to include in his lease "terms relating to default and nonperformance as [he] considers appropriate" to protect the interests of the U.S., provides an escape. That is, if no default or nonperformance terms could

adequately protect the interests of the United States, then the Administrator simply cannot comply with the provision directing him to enter into a lease. The argument is that both provisions must be read together, and that the only way to satisfy 1107(a)(3)(C) -- to protect the interests of the U.S. -- is not to enter into any lease at all.

While the argument is appealing, ultimately I think it is unavailing. As long as it is possible to devise some term or terms to protect the U.S., then there is no inconsistency with 1107(a)(1)'s command to enter into a lease. As I note below, it is probably possible to devise such terms, though ICTC may not be agreeable to them.

A second but related argument could be based on the well-known rule of statutory construction that a statute should not be read in such a way as to produce an absurd result that Congress could not have intended. Here Congress plainly intended that the ICTC be a businesslike, profit-making enterprise, and gave it only a two-year grace period in which it could incur losses. If it is clear to all concerned that the ICTC will never be self-sufficient, it could be argued that it would be absurd to expect GSA to enter into a lease which it knows will in two years require default, repossession, and \$200 million in "conversion costs." This seems to me to be the strongest argument that GSA need not enter into a lease with the Commission at all.

Of course, it is fairly clear under the statute that ICTC and the Administrator could agree to a lease which immediately placed the ICTC in default or nonperformance status. Indeed, given the GSA's responsibility to include such terms to protect the U.S.'s interests, GSA may well be required to insist upon such a lease. Alternatively, the statute does not forbid a lease providing for a much smaller ICTC; it sets only an upper limit on the amount of space which can be leased to ICTC, to wit, 500,000 square feet. 40 U.S.C. 1107(a)(1). Thus, for example, the GSA could insist that the proposed ICTC be significantly downsized before it agrees to lease space to it.⁶ Given that it is uncertain whether GSA can avoid entering into any lease at all with the ICTC, entering into a lease which adequately protects the U.S. Government's interests -- either through immediate

⁶The Act does require that the sublease to ICTC include terms permitting the Commission to sublease its space to foreign missions, commercial establishments, international cultural and trade organizations, and state and local governments. 40 U.S.C. 1107(a)(3)(A). That provision, however, would not by itself require that ICTC have sufficient space to lease to all these organizations.

default terms or severe downsizing of the ICTC -- may well be the most promising course of action.⁷

B. Other Issues

At least two other potential legal issues might arise if GSA were to refuse to lease space to the ICTC or were to request lease terms eliminating or downsizing the ICTC.

First, as noted above, the MOU gives each party -- GSA, PADC, and the Commission -- a veto over all major decisions concerning the building. However, it is unlikely that the MOU can be read to establish any legally enforceable rights. By its own terms it is a Memorandum of "Understanding" meant to "signify" agreements and understandings the parties have made to each other in a spirit of cooperation; it is not a Memorandum of "Agreement," and it seems to memorialize informal agreements rather than create legal rights.

Second, the NCPC, the CFA, and two Committees of Congress were required to approve the development proposal under 40 U.S.C. 1103(e)(1). They gave their approval to a proposal that contained a substantial ICTC, and PADC counsel has expressed the view that any major change to the proposal would require new approval by those bodies. The statute is silent on the question, but it would not be illogical to require these bodies to review and approve fundamental changes to the proposal prior to construction. If that were not the case, for instance, PADC could submit an understated neoclassical design for review and then change the design to a Mies-like glass box after approval. That interpretation would obviously render the review and approval provisions a nullity. On the other hand, the statute plainly does not contemplate any role for these bodies in case of default or nonperformance. In those circumstances, the GSA is given fairly unconstrained powers to reenter and take over the space. In short, the government would be on much stronger

⁷The ICTC's governing body, the ICTC Commission, consists of 15 members, of which seven are members of the President's Administration (the Secretaries of State, Commerce, and Agriculture, the U.S. Trade Representative, the GSA Administrator, the Director of the USIA, and the Chairman of the National Endowment of the Arts. Six other members are appointed by the President; at least one of the six seats is vacant due to the resignation of Donald Brown, and two others have told Frank Hodsoll confidentially that they have serious doubts about the ICTC's viability. The Mayor of the District of Columbia and the Chairman of PADC also serve on the Board. In sum, the Administration may already have a majority on the Commission, and will have a clear majority when Donald Brown's seat is filled.

grounds with NCPC, the CFA, and Congress if it were to enter into
a lease with ICTC.

THE WHITE HOUSE

WASHINGTON

February 19, 1992

MEMORANDUM FOR THE DEPUTY CHIEF OF STAFF

FROM:

D. CAMERON FINDLAY



SUBJECT:

RAILROAD LABOR NEGOTIATIONS

Attached for your information is a memorandum from the Acting Secretary of Transportation on the ongoing negotiations between rail labor and management. In the memorandum the Acting Secretary recommends that the Administration accede to the National Mediation Board's (NMB) apparent plan to release the parties from mediation at the end of this month. Assuming no extensions of the three statutory 30-day periods, the parties could be free to strike -- and Congress would likely be required to pass legislation ending the strike -- around the beginning of June 1992.


One point not highlighted in Acting Secretary Busey's memorandum deserves mention as you consider these issues: Rail labor and its advocates in the Congress believe strongly that management gained a tremendous victory in the legislation ending the last national rail strike in April 1991. (That legislation set up a Special Board to review the recommendations of Presidential Emergency Board (PEB) 219. The Special Board essentially adopted the findings and recommendations of PEB 219 in toto.) Because labor believes that it lost the last round, and because the unions involved in the current dispute must justify to their members why they dropped out of the last round, I do not believe it likely that Congress will swiftly pass legislation simply implementing the recommendations of a Presidential Emergency Board, as has usually happened in the past. Whenever it comes, a national rail strike could last a few days or result in legislation less favorable to management than in the past.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

February 18, 1992

MEMORANDUM FOR: Samuel K. Skinner
Chief of Staff
The White House

FROM: 
James B. Eusey
Acting Secretary

SUBJECT: Railroad Labor Negotiations

Summary

The three unresolved railroad labor bargaining situations--with Conrail, Amtrak, and the Machinists--appear to be headed for a denouement over the next four to five months. This schedule, driven by Congress' abbreviated election year calendar and the National Mediation Board's belief that its mediation attempt has run its course, argues strongly that proffers of arbitration be made by about March 1 in order to start the Railway Labor Act's status quo, "30-day clock." Thus, for those contract situations not resolved by April 1, the Presidential Emergency Board (PEB) process could be initiated and completed by the end of May, leaving time for Congress, if necessary, to bring the situation to closure before its June recess.

Discussion

Based on continuing consultations with rail labor and management and the National Mediation Board (NMB) last week, it has become clear that the calendar has become the driving factor in the negotiating process. With the Congress scheduled to recess by the end of June (and with a one or two week August session only a possibility), the NMB believes that it must start the PEB process moving shortly. I explored with the Board last Friday whether continued mediation might postpone or obviate the PEB process. The Board believes nothing more can be accomplished through mediation. Moreover, we are told that management is comfortable with the timetable proposed by the Board.

-2-

As you know, the creation of an Emergency Board has the effect of preserving the status quo for two successive 30 day periods--the first while the PEB investigates the situation and prepares its recommendations (an extension of that period to 60 days can be requested), and the second following the submission to the President of the PEB's report. While the process would allow the creation of separate PEB's for each situation, the NMB's inclination appears to be to press for a single PEB to cover all three. (A description of the PEB process is attached.)

Congressional sentiment appears to support the use of the PEB process for all three bargaining situations--Conrail, Amtrak and the unresolved national negotiations involving the Machinists. Should the PEB procedure not produce a settlement in one or more of these situations, or should they devolve into a confrontation, Congress' disposition, reportedly, is to impose statutorily a resolution close to the PEB's recommendations.

It is to the advantage of the Administration, the Congress and the rail industry as a whole to have these three nettlesome situations finally resolved. For those contracts which are not settled by the time that the 30-day clock runs out on April 1, however, the PEB process is probably the only way to bring these situations to closure. Our judgment is that the rest of railroad labor would be relieved, on balance, to have the matters finally resolved.

Attachment

PRESIDENTIAL EMERGENCY BOARD PROCEDURES

Under the provisions of the Railway Labor Act, the National Mediation Board has the authority and the responsibility for maintaining mediation efforts for as long as there is a reasonable possibility for a settlement. That decision is clearly a judgment call; the Board has a tendency to stay with mediation, in the context of its overall mission to encourage collective bargaining and to minimize the disruption and the repercussions of strikes and lockouts. By the terms of the Railway Labor Act, labor agreements continue in effect for as long as mediation continues, and neither party may change the terms and conditions of employment.

When the NMB is persuaded that further mediation would not be productive, the Board formally proffers arbitration of the unresolved issues to both parties. There is no deadline for a response by the parties; as long as the parties are silent, the old agreement continues in effect. When and if either party declines the proffer of arbitration, the so-called 30-day clock begins. During these 30 days immediately following a declination of arbitration, neither party may alter the status quo. The Board typically makes an intensive effort during this period to seek a basis for settlement.

If the 30-day clock runs out and the Board is unsuccessful in obtaining an agreement, the parties are then free to engage in self help -- to strike; to lockout; to impose unilaterally the last offer which was on the table; or to revert to and to impose an earlier offer.

If, however, in the judgment of the Board, the dispute threatens "... to interrupt interstate commerce to a degree such as to deprive any section of the country of essential transportation service ..." (Section 160 of the Act), the National Mediation Board then notifies the President of that circumstance. The President, at his discretion, is empowered to create an Emergency Board, whose purpose is to investigate and to report with respect to such dispute. No change in the status quo may be made by either party while the Emergency Board is conducting its investigation.

An Emergency Board is mandated to report to the President within 30 days from the date of creation of the Board -- although the Emergency Board has the discretion to request, with the assent of the parties, an extension of the 30-day limit; normally the President will grant such extension.

The Emergency Board conducts its investigation as it may choose; more frequently than not, the Board hears presentations from both parties, and accepts written material in substantiation of each party's position. Normally a staff member from the National Mediation Board serves as staff and facilitator for the PEB. The

report to the President is expected to include recommendations for settlement of the dispute.

For thirty days following the submission to the President of the Emergency Board's report, no change (except by mutual agreement) may be made by either party in the conditions out of which the dispute arose. Although not included in the language of the Act, the practice is for the National Mediation Board to attempt mediation in the public interest, in an effort to persuade the parties to utilize the PEB recommendations as a basis for a settlement.

If no agreement has been reached at the end of the latter thirty-day period, the parties are free to resort to self help -- unless the Congress chooses to intervene. A dispute sufficiently serious to warrant a Presidential Emergency Board is, as a practical matter, unlikely to be ignored by the House and the Senate.

The Congress has wide latitude, however, in determining an appropriate response. The House and the Senate may elect to freeze the status quo while holding hearings and deciding on legislation; the Congress may already have prepared legislation, and may simply agree to enact it; or Congress may let the dispute come to a confrontation, before deciding whether to intervene. In any event, the final word is in the hands of the Congress -- although the President may make a recommendation to the Congress, if he so chooses.

The role of the Department of Transportation in such proceedings is twofold:

(1) The Department normally prepares for the National Mediation Board, during the period when the "30-day clock" is running, a strike impact statement. This document takes the form of an assessment of the likely consequences of a shutdown of the transportation service involved. It includes both short term and longer term projections of effects on employment, on shipments of critical commodities, on disruptions of production, and on loss in Gross Domestic Product.

(2) The Department provides for the President the views of the transportation community on the dispute, and may also offer private analysis on considerations which may weigh in the decision to create a Presidential Emergency Board.

EXPERIENCE UNDER PRESIDENTIAL EMERGENCY BOARD 219

PEB 219 played a decisive role in resolving the deadlocked national negotiations among the freight carriers.

Bargaining to replace the agreements which became amendable on June 30, 1988, began in the spring of that year. The Class I carriers had designated the National Railway Labor Conference as

their spokesperson; the railroad brotherhoods banded together under the auspices of the Railway Labor Executives Association.

Negotiations were complicated almost from the outset by the fact that health and welfare issues -- primarily the industrywide health insurance benefits administered under a group plan by the Travelers Insurance Company -- were still unresolved from the 1984 round of bargaining. A joint fact-finding commission, agreed to as a way of getting past the 1984 impasse on health care, never actually came into being.

The carriers made containment of the escalating costs of health coverage their overriding priority for this round. The unions responded that they were willing to consider the issue, but only in the broader context of an overall economic settlement which would provide the balances and trade-offs for any concessions to which the unions might agree.

Bargaining ebbed and flowed between these two approaches through 1988 and 1989, by which time the National Mediation Board had been called in. By the winter of 1989-90, it became apparent that the Board was faced with a "You can't get there from here" dilemma.

In an effort to structure a process which encompassed both positions, the NMB floated the notion of an extended Presidential Emergency Board. In essence, the proposal would commit both parties to accepting a single PEB which would hear arguments first on the health and welfare issues; would issue interim recommendations on those matters; would then hear arguments on the wage and rule issues, both those common to all unions and those particular to each craft or class; and would finally submit a report to the President combining both the PEB's earlier findings on health and welfare and its recommendations on wages and rules.

The parties would agree to maintain the status quo during this extended period, which would run to December 15 of 1990. The Department of Transportation indicated to the Mediation Board that it did not object to such a proposal; the agreement accepting an extended PEB was finally signed during the February 1990 meetings in Florida.

The three member PEB stuck fairly well to its schedule during the summer and fall of 1990. By November, it was clear that the PEB would need more time, and it requested and received an extension for its report to January 15. The submission of the report to the President coincided with the pendency of Operation Desert Storm; the unions announced, and the carriers accepted, that no strike or self help would be initiated while the nation was at war. The nominal thirty day preservation of the status quo under the Railway Labor Act was therefore extended to midnight on April 17th.

Direct bargaining between the parties, on the basis of PEB 219's recommendations, resumed as Desert Storm hostilities were coming

to an end. By April 12, three unions had each reached a separate agreement with the carriers: the Transportation-Communications Union (clerical), the Brotherhood of Railroad Signalmen, and the American Train Dispatchers Association. Last minute bargaining yielded no further settlements.

A national railroad strike began at 7:00 AM on April 17. The tradition in the industry is that, if one union goes out, all of the unions respect that union's picket lines. The Transportation Subcommittee of the House Energy and Commerce Committee began hearings on the strike at 8:00 AM that morning. By 9:15 PM on the evening of April 17, the full Energy and Commerce Committee had adopted emergency legislation ending the strike. The Joint Resolution went over to the Senate, where it cleared by voice vote at about midnight. At 1:00 AM the President was awakened and signed the bill into law.

The Joint Resolution (Public Law 102-29) provided for a Special Board to hear requests for clarification of PEB 219 recommendations, and then to hear appeals for the overturning of those recommendations in which the Emergency Board had not considered all of the facts. The Special Board was instructed to make its final determinations on PEB 219 recommendations within 60 days; the Special Board's findings were then to be as determinative as if the parties themselves had negotiated the settlements.

Thus ended a turbulent three years of protracted negotiations. The carriers were largely satisfied with the PEB 219 recommendations, and therefore with the resolution of the situation by the Congress. The unions felt betrayed both by the PEB 219 recommendations, which were badly skewed toward management in their view, and by the failure of the Congress to provide a meaningful avenue for revisiting and reconsidering PEB 219's report.

THE WHITE HOUSE
WASHINGTON

THE CHIEF of STAFF
has seen

January 17, 1992

PCF
1/21
Bill

MEMORANDUM FOR MR. SKINNER
Chief of Staff

THROUGH: DAVID F. DEMAREST, Jr.
Assistant to the President for Communications

DEBRA R. ANDERSON
Deputy Assistant to the President and
Director of Intergovernmental Affairs

FROM: DAVID J. BEIGHTOL, Jr.
Special Assistant to the President
for Intergovernmental Affairs

SUBJECT: GOP GOVERNORS' SURVEY

As Chairman of Republican Governors, Tommy Thompson surveyed his colleagues for "growth package ideas."

I hope the attached proves to be helpful for the State of the Union.

Attachment

cc: Bob Grady
Ron Kaufman
Tony Snow



REPUBLICAN GOVERNORS ASSOCIATION

HIGHLY CONFIDENTIAL

January 10, 1992

The Honorable Tommy Thompson
Governor of Wisconsin
115 E. State Capitol
Madison, WI 53707

Dear Governor Thompson,

Last month in Salt Lake City a number of us had an opportunity to discuss domestic issues during a Governors only session. We talked a lot about potential actions to improve and increase economic growth. Since the meeting was closed and not everyone attended, a suggestion was made to formally survey every Republican Governor to gain insight into offering recommendations to the President and his economic advisors prior to his State of the Union address scheduled for January 28th.

Rather than formulate a close-ended questionnaire, I would simply like to propose an open-ended question where you would list in priority what action you would like to see taken by the Administration to improve the economy. It is important that you complete this survey personally. Please use your own letterhead for your response. The results will remain confidential and you may rest assured of complete anonymity. Please return your recommendations by fax to the Republican Governors Association at 202/863-8659 to the attention of Chris Henick by 5:00 p.m. Tuesday, January 14, 1992. Moreover, if you would like to address other domestic issues within your recommendations, please feel free to do so.

SURVEY QUESTION

As you are aware, the President has laid the fundamental framework to improve economic growth by developing a long-term growth strategy based on several key elements.

Survey letter, page 2

These include:

- * Unleashing capital while keeping inflation in check and interests rates down.
- * Keeping American business competitive to slash red tape and regulations wherever possible.
- * A commitment to quality education and job training.
- * Deficit reduction to avoid driving interest rates up.
- * A commitment to free and fair trade.

In your judgement, what additional steps should be taken to improve the economy. Please list your recommendations in priority.

Thank you for your cooperation and advice.

Sincerely,

Tommy G. Thompson
Chairman, Republican Governors
Association



State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

STAN STEPHENS
GOVERNOR

~~CONFIDENTIAL~~
January 14, 1992

DETERMINED TO BE AN
ADMINISTRATIVE MARKING,
PER E.O. 12958, SEC. 3.3 (C)

DGC 10/7/02

The Honorable Tommy G. Thompson
Chairman
Republican Governors Association
310 First Street, Southeast
Washington, D.C. 20003

Dear Tommy:

In reply to your letter of January 8, 1992.

I am in the midst of handling my own budget problems which call for cuts in spending while promising to veto any general tax increases. An interesting assignment in light of a Democratic controlled House and Senate.

Nevertheless, for what it's worth, here's my view on the national scene:

1. The problems of federal government are echoed throughout the states. Uncontrolled spending by the Congress has to be brought in line with available revenues. This positively means no increase in taxes.

2. We need to allow Americans to retain more of their own money. This points to the enactment of a capital gains break, IRA's that provide incentives to save, and a possible repeal of taxes on personal savings. More personal savings on the part of our people would spur investment or if spent would stimulate the economy which is a winner either way.

3. Despite being unpopular with the Congress, we need to move more control of government spending out of Washington and into the various states. The block grants to states proposal, previously discussed at the NGA, to replace mandates from Washington would put "more rubber on the road" by reducing administrative costs by the federal government and increased productivity when programs are administered by the states.

The Honorable Tommy G. Thompson
January 14, 1992
Page Two

4. I leave the balancing act of simultaneously controlling inflation and high interest rates to those knowledgeable in this area of number crunching.

5. The commitment to quality education, keeping American business competitive by slashing red tape and regulations and a commitment to free and fair trade are all laudable goals that should be encouraged. But the so-called bottom line has to be a fail safe plan to control unbridled spending by the Congress and a determination not to resort to increase taxes in order to achieve it.

Warmest personal regards,



STAN STEPHENS
Governor



STATE OF UTAH
OFFICE OF THE GOVERNOR
SALT LAKE CITY
84114

NORMAN H. BANGERTER
GOVERNOR

January 13, 1992

The Honorable Tommy G. Thompson
Chairman, Republican Governors Association
310 First Street, SE
Washington, DC 20003

Dear Tommy:

Regarding the survey on the fundamental groundwork to improve the economy, I don't disagree with what you mentioned in your January 8 letter but would emphasize two things.

First, it is imperative that the Republican Party and the President take a much more aggressive position on the need to reduce the deficit with concrete steps that will lead to such a reduction.

Second, not only a commitment to free and fair trade but in my judgment, even with the trip to Japan just having been completed, we did not get concessions and will not get concessions. We must take administrative steps immediately to slow down imports, making it more difficult technically. We would be reciprocating what I believe is the Japanese style--publicly advocating that they have free and fair trade, that our goods are welcome there, while administrative blockades occur in virtually every area.

On a final note, I agree with Boone Pickins's general though simplistic philosophy that they ought to be able to import all the cars they want. However, there is a slight problem: we can only afford one inspector in Sacramento who must inspect them all.

I know your task is difficult--so is ours. Until we realistically address the deficit and the trade imbalance with solid, aggressive unilateral effort from the Republican Party, we will continue in the slide which we now see.

Sincerely,

Norman H. Bangerter
Governor

NHB/sjs



STATE OF ARIZONA
EXECUTIVE OFFICE

FRED SYMINGTON
Governor

January 14, 1992

Tommy G. Thompson
Chairman,
Republican Governors Association
310 First Street, SE
Washington, D.C. 20003

Dear Tommy:

Thank you for giving me the opportunity to respond to your survey regarding the President's State of the Union address, and possible recommendations to his economic advisors. As it is in most states, economic development is a fundamental priority for my office, and is the subject of most of my legislative recommendations to the Arizona State Legislature. In the near future, I will send you a copy of the recommendations of my Economic Development Commission to the Arizona Legislature.

My fundamental position in attempting to lead Arizona during these difficult times is that we must not increase the cost of government for Americans right now. Increased fees, increased taxes, increased regulations are all anchors on the American economy. That's why I proposed a broad based, progressive, five-and-one half percent tax reduction in my State of the State address on Monday.

In general, it is absolutely essential that a serious effort is undertaken to restore fiscal integrity and credibility at the federal level. Fiscal policy is, quite frankly, bankrupt at this time. Any Keynesian "stimulus" which would increase the deficit is not good policy.

In my state, we are committed to developing a broad job training program. Current federal assistance in job training is accompanied by too many restrictions and mandates. I would support reducing those restrictions in order to allow states the flexibility to apply job training resources from both the federal and state government to maximize the benefits of the programs.

Gov. Thompson
January 14, 1992
Page 2

The President should continue to beat the drum in support of a capital gains tax reduction. Unfortunately, the debate over this issue has not been successfully waged, and most citizens still do not understand the broad impact this cut will have for people of all income levels. I also support efforts to restore investment tax credits for such things as research and development, retirement savings accounts and for first time home buyers.

I strongly support Secretary Kemp's efforts in the area of Housing policy. At this time, however, the success of HUD's housing programs is hindered by the administrative costs that must be borne by the states. Once again, reducing the administrative costs, or developing programs that reduce state costs will help the programs reach farther into our communities.

Arizona, and many other states, are currently suffering the effects of a full-blown depression in the real estate market. This downturn resulted from the passage of the Tax Reform Act of 1986, which limited the deduction for losses on passive income, and repealed favorable capital gains treatment. In order to rebuild real estate values, I would recommend a repeal of the passive income rule. This strategy could be very effective in stimulating economic activity in the real estate and building sectors again, and reversing to some extent the significant losses that have occurred over the past 5 years.

Most of the Congressional proposals floated thus far are extremely disappointing. They devote massive resources to treating symptoms of the economic downturn, instead of attacking the causes. Extending unemployment benefits, increasing AFDC payments, and other "great society" proposals will never be as effective as a program which stimulates the economy, creates jobs, and helps put more money in the pockets of working men and women.

I very much appreciate your efforts in coordinating the survey responses. If you require any additional information or suggestions, with time, I am certain we could provide more ideas.

Sincerely,



Fife Symington
GOVERNOR



STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SPRINGFIELD 62706

JIM EDGAR
GOVERNOR

January 15, 1992

Chris Henick
Republican Governors Association

Dear Chris:

Pursuant to Governor Thompson's request, I offer the enclosed advice with regard to the President's State of the Union address.

I strongly endorse the priorities outlined in Governor Thompson's letter. I would place special emphasis on the capital investment priority. Efforts to provide a limited duration investment tax credit would likely have an immediate and important impact on midwestern states.

Politically, it would seem prudent for the President to speak to the appropriateness of additional defense-related savings. The world order has changed under Republican watch. The Democrats should not be allowed to steal this away from us by making the point that more can be saved from defense spending over the coming five years.

Given the federal budget deficit, I remain dubious about the appropriateness of a tax cut. In the event that a general tax reduction is contemplated, I would advise a simple approach that quickly puts cash in the taxpayers hands on a one-time basis. For example, what about a program to give every taxpayer a check of say \$50 per dependent, distributing the checks in March or April, and might help jump starting consumers.

Thank you for the opportunity to address this subject.

Sincerely,

Jim Edgar
GOVERNOR



STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR
RALEIGH 27603-8001

JAMES G. MARTIN
GOVERNOR

January 15, 1992

MEMORANDUM

TO: Governor Tommy G. Thompson
FROM: James G. Martin *JGM*
SUBJECT: Answer to Survey Question, Republican Governors Association

The Federal Surface Transportation Act (1991) could give a strong boost to the economy, but it will be delayed, due to prolonged haggling over "mitigation" issues, involving wetlands and "endangered" woodpeckers! Since there is no doubt that we always end up having to do what we're told with mitigation, why haggle? If a state agrees in advance to accept mediation or arbitration to establish mitigation, go ahead and approve construction as soon as all other permits are approved, and mitigate later. That will accelerate impact three months!

JGM/jy

FAX		DATE 1/15/92	1
TO Chris Henick		FAX# 202/863-	
CO. R SA	FROM Gov. James Martin	8659	
CO. NC	PH/FAX# 919/733-	5166	



OFFICE OF THE SECRETARY
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1/17
cc to Ede for info.

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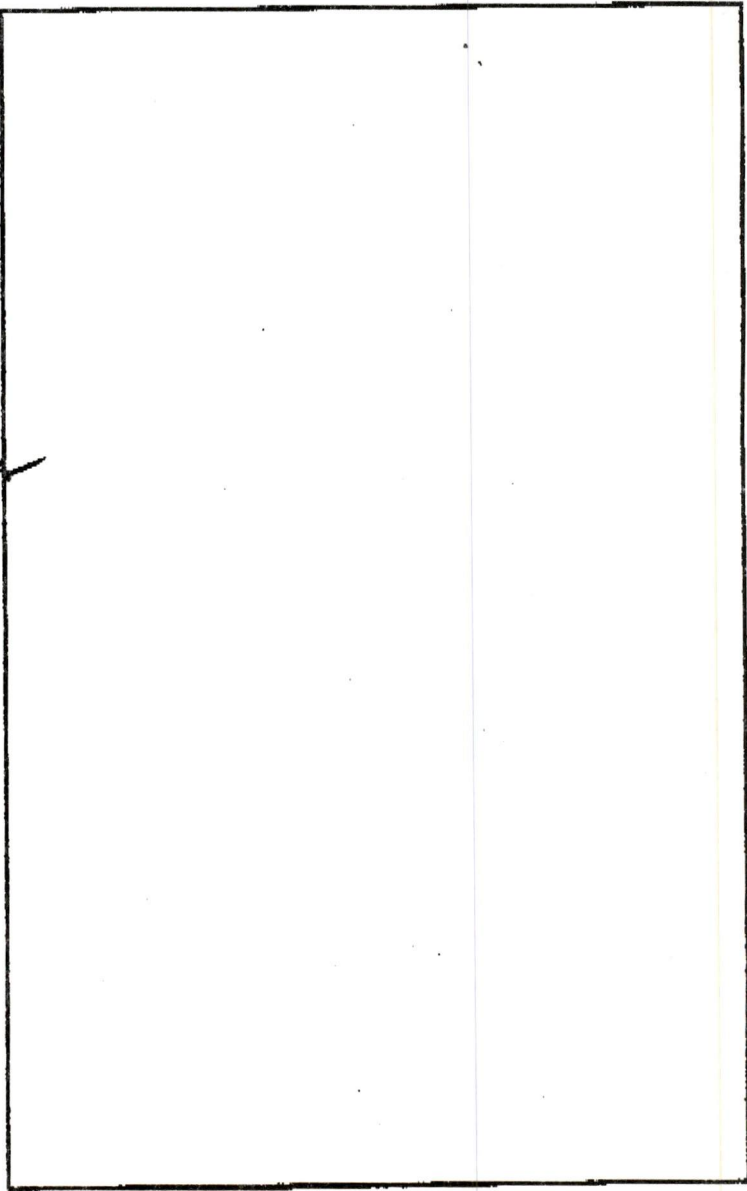
FAX COVER SHEET

MESSAGE

TO: Sam Skinner

FAX NUMBER: _____

FROM: Lamar Alexander





UNITED STATES DEPARTMENT OF EDUCATION
THE SECRETARY

January 16, 1992

NOTE TO SAM SKINNER

FROM: LAMAR ALEXANDER

If the President is going to go to Derry, New Hampshire to visit their New American School Planning Group in February, I would strongly suggest that you take Alan B. Shepard with you. Shepard is the former astronaut whose hometown is Derry. Derry is naming the Alan B. Shepard School of Math and Science after him. Shepard is a businessman living in Houston and retired from government service. He is a good friend of Admiral Truly, the NASA Administrator. You may want to take Admiral Truly with you as well to show a level of interest in the federal government helping Derry.

We continue to be in touch with the Derry Planning Group. The children in Derry have received the letters that the President wrote to them following my presentation at the Cabinet meeting. Governor Gregg, in his State of the State address, mentioned the President's visit and the Derry, New Hampshire effort. I still strongly believe that a visit there would be an excellent way to end the day, although I would not rush in and out. I would take an hour or so and visit with the children and visit with the Planning Group.

On the other hand, it might be a good way to begin a day because -- while there are no guarantees -- this ought to be a community that receives the President very well and it might be a good media focus, especially with the former astronaut there in his hometown talking about math and science and New American Schools.

cc: Bob Teeter

1/16/92

THE WHITE HOUSE
WASHINGTON

Ede

COMMENTS

PLEASE

Sam -

Lamar's concerns were
taken care of in
the fact sheet - Roger
worked on it -
Done!

TO → Ede
Good &



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

January 15, 1992

05
1/16

MEMORANDUM FOR HONORABLE SAMUEL K. SKINNER
Chief of Staff

FROM: Lamar Alexander *uk*
SUBJECT: Lifetime Education and Training Account

I reviewed the Job Training 2000 Working Group paper.

The paper is fine as far as it goes in describing the process of coordinating programs. However, it misses the most dramatic point -- that every American can have a Lifetime Education and Training Account.

This approach would give the President a substantive framework to answer the question, "what are you doing to achieve the fifth National Education Goal -- that every American will possess the knowledge and skills necessary to live and work in a global economy." Specifically, I suggest that the following points be made at the forefront of the paper, and in other public documents and speeches.

- o By the year 2000, America must become a Nation of students. Standards have changed not only for our children, but also for us -- their parents and grandparents. What was good enough for us to know and be able to do even ten or twenty years ago is not enough today to be able to work in the auto plant or the grocery store.
- o Every American should have a Lifetime Education and Training Account consisting of a combination of grants and loans that he or she may use throughout life to continue education, get a job, and make a better life.
- o The President's FY 1993 budget proposals for Federal student aid programs will help make the Lifetime Education and Training Account a reality. For instance:
 - For Federal student aid programs, the budget recommends \$13.7 billion, a 17 percent increase over 1992, and the largest budget in history for these programs.
 - As a result, more than \$15 billion, or an increase of \$3.6 billion, will be made available to over 6 million students, an increase of 100,000 students.

- Grant and loan eligibility would be extended to working adults taking as little as one course at a time.
- Instead of "student aid," we will begin to think in terms of Lifetime Education and Training Accounts.
- A father in a middle-income family making \$38,000 with a high school diploma would have a Lifetime Education & Training Account of at least \$30,000 -- a combination of grants and loans to help pay for up to five years to get an undergraduate degree, and another \$17,000 to get a master's degree, at a public university, and higher amounts if he attends a private college. In other circumstances, they amount to be more than \$100,000 per person.

His wife and their children would have the same kind of account available during their lifetimes.

- o The President can also say that he has directed the Secretary of Education to review the feasibility of providing a single card -- similar to a credit card -- to every American to promote the availability of the Lifetime Education and Training Account. In fact, the budget includes funds to begin a project to demonstrate the value of this approach.
- o The President can also say that he has directed the Secretary of Labor to look at making available the Lifetime Education and Training Account for training programs outside the normal student aid programs -- for instance, the kinds of training supported by the Job Training Partnership Act, by businesses, and by unions.

cc: The Vice President
Secretary Martin
Dick Darman
Roger Porter