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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: White House Offices Files

OA/ID Number: 29181
Folder ID Number: 29181-005

Folder Title:
Policy Development (Porter) (1991) [2]

Stack:	Row:	Section:	Shelf:	Position:
G	15	25	5	5

DRAFT

				Friday, Feb. 1, 1991	Saturday, Feb. 2, 1991
				Drugs: THE PRESIDENT announces National Drug Strategy III	
					Sunday, Feb. 3, 1991
Monday, Feb. 4, 1991	Tuesday, Feb. 5, 1991	Wednesday, Feb. 6, 1991	Thursday, Feb. 7, 1991	Friday, Feb. 8, 1991	Saturday, Feb. 9, 1991
Budget: White House 450 announcement of the Fiscal year 1992 budget.	Banking Reform: Secretary Brady announces new banking reforms at the Treasury.				
					Sunday, Feb. 10, 1991
Monday, Feb. 11, 1991	Tuesday, Feb. 12, 1991	Wednesday, Feb. 13, 1991	Thursday, Feb. 14, 1991	Friday, Feb. 15, 1991	Saturday, Feb. 16, 1991
	Economy: Release of the Economic Report of the President.	Transportation: White House 450 announcement. THE PRESIDENT with Sec. Skinner.	Transportation: Secretary Skinner in New York highlighting initiative.	Research & Development: THE PRESIDENT highlights during speech to Science Assoc	
					Sunday, Feb. 17, 1991
Monday, Feb. 18, 1991	Tuesday, Feb. 19, 1991	Wednesday, Feb. 20, 1991	Thursday, Feb. 21, 1991	Friday, Feb. 22, 1991	Saturday, Feb. 23, 1991
	National Energy Strategy: THE PRESIDENT meets with Congressional Leadership.	National Energy Strategy: White House 450 announce. THE PRESIDENT w/Sec. Watkins.	National Energy Strategy: Secretary Watkins testifies before the Congress		
					Sunday, Feb. 24, 1991
Monday, Feb. 25, 1991	Tuesday, Feb. 26, 1991	Wednesday, Feb. 27, 1991	Thursday, Feb. 28, 1991		
Opportunity Initiative: THE PRESIDENT announces comprehensive package in East Rm			Economy: THE PRESIDENT addresses the Business Council		

ROLLOUT/DOMESTIC POLICY
MARCH 1991

				Friday, Mar. 1, 1991 Turnback to the States: THE PRESIDENT meets with the Am. Legis. Exchange Council	Saturday, Mar. 2, 1991
					Sunday, Mar. 3, 1991 Crime: Department of Justice Crime Summit
Monday, Mar. 4, 1991 Crime: Department of Justice Crime Summit Science/R&D: THE PRESIDENT addresses Westinghouse Talent Search on R&D and Educ.	Tuesday, Mar. 5, 1991 Crime: Department of Justice Crime Summit	Wednesday, Mar. 6, 1991 Health: THE PRESIDENT w/Sec. Sullivan addresses a clinic outside DC.	Thursday, Mar. 7, 1991	Friday, Mar. 8, 1991	Saturday, Mar. 9, 1991
					Sunday, Mar. 10, 1991
Monday, Mar. 11, 1991	Tuesday, Mar. 12, 1991	Wednesday, Mar. 13, 1991	Thursday, Mar. 14, 1991	Friday, Mar. 15, 1991 Turnback to the States: THE PRESIDENT meets with Nat. Conf. of State Legislatures	Saturday, Mar. 16, 1991
					Sunday, Mar. 17, 1991
Monday, Mar. 18, 1991	Tuesday, Mar. 19, 1991	Wednesday, Mar. 20, 1991	Thursday, Mar. 21, 1991	Friday, Mar. 22, 1991	Saturday, Mar. 23, 1991
					Sunday, Mar. 24, 1991
Monday, Mar. 25, 1991	Tuesday, Mar. 26, 1991	Wednesday, Mar. 27, 1991	Thursday, Mar. 28, 1991	Friday, Mar. 29, 1991	Saturday, Mar. 30, 1991
					Sunday, Mar. 31, 1991

THE WHITE HOUSE

AC/ER

WASHINGTON

February 5, 1991

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Executive Order on Smoking

This memo provides an update on the status of the proposed Executive Order to prohibit smoking in all Federal workplaces. The Executive Order would override current policy, which allows agency heads to set their own smoking policies.

Action Forcing Event

HHS has banned smoking in all of its facilities, in a manner similar to the proposed Executive Order. This ban has prompted several unions to sue the department, contending that because smoking policy is discretionary, it must bargain over designation of smoking and non-smoking areas. HHS has lost its case in both the district court and the court of appeals.

The court order requiring HHS agencies to bargain with unions on their smoking policies becomes final on Thursday, February 7. In addition, the Federal Labor Relations Authority is expected to take enforcement action on HHS's smoking policy in the next week.

Officials at HHS are anxious to see the Executive Order signed as soon as possible. The Department's General Counsel believes that an Executive Order setting a uniform Federal policy would override both the court decision and the Federal Labor Relations Authority action, even if the Order is signed after Thursday.

Without an Executive Order, HHS will be required to spend significant resources to defend its "zero tolerance" smoking policy from union attack. In addition, Secretary Sullivan could be placed in the difficult position of allowing smoking in HHS facilities, despite his belief that a total ban is necessary to protect the health of his employees.

Executive Order

OMB has received HHS's draft Executive Order, and is waiting to staff it until it learns the reaction of the Department of Defense and OMB's own defense specialists. Because the Order would have broad impact on Federal agencies, OMB expects the staffing process to be lengthy, perhaps up to several weeks.

THE WHITE HOUSE
WASHINGTON
February 15, 1991

91 FEB 15 AM 9:08

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Housing

In the question and answer session following your Economic Club of New York address, you were asked about the alleged decline in federal support for housing. Your response that any decline was only in publicly owned housing, and did not reflect any decline in availability, was right on target.

1. We have greatly expanded both the overall availability and the role of individual choice in federally-assisted housing.

The attached chart illustrates the growth in the supply of federally-assisted housing between 1960 and the present along with projections for the rest of the current budget cycle. The number of "no choice" assisted units in publicly owned projects has been roughly constant since 1985 and will continue to be so through 1996. However, the number of federally assisted units in which the tenant has some say through vouchers or similar programs has expanded dramatically and is budgeted for a marked expansion in the future.

2. The overall housing situation improved during the 1980s.

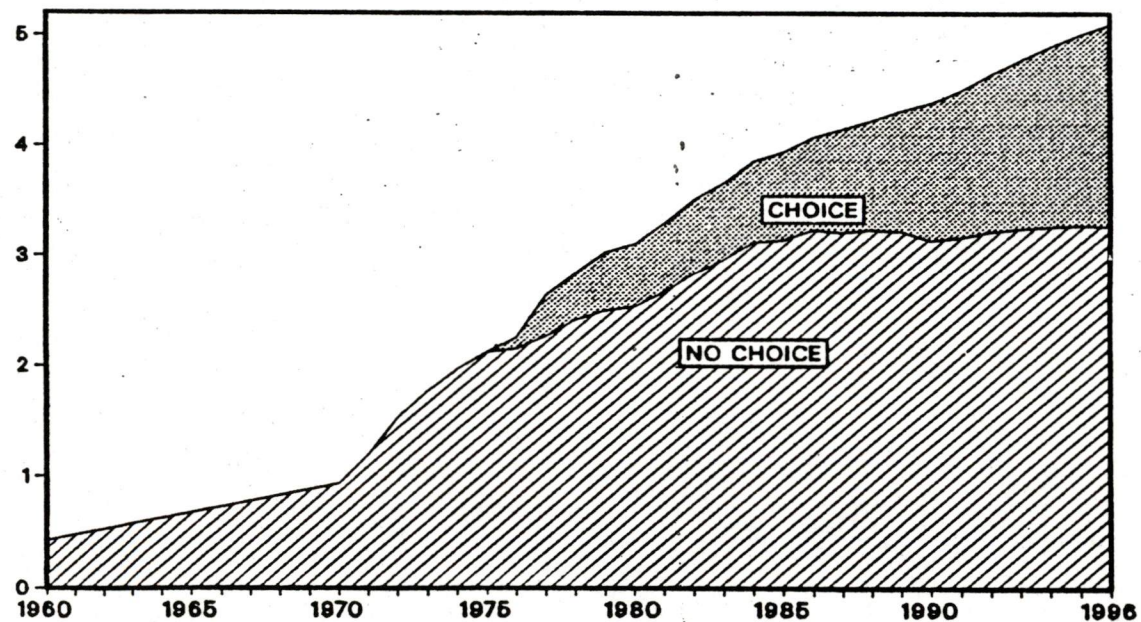
The American Housing Survey, done every other year, shows that more than 19 million housing units were added between 1979 and 1989, bringing the total to 105.7 million units. That is a 22 percent increase for the decade, compared with population growth of 11 percent.

Some 64 percent of Americans own their own homes.

Attachment

MILLIONS OF
SUBSIDIZED
UNITS

MORE TENANT CHOICE IN ASSISTED HOUSING UNITS



Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From Roger Porter to POTUS Re: Letters from Business Leaders and Tom Kean (2 pp.)	2/10/91	P5	

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(Document Follows)
By JP (NLGB) on 10/28/05

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AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

February 10, 1991

91 FEB 12 AM 10:42

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Letter from Business Leaders and Tom Kean

The letter from John Akers, Jim Burke, Ray Chambers, Tom Kean, and David Kearns is basically supportive of the economic and domestic policy agenda you outlined in the State of the Union Address.

1. Fundamental Values. They urge a return to fundamental values; parental involvement in education; individual pride, commitment, and responsibility; and a call to serving others.

They trace the rise of crime and drug abuse to family breakdown. Their solution: a return to fundamental values. They commend choice in education and cite the need to reform welfare rules and tax policies which discourage the formation of families.

2. Energy Policy. On energy policy, their assumptions are best described as heroic. Their principal recommendation is that you call on Americans to voluntarily conserve energy by observing speed limits, car pooling, and purchasing fuel efficient automobiles. These voluntary measures alone, they estimate, might reduce oil consumption by as much as 20 percent and imports by 40-50 percent. They also call for economic incentives to producing autos that are fuel efficient, but don't specify whether they favor positive or negative incentives.

3. Government Organization. One of their more unconventional recommendations is to urge forming an advisory committee to each cabinet secretary composed of full-time, non-compensated, recently retired businessmen, university presidents, labor leaders, and other professionals with distinctive competence in the subject matter of the department.

This would "change the present perception that all major decisions are being made by just one or two people, and enhance public confidence in the correctness of each decision as a result of the recommended input from such highly regarded executives having no political agenda of their own." These advisory committees would focus on problems such as the banking system and health care cost containment, "complex issues needing full-time analysis and advice from Americans expert in

each area."

The sentiments behind this recommendation reflect many popular perceptions: government is run by a few people at the top, decisions are driven by political rather than substantive considerations, and experts could provide better answers than the current system produces.

They also reflect a lack of awareness of the widespread use now made of advisory committees comprised of "experts," and the extensive consultations senior government officials have with those outside the government.

4. The Economy. They call for greater home ownership and capital ownership by the economically disadvantaged. Specifically, they advance a series of targeted investment incentives designed to encourage greater saving by the least economically advantaged and to increase investment in economically depressed areas in our cities.

In your State of the Union Address and budget we advanced proposals relating to capital gains, Family Savings Accounts, and enterprise zones. What they have suggested are modifications on those proposals. Their specific suggestions have some technical problems that could limit their applicability to large and relatively profitable firms. The proposals you have advanced would be more effective in benefitting those most in need.

What is commendable and encouraging is their emphasis on individual responsibility, family values, conserving energy, serving others, and helping bring the disadvantaged into the mainstream of the nation's economic life. These are consistent with the thrust of your remarks in the State of the Union and the economic and domestic policy agenda you have advanced.

THE WHITE HOUSE
WASHINGTON

91 FEB -6 AM 10:42
February 6, 1991

TO: The President
FROM: Sig Rogich 
RE: Attached Report

Ray Chambers asked me to personally pass this along to you.

330 South Street
Morristown, NJ 07962

January 15, 1991

The Honorable George H.W. Bush
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Bush:

As we approach the 21st Century, it is abundantly clear that in order to retain our global leadership position, Americans need to pull together, help each other and return to values that made this nation great. In fact, many other countries today are employing "old-time American values" and are prospering as a result thereof.

The stronger the United States is internally and domestically, the stronger it will be internationally and be in the best position to help the Free World.

There is only so much Government can do. Government cannot educate children if there is no meaningful parental, familial and community support. It can't make business productive and profitable. It can't maintain private property and make it look good nor can it cause people to maximize the health care resources available to them. Government is no substitute for individual pride, commitment and responsibility.

Americans wish to be involved in the solutions to our nation's most difficult problems. They have a heritage of taking care of themselves and their fellow countrymen. As the Independent Sector's recent poll revealed, most people will get involved if they are just asked. The people of America are waiting to be asked by their President.

Family

Most of what is troubling our society -- drug abuse, crime, deteriorating education results, poverty, declining productivity, etc. -- are symptoms that can be directly attributed to the breakdown of family. America was built on the family as its foundation. The original pioneers settled the country as families and drew the strength to blaze westward from their families. Immigrants arriving in this nation from abroad have depended over the years upon the strength and support of their families. Families, out of necessity, worked together on farms, started businesses and established communities. The family unit has always been the heart of America.

Even the least intelligent members of the animal kingdom recognize the need for family in order to survive. Yet, most of our children are now experiencing the difficulties of growing up without the benefit of two parents, grandparents and direct family connections. Among our poorest, family strength and support are in many cases non-existent.

Society's problems, exemplified by drug abuse, crime and overall non-productivity, can be traced to family breakdown.

The family unit is extremely strong in many of the European and Far Eastern countries. These foreign competitors are experiencing greater real economic growth, superior education results and much less anti-social behavior than the United States is today.

You and Mrs. Bush head a family typical of that which helped our nation become great. It would be quite natural for you to ask Americans to recognize the importance of the family and its values. A returning trend toward families could be the single most important step to be taken in the 90's.

As opposed to new concepts or "catch phrases" being primarily emphasized which may become the object of cartoonist humor, it is recommended that a return to the family values of old upon which this great nation was built be attended to first.

Positive programs like choice in education, job training, economic empowerment, etc. will work best if offered to a society that is re-affirming the values of family.

Presently, our laws and societal guidelines encourage reproduction outside of a complete family structure. In fact, the Tax Code and welfare rules actually discourage the formation of families. In addition to a call from the President to the nation's people emphasizing the need and value for families to stay and grow together, there should be a strong request for legislation that will give every incentive to accomplishing this most desirable objective.

Energy and Environment

The public is very concerned about the Persian Gulf crisis and perceives that much of the U.S. involvement was occasioned by our desire to stabilize the supply and cost of oil. Americans are ready to be asked to join together and conserve energy, thereby reducing our dependency on foreign sources of oil.

If the President were to ask (and lead by example) that Americans drive within the speed limits, travel in car pools and purchase automobiles with maximum gas mileage, they would be more than willing to respond. These measures alone might reduce our total consumption of oil by as much as 20% and our dependence on imported supplies by 40% to 50%.

In that context, it might also be suggested that economic incentives be given to producing automobiles that minimize the usage of oil and to further domestic exploration. When one considers the fact that most of our nation's pollution problems can be attributed directly to exhaust from automobiles, it is easy to see the connection between energy conservation and clean air. A new national energy policy can greatly affect both our dependence on foreign sources of oil as well as the quality of our environment.

The Economy

Equally or more important to the people of our country is the state of the economy and the uncertainty as to how long and deep the present economic downturn will be. The ever-widening gap between the very wealthy and the disadvantaged, working poor and working middle classes is causing greater consternation each day. The fact that America has become the largest debtor nation in the world, together with its budget, trade and balance of payments deficits, has resulted in an ever-darkening cloud mass over Americans and their individual economic worries.

Americans are willing, and must be called upon, to take responsibility for the productivity, efficiency and health of our economy. Legislation should be considered that would enable and motivate all citizens to have the opportunity to maximize their and our collective economic potential.

Currently, only 5% of the people own almost all of the capital in the United States. Unless everyone from our most disadvantaged through our working middle classes have a realistic chance to own their own home, start their own business or accumulate an estate to be passed on to their children and grandchildren, we as a nation will never begin to reach our potential in this highly competitive, globally interdependent environment of today.

"Economic empowerment" and supporting legislation are essential to re-establishing our international economic leadership. A number of very credible proposals have already been suggested that would facilitate reallocation of capital and housing ownership. Attached is a suggested "Ownership Empowerment" exhibit for consideration.

If structured properly, economic empowerment would have the two-fold benefit of reducing the number of Americans dependent on Government subsidies and causing them to be contributors to the Gross National Product. It is quite clear that the current system of subsidizing unproductive people is not only undesirable to the recipient but is also unaffordable by the United States.

If there is a call to the people to return to values of old and to become more productive, senior management of our country must also lead in that direction. The U.S. Government is the largest and most complex business in the world. Yet, its structure doesn't allow maximum operating efficiency. There is no Board of Directors and the Chief Executive Officer is called upon to perform so many services and make so many decisions outside of the "business" of running the Government that the business inevitably suffers.

It is proposed that consideration be given to forming Advisory Committees to each Cabinet Secretary. These Committees would ideally be comprised of leaders having distinctive competence in the area of the respective Cabinet department. The Committee members would be recently retired Chief Executive Officers, labor leaders, university presidents, professionals, etc. who have clearly established credentials and would be able to spend full time on a non-compensated basis in this endeavor.

It would also change the present perception that all major decisions are being made by just one or two people and enhance public confidence in the correctness of each decision as a result of the recommended input from such highly regarded executives having no political agenda of their own.

These Committees would be available to focus on the problems of our banking system, the savings and loan crisis, management of our runaway health care costs, etc. These are very complex issues needing full-time analysis and advice from Americans expert in each area.

Summary

There is need for great improvement in the areas of education, civil rights, economic matters, health care, etc. It is believed that by asking Americans to get directly involved in solving our nation's problems, to recognize the need for family and related values, to conserve energy, to become engaged in the life of at least one other American less fortunate and to maximize productivity and efficiency will greatly improve our country's future.

Page 5...

The chances of success will be significantly enhanced if legislation were enacted to facilitate the above requests and to empower all Americans to participate in the ownership of capital and to optimize management competence at the most senior levels of Government.

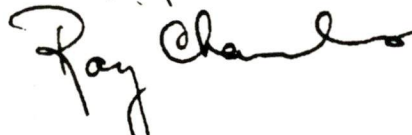
With you as a role model and with your leadership, we can and must retain our global leadership in the 21st Century.



John Akers



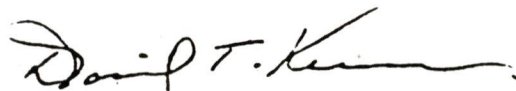
Jim Burke



Ray Chambers



Tom Kean



David Kearns

/FM3002
Attachment

OWNERSHIP EMPOWERMENT

Targeting Investment Incentives

Unless capital ownership opportunities are channeled into our inner cities, a very real risk exists of a permanent underclass being created among those who feel alienated from the system because they see no way of ever gaining a stake in society. Currently, only five percent of Americans own the bulk of its personally-held capital. By encouraging investments and skills development in distressed areas, jobs can be created and ownership opportunities can be enhanced, thereby increasing economic self-sufficiency and decreasing dependence on governmental subsidies.

These objectives can be met through a variety of creative approaches. This paper outlines several ideas for targeting investment incentives to enable the most disadvantaged individuals and neighborhoods in our society to benefit from capital investment through sharing in capital ownership opportunities.

In order to motivate the present owners and stockholders of businesses to train, employ and share ownership with those least likely to ever accumulate capital, it is necessary to develop new access to the capital markets for those businesses.

Capital Gains Tax Reduction

It is proposed that a reduction in the current rate of tax levied on capital gains be reduced by 2% (from 28% to 26%) if the proceeds resulting from the sale of a capital asset are reinvested into the capital stock of a Qualified Corporation. For purposes of this proposal, a "Qualified Corporation" would mean any domestic corporation wherein the lesser of

- a) at least 5% of the total value of all outstanding classes of stock; or

- b) \$50 million worth of capital stock

is owned by those persons trained and employed pursuant to the requirements of the Targeted Jobs Credit Section of the Internal Revenue Code.

In order to enjoy the reduced tax rate, the taxpayer would be required to hold the stock of the Qualified Corporation for a period of at least 24 months.

The Qualified Corporation would effect the transfer of such ownership to targeted persons utilizing an Employee Stock Ownership Plan.

This proposal would cause investors to seek investment opportunities in Qualified Corporations, thereby giving those entities access to sources of capital not otherwise available to them. It is expected that in their quest for capital, corporations will train, employ and share ownership with the most disadvantaged in our society.

Estate and Gift Tax Reduction

It is similarly proposed that consideration be given to a reduction of 5% in the estate and gift tax rate to be applied to transfers of investments in Qualified Corporations as defined above. In the case of an estate, if the investment in the Qualified Corporation was owned as of the date of death and the estate or beneficiaries continued to hold the stock for 24 months from the date of death, the reduction in tax rate would apply. With respect to gifts of stock in Qualified Corporations, the transferee would be required to hold such stock for at least 24 months.

With respect to both the proposed capital gains tax reduction and an estate and gift tax reduction, it would be expected that these measures would be of no cost to the Government. In order for investors in corporations to take full advantage of this proposed legislation, tens of thousands of Americans presently being subsidized by Governmental transfer payments would no longer require or be eligible for such payments. They would instead be supported by wages and the profits of capital ownership. Transforming these citizens to contributors to the Gross National Product could conceivably cause these proposals to become "revenue positive" to the Federal budget.

Moreover, not only would the economy be stimulated as a result of these "targeted" tax reductions, the capital markets would be revitalized by many private companies seeking to publicly sell their securities in order to access these new sources of capital.

Enterprise Zones

In the 101st Congress, legislative proposals to encourage enterprise zones enjoyed widespread bipartisan support. One proposal would have permitted a 10-year deferral of tax on capital gains, provided the taxpayer reinvested the proceeds in enterprise zone properties for at least five years.

It is proposed that the deferral of tax on capital gains be expanded to include reinvestment in the stock of Qualified Corporations (as defined above) located within an enterprise zone, thereby qualifying such capital gain for both a deferral and a modest reduction in tax.

The risk of loss may be the greatest deterrent to widespread investment in enterprise zone properties and businesses. A possible solution would be to allow for the pooling of enterprise zone investments through a mutual fund vehicle whose objective would be diversification, thereby minimizing risk.

Permitting the use of such a financial intermediary would also broaden the appeal of this targeted investment incentive provision by facilitating the participation of less sophisticated investors. This approach would be similar to that used to encourage investments in low-income housing.

To further enhance the impact of this idea, such a fund would not be deemed qualified for tax deferral unless at least 30% of the beneficial ownership of the fund is held by residents and employees within the zones where investments are made. Finally, it is also suggested that such pooled investments be permitted to include public debt instruments provided the proceeds from those debt instruments are applied primarily to support job-intensive infrastructure development within enterprise zones.

It is also suggested that this pooled investment or mutual fund approach be allowable for investment into qualified corporations pursuant to the proposed capital gains and estate and gift tax reductions. It is believed that more capital would be invested as a result of such diversification.

Pension and Retirement Fund

Public and private pension funds in the United States provide an extraordinary source of capital, with assets nearing \$3 trillion. The 20 largest pension funds (13 of which are public funds) control assets worth more than \$620 billion -- 26% of all pension fund assets.

According to Our Money's Worth, the Report of the Governor's Task Force on Pension Fund Investment issued by New York State in June 1989, "One of the beneficial ways that pension funds can use their new economic power is by making economically targeted investments (ETI). ETI programs are defined as investment programs designed to produce a competitive reate of return as well as create collateral economic benefits for a targeted geographic area, group of people or sector of the economy."

A number of states, including California, Pennsylvania, Minnesota, Connecticut, Massachusetts, North Carolina and Alabama direct a percentage of their public pension funds to "economically targeted investments".

With or without the benefit of legislation, pension and retirement funds, especially those representing public employees, should be strongly encouraged to invest a certain portion of their assets in "Qualified Corporations", enterprise zones or other investment opportunities that would facilitate ownership empowerment.

The thrust of each of these proposals is to initiate an "economic empowerment agenda" for America, an agenda that promotes entrepreneurial opportunity and social responsibility. In the long term, the U.S. budget can only be balanced if all Americans have an opportunity to own capital and are offered the maximum incentive to be productive and to become economically self-sufficient.

/FM3014
1/15/91

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	From Roger Porter to John Sununu Re: SBA Health Insurance Initiatives (1 pp.)	2/14/91	P5	

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THE WHITE HOUSE

WASHINGTON

February 14, 1991

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU
RICHARD G. DARMAN
MICHAEL J. BOSKIN

FROM: ROGER B. PORTER *RBP*
SUBJECT: SBA Health Insurance Initiatives

This morning, at Susan Engeleiter's request, I met with her and some of her colleagues at the Small Business Administration, for them to give a status report on the SBA Health Insurance initiatives they have been developing.

A copy of the materials they left with me is attached. I told them I would share these materials with you and that their efforts should be folded into the Domestic Policy Council effort under Secretary Sullivan.

My quick look at these recommendations suggests that some are useful, some are relatively harmless, and some are parochial and expensive.

I did warn them about presenting the image of an administration advancing different sets of health care proposals. Assuming you concur, you may wish to reinforce this message.

I also suggested that they ought to think about how they can advance our prevention initiatives with the small business community.

Withdrawal/Redaction Sheet

(George Bush Library)

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Series: Sununu, John, Files
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By *JH* (NLGB) on 10/28/05

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P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

TO: Roger Porter
Assistant to the President for Economic and Domestic
Policy and Director, Office of Policy Development

FROM: Susan Engeleiter
Administrator

RE: Status Report on SBA Health Insurance Initiative

DATE: February 14, 1991

As you know, affordable health care and health insurance are No. 1 issues on the agendas of most trade associations representing small and medium businesses. In my role as an advocate for small enterprises, I began a process last October to produce policy recommendations on this issue. This memo provides you with an interim report. The policies presented here do not comprise a final or comprehensive health-care initiative, but rather a status report on policies emerging from an evaluation of small business insurance issues.

Background

A major component of the "health care crisis" is the problem of the uninsured. Between 34 million and 36 million Americans lack health care coverage. In the last quarter of 1988, some 63 million Americans went without health coverage for at least one month.

Many of these Americans are "working uninsured". According to the Survey of Income and Program Participation (SIPP) conducted by the U.S. Bureau of the Census in 1984, 8.2 million of the uninsured are private wage-and-salary workers. An additional 1.6 million are small business owners, primarily sole proprietors. Almost half of the working uninsured are employed in firms with fewer than 25 employees; a third work in firms where there are fewer than 10 employees.

The bottom line is that the small business community is a large part of the health insurance problem, and can be a large part of the solution.

The significance of these figures is underscored by the following: 1) health care coverage in the U.S. is predominantly employment-based; and 2) the U.S. attained almost full employment at the end of the 1980s. Based upon the experience of the previous decades, policymakers anticipated that rising employment would result in a corresponding increase in health care coverage among workers. Instead, as millions of new jobs were created in the last decade, the number of uninsured also increased. Small firms (those with fewer than 500 employees) were responsible for two-thirds of all the new jobs created since 1980. Health policy officials began to examine why these firms were unable to provide health insurance to their employees.

Employers of all sizes sponsor benefit packages for their employees for a variety of reasons -- attracting qualified employees in an increasingly competitive market, retaining employees, minimizing employee turnover and the concomitant costs of training new workers, maintaining employee morale and minimizing lost production time due to worker illnesses.

Data from the SBA's Office of Advocacy indicate that these pressures will intensify on small and medium businesses in the years immediately ahead. The growth in the labor force is shrinking, while the number of jobs, most created by small companies, will continue to increase. To attract and retain those workers, small companies will have to offer competitive benefit packages, including health insurance.

A number of factors conspire to make this goal more difficult and the cost of health insurance more burdensome for small companies than for larger companies. For example:

- * The composition of the small business work force is different from that of larger firms. Small firms proportionally hire more younger and older workers than larger firms (61 percent and 80 percent, respectively, in 1988). These groups are often harder and more expensive to insure.

- * The turnover rate in small firms is much higher than in larger firms. About 27 percent of workers in small firms move every year, compared with 15 percent in large firms. Also, more workers in small firms are likely to be returning to jobs after absences.

- * Small businesses use many part-time workers. Over 20 percent of all those employed in small firms in 1988 worked less than 35 hours per week.

- * Very small firms, usually with fewer than 20 employees, and individuals are medically underwritten, which is an expensive process. Medical underwriting assesses the health status of each

individual to determine whether or not the firm will be accepted for coverage and whether certain employees or illnesses will be excluded from coverage. This differs from group coverage where the rating is based on the group as a whole.

* In a small firm, where fewer people are available over which to spread the risk, a single high-cost illness has a much greater effect.

* The administrative costs of insurance are higher for small companies. It's more costly for an insurance company to cover 10 employees in 100 firms than 1,000 employees in one large firm.

* Costs are also higher because the insurance company, rather than the employer's in-house staff, must absorb many of the administrative functions of the plan.

* Moreover, small firms are less likely to self-insure; only 5 percent of firms with fewer than 100 employees are self-insured, compared to 40 percent of firms with more than 500 workers.

* Plans may also be relatively more expensive for very small employers because small employers are more likely to pay all health premium costs rather than require some employee contribution. Seventy percent of firms with fewer than 100 workers pay all of their employees' single premium contracts, compared to 61 percent of firms with 100 or more workers.

Premiums for health plans provided by small firms can run as high as 30 to 40 percent above the cost of the same or a similar plan for larger firms. This is primarily attributable to medical underwriting and administration costs.

No one -- not employers, not employees, not the health insurance industry, not the federal government, not state governments, not the uninsured unemployed, not the providers of health care services -- no one doubts that something needs to be done to address the problems facing this nation's health delivery and payment system. The dilemma continues to be how to do it -- who will pay, how much, for what services.

We are not in want of studies and recommendations on the issues and we are not in want of coalitions of interested parties promoting possible solutions to the problems of the current system. We are in want, however, of consensus on how to design and implement comprehensive health care delivery and payment system reforms.

Without affordable and available health care we have (to name a significant few problems):

- * Low birthweight babies who need additional care and nurturing to meet learning potential;
- * Workers who are less productive because of absences due to illness;
- * Families who postpone routine diagnostic and preventive health care because they cannot pay for the health care services;
- * Higher health care costs when postponed routine and lower-cost preventive health care results in the need for higher cost acute care and needless deaths from treatable diseases;
- * Increasing demand for programs to address the needs of the medically uninsurable.

In his 1990 State of the Union address, President Bush charged Secretary Sullivan with formulating a health care strategy. That work continues. Secretary Sullivan reportedly has talked about stressing prevention during the coming year -- a theme mentioned in the President's 1991 State of the Union address -- and has discussed the need to strive for a national consensus on health policy.

Despite the current lack of consensus on comprehensive reform, I believe that in the interim, the Administration can begin work with the small business sector to improve the price and frequency of insurance coverage. These interim steps can show progress on the health care front, delivering coverage to more Americans and easing the sense of frustration the business community feels over this issue.

Process

I initiated a five-step process last fall to engage small business leaders in a discussion of potential solutions to the health insurance problem. The five steps were as follows:

- * On October 25, 1990, I convened a roundtable that included representatives of key small business, insurance, regulatory and medical industry groups. (TAB A lists participants.) Mike McKeivitt, Chairman of the SBA National Advisory Council (NAC) Health Care Committee, co-chaired this meeting. From it emerged a great deal of background information on the problems of insuring small companies and a number of consensus ideas for addressing those problems. This information was provided to NAC.

* In early December, Mr. McKeivitt's Health Care Committee recommended, and the entire NAC endorsed, a series of recommendations on what the Administrator of SBA should advocate to address the health care issue. (TAB B lists participants.)

* In mid-December, the NAC recommendations were presented to the 11th Annual Small Business Legislative Conference sponsored by the SBA in Atlanta. The comments of conference participants, mostly state legislators, were folded into the evolving policy recommendations.

* In December and January, the emerging recommendations were reviewed by a nationally regarded consultant on health care issues, Prof. Roger Formisano of the University of Wisconsin-Madison School of Business.

* SBA's Office of Advocacy, a statutorily created office of attorneys and economists who specialize in small business issues, reviewed all of the materials generated thus far and made its recommendations to me.

Recommendations

1. "Basic Health Needs" Coverage for Employees of Small Businesses

Issue: Federal law reserves to states the right to regulate health insurance. Many states have established mandates on health services. In some cases, mandates prescribe offerings; in others, they bind employers and the insured to specific policy benefits.

The growth in the number and nature of these mandates has been substantial. A recent study ("The Price of State Mandated Benefits", Jon R. Gabel and Gail A. Jensen, Inquiry, Winter 1989) counts 730 state mandates, up from 343 in 1978. These mandates significantly increase the cost of health insurance coverage for small companies. Gabel and Jensen strongly suggest a relationship between mandated benefits and decisions by small firms **not** to offer health coverage.

Most larger companies, because of economies of scale, can escape these mandates and state premium taxes by self-insuring, which exempts them from state regulation under the terms of ERISA. Thus, state mandates not only raise the cost of coverage for small firms, but contribute to inequities between the insurance capabilities of large and small firms.

On the positive side, mandates can assure that health consumers have access to certain important types of health care, such as prenatal care and mammography. It is not likely or necessarily

advisable that all state-imposed mandates be rolled back. However, market forces can be expected to exert significant pressure on businesses to offer some coverage now mandated by states. Demographic factors like the slowing growth of the workforce will require that small companies offer the best fringe benefit packages possible in order to attract and retain the best workers.

Because the cost of mandated coverage can price insurance beyond the reach of small companies, there are signs of a movement to roll back state mandates. Several states have now legislated rollbacks (Rhode Island, Virginia, Kentucky, Florida, Illinois, Missouri and Washington) in order to make basic coverage available to small companies. More states are expected to follow suit this year.

Some states have minimized the objections of the health care and insurance industries to these rollbacks by extending eligibility for basic coverage only to very small firms (less than 25 employees is a common cutoff) who have had no insurance during the previous year. Thus, rollbacks do not reduce participation in the insurance market; they add participation by applying to companies previously unable to participate in the market.

There are several options for leveraging rollbacks. The least intrusive is to encourage states to roll back their mandates voluntarily. The most intrusive option is to amend ERISA to preempt state regulation of health insurance with uniform federal regulation.

A middle-ground option would be for the federal government to "qualify" insurance plans that meet certain basic standards. Standards might include managed care, copayments and deductibles, dependent coverage, minimum employer contributions, enlightened underwriting practices and other policies recognized as beneficial to help lower the overall costs of insurance. The Administration could convene a task force to define these standards. Qualified plans would be exempt from state-imposed mandates and premium taxes. While this option is not as intrusive as blanket federal regulation of health insurance, it would still allow selective preemption of state regulation and would raise serious federalism questions. In addition, it would require the creation or expansion of federal bureaucracy to qualify insurance plans.

On the positive side, the option would allow exemption from state mandates to be used as leverage for the spread of model health insurance coverage.

This option was suggested by University of Wisconsin Business School Professor Roger Formisano, who consulted with SBA during the health policy process. The option was neither considered nor endorsed by the SBA National Advisory Council or the SBA's national roundtable in October.

Proposals: The National Advisory Council has recommended that I strongly advocate the rollback of state-imposed mandated coverage, allowing small businesses to purchase "Basic Health Needs" coverage.

As a former state legislator sensitive to state rights, I favor the voluntary approach, at least initially. I recently published an editorial in the Christian Science Monitor urging states to act. Federal officials can promote state action by advocating the need to make basic coverage available to small companies that otherwise can afford none. We can point out a number of arguments, ranging from the troubling human dimension of employees and families going without health coverage to the fact that affordable health insurance must now be regarded as a basic business climate issue in each state. In other words, businesses considering where to locate should investigate the costs of providing health coverage in host states.

Federal officials can praise states that voluntarily roll back their mandates. The Administrator of SBA, for example, can name an "Honor Roll" of rollback states each year during Small Business Week.

The majority of small business trade associations favor firmer and faster action: the amendment of ERISA to preempt states' ability to impose mandates.

2. Full Deductibility of Health Premiums for Sole Proprietorships and Partnerships

Issue: Current tax incentives are inequitable for employer-sponsored health care. Corporations, with the exception of Chapter S corporations, are allowed to deduct 100% of the cost of health insurance provided to themselves, their spouses and their dependents.

Most small businesses are organized as partnerships, sole proprietorships or Chapter S corporations. Under the Tax Reform Act of 1986, these businesses can deduct only 25% of their health care costs. This temporary deduction was extended by the last Congress.

Apart from deductibility, large companies enjoy a number of competitive advantages over small businesses in regard to health benefits for employees. As I mentioned earlier, large companies often have sufficient numbers of employees to self-insure, which allows them to escape state mandate and premium taxes. The economies of scale of larger companies tends to lower their per-employee costs. Because they command larger groups of consumers, large companies can bargain rates with health care providers, who then shift the cost of those lost revenues to small businesses without bargaining power. Thus, small business trade associations view full deductibility as an important issue of equity.

In addition to the equity issue, expansion of this deduction makes for sound health care policy since most of the working uninsured are found in smaller firms. A major reason for this is cost. As mentioned on the first page of this memo, 8.2 million of the uninsured are private wage-and-salary workers. An additional 1.6 million of the total are small business owners (primarily sole proprietors). Almost half of the working uninsured are employed in firms with fewer than 25 employees; a third work in firms where there are fewer than 10 employees.

Therefore, increasing the deduction for small employers makes sense if we are to encourage the provision of health care. The net cost of health insurance to the small business owner will be reduced, resulting in an increase in the acceptability of offering health insurance to employees.

The Joint Committee on Taxation estimated on Jan. 15, 1991, that 100% deductibility for partnerships, sole proprietors and Chapter S corporations would cost \$8 billion over five years, including \$1.1 billion the first year. However, these costs must be weighed against the health costs suffered by small business employees who lack sufficient insurance coverage.

Proposal: The Administration previously has advocated extension of 25% deductibility, but has opposed full deductibility. I would recommend that the Administration endorse full deductibility.

3. Education for Small Employers

Issue: Small businesses need clear and consistent information on how to find and provide health insurance for their employees. Information should be disseminated on strategies for reducing health insurance costs, such as deductibles, copayments and managed care programs. Training sessions should also be held to provide the technical assistance needed.

Proposal: Assuming sufficient budget resources, the SBA will undertake a nationwide effort to train small businesses in how to construct, shop for and maintain affordable health coverage for their employees and how to educate employees in the proper use of health care.

SBA will work with private organizations and other interested public agencies to design and disseminate educational programs to small employers. Key subjects of the educational programs will be prevention; the use of cost-containment strategies, including deductibles, copayment and managed care; techniques for sharing and/or spreading risk (risk pooling, the use of employee leasing, etc.); understanding insurance company renewal and underwriting

practices; the use of other fringe benefits to support health care needs, and the education of employees in health care costs and consumerism.

4. Reform of Medical Malpractice Insurance

Issue: Medical malpractice and defensive medicine significantly increase health care costs. While various states have enacted tort reform, many believe that federal legislation is needed. The threat of medical malpractice claims is estimated to add some \$4 billion to the costs of health care each year. It is also estimated that 70% of physicians order more diagnostic care; 14% were found to order unnecessary tests and procedures. This defensive action on the part of doctors costs an estimated \$100,000 per year per physician.

Proposal: States have begun to act on tort reform at the state level. The SBA should continue to advocate medical malpractice reform and to support the efforts of the Domestic Policy Council working group addressing tort reform.

5. Managed Care Programs

Issues: Managed care programs involve restricting employee access to doctors and hospitals as a means of controlling costs (e.g., PPOs, HMOs), thereby leading to an increase in health insurance coverage in small businesses. These programs can reduce the cost of health insurance based on arrangements made between the payers and providers. Studies show that the use of a managed care health plan with built-in restraints on the use of health services can cut costs by 5 to 10 percent.

Most insurance carriers offer a variety of managed care features, including prior approval for hospital admissions, second opinions for surgery, case management and discharge planning. A number of insurers also offer preferred provider organizations (PPO), a group of doctors who agree to discount their fees, usually by about 10 to 20 percent.

Studies reveal, however, that providers and employees tend to lack enthusiasm for managed care programs. At issue for employees is the fact that deductibles and co-payments are much higher if covered participants seek care from doctors that are not on approved lists. Insured employees are also often not willing to change doctors to those in the PPO. For providers, these programs have resulted in changes in their levels of control over medical decisions. Also, they do not necessarily wish to reduce their fees.

Proposals: SBA will conduct a data search to determine and publicize savings that small and medium businesses can achieve

through managed care strategies. If no data exist, SBA will contract for a study to quantify those savings.

Managed care will be emphasized in the SBA national education and training initiative outlined above. Other Administration officials may also want to emphasize the importance of managed care so that employees are gradually persuaded that this strategy is necessary.

6. Reconsideration of COBRA's provisions on continuation coverage for employees

Issues: The Consolidated Omnibus Budget Reconciliation Act (COBRA) requires employers to offer up to 18 months of continued health care coverage to employees who terminate employment, except those who were fired for gross misconduct. In addition, up to 36 months of coverage must be offered to employees' dependents who lost health care coverage because of the death of the employee, divorce or marital separation. Employers are permitted to charge beneficiaries a premium of up to 102% of the group rate.

In 1989, the law was amended to allow former employees to obtain coverage for 29 months if they are ineligible for Social Security benefits. In addition, individuals with pre-existing medical conditions can retain COBRA benefits even if they are later covered by another employer plan.

According to employers, COBRA has become extremely expensive. Employers' costs often exceed the 102% they can charge beneficiaries. Also, the ability of the original employer to change insurance carriers is limited since many insurance companies will not insure employers who have former employees or their dependents taking advantage of COBRA benefits.

COBRA provides a disincentive to employers to offer coverage, since it applies only to companies that offer coverage.

Proposal: Assuming sufficient budget resources, SBA will undertake a study that examines the impact of COBRA on health care costs to small employers. A current SBA health benefits survey of 5,000 businesses, scheduled to be completed in June/July 1991, will determine the extent to which COBRA is a barrier to offering health insurance coverage. However, a follow-up study will be needed to determine actual costs of continuation coverage to small employers.

SBA will also attempt to determine how costs to the employer could be reduced by various reforms. Reforms advanced to date include increasing the amount a beneficiary has to pay by a certain percentage, repealing the 1989 amendments, and approving a new amendment that forbids insurance companies from denying coverage to small businesses whose former employees have utilized COBRA.

In addition, the Administration should press for congressional hearings to examine COBRA and its impact. At no time has a Congressional Committee addressed the impact of COBRA. If the committees of jurisdiction are reluctant to hold the hearings, the House and Senate Small Business Committee should be approached.

7. Copayments and Deductibles

Issues: Although cost control mechanisms are necessary and should be encouraged, significant numbers of employees are finding it difficult to meet the copayments and deductibles imposed by employers. Under some policies, once the deductible is met, full payment will occur without limit. Other policies, to control costs, have copayment clauses. Copayments often require the insured to pay a certain amount for health care in excess of the deductible. Deductibles and copayments can be expensive for the employee. For employers, however, the higher the deductible, the lower the health insurance premium. In addition, when insured make copayments, they are more likely to shop for the most cost-effective treatment available. Studies show that cost sharing substantially reduces the demand for medical care.

Proposal: As a component of any comprehensive approach to the problem of the uninsured, SBA should encourage utilization of deductibles and copayments to hold down the cost of health insurance.

SBA should also work with appropriate business and insurance groups to develop appropriate levels of cost-sharing for smaller employers, with consideration given to ensure the availability of insurance to low-income individuals.

SBA's national health training program should emphasize and explain cost sharing, including how employers can "sell" these features to employees. Cost sharing is not necessarily a popular option among employees, and employers should be given assistance in presenting information to their employees which demonstrates that these additional costs are necessary and will lead to increased health care coverage.

8. Cafeteria Plans/Flexible Spending Accounts

Issues: A cafeteria plan allows an employer to control benefit costs by defining the employer contribution to group benefits. Instead of providing benefits at a particular cost level, the employer provides dollars or credits for employees to buy needed benefits from a menu of options offered by the employer. This approach converts the group benefits program from a defined benefit design to a defined contribution design, giving the employer more control over benefit expenses.

A cafeteria plan includes choices among several benefits and, within each, several levels of benefit. The employer contribution is used by the employee to buy the desired level of each benefit. For example, choices might be provided among several health care plans, different levels of group term life insurance, plus a flexible spending account (FSA). A flexible spending account is an additional benefit, providing an employee with the chance to pay for premiums, unreimbursed health care, day care or legal expenses on a pre-tax basis.

In addition to controlling the employers' costs, cafeteria plans help employees lower their costs. Employees are allowed to purchase their benefits with pre-tax dollars, i.e., before federal, state and Social Security taxes have been withheld, thereby lowering tax liability. It is estimated that an FSA can save employees 20 to 35 cents on the dollar, since state and federal income taxes and Social Security taxes are not imposed.

Cafeteria plans have several advantages: the employer has greater control over total benefit costs; utilization and costs of benefits decrease since employees elect new options and reduce the incidence of duplicate coverage, and employees have a greater appreciation of their benefits due to a better understanding of benefit costs.

There is a range of design alternatives from which to choose. Premium conversion is the simplest approach to a cafeteria plan. Under this arrangement, employees have the ability to reduce their salaries on a pre-tax basis and use these funds only for health-related costs. The employer's contribution to health care coverage does not change.

FSAs represent the next level of complexity in terms of plan design. FSAs allow employees to reduce their taxable income by a predetermined amount and use these funds to pay for a wide range of tax-qualified benefits. Benefits that can be purchased under an FSA include: medical expenses, covering such things as deductibles; copayments; vision care; any non-covered health care costs; and dependent care, including children or disabled dependent adults.

Multiple choice cafeteria plans are the most sophisticated approach to plan design and, therefore, are usually adopted by larger employers.

At issue with regard to cafeteria plans is legislative uncertainty. There have been considerable efforts by Treasury and the Congress to limit the tax advantages of these plans. It is anticipated that pressure to address the budget deficit problem may result in legislation which limits, rather than expands, cafeteria plans.

The legislated "use or lose" clause, which requires an employee to use all monies placed in an FSA by year end or forfeit the money, is of concern to employees.

The method of payment to the employee from an FSA account also concerns employers. Employers are required to reimburse employees up-front for medical costs, even if their deposits to the FSA have not accrued enough to cover the amount. Employers may, therefore, have to absorb expensive payments if an employee leaves before his or her account can cover the actual cost of medical expenses.

As an alternative to conventional insurance, cafeteria plans represent a method of softening other cost containment measures, such as higher deductibles and copayments. Since cost-sharing must be a component of any comprehensive approach to reducing the cost of health care, employees will be able to pay for these added expenses with pre-tax dollars.

Proposals: Working with appropriate small business groups and insurance leaders, SBA will determine a "model" approach for the small employer. SBA might encourage employers with 15 employees or less to implement, as a first step, a premium conversion plan. SBA could develop a how-to document describing the procedures for putting a premium conversion plan in place. Another manual might be developed on FSAs for small employers.

The appropriate level of employer contributions to a cafeteria plan would need to be developed as well. Typically, an employer will pay for some benefits directly. In some cases, the employer will also provide flexible credits or flex dollars that each employee can use to purchase optional benefits.

SBA should work with Congress to revise the "use or lose" and up-front reimbursement provisions of current law.

9. Expansion of Medicaid

Issues: It is estimated that if Medicaid were expanded to cover everyone earning up to 100% of the poverty line, a third of the uninsured would be covered.

One design for Medicaid expansion is to allow certain classes of people -- in many states employees in businesses with fewer than 25 employees and no health insurance -- to buy into the Medicaid program, paying a portion of the premium out of pocket. One way to expand eligibility is to develop a Medicaid buy-in. Under this approach, a person would receive Medicaid benefits up to 100% of federal poverty; above that, there would be a sliding scale so that those with higher incomes would pay less-subsidized Medicaid premiums.

At issue are the cost of Medicaid buy-in, which is estimated to be too high, and a lack of uniformity. Since Medicaid is state directed, standards and eligibility vary from state to state. Devising a package of benefits that will afford small business employees adequate health insurance coverage will be difficult in many states.

Proposal: If Medicaid buy-in were based upon the "basic benefits package" proposed in Item 1 above, the costs of buy-in presumably would be reduced. SBA should conduct studies to estimate the cost of buy-in based upon a basic benefits package.

10. Spreading Risk

Issues: The cost of health coverage often can be reduced by spreading the risk over larger groups of insured individuals. However, risk avoidance rather than risk spreading appears to have become the norm for health insurers. The decision of insurance companies to only insure low-risk individuals makes it more difficult for small businesses, who are subject to medical underwriting practices, to obtain affordable coverage.

Small businesses are seeking ways to spread risk. For example, some small businesses, in concert with associations, pool their employees to create larger groups.

Employee leasing is also gaining in popularity, although the Department of Treasury has made efforts to reduce the availability of this option. Under this arrangement, a company is created to lease employees to employers. The leasing company, whose employee pool is larger than the individual companies it serves, pays health insurance costs for the employees. In this way, small business employees can benefit from the same kind of health care coverage as larger business employees. Small employers pay the cost of health care through their employment agreements with the leasing company. Employees often benefit from that arrangement.

Risk pools have also been created to help insure individuals with higher medical risks, i.e., individuals with preexisting medical conditions. For particular employers, removing these individuals from small business policies reduces the risk of cancellation at renewal and may lower the cost for the group. State risk pools, which, in part, allow for coverage for this kind of employee, are insurance programs that are usually funded by state tax revenues or insurance company contributions. Small businesses can obtain health care coverage at a more affordable rate than through the private health insurance market.

At issue is the fact that small businesses are responsible for paying the state premium taxes to support state risk pools since they cannot self-insure and avoid taxes like the larger companies.

Multiple Employer Welfare Arrangements (MEWAs) have also been tried in many states. MEWAs are legal trusts established by a plan sponsor to bring together a number of small, unrelated employers for the purpose of providing group medical coverage on an insured or self-funded basis at lower costs. MEWAs, however, are loosely regulated and there have been problems with fraud in some states.

Proposals: Since there has been fraud associated with MEWAs, no action supporting them should be undertaken unless there is a simultaneous push for regulation. The regulation in the past has been very loose and therefore many employees who thought they had health care coverage found they had been swindled when they tried to collect from the MEWA. In addition, MEWAs may be a topic for study. SBA and HHS may want to collaborate on a study to determine how widely they are being used, their impact on small businesses and their potential for expanded use. SBA will also examine a proposal by former Secretary of Labor Elizabeth Dole to provide federal regulation of MEWAs.

Risk-spreading techniques will be part of the national training program SBA undertakes for small and medium businesses.

SBA should work with Treasury in an attempt to resolve any disagreements about federal tax policy on employee leasing.

11. NAIC and HIAA Model Legislation

Issues: Small businesses have complained about the renewal, underwriting and rate-setting practices of insurance companies. Because small companies offer small pools of employees, and thus less ability to spread risk, a major illness on the part of one employee can result in the cancellation of coverage or an increase in premiums for all the members of that pool. Because of modern communications technology, these changes in coverage or rates can occur quickly. Computers now allow insurance companies to learn with unprecedented speed of the health problems of its customers.

Two national associations - the National Association of Insurance Commissioners (NAIC) and the Health Insurance Association of America (HIAA) - are developing model proposals meant to address concerns with small employers' health insurance underwriting, rating and renewability.

The NAIC has endorsed model state legislation designed to promote the availability of health insurance coverage to small employers, prevent abusive rating practices, require rate practices disclosure to insurance purchasers, establish rules for continuity of coverage for employers and covered individuals, and improve the efficiency and fairness of the small group health insurance market place.

An NAIC Committee continues to consider other approaches in addition to the above: a perspective reinsurance option, a retrospective reinsurance option, allocation options, pooled employee options, "designated carrier" options, and mandatory reinsurance.

The HIAA has developed a model proposal designed to make health insurance coverage more universally available through employers. In the HIAA model: private health insurance coverage would be available to entire employer groups; neither an employer nor an insurer would be able to exclude high-risk individuals from the group; at renewal time, coverage of certain employees could not be denied because of deteriorating health; an individual would need to meet the pre-existing condition only at the outset of coverage, and insurance carriers would be required to limit how much their rates could vary for groups in similar geographic areas, demographic composition and plan design. A carrier's premium for small groups could not vary by more than 35% from the carrier's midpoint and there would be a 15% limit on how much a carrier could vary rates by industry. Carriers would also have to limit a group's year-to-year increases to no more than 15% above the carrier's "trend" (the year-to-year increase in the lowest new business rate).

Proposal: SBA is studying both models to determine whether their provisions are beneficial to small businesses and whether the models successfully "package" many of the policies presented in this paper.

Professor Formisano has suggested a way the federal government could encourage states and insurers to comply with these models. Assuming the models are compatible with the Administrator's and Administration's positions, a federal commission could be created to review insurance plans to determine and publicize compliance with the model. The Administrator of SBA would be a participant on this commission to ensure that the needs of small businesses are considered. The commission could be chaired by a health agency such as the Department of Health and Human Services.

The Administrator could also push for the creation of a federal panel to certify states that adopt small business health insurance regulations at least as stringent as those proposed in the models. In both of these alternatives the states would be relied upon to impose sanctions.

HEALTH CARE ROUNDTABLE

October 25, 1990
9:00 a.m. to Noon

INVITED PARTICIPANTS IN ATTENDANCE:

- 1) Gary Claxton, Senior Policy Analyst
National Association of Insurance Commissioners (NAIC)
- 2) John Galles, Executive Vice President
National Small Business United (NSBU)
- 3) Elise Gemeinhardt
Washington Business Group (WBG)
- 4) Elaine Graham, Director of Federal Relations
National Restaurant Association (NRA)
- 5) Linda Jenckes, Vice President for Federal Affairs
Health Insurance Association of America (HIAA)
- 6) Fred Krebs, Manager of Business and U.S. Govt. Policy
U.S. Chamber of Commerce
- 7) John Krichbaum
American Medical Association (AMA)
- 8) Sue Loomis
Associated General Contractors (AGC)
- 9) Dr. Andrew Mance
Association of American Physicians and Surgeons (AAPS)
- 10) Dorothee Maynard, President
Good Neighbor Alliance Corporation
- 11) Mike McKevitt, President
McKevitt Group
- 12) Carolyn Miller
National Federation of Independent Business (NFIB)
- 13) Kim Olson
Olson Financial and Insurance Services Group

Page 2
Health Care Roundtable Minutes

- 14) Steve Pfister
National Retail Federation (NRF)
- 15) Dallas Salisbury, President
Employee Benefit Research Institute (EBRI)
- 16) John Satagaj, President
Small Business Legislative Council (SBLC)
- 17) Abe Schneier
McKevitt Group
- 18) Wayne Smith, Executive Director
United Bus Owners of America (UBOA)
- 19) Mary Tavenner
National Association of Wholesalers (NAW)

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INSURANCE AND HEALTH CARE COMMITTEE

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Chairman for NAC's Insurance & Health Care
Vice President, Treasurer &
Chief Financial Officer
Pacific Bell Directory

Clayton Bennett
Co-Chairman for NAC's Insurance & Health Care
President
Clayton I. Bennett Corp.

Lindsay Berryman
Secretary-Treasurer
Cookie Connection, Inc.

John Bubolz
President & CEO
SECURA Insurance

Brian Buckelew
Chief Executive Officer
Buckelew & Associates

Arcadio Casillas
President
Preferred Compensation Corp.

Nunzio Cernero
Mercer County Community College
Small Business Development Center

John Galles
Executive Vice President
National Small Business United

Elaine Graham
Director of Federal Relations
National Restaurant Association

Antony D. Guglielmo
President
Penny-Hanley & Howley Co., Inc.

Dorothee Maynard
President
The Good Neighbor Alliance Corp.

Robert McDougall
President
McDougall & Sons, Inc.

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Palmer Communications

Theodore J. Shaver Ph.D.
Small Business Consultant
(Self-employed)

Mary Vowels
College Relations Associates
Meharry Medical College

Robert Wilson K.
Vice President
Neale Phypers Corp.

Sheelah Yawitz
President
Missouri Merchants &
Manufacturing Association

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	From Roger Porter to POTUS Re: Letter to Congressman Bill Gooding (1 pp.)	2/14/91	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
 (Porter) (1991) [2]

Open on Expiration of PRA
 (Document Follows)
 By *[Signature]* (NLGB) on 10/28/05

Date Closed:	12/28/2004	OA/ID Number:	29181-005
FOIA/SYS Case #:	1998-0004-F[2]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
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THE WHITE HOUSE

WASHINGTON

February 14, 1991 ^{91 FEB 14 PM 6:49}

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Letter to Congressman Bill Goodling

As you requested, I have drafted a response to the letter Bill Goodling sent you on educational choice. Indeed, I have prepared two drafts -- a short version and a long version. You indicated in our discussion that you wanted some facts and information that could help address his concerns. The long version includes those details. But it does make it a long letter, and you may not want to engage him at length on this subject, particularly if it might simply encourage further correspondence.

Alternatively, you may wish to send the shorter version. If so, I will be glad to follow up shortly thereafter with a version of the longer letter outlining these research findings.

If neither of these alternatives is what you are looking for, please let me know.

Attachments *2*

THE WHITE HOUSE

WASHINGTON

Dear Bill:

Thank you for your thoughtful letter concerning education and in particular the issue of education choice.

As you know, I have expressed support for a variety of choice strategies rather than any one particular method. Some States have implemented choice programs that include participation by all public schools within the State. Others have choice options that include public and private schools. No one approach may be best for all school districts in the country. Instead, States and localities should be free to adopt the choice program that is most appropriate for their communities.

We seem to be making some real progress. Last year, choice legislation was introduced in sixteen States and enacted in five. It is my understanding that eleven States have now enacted choice in one form or another. More States are considering choice proposals in 1991 as well.

I was interested in your comments about the extent to which private and parochial schools were able to demonstrate success "with students the public schools did not want or could not handle." My recollection is that there are many examples of inner-city parochial schools that are, in fact, showing exceptional results in educating economically disadvantaged children. I have asked Roger Porter to look into this matter in more detail and to share with you whatever information is available on the subject.

Again, I appreciate your letter and, as always, am encouraged by your commitment to education reform.

Sincerely,

The Honorable William F. Goodling
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

Dear Bill:

Thank you for your thoughtful letter concerning education and in particular the issue of education choice.

As you know, I have expressed support for a variety of choice strategies rather than any one particular method. Some States have implemented choice programs that include participation by all public schools within the State. Others have choice options that include public and private schools. No one approach may be best for all school districts in the country. Instead, States and localities should be free to adopt the choice program that is most appropriate for their communities. We seem to be making some real progress. Last year, choice legislation was introduced in sixteen States and enacted in five. It is my understanding that eleven States have now enacted choice in one form or another. More States are considering choice proposals in 1991 as well.

I was interested in your comments about the extent to which private and parochial schools were able to demonstrate success "with students the public schools did not want or could not handle." While I am sure that there are differing results in different jurisdictions, I am encouraged by reports that some inner-city private and parochial schools are, indeed, achieving significant success in educating economically disadvantaged children.

For example, according to one study, large city parochial schools frequently outperform public schools even though they enroll children from the same economic and social backgrounds. Chicago has 48,000 students attending 124 inner-city elementary schools and 16 inner-city high schools operated by the Catholic Archdiocese of Chicago. Although there is very little difference in the demographics of the students attending these parochial schools and those attending the Chicago public schools, the parochial schools show dropout rates of less than one percent compared to a 50 percent dropout rate for the

public schools. The parochial schools also report a college acceptance rate exceeding 70 percent. I understand that there are similar data with respect to parochial schools in Washington, D.C., and Cleveland, Ohio.

Research done by University of Chicago sociologist James Coleman based on a study of sophomores and seniors in 1,015 high schools in 1980 and 1982 found that Catholic schools significantly outperformed public schools. Coleman's "High School and Beyond" study showed that parochial school students have achievement levels that are 2.4 grade equivalents above those of public school students. Coleman has controlled for several factors, including socioeconomic background, and finds that these schools do not "cream" the best students from the public schools but nonetheless manage to show remarkable increases in student achievement.

The Department of Education is currently evaluating the choice program undertaken by the State of Minnesota, and I know that you will be keenly interested in the results of their efforts. Preliminary indications suggest that the program is working: in the first six months after Minnesota implemented its choice program for dropouts and at-risk students, over 700 dropouts returned to school. Additionally, some 34 percent of the 7,000 at-risk students served by Area Learning Centers are former dropouts. Consistent with the Federal role of disseminating information about what works in education, we will continue to share with the American public information about how choice programs are developing.

Our education reform strategy seeks to encourage an educational renaissance among all of America's schools, public and private. In my judgment, choice is one of the key elements that will help drive the necessary restructuring that I believe our education system needs. Allowing parents to choose their children's schools will introduce an element of competition that should enhance the quality of education for everyone. For these reasons I have sought to encourage choice by including new initiatives in our FY 1992 budget.

3

I hope this letter has answered some of your questions. If you like, I will ask Roger Porter to follow up with the Department of Education to see if additional data are available.

Sincerely,

The Honorable William F. Goodling
House of Representatives
Washington, D.C. 20515

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05. Memo	From Roger Porter to John Sununu Re: AT&T Modified Final Judgment (3 pp.)	2/21/91	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1991) [2]

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(Document Follows)
By JP (NLGB) on 10/28/05

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THE WHITE HOUSE

WASHINGTON

February 21, 1991

THE CHIEF of STAFF
has seen

MEMORANDUM FOR GOVERNOR SUNUNU

f
FROM: ROGER B. PORTER *RBP*
SUBJECT: AT&T Modified Final Judgment

An interagency working group met February 15 to discuss the Administration's strategy for AT&T Modified Final Judgment (MFJ) legislation. The meeting included representatives from Commerce, Treasury, Justice, OMB, OPD and OCA.

The consensus of the group was that the Administration should:

- o Indicate a willingness to work with the Congress to fashion acceptable legislation to lift the line of business restrictions on manufacturing. In this regard, the Administration would seek to work with the Hollings bill (which only focuses on manufacturing, not information services) although we could not accept all of its provisions.
- o Strongly oppose the domestic content portion of the Hollings bill.
- o Indicate support in principle for removing the line of business restrictions on information services. While there is not now a bill in the Congress dealing with the information services issue, the Administration would be willing to consider legislation on it.

Background

The Economic Policy Council wrestled with the MFJ issue for over a year. Before this latest meeting, the EPC telecom working group had reached consensus on the policy, but not how best to advance it. The consensus view is that lifting the restrictions would stimulate competition in the telecommunications and information services industries. Unleashing the RBOCs, which have a combined revenue of \$100 billion, would spur innovation, research, and infrastructure investment and improve America's competitive position in critical high technology areas.

Telecommunications manufacturers and long-distance carriers (AT&T, MCI), understandably, favor retaining the manufacturing restrictions. Likewise, the newspaper

publishers, information services industry, and long-distance carriers oppose lifting the information services restrictions. Some are concerned that the opposition of these groups will defeat any effort to change the Modified Final Judgment decree legislatively, and, to the extent we push it, needlessly expend our political capital.

Current Court and Congressional Status

Senator Hollings is vigorously pushing his bill to remove the manufacturing restrictions. The bill also contains a domestic content provision for telecommunications equipment manufacturing. Senator Hollings has scheduled a hearing on the bill for February 26.

In the House, Representative Markey has indicated his Subcommittee on Telecommunications and Finance will consider MFJ legislation, but that he would like to see broader initiatives concerning information services, telephone company entry into cable, and to move regulatory jurisdiction from the courts to the FCC.

Judge Greene is expected to rule this summer on loosening the information services restrictions. The Justice Department has filed briefs favoring removing the restrictions and expects to receive a favorable ruling. Although Justice, in principle, would support legislative removal of the information services restrictions, it believes that Judge Greene's ruling could result in fewer restrictions and less regulation than if Congress enacted legislation in this area.

Following the interagency meeting, which I was not able to attend, but which has reported to me, I received a call from Carla Hills who had learned about the meeting and raised two issues:

1. She is very concerned about the domestic content portions of the Hollings bill. I assured her that we were adamantly opposed to those provisions and would unequivocally state so.

2. She is concerned that if the Regional Bell Operating Companies (RBOCs) are able to form ventures with foreign manufacturers, such as Siemens, that they will gain increased entry to the U.S. market without us getting any increased access to foreign markets. The perception, and to some extent the reality, is that the U.S. telecommunications market is significantly more open than the telecommunications markets in Europe and Japan. AT&T has long argued that we should not open up the U.S. market further without reciprocal action by our major trading partners. She indicated that she would not fall

on her sword over this issue, but that she wanted me to be aware of her feelings. I told her that I would be sure to pass along her views to you.

There is some merit to her concern, and I will talk with members of the interagency group about how we might best address it.

Next Steps

The consensus of the interagency group (which I have reviewed with Dick Darman and Bill Diefenderfer who concur) is that the Administration should indicate a willingness to work with Congress to craft an acceptable bill based on the position outlined above. The National Telecommunications and Information Administration (NTIA) and Justice plan to do so in testimony before the Senate Commerce Communications Subcommittee on February 26.

Information

THE WHITE HOUSE

WASHINGTON

February 28, 1991

91 FEB 28 PM 7:55

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: Wealth in America

The Commerce Department recently issued a report on household wealth and asset ownership in 1988. This memorandum summarizes the major findings, some of which are quite surprising.

1. On average, households saw their net worth rise 2.7 percent from 1984 to 1988 after adjusting for inflation. The Commerce Department survey, based on door-to-door interviews, indicated a more modest rise in household wealth than reported by the Federal Reserve. The Fed, which uses a much broader and more accurate definition of wealth based on flow of funds analysis, estimated a 12.9 percent increase in real wealth per household over the same period. The Commerce figures are probably a better indication of public perceptions.
2. The distribution of wealth became more equal from 1984 to 1988. This directly contradicts the assertion made by some that in the 1980s the rich got richer. The figures below show the distribution of wealth by income groups in 1984 and 1988.

Distribution of Net Worth
1984 versus 1988

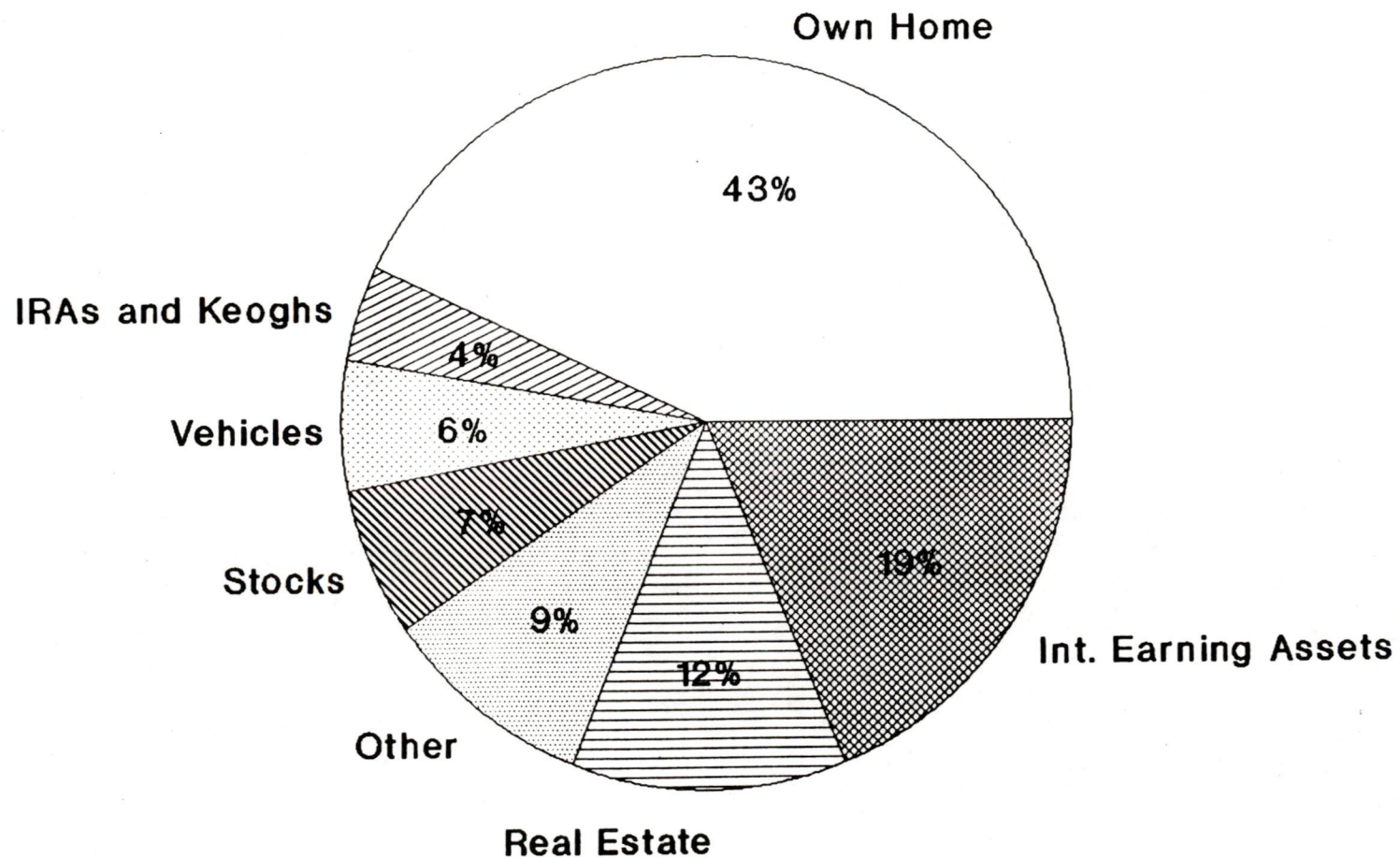
INCOME GROUP:	1984	1988	Change
Top 20%	47.5%	44.4%	-3.1%
Second 20%	19.4%	20.6%	1.2%
Third 20%	14.0%	15.7%	1.7%
Fourth 20%	11.9%	12.3%	0.4%
Lowest 20%	7.2%	7.0%	-0.2%

3. Wealth holdings continue to follow a strong "life-cycle" pattern, with accumulation occurring in mid-life in preparation for retirement. Average net worth rises from \$26,000 for young households (under age 35) to \$77,000 for 35-44-year olds, \$120,000 for 45-54 year olds and \$148,000 for 55-64 year olds. Households over age 65 have an average net wealth of \$136,000. This figure combines an average of about \$152,000 for those aged 65-74 and \$112,000 for those 75 and older. This indicates that, as one would suspect, households gradually spend their accumulated wealth in retirement.
4. A substantial number of people accumulate significant wealth during their lives. Among 65-69 year olds, more than 17 percent have \$250,000 or more in net wealth. Nearly half have more than \$100,000 accumulated. This figure does not include "pension wealth" which can be substantial. For example, a 65 year old couple receiving average social security benefits has a "social security wealth" of about \$160,000.
5. Other interesting findings:
 - o 64 percent of households own their own home and even among the poorest fifth of the population, 43 percent are owners. Equity in ones' house represented 43 percent of net wealth for the population at large.
 - o 48 percent of households have regular checking accounts while 34 percent have interest bearing NOW accounts. (Some households may have both.) This leaves a surprising one household in five without a checking type account.
 - o 22 percent of households own corporate stocks or mutual funds.
 - o 15 percent have bank run Money Market accounts. These accounts, which resulted from deregulation, have been around less than 10 years.
 - o 24 percent of households have IRAs, with an average value of \$16,000.

In sum, the Commerce Department report indicates that American households are getting richer, albeit slowly, and the claims of rampant and growing economic inequality are, at best, exaggerated.

Distribution of Net Worth

By Asset Type



Information

THE WHITE HOUSE

WASHINGTON 91 FEB -4 AM 10:03

February 1, 1991

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Leading Causes of Death in the United States

The National Center for Health Statistics recently reported the causes of the 2.2 million deaths in the United States in 1989. The ten leading causes of death were:

<u>Cause</u>	<u>Number of Deaths</u>	<u>% of Deaths</u>
Heart Disease	735,450	34.1
Cancer	497,220	23.1
Stroke	147,470	6.8
Accidents	94,780	4.4
Lung Disease	84,350	3.9
Pneumonia and Influenza	75,240	3.5
Diabetes Mellitus	46,560	2.2
Suicide	31,210	1.4
Chronic Liver Disease	26,380	1.2
Homicide	23,020	1.1

Our analysis of this report reveals the following:

- The four leading causes of death have not changed in the last three decades.
- The principal cause of death varies according to age:

<u>Age</u>	<u>Cause of Death</u>
Birth to One Year	Infant-specific Disorders
One to 34 Years	Injuries
35 to 64 Years	Cancer
65 Years and Over	Heart Disease

- 1989, AIDS accounted for 21,360 deaths (almost one percent of all deaths), and increased from the fifteenth leading cause of death to the eleventh.
- Cancer overtook heart disease as the leading killer of Americans aged 35 to 64 in 1989.
- Perhaps most striking, 17 percent of those who died in 1989 were 85 years of age or older, compared with 11 percent in 1960. If current trends continue, within the next two decades one-half of all deaths will occur after age 80.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06. Memo	From Roger Porter to POTUS Re: Alaska Oil Development and the Environment (2 pp.)	3/21/91	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1991) [2]

Open on Expiration of PRA
(Document Follows)
By JP (NLGB) on 4/21/08

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RESTRICTION CODES

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THE WHITE HOUSE

WASHINGTON

March 21, 1991

91 MAR 22 PM 1:23

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Alaska Oil Development and the Environment

The debate regarding the development of the Arctic National Wildlife Refuge (ANWR) for oil and gas exploration and production will likely concentrate heavily on potential environmental effects. It may well mirror the battle over the Trans-Alaska Pipeline in the early 1970s which was characterized by extreme claims regarding environmental damage and wildlife disruption.

Gloom, Doom and the Pipeline

- "The route proposed and the methods proposed for the pipeline across Alaska are obviously environmentally disastrous from all standpoints."

Brock Evans, President, the Sierra Club,
Testimony before House Interior
Committee, March 27, 1973.

- "This proposal....simply aids and abets the greed of the oil industry in its efforts to use the Alaska pipeline and the energy crisis as the excuse for acquiring authority to devastate the forests and public lands of our nation."

Representative John Dingell, August 2,
1973, Congressional Debate

- "Any route (through Canada or Alaska)....will cause irreversible damage to an ecosystem so fragile that building the pipeline would scar the North a millennium in the future."

"Known Problems and Unknown Effects," The Nation, October 2, 1972, summarizing environmentalists' concerns.

Environmental Impact of the Pipeline

The predictions of an environmental armageddon did not materialize. The available evidence overwhelmingly suggests

that wildlife coexists and even prospers in the midst of oil development activities on the North Slope of Alaska. Industry and government experts agree that:

- The Central Arctic Caribou Herd has increased at a rate of 12 to 18 percent per year over the past decade. Caribou actually seek out roads, gravel pads, and the shade of buildings on the north slope in the summer to escape bothersome insects.
- Studies of fish movements around the Prudhoe West Dock Waterflood Project and Endicott projects show that properly designed causeways do not interrupt fish migration along the Beaufort Sea coast.
- The effect of Prudhoe Bay oil development on bird migration and nesting has been small and sometimes positive. While some habitat loss results from the placement of facilities, certain species create new habitats at roadsides and pads.

Development of ANWR and the Environment

Not only is the development of ANWR crucial to meeting our Nation's energy needs, but there are compelling reasons for believing it can be developed in an environmentally sound manner.

First, the coastal plain comprises only 8 percent of ANWR's 20 million acres and includes no congressionally designated wilderness areas. Even if three large oilfields are developed on the 1.5 million acre coastal plain of ANWR, less than 1 percent of the coastal plain's land surface would be affected by direct habitat removal and by secondary effects such as road dust from vehicles. Fully 99 percent of ANWR's coastal plain will remain pristine.

Second, technological advances over the past fifteen years have made North Slope oil exploration and development safer and more efficient. For example, today a 14 acre production well pad supports the same number of wells that required a 44 acre production well pad in 1975.

In the debate over the National Energy Strategy it is important that members of Congress and the public accurately understand what is at stake. As a Nation, we can balance our prudent domestic energy production and our desire to preserve America's majestic environment.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07. Memo	From Roger Porter to POTUS Re: Assessing Our Education Policy: The First Two Years (5 pp.)	3/21/91	P-5	

Collection:

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THE WHITE HOUSE

WASHINGTON

March 21, 1991

91 MAR 22 PM 6:39

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*

SUBJECT: Assessing Our Education Policy: The First Two Years

Midway through your first term, and with the confirmation of a new Secretary of Education, it is a useful time to assess our education policy during the past two years, how we are perceived, and some possible avenues and emphases during the next two years.

Underlying our strategy, and your desire to be the education President, is a central reality of education in the United States. The Federal government does not control the delivery system (with the exception of a few Department of Defense and Bureau of Indian Affairs schools) or provide the financing for most public education in the country.

It requires a different kind of leadership than is the case in many other policy areas.

Assessing Our Strategy in 1989-1990

Our strategy on education during your first two years has embodied four principal themes:

1. Elevating education on the national agenda with an emphasis on excellence.

The effort to raise education on the national agenda and to emphasize excellence is based in part on an important premise: that what is needed is not focusing on the worst schools and bringing them up to the level of our best schools, but rather that we must sharply increase the performance of the entire school system. The central issue is not equity in funding, as many have suggested, but lifting the entire system.

Consistent with this theme you have:

- Advanced an Education Excellence Act with provisions designed to identify and reward excellence in schools (merit schools), teachers (Presidential teacher awards), and students (National Math and Science Scholars).

- Visibly demonstrated your interest in education through participation in education-related events -- visiting schools, meeting with parents and students, presenting awards, etc. A compilation of these events -- 45 in 1989 and 22 in 1990 -- , attached.
 - Established the President's Education Policy Advisory Committee, the first advisory committee you created after becoming President. Its membership sought to emphasize the need to involve educators at all levels, parents, business and labor leaders, and representatives of the media.
 - Energized the cabinet and involved virtually every Federal department and agency in new education activities. We have now submitted two 100-plus page reports to the Governors on activities of the departments to further the national education goals.
2. Shifting the focus of the education debate from the need for more resources to the need for a more results-oriented system.

One of the most remarkable accomplishments has been the change in the public debate about education from what was a rather sterile discussion about whether we are spending enough and who should pay for it to a lively discussion about new ideas, such as choice.

Consistent with this theme you have:

- Advanced and promoted new ideas like choice, alternative certification of teachers, and site-based management;
 - Argued that more of the same will not get us where we want to go; and
 - Advanced a set of results-oriented national education goals.
3. Shifting the focus from what the Federal government is doing on education to establishing a partnership between the Federal government and State governments.

Consistent with this theme you have:

- Convened the nation's Governors at Charlottesville, which produced a Joint Statement with commitments on both sides;

- Maintained and strengthened the partnership by jointly developing six national education goals and establishing the National Education Goals Panel;
- Worked with the Governors on flexibility legislation to permit them greater flexibility in the use of Federal education funds; and
- Secured a commitment from governors to a state-by-state restructuring of their education systems.

4. Advocating enhanced accountability through establishing national standards for the performance of our students without Federalizing our education system.

Consistent with this theme you have:

- Supported the development of national standards for elementary and secondary school students in mathematics, science, English, history, and geography in the fourth, eighth, and twelfth grades.

There has been a remarkable shift in public attitudes during the past two years toward establishing a national standard that students should meet without compromising the traditional American attachment to diversity and local control of schools and curriculum.

Perceptions

It is also worth noting several perceptions, at least ones that I hear frequently from a wide variety of sources. Three are worth pausing on:

First, there is the perception that you care about education. This is partially a function of the number of education related events in which you participate. I have discussed with Bob Teeter the high correlation between the number of education events you participate in and the degree to which the public sees you as "the education President."

The perception that you are genuinely interested in education has also been greatly aided by your appointment of Lamar Alexander as Secretary of Education.

Second, there is a perception in some quarters, particularly by some in the education community, that we have a single new idea, choice, and that we believe it will solve everything.

Third, there is a perception that we have talked more than we have done. This is coupled with a belief that we are opposed to spending more money on education.

I am persuaded that the fresh ideas Lamar Alexander and his team have been developing will reinforce the themes we have advanced to date and will help deal positively with the second and third of these perceptions.

What Is Needed Now

I am persuaded that there are four things we need now.

First, we must continue the emphasis on excellence. This will require sending messages to parents and others that all is not well. Repetition will be essential.

Second, we must put in place a system of accountability that will establish a national standard without federalizing our system of education. This is a system that the states must voluntarily buy into. It will involve a series of examinations that every fourth, eighth, and twelfth grade student will take. The results must be available for every school, district and state.

More than any spending program, if done properly, this has the potential for actually affecting what is taught in classrooms and the extent to which students and their parents emphasize education outside the classroom.

These standards will make a real difference if: (1) they are made high stakes examinations by the schools -- for example, a student's graduation depending on demonstrating proficiency and student performance on these exams influencing teacher's promotion and pay, for example; (2) universities and colleges use these test scores in their admissions policies; and (3) businesses make use of these exams in hiring and promotion.

Third, we must continue our partnership with the Governors for the simple reason that Governors will play a decisive role in whether states do two things: (1) Adopt the new systems of assessment and agree to test to a national standard. (2) Implement choice so that parents and students can choose the school they wish to attend and we can introduce some healthy competition into our elementary and secondary school system.

Fourth, we must aggressively advance the research and development frontier in bringing new technology into our schools and stimulating the kind of new generation of schools that are being tried in the State of Washington by Booth Gardner and that Lamar Alexander has advocated we create all

across the country.

I am encouraged by the energy and ideas that Secretary Alexander brings to his new assignment and convinced we are on a path that will take us where we want to be in education by the end of the decade.

THE WHITE HOUSE

WASHINGTON

March 14, 1991

THE CHIEF of STAFF
has seen

MEMORANDUM FOR ROGER B. PORTER

FROM: TERESA GORMAN

SUBJECT: EPA Estimates of U.S. and Canadian Emission Reductions

U.S. Emissions
(millions of short tons)

	<u>1980</u>	<u>1985</u>	<u>2000</u>	<u>Percent Reduced</u>
SO ₂	25.7	23.0	15.6	39%
NO _x	23.4	19.2	17.7	24%

Canadian Emissions
(millions of metric tons)

	<u>1980</u>	<u>1985</u>	<u>2000</u>	<u>Percent Reduced</u>
SO ₂	4.6	3.7	3.2	30%
NO _x	1.9	1.9	1.9	0% ¹

¹ Projected prior to the implementation of new mobile source and stationary source reductions.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08a. Memo	From Roger Porter to John Sununu Re: National Education Goals Panel Meeting (2 pp.)	3/22/91	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1991) [2]

Open on Expiration of PRA
(Document Follows)
By *JP* (NLGB) on 10/28/05

Date Closed:	12/28/2004	OA/ID Number:	29181-005
FOIA/SYS Case #:	1998-0004-F[2]	Appeal Case #:	
Re-review Case #:	2005-0426-S	Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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THE WHITE HOUSE

WASHINGTON

AC/ER

March 22, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: National Education Goals Panel Meeting

THE CHIEF of STAFF
MARCH 22, 1991

The National Education Goals Panel will hold its fourth meeting on Monday, March 25, at the Hyatt Regency Washington on Capitol Hill. Secretary Alexander and I plan to attend the full schedule of events (morning planning session, working lunch, public meeting, and press conference) which will last from 10:00 a.m. to 4:00 p.m.

The morning planning session (10:00 a.m. to noon), in particular, will be important in establishing the overall direction of the Panel's work and its first report.

The agenda for the session developed by Governor Romer includes reviewing a discussion document on measuring the goals, a schedule for regional meetings and outreach plans, and a possible format for state reports. In addition, I believe it is very important that we address the following issues:

1. Opposition to S. 2. I have spoken with Governor Campbell and Governor Ashcroft about the importance of the Governors, as well as the Administration, expressing opposition to Senate education legislation (S. 2) that contains a provision to create a duplicative National Council on Educational Goals and a lengthy process to define goals and how best to measure them. At Monday's meeting, either Campbell or Ashcroft will suggest that the six Panel Governors sign a letter to Senator Kennedy expressing opposition. A draft of a possible letter is attached.
2. Federal Role Report. The Joint Statement signed in Mobile last July states that the Panel will report on the "Federal government's action to fulfill those responsibilities set forth in the Federal-state partnership at Charlottesville." This is a straightforward task considering the specific areas outlined in the Charlottesville Joint Statement. Governor Romer has suggested convening an outside group of education experts to define the Federal role and produce the report. Governors Campbell and Ashcroft are in agreement that a staff group should prepare a first draft of such a report for review by the Governors and the Administration representatives.

3. Agreement on Standards and NAEP. The Panel is rapidly approaching consensus on the need for national standards in five subject areas (English, mathematics, science, history, geography) and should signal or vote publicly on Monday that this is where the process is heading. In addition, I believe the Panel might be prepared to vote for drafting legislation on an accelerated basis to allow regular state-level comparisons of NAEP and optional comparisons at the district- and school-levels.
4. Plans for the First Report Card. There should be discussion at the morning session on options for releasing the first report card on September 30 and surrounding activities.

A briefing book is being forwarded separately by the National Education Goals Panel staff.

Please let me know if you have any questions regarding Monday's meeting.

Attachment

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08b. Letter	Draft Letter Opposing Title II of S. 2 Creating a National Council on Educational Goals (2 pp.)	n.d.	P-5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff to the President, Office of the
Series: Sununu, John, Files
Subseries: White House Offices File
WHORM Cat.:
File Location: Policy Development
(Porter) (1991) [2]

Open on Expiration of PRA
(Document Follows)

By JP (NLGB) on 10/28/05

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DRAFT

Sen. Edward M. Kennedy, Chairman
Sen. Orrin Hatch, Ranking Minority Member
Labor and Human Resources Committee
U.S. Senate
Washington, D.C. 20510

Dear Senator:

We are writing to express our continuing opposition to Title II of S. 2, which would create a National Council on Educational Goals.

As you are aware, the Governors and the Administration established the National Education Goals Panel last summer. We believe that the roles envisioned by Governors for the bipartisan Goals Panel and by supporters of Title II of S.2 for the proposed council are substantially the same: to agree on indicators and benchmarks for measuring progress toward our national education goals; to improve education assessment systems at all levels; and to annually report to the Nation on progress toward the six national education goals. We believe that the establishment of standards and a constructive assessment system for measuring student achievement will be a powerful force for improving our educational system and the performance of all students.

An outcome so ambitious can only be achieved through national consensus. The National Education Goals Panel has launched a credible effort that is moving resolutely toward this end. The creation of the duplicative council proposed by Title II will only result in confusion and a splintering of support, and will jeopardize the progress already being made in this important national endeavor through the National Education Goals Panel.

Aside from the question of competing panels is the fundamental question of the most effective composition of an education goals panel. Our intent is to go beyond merely reporting to the public to include a commitment to drive reform. In our opinion, this requires strong oversight by elected officials who are accountable to the American public.

While we feel that the policy makers represented on the National Education Goals Panel -- the Governors, the President and the Congress -- are best positioned to drive changes in the educational system, we are taking full advantage of the expertise that exists related to how the goals should be measured, how standards should be developed, and the form of assessment by which measurement should

be accomplished. The Panel has and will continue to solicit input from a wide variety of sources and constituencies in making its final decisions.

The National Education Goals Panel established six resource groups to provide advice on possible indicators for measuring the national education goals. Over the next six weeks, regional hearings are being conducted to seek the input of state and local educators, educational assessment experts, and other interested constituencies concerning issues related to measuring the goals. The Panel will issue its first report to the Nation in September 1991.

We greatly appreciate your continuing support of the national education goals and interest in ensuring these goals guide our collective efforts to improve education. We look forward to working with your leadership in accomplishing the work of the National Education Goals Panel and with all the Congress in furthering the federal-state partnership on education.

Sincerely,

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09. Memo	From Roger Porter to POTUS Re: European Agricultural Reform (2 pp.)	3/1/91	P-5	

Collection:

Record Group: Bush Presidential Records
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THE WHITE HOUSE

WASHINGTON

March 1, 1991

91 MAR -1 PM 12:21

MEMORANDUM FOR THE PRESIDENT

FROM: ROGER B. PORTER *RBP*
SUBJECT: European Agriculture Reform

THE CHIEF of STAFF
has seen

Recent developments in the European Community's efforts to reform the Common Agricultural Policy (CAP) are worth noting in connection with the fast-track extension that you are requesting today.

1. Even the EC now concedes that the CAP is unsustainable.

The CAP controls 70 percent of the EC's agricultural production through a combination of price supports, high import duties, and export subsidies. Farm spending now accounts for 60 percent of the EC budget. Budget outlays have risen six-fold since 1975 and are expected to exceed \$45 billion in 1991.

The CAP has caused European production to increase faster than consumption. Between 1973 and 1988, the EC's volume of agriculture production doubled while internal consumption grew by less than 1 percent. This has resulted in costly export subsidies and stockpiles. Overproduction also has had environmental consequences; intensive farming practices have caused soil depletion and water table contamination.

In 1989, the CAP cost citizens of the EC some \$89 billion. Of the total burden, 45 percent was due to higher taxes, to pay for export subsidies and storage of surplus stocks. The remainder was attributable to higher prices for food. EC consumers spend an average of 20 percent of their budgets on food, compared to only 12 percent for U.S. consumers.

2. A proposal tabled by EC Farm Commissioner MacSharry is now at the center of the reform debate.

MacSharry, who reportedly has the backing of EC President Delors, is urging a shift from production support to direct income support. This would favor small farmers. Currently, only 20 percent of European farmers receive 80 percent of CAP benefits. MacSharry wants to reduce these distortions by cutting price supports and imposing land set-aside requirements. He would insulate small farmers by increasing direct income payments and tying subsidy cuts to acreage so that the primary impact falls on large farmers.

The MacSharry proposal is being sold as "budget neutral". In theory, savings from reductions in guaranteed prices, export refunds, and storage costs would offset increases in direct income payments. Consumer food costs would fall while taxes would rise.

The EC Commission has endorsed the MacSharry proposal, but there is significant opposition within the EC. While small farmers in Ireland and southern EC member states support the plan, redistribution of farm income is opposed by large farmers in the U.K., Holland and Denmark. Germany favors increased use of quotas and land set-asides to reduce production, instead of price cuts. France is split on the proposal and may be the crucial swing vote in the Community's deliberations.

3. CAP reform has important implications for the Uruguay Round.

The proposed price support cuts for oilseeds and cereals would virtually eliminate the need for export subsidies. Reducing the EC's massive crop surpluses would make possible some form of volume-based commitment not to subsidize exports.

One of the advantages of seeking a fast-track extension is that it provides additional time to see how the European CAP reform effort plays out. While for political reasons it is important for the EC to portray the reforms as an internal effort, it is also important that the U.S. attempt to influence the direction of the reforms. If we succeed, it may be possible to fashion a win-win situation with the European Community that brings about a strong GATT agreement.

THE WHITE HOUSE

WASHINGTON

March 20, 1991

MEMORANDUM FOR LAMAR ALEXANDER

FROM: ROGER B. PORTER *RBP*

SUBJECT: The President's Education Strategy

I was pleased with the amount of ground we were able to cover this afternoon in our discussion of "America 2000: An Education Strategy." It is great to have you on board and I am looking forward very much to working closely with you.

As we discussed, the actions you will present to the President tomorrow for his consideration are designed to build on the foundation he has laid during his first two years in office. They are intended to supplement the four principal themes he has consistently articulated:

1. As a nation, we must identify, recognize, and reward excellence and raise the performance of all our schools.

This theme includes a wide variety of proposals such as those for Merit Schools, Magnet Schools, Presidential Teacher Awards, National Mathematics and Science Scholars, etc.

2. We must shift the focus from a debate about resources to an emphasis on results.

This is reflected in our development and adoption of results-oriented national education goals and in the President's proposals designed to stimulate restructuring, reform and increased competition through choice, alternative certification of teachers, etc.

3. A partnership between the President and the Governors is crucial to stimulating genuine reform.

This is reflected in the Charlottesville Summit Agreement with the Governors where we committed jointly: to produce and adopt national education goals, to seek greater flexibility by states in the use of Federal funds for education, and to produce a report card for measuring progress toward the goals, as well as in the commitment by the Governors to restructure the education systems in their states.

4. We must enhance accountability through establishing national standards for the performance of our students without Federalizing our education system.

This is reflected in the President's support for the development of national standards for elementary and secondary school students in mathematics, science, English, history, and geography in the fourth, eighth, and twelfth grades.

I look forward to working with you, Dick Darman, Governor Sununu, and others to refine the ideas in your "America 2000" document.

I also look forward to the four of us serving together on the National Education Goals Panel. Our past experience in this effort suggests the wisdom of the President's representatives on the panel working closely together as a team.

cc: Governor Sununu
Richard G. Darman