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BEHAVIOR: Plans Link Aid to Education

Continued from A22

anything about it," Payne says.

As with the driver's license law in Arkansas, operational problems have somewhat dampened the ideological firestorm over Learnfare. In July, 1990, a federal district judge shut down the program in Milwaukee County because the attendance records used to generate sanctions were riddled with errors; the judge lifted the order only after the state added elaborate new procedural safeguards.

But under the new system, the number of monthly penalties has dropped by two-thirds, to about 740 a month. That decline has come despite a rising dropout rate in Milwaukee, where half of all Wisconsin teens who are covered by Learnfare regulations live.

"That might suggest this program is having little, if any, impact," says Lois Quinn, a senior researcher at the University of Wisconsin at Milwaukee's Employment and Training Institute, which is completing a legislatively mandated study of the program. Preliminary results of the institute's study suggest that perhaps less than 30% of the teens sanctioned are back in school two months later.

Still, to some who work with Milwaukee's poor, those numbers represent hundreds of young people in classes who might otherwise be on the street. "It's working, and I have to tell you, I did not want to do this, I went in kicking and screaming," says June Martin Perry, who runs a Milwaukee social service agency that has counseled families sanctioned under Learnfare. "But it's helped us help a lot of parents get their kids back into school or into the proper school."

Plan Still Popular

Even Learnfare opponents concede that questions about the program's effectiveness have not dented its standing with the public. Like many elements of the emerging personal responsibility agenda, officeholders in both parties say it enjoys strong support, particularly among middle-class voters.

That is not surprising. When Democratic pollster Mark Mellman surveyed Americans on family values in 1989, he found "the single most widely shared value in this country is that people ought to be responsible for their own actions."

But, Mellman cautions, if pressed too far, these efforts could easily strike the public as heavy-handed meddling in private affairs.

In Wisconsin, for example, even some Learnfare proponents are uneasy with the follow-up Parental and Family Responsibility Initiative—dubbed "Bridefare" by critics—Thompson proposed earlier this year.

Under that plan, the state would provide teen-age welfare recipients with financial incentives to marry—and move to discourage women on welfare from bearing additional out-of-wedlock children by providing only half the usual benefit for a second child, and no money for any additional children.

These are disquieting ideas for many in Wisconsin. Some wonder if the state would be inviting child abuse or other problems by encouraging possibly mismatched teens to marry. To others, discouraging births among welfare recipients carries an odor of racial politics, sharpened by the fact that David Duke has long advocated the idea.

In Wisconsin, though, more whites than blacks receive welfare and Thompson denies any racial intent in his Bridefare initiative. Aides also point to the fact that a similar plan has been proposed by New Jersey state Assembly Majority Leader Wayne R. Bryant, a black Democrat. And though the Democrats hold a 17-seat advantage in the Wisconsin Assembly, Republican Thompson's effort failed there earlier this year by just a single vote; Assembly Speaker Walter Kunicki says it is not clear that Democrats could beat back the program again.

In any case, Thompson is not waiting. Using his unusually expansive veto authority, he eliminated the Democratic language deleting his plan and is submitting a request to the federal government to implement it. "The Democrats are crazy," Thompson says. "They should be joining me. . . . I'm not beating up on people; I'm encouraging them."

Some aspects of the personal responsibility agenda—such as Thompson's Bridefare plan—are certain to perpetuate conflict between liberals and conservatives. But other elements may allow a new consensus for attacking domestic problems built on balancing opportunity with responsibility, argues Will Marshall, president of the Progressive Policy Institute, a think tank associated with centrist Democrats.

That search for a new social contract—in which government tries to expand opportunities and then holds individuals responsible for seizing them—is explicit in Clinton's program. Clinton, for example, has argued that government should provide college loans to all who need them—and then allow the money to be repaid with a few years of national service as a teacher, police officer, or health care worker.

In the same spirit, the Arkansas law that will revoke driver's li-

censes for students who fail to maintain a C average is balanced by another new state law guaranteeing college aid to students who keep their grades at B or above.

Though neither Thompson nor the Legislature has sought compromise in Wisconsin, their clashes over welfare reform have produced a somewhat similar balance. Thompson angered liberals by cutting welfare benefit levels in his first term. But requiring teen-age mothers to attend school has compelled him to put money back into the system for day care, transportation, counseling and alternative education. The state now spends more on these new services than it saves in Learnfare sanctions.

"Conservatives are more willing to put up the funds for these activities, if the bargain is negotiated" to include responsibilities,

says David Long, a senior researcher with the Manpower Demonstration Research Corp., which studies welfare reforms.

'New Covenant'

As he moves through the presidential race, Clinton is portraying these ideas as the basis for an even more fundamental renegotiation—a "new covenant" between government and the public.

"My experience as governor just brings me up against the limits of politics all the time, as we spend more and more money to fix broken lives that should have been kept whole," he says. "I don't think there is a program for every problem. You can have all the government initiatives in the world—and I think I know what needs to be done—but they have to operate within a receptive culture where everybody is willing to assume some responsibility for the future."

The struggle to govern

WASHINGTON — When President Bush recently visited his summer home in Kennebunkport, Maine, he lamented the devastation an Atlantic storm had wreaked on his property and his neighbors.

Had he returned four days later, he could have heard of the terrible damage wrought by the unrelenting recession that has struck the state he knows so well. "I see it every day," said one Mainer, "in the faces of friends and neighbors, whether it is the fear of a businessman who has never faced unemployment before, the millworker resigned to the fate suffered by co-workers or the hopelessness of those who continue their fruitless search for a job."

This was not Bush's least-loved Mainer, Senate Majority Leader George Mitchell, speaking to some partisan Democratic crowd. It was Maine's Republican governor and loyal Bush supporter, John R. "Jock" McKernan Jr., explaining on Nov. 6 why he was proposing drastic cutbacks in government services — the layoff of one-fifth of state employees, a \$50 million cut in aid to localities, elimination of the general assistance welfare program and abolition of 35 state agencies, including the Office of Volunteerism that coordinates Maine's version of Bush's favorite "Thousand Points of Light" program.

All this in a desperate effort to close a budget shortfall that has emerged just since July, when McKernan furloughed all state employees for half the month in order to force through what he then hoped would be a solution.

The only consolation the governor could offer his beleaguered constituents is that similarly painful scenes are being enacted across the country from New England to California.

HE IS RIGHT. The most underreported story of this autumn is that state and local governments are running out of money, as the recession saps their revenues and drives up the mandated costs of social programs.

In California, the shortfall in the current budget looks like \$2 billion to \$3 billion. Gov. Wilson, another Republican and Bush ally, has allowed about 30,000 jobs in state agencies to go unfilled and is trying to impose a 5 percent pay cut on those who remain. With welfare rolls up 12 percent, Wilson is

COMMENTARY

By David Broder

talking about imposing a three-year waiting period before immigrants to California can collect any medical or income assistance. Again, this comes just months after the governor and Legislature filled a \$14 billion budget gap by a painful combination of tax hikes and service cuts.

Raymond Scheppach, executive director of the National Governors

The most underreported story of this autumn is that state and local governments are running out of money, as the recession saps their revenues and drives up the mandated costs of social programs.

Association, says that almost one-third of the states are reworking budgets "they put to bed only a few months ago." At a recent briefing, Scheppach offered a succinct summary of what this recession has done to state efforts to meet balanced-budget requirements.

"In 1989-90," he said, "when growth began to slow, governors tried to maintain services. So they raised taxes about \$10 billion. Then, because the economy didn't respond, they had to cut \$7 billion from their planned 1991 spending.

"Now, they have gone back and raised another \$15 billion — the highest amount ever in a single year. Together, that represents a negative swing of \$32 billion in tax hikes and service cuts in a two-year period, in total state budgets of

\$264 billion."

No wonder governors and legislatures are in political trouble. And no wonder they turn in anger toward Washington, where, incredibly enough, the federal government this year will add more to its debt than all 50 states are raising and spending for all their programs.

This is a crisis in the federal system, where the failure of the national government's policies for sustaining healthy economic growth is crippling the capacity of state and local governments to meet their responsibilities — including the many mandates passed down from Washington.

The future for state and local officials could be worse, because the money they spend is increasingly going to the very people that middle-class taxpayers are loath to support — prisoners and welfare recipients.

THE LATEST state expenditure report, compiled by the National Association of State Budget Officers, showed double-digit spending increases in three-fourths of the states for corrections and Medicaid — keeping prisoners out of the way and paying medical bills for the poor.

Those fastest-growing elements of state spending are squeezing out programs the middle class really values. Brian Roherty, executive director of the budget officers' association, pointed out that for all the rhetoric about improving schools, the share of state spending going to elementary and secondary schools has sunk to its lowest level in five years.

And, Roherty said, "higher education costs are being shifted to tuition," which is why concern over the affordability of college is moving up the list of problems the public says cry out for attention.

What we are witnessing is a double whammy. The failure of national economic policies is forcing states to jettison programs and services — or raise taxes again, which few are willing to do during a recession. And within the strained budgets, an ever-smaller share can be spent on the programs that most directly benefit the people who pay these taxes.

You don't have to be a rocket scientist to see that this spells nothing but trouble for those struggling to govern at the state and local level.

Washington Post Writers Group

NATION

Welfare reform in Maryland

State's plan requires recipients to perform

Washington Post

BALTIMORE — Maryland officials, staggered by soaring welfare costs, announced an innovative plan this week that would give full public assistance benefits only to recipients who get preventive health care, keep children in school and pay their rent.

Under the plan, which requires federal approval, benefits provided by the mainline welfare program, Aid to Families with Dependent Children, would be reduced 30 percent as of July 1. Welfare clients could then get the money back by displaying what Secretary of Human Resources Carolyn W. Colvin called responsible behavior.

Some other states, notably Wisconsin and Ohio, have adjusted state programs to tie AFDC grants to school attendance, but welfare advocates said Tuesday that Maryland's proposal appears to seek the most fundamental changes by attacking problems of health care costs, education and housing all at once.

"Doing business as usual has not helped our families and children," Colvin, the driving force behind the new approach, said during a news conference here Tuesday. "AFDC should be a temporary program. And at some point we should be expecting that they will move toward self-sufficiency."

However, some advocates for the poor expressed grave reservations about the plan, saying that many of Maryland's 215,000 AFDC clients will not be able to meet the new requirements and others simply will not. Either way, the result will be smaller monthly checks.

With Gov. William Donald Schaefer nodding approval, Colvin said that restructuring some welfare programs and eliminating others would free \$22.1 million next year that could be redirected to other services. AFDC alone is expected to cost nearly \$350 million next year.

A family of three now gets \$406 a month in benefits, but that amount will drop to \$377 on Sunday because of the last round of state spending cuts. Under Colvin's plan, which will need the approval of the Department of Health and Human Services, the basic grant would drop to \$264. Recipients could then recover the money up to the basic level by proving their children are getting health care and schooling and by keeping up with their rent.

"The rhetoric is catchy, but the reality is likely to be unconscionable," said Catherine Born, a professor in the University of Maryland's School of Social Work. "Could you raise (two children) on \$264 a month?"

Schaefer and Colvin said their intention is not to save money or hurt welfare recipients.

"We're saying to welfare recipients that we'll help, but they've got to keep kids in school and take preventive health measures," Schaefer said.

The Sacramento Bee Final • Friday, November 29, 1991

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Welfare wisdom

■ It's good to see politicians (including one who wants to be president) demand responsible behavior in return for government aid.

Maybe it's just the effect of tight government budgets, but more and more politicians seem to be talking sensibly about welfare these days. They are actually treating public aid as a two-way deal, in which the government has a right to expect something in return from welfare recipients.

Arkansas Gov. Bill Clinton, a Democratic presidential hopeful, sounds especially promising with a campaign theme he calls The New Covenant.

"The New Covenant will say to people on welfare: We're going to provide the training and education and health care you need, but if you can work, you've got to go to work, because you can no longer stay on welfare forever," Clinton said in a Georgetown University address last month. Clinton has proposed requiring that welfare recipients be forced to work if, after two years, they are still receiving aid.

Under Clinton's administration, the state of Arkansas also has been working aggressively to make deadbeat parents pay child support. Last year, a law was passed in that state enabling authorities to notify credit agencies about parents who owe more than \$1,000 in child support (Los Angeles County now reports similar cases to credit agencies as well).

In Wisconsin, GOP Gov. Tommy Thompson has introduced a program called Learnfare to the Aid to Families with Dependent Children program. Enacted in 1987, Learnfare reduces by about 15 percent the benefits of AFDC families in which children age 13 to 18 habitually skip school. Learnfare also requires teen-age AFDC recipients to

return to school within three months of having babies, or else lose 45 percent of their AFDC grants.

Welfare-rights activists oppose plans like Learnfare, charging that such conditions on aid penalize innocent children. But those taking a long view, and seeing the lifelong cost of not earning a high school diploma, understand that innocent children can be penalized far more when their parents fail to get the education they need to hold down decent jobs.

No value is more American (or at least should be) than the belief that people must take responsibility for their own well-being. Welfare can weaken that sense of responsibility by allowing many parents, who should be supporting their own children by their own efforts, live indefinitely without having to carry out that basic adult responsibility. That hardly teaches the children of these people how to stand on their own two feet.

By requiring something back from adult recipients — even something as simple as making sure their kids go to school — some in government are rightly demanding that the money spent on AFDC work not just to keep people fed but to push them into taking more positive control over their lives.

It is especially good to see a significant national figure in the Democratic Party try not just to appeal to the middle class but also to instill a traditional middle-class virtue — self-sufficiency — in the welfare-dependent poor.

Clinton, like Wisconsin's Thompson, also has lessons to teach California as it faces a new budget crisis and boom in its welfare population. Gov. Pete Wilson ought to try to adopt the best of such programs for California. Who knows? In these tough economic times, even the Legislature might consider voting for real welfare reforms.

of those things. What they have to be, obviously, is on the alert to try to get children the sort of help that they need, whether it's mental health counseling or physical examinations.

But basically, all these things we're talking about depend upon our having the sort of economic base, the capability to maintain an employment base that will keep pace with this population. And California is not an island. We are in competition with other states, with other nations—and the fact that we offer vast markets in no way makes us irresistible to business. It is possible to exploit California's markets while being headquartered in Arizona or Nevada or, for that matter, North Carolina. We have to be very concerned that we maintain our competitiveness.

Q. What will be the impact of the great new ethnic mix?

A. The changing demographics of California are reflective of a growth that is very much a mixed blessing. At the same time that we are renewed and enriched and refreshed by the energy and creativity of a new generation of immigrants, they are a mixed blessing in the sense that our overall population is becoming much younger. As I mentioned, we have an exodus from the state of those who are in their productive years and a great increase in the growth of the child population. And as a result of that, there's a great increase of consumers of expensive governmental services—of education, of health care and welfare. So that is what is reflective of the changing demographics. More than anything else, it means that the state is growing younger.

On the good side, we believe that not only our geography but also this diversity of our population puts us in a particularly advantageous position to exploit what we think is going to be a transpacific explosion. We think there is going to be a tremendous increase in the importance of transpacific trade, and, indeed, it has already begun. Today a greater volume of our trade crosses the Pacific than the Atlantic.

Q. Can the state's political institutions keep up with the challenges raised by the rapid rate of change in all these areas?

A. Part of it is the rapid rate of change, and part of it is just the inability of the legislature to be as responsive as it should be. We don't have affordable car insurance because the trial lawyers' lobby has been successful in killing it. We don't have [enough] reform of workers' compensation because the applicants' attorneys will be successful in forestalling any reform beyond what we achieved this year.

Q. It is being said more and more that there is a sheer physical limit to the number of people who can live here because of the environmental constraints. Assuming you could take care of all the governmental and financial problems you've described, the question remains: Is this a state that can support not only 30 million but maybe 40 million or 50 million people?

A. It's true that in existing urban centers you have a problem of congestion that I think is far more serious to manage than even the quality of the air that automobile traffic produces. I am convinced that

by moving to alternative fuels, we will have significantly improved air quality and still be confronted with horrendous congestion unless we take steps to alleviate that. The people in this state at the last election approved \$3 billion worth of rail-bond issues. In the primary in June 1990 they approved essentially a doubling of the gas tax. That will produce enough funding for highway construction. If that hadn't occurred, we would have been absolutely strangled by our own traffic.

Is there a limited carrying capacity? That's something people have been arguing for years. I think the answer depends on the extent to which you are willing to anticipate and accommodate growth. The quality of life doesn't depend exclusively upon numbers. You can have a miserable quality of life in a small village. You can have an infinitely better quality of life in a large city. It depends on whether or not the necessities and amenities have been provided, and that requires first and foremost that you anticipate and accommodate, and that you've got the economic base.

The U.S. Constitution guarantees the right of free travel. The courts have gone much further and have inferred from that the right to reside. Indeed, in a number of cases they have rejected efforts—by Connecticut and Hawaii and others—to deny to new residents the welfare benefits that are paid to established residents. I happen to think those cases are wrong. It seems to me that at the very least there should be a period in which new residents do not receive the benefits that the state provides. People have talked about a three-year waiting period. Otherwise, you have a situation in which you are risking the health of your economic base.

Q. Looking at all this, do you ever wonder whether California is ungovernable?

A. Being Governor of any state, and certainly a state with California's problems, is fraught with difficulty. Representing California in the Senate [which Wilson did from 1983 to 1991] seems like a cloistered existence, even if being a Senator from California is very different from being a Senator from a small, relatively homogeneous state. The difference, still, is that this is a much better job—for all its slings and arrows. It's far more demanding, but it's far more satisfying, far more interesting.

Q. Do you see your kind of politics of the center having a chance at the national level? Or is the power of the extremes still too great?

A. I don't think that the power of the extremes is too great. By and large, I don't delude myself that the vast majority of the American people are thinking about politics. In fact, they prefer not to think about it. They want services delivered, and they really don't much care how. But they are inherently schizophrenic: they want the services, but they don't want the tax to pay for these services.

Still, there is a basic difference between the parties, and that's healthy because it produces competition that is absent in a number of other countries. The problem, frankly, is that whether you talk about Sacramento or Washington, too often the people who are engaged in the competition forget that it is for the purpose of benefiting the public and not the politicians. ■

“Whether you talk about Sacramento or Washington, too often the people who are engaged in [political] competition forget that it is for the purpose of benefiting the public and not the politicians.”



BY HENRY MULLER AND JOHN F. STACKS

"THERE IS A LIMIT TO WHAT WE CAN ABSORB"



Governor PETE WILSON warns that California is confronting a painful choice: be less generous to newcomers or be buried by relentless growth

Q. Is the California Dream threatened by all the problems the state faces?

A. The state has got to achieve an equilibrium. We're in a period when we have taken on a number of burdens, some natural, some of our own making. This is a rich state by any number of indexes. But as with a rich country, there are practical limits to what you can do. There are also political limits to what people are willing to assume in the way of burdens.

California is going through a period of change. Growth is not new to us. David Gardner, the president of the University of California, was asked to give a one-sentence definition of California, and he said, "They found gold here in '49, and they haven't stopped coming ever since."

But the growth is relentless. We're experiencing something that's very troubling to me, and that is an outflow of those who are the producers—and a tremendous increase in the number of consumers of services, particularly children. When I say that there has to be an equilibrium, that's really what I'm talking about. There has to be an ability of the state to grow economically to keep pace with the burdens placed on it.

Q. The problem comes down to California's rapid population growth, doesn't it?

A. Since 1985 the state's population increased 18%. School enrollments increased 23%. Welfare increased 31½%, and Medi-Cal, which is what we call our Medicaid, increased 49%. Delaware moves to this state annually.

I've been to two National Governors' Association meetings. The theme of both was that federal mandates, especially health care, are going to bankrupt the states. Look at an ironic situation: one federal statute says illegal workers are ineligible for public assistance, but another federal statute says that their children shall be enrolled in the state public school system. That's why we're adding about a quarter-million kids a year—from all of it, from the birthrate, from the migration from other states.

Q. Is there anything you can do to slow the population inflow?

A. We will have to minimize the magnetic effect of the generosity of this state. When I make this comment, people immediately will say, "You're anti-poor people." I'll be accused of racism. The fact of the matter is, Californians are having to pay a disproportionate share of

the national burden for supporting the poor. What we are going to have to do, I think, is either make an internal decision to be less generous or, better, ask the Federal Government—notably the Congress—to give some relief on these mandates because their good intentions are threatening the stability even of rich states like California. There is a limit to what we can absorb.

Internally, the people of this state are going to have to decide what their priorities are. They've indicated that the most urgent from their standpoint is education. And I don't disagree with that. Education needs reform so that we can have a competent and productive work force. That's true here; that's true nationwide.

We have to consider the kind of kids that are going into the classroom. Are they prepared to learn? Are they healthy enough to concentrate? Which is why we have laid such heavy emphasis on a preventive—as opposed to remedial—approach. One program in particular is designed to ready children for the classroom. Today, as much as I may criticize the quality of our education, I have enormous sympathy for the classroom teacher who is asked to be substitute parent, social worker and, in some cases, cop. They shouldn't have to be any

Citizens of the future: Wilson with Sacramento elementary school students

CALIFORNIA

WEDNESDAY, NOVEMBER 27, 1991

California's Income Tax System Growing Even More Progressive

By Viae Kershner
Chronicle Sacramento Bureau

Sacramento

California's income tax system, already one of the most progressive in the nation, will rely even more heavily on upper-income people in April, according to estimates released yesterday.

Taxpayers earning more than \$100,000, who file just 4 percent of the state's 14 million tax returns, will pay 55.7 percent of the \$22.3 billion in 1991 state income taxes due April 15, 1992. That's up from 47 percent on 1990 returns, the Franchise Tax Board said.

"It is a very progressive system," said tax board spokesman Jim Reber. "An interesting statistic is that over the course of the last decade, the top 1 percent of incomes paid 40 percent of the tax."

Most Californians whose income was unchanged or increased only slightly will pay lower income taxes, and those who kept pace with the inflation rate (4.3 percent) will pay the same or slightly higher taxes, officials said as they presented the 1991 tax brackets.

The main reason for the change is that Governor Wilson and the Legislature raised the rate for top tax brackets during the summer. Lawmakers initially were reluctant to raise income taxes, but changed their minds after a poll showed that greater taxing of the wealthy was the most popular solution to the state's budget crisis.

For 1991, single taxpayers will pay a 10 percent marginal tax rate on income over \$100,000 and pay an 11 percent rate on income beyond \$200,000. For couples filing joint returns, the higher brackets begin at \$200,000 and \$400,000. The top rate had been 9.3 percent from 1987 to 1990.

California, Delaware, Maine and Vermont are the only states in which high-income people pay a greater proportion of their income in taxes than do middle-income

CALIFORNIA TAX RATES FOR TAXABLE YEAR 1991

Schedule 1: Single Taxpayers

| If the taxable income is ... | | Computed tax is ... | | | Of amount over ... |
|------------------------------|----------------------|---------------------|------|-------|--------------------|
| Over \$0 | But not over \$4,394 | \$0.00 | Plus | 1.0% | \$0 |
| \$4,394 | \$10,414 | \$43.94 | Plus | 2.0% | \$4,394 |
| \$10,414 | \$16,435 | \$164.34 | Plus | 4.0% | \$10,414 |
| \$16,435 | \$22,816 | \$405.18 | Plus | 6.0% | \$16,435 |
| \$22,816 | \$28,835 | \$788.04 | Plus | 8.0% | \$22,816 |
| \$28,835 | \$100,000 | \$1,269.56 | Plus | 9.3% | \$28,835 |
| \$100,000 | \$200,000 | \$7,887.91 | Plus | 10.0% | \$100,000 |
| \$200,000 | And over ... | \$17,887.91 | Plus | 11.0% | \$200,000 |

Schedule 2: Taxpayers Filing Jointly

| If the taxable income is ... | | Computed tax is ... | | | Of amount over ... |
|------------------------------|----------------------|---------------------|------|-------|--------------------|
| Over \$0 | But not over \$8,788 | \$0.00 | Plus | 1.0% | \$0 |
| \$8,788 | \$20,828 | \$87.88 | Plus | 2.0% | \$8,788 |
| \$20,828 | \$32,870 | \$328.68 | Plus | 4.0% | \$20,828 |
| \$32,870 | \$45,632 | \$810.36 | Plus | 6.0% | \$32,870 |
| \$45,632 | \$57,670 | \$1,576.08 | Plus | 8.0% | \$45,632 |
| \$57,670 | \$200,000 | \$2,539.12 | Plus | 9.3% | \$57,670 |
| \$200,000 | \$400,000 | \$15,775.81 | Plus | 10.0% | \$200,000 |
| \$400,000 | And over ... | \$35,775.81 | Plus | 11.0% | \$400,000 |

Source: Franchise Tax Board

CHRONICLE GRAPHIC

taxpayers, according to a study released in April by Citizens for Tax Justice, a public interest group.

The study found that lower-income people were taxed the most heavily overall, however, even in California, because the impact of sales taxes hits disproportionately hard on those who spend every dollar they earn.

The state's tax brackets have been raised 4.3 percent to keep pace with the increase in the California Consumer Price Index, so

people with the same incomes in both years will pay less in taxes.

For example, a married couple with two children who earned \$25,000 in both 1990 and 1991 would pay \$82 in income taxes in 1991, a reduction of \$29 from 1990 levels. A two-child couple who earned \$100,000 each year would pay \$5,815 in 1991, down \$142 from 1990.

Standard deductions and personal and dependent exemptions are also being increased to keep pace with inflation.

percent of the total welfare cases are people who are officially unemployed, analysts said. Most of the remaining welfare recipients do not have substantial employment histories.

"The problem with the rest of the caseload is that it seems to go up no matter what happens with the economy," said Dave Illig of the state Legislative Analysts Office.

Immigrant Groups

Illig was one of the primary authors of a report released earlier this year that outlined the major causes for the state's increased welfare caseload.

In the report, it was noted that two immigrant groups, Latinos and refugees, "are among the population groups whose welfare dependency rate is currently substantially higher than the dependency rate of the general population."

The report said that Latino women have an AFDC dependency rate that is "23 percent higher than the rate for all other women."

It also noted that the Department of Social Services estimated that "nearly half of the refugees in the state are dependent on public assistance."

Besides these factors, which have been recognized for several years, Illig said a new trend has emerged in which "citizen children" of newly legalized immigrants are getting welfare assistance.

The parents of these children were illegal immigrants who became legalized under the 1986 immigration reform law. The parents are barred from getting welfare grants until next year, but their children can get some money, Illig said.

"Sixty to eighty percent of the growth in caseloads in Los Angeles County appears to be the result of this phenomenon," he said.

The increasing birthrates among both teenage girls and unwed adult women is also significantly boosting California's welfare rates. The birthrate for teenagers was up 13 percent between 1980 and 1988, while the birthrate for unwed adult women was up 83 percent over the same period.

"These birthrates may be leveling off, but I have seen no evidence that they have dropped," Illig said.

From Page 1

the state's skyrocketing welfare caseload, most analysts have noted the same basic long- and short-term causes:

- Immigration has continued at very high levels and has included large numbers of people from two groups — Latinos and refugees, primarily from Southeast Asia — who have relatively high welfare dependency rates.

- Citizen children of illegal and newly legalized immigrants are pushing up caseloads rapidly in urban counties.

- Continuing high teenage birthrates and births to unwed mothers.

- Fewer people are covered by unemployment benefits, and those benefits have been running out much faster during this recession than in past downturns.

Since January, more than 340,000 Californians have exhausted their unemployment benefits as a result of cuts made during Ronald Reagan's presidency that effectively eliminated automatic benefit extensions.

"People are exhausting their benefits a lot faster than in other recessions, and they have to survive somehow while they look for work. ... Welfare is their last alternative," said Isaac Shapiro, a researcher at the Center on Budget and Policy Priorities.

Extension of Benefits

After more than four months of haggling with Congress and after two vetoes, President Bush last weekend signed a bill extending jobless benefits an additional 13 weeks.

That will help large numbers of unemployed Californians who qualify for benefits, but Shapiro noted that far fewer jobless people qualify now. Studies have shown that nationwide, only about 40 percent of today's unemployed people are covered by unemployment insurance because of program cuts, he said. In 1975, more than 75 percent of jobless people were covered.

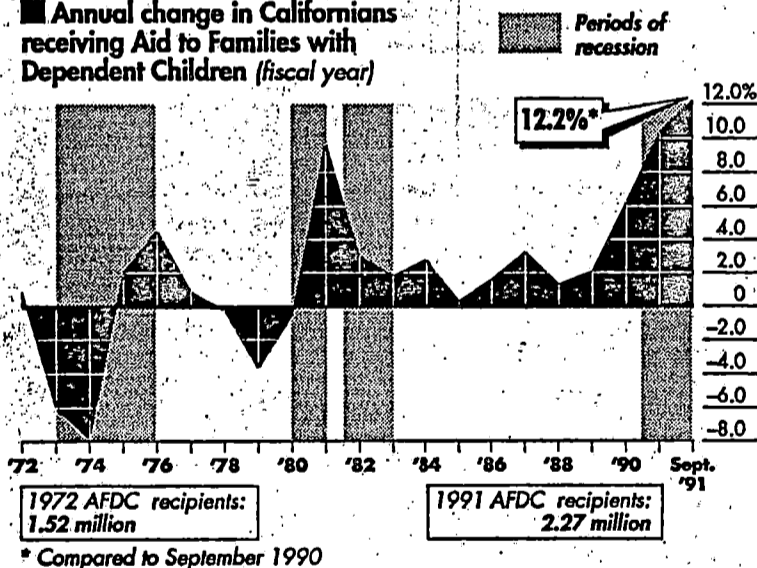
"It really isn't surprising that when you have an unemployment system that isn't working so well, you are going to have people turning to AFDC," Shapiro said.

The extension of unemployment benefits probably will result in reductions in the California welfare caseload, but only about 20

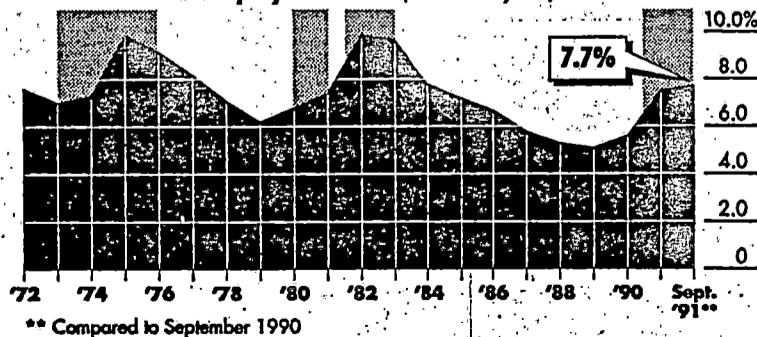
WELFARE AND THE RECESSION

Economic downturns typically cause increases in the welfare rolls, but California is currently experiencing a skyrocketing caseload increase that is far beyond what has happened in other recessions.

■ Annual change in Californians receiving Aid to Families with Dependent Children (fiscal year)



■ California unemployment rate (calendar year)



Sources: California Dept. of Social Services, California Economic Development Dept.

CHRONICLE GRAPHIC

STATE WELFARE ROLLS

✓ **JOBLESS BENEFITS RUN SHORT**

State's Welfare Rolls Growing at Record Rate

By Ramon G. McLeod
Chronicle Staff Writer

Record numbers of Californians are turning to the welfare system for help in this recession, and they are going on the dole much faster than in previous downturns.

Recent figures show that by June 30, the end of the 1991 fiscal year, 2 million Californians were getting Aid to Families with Dependent Children (AFDC) funds, the primary welfare grants for families — a 10 percent increase

over the year before and the highest rise since the state began keeping comparable records in 1971.

Recessions typically cause increases in the number of welfare recipients, but California's skyrocketing caseload is well beyond what has happened in other lean periods, analysts say.

"I think a lot of people have been surprised by how much greater the participation has been in food stamps and welfare," said Isabel Sawhill of the

Urban Institute. "People are using these programs at levels that are much, much higher than we've seen at similar levels of unemployment in the past."

For example, during the 1981-83 recession, unemployment rates hit 9.9 percent. The number of people on welfare, however, never increased by more than 9.8 percent.

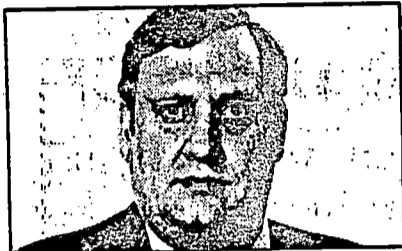
Current unemployment rates are below 8 percent, but as of September, the state was on track for a 12 percent increase in

welfare cases, according to a report issued earlier this month by the state Department of Social Services.

The Wilson administration had budgeted for a welfare growth rate of around 8 percent, and the unexpected increase has been blamed as part of the reason for an expected \$3 billion state budget deficit in fiscal 1991-92.

Although many complex explanations have been offered for

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DAN WALTERS

Budget crisis now perpetual

There is a fundamental conflict between political decision-making, which is a short-range, almost instantaneous process, and social change, which occurs more slowly.

This cyclical differential means that more often than not politicians are attempting to catch up with demographic trends that have already occurred and only rarely attempt to leap ahead to recognize, and thus make policy for, change that has not yet manifested itself in some traumatic fashion.

A case in point is California's stubborn fiscal crisis.

When Gov. Wilson and the Legislature confronted a huge gap in the current year's state budget — eventually pegged at \$14 billion-plus — they assumed that by freezing or reducing some spending and increasing some taxes, they would not only close the current hole, but bring ongoing state revenues and expenditures into rough balance.

It turns out that the economic projections upon which this year's budget agreement was based were too rosy. The recession is deeper and stronger than political leaders had feared and there are current estimates that even with the new taxes and spending cuts, the 1991-92 budget is \$3 billion-plus out of balance.

Wilson, having taken a calculated political gamble on raising taxes during his first year, has been hammered by adverse public reaction and is not about to compound his problems by raising taxes a second time. Both he and the Democratic leaders of the Legislature are looking only at spending cuts to close the new gap.

Even as they look for some solution to this year's budget problem, however, they must look ahead to another problem for 1992-93, especially if the economy remains soft. And in the even longer term, California's rapidly changing economy — especially the sharp decline in manufacturing — and its accelerating demographic evolution could create a perpetual fiscal crisis, according to a new, state Department of Finance study.

Even if economic prosperity returns to California, the study concludes, tax revenues will lag behind demand for education, health care and other pricey public services, and by the end of the century California's baseline general fund budget — the current level of services, adjusted for inflation and caseload growth — could grow from the current \$43 billion to \$105 billion a year, but revenues would cover only \$85 billion of that amount, leaving a \$20 billion annual deficit.

The Department of Finance study says that because of high immigration and birthrates, California's demography is unique. There is explosive growth in the under-18 population while older working-age Californians are flowing out of California to other, more serene social environments. The number of taxpayers is growing substantially more slowly than the number of Californians termed "receivers," who are dependent upon public programs for support. The latter category includes lower- and higher-education students, welfare recipients, the medically indigent and prison inmates.

In 1980, the study found, there were 1.18 taxpayers per receiver, and this ratio remained constant during the ensuing decade. The number is projected to dip below 1 by 1995 and decline sharply to 0.8 taxpayer per receiver by the end of the decade.

"In other words," the study concludes, "there will be relatively fewer working-age Californians to support growing populations of youth and the elderly."

Bits and pieces of this startlingly gloomy view of California's fiscal prospects have been working their way into Wilson's recent speeches. He has, for example, complained aloud about federal immigration policies and suggested that newcomers to California not be allowed to claim welfare benefits until they've lived here for three years.

Regardless of how the current budget agonies are resolved, however, the longer-range trends will return repeatedly to haunt Wilson and other policy-makers. Raising taxes would compound the growing gap by discouraging investment and propelling individual taxpayers to leave for more hospitable climes. But slashing services deeply would have overtones of class rivalry. The only certainty is that the long-term conflict is real and absent any bold policy initiatives, it will make this year's budget crisis seem like kindergarten squabbling.

DAN WALTERS' column appears daily except Saturday. Write him at P.O. Box 15779, Sacramento, 95852 or call (916) 321-1195.

Daily News

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Serving more with less

All those slow-growthers who complained about the California boom should have been more careful about what they wished for. The boom is gone; jobs are leaving, and Americans seem to have lost enthusiasm for California as a place to do business. But that hasn't ended the influx of unskilled workers into the state or the birth of children here.

Last week, Department of Finance Director Tom Hayes released a report showing in disturbing detail how the state was losing older taxpayers — the relatively affluent people who pay so much of the cost of serving the needy — while experiencing a surge in the state's population of the very young and dependent. The study noted: "California's major tax receiver groups — students, welfare recipients, prisoners and Medi-Cal eligibles — are growing more quickly than its taxpayer group" (see chart).

Through the 1980s, the ratio of taxpayers per public school student has been 2.62 to 1. In 1990, the ratio was 2.63 to 1, but by 2000 it is expected to fall to 2.02 to 1. In 1980, the ratio of taxpayers to recipients of Aid to Families with Dependent Children was 6.94 to 1. In 1990, that ratio was 6.21 to 1; by 2000, it is expected to plummet to 2.94 to 1.

These numbers ought to scare state politicians into working harder to keep industries in California and to encourage local businesses to expand within the state. Clearly, California cannot afford to lose any of its taxpaying citizens. It's clearly time, among other things, to reform the workers' compensation system so that it is not such

a huge and growing burden for employers.

But the state's problem of a growing dependent population ultimately will require much more fundamental reforms, including reforms in the way the state delivers basic services such as public education. With an expected rise in school enrollment of 250,000 students per year, California must

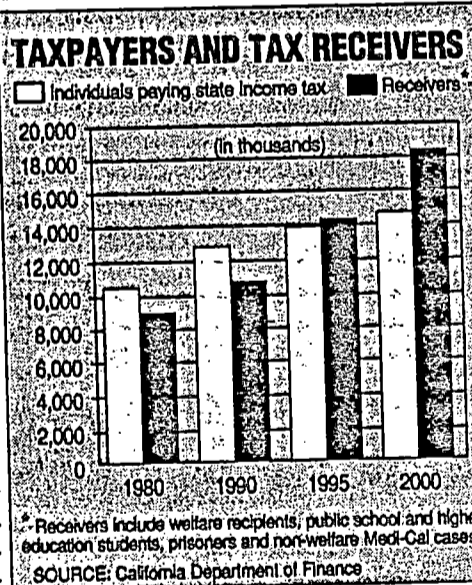
start finding ways to make the public-school dollar go further.

One way may be to expand the supply of educational options through privatization. One group, Parents for Educational Choice, is preparing an initiative that would provide parents who wish to send a child to a private school with half the money that is being spent by the state to fund that child's public school education now. In the

long run, such a system could save the state hundreds of millions of dollars and relieve school overcrowding.

One thing is certain: If state politicians do not find more creative ways of dealing with the state's changing demographics, government in California will become utterly unaffordable. Residents must expect annual tax increases, not only to fund growth in welfare caseloads, but also in school enrollment.

Those who call for higher taxation as the solution should consider this: If state leaders can't find more affordable ways to educate and provide for California's children, those who can afford to escape the state's huge tax burden will do so by leaving. Who, then, will be left to provide for the children?



Daily News

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Page B-6

Editorials

California dreamin' — 1991

Finding hope amid the doom and gloom

Is the dream really over?

A new poll in Time Magazine says what a lot of us suspected — that California living isn't what it used to be. Incredibly, only one out of two Californians believes that California is one of the best states to live in.

One out of two? In the '50s and before, you wouldn't have found one out of a hundred Californians who didn't think California was heaven on earth. Heaven was a stucco bungalow in North Park (for about \$7,500), oranges in your backyard and a cruise out to La Jolla in the roadster. Jobs were everywhere.

That's why the people came. And they came and they came, lifting the state's population from 10 million in 1950 to 30 million today, one out of nine Americans, 12 million more than No. 2 New York, giving California the sixth-largest economy in the world. Even scarier: The five counties around Los Angeles have the world's 11th-largest economy, larger than Mexico, larger than India.

Today, the world's sixth- and 11th-largest economies are in recession, and jobs are scarce. Gov. Wilson says the wrong people are coming to the state, that there is "an outflow of those who are the producers, and a tremendous increase in the number of consumers of services, particularly children."

Californians are worried. About 8 million people came here in the '80s, and many of them still haven't found jobs. At 7.8 percent, California's unemployment rate is a full point above the national average. Since 1985, state welfare payments have increased by 31 percent and Medi-Cal payments by 50 percent.

Wilson faced a \$14 billion deficit last summer, and program cuts and tax increases still haven't closed the deficit — making more welfare cuts imminent. To discourage more arrivals, Wilson wants to limit welfare payments to newcomers,

perhaps for up to three years.

It's a gloomy picture. Thirty million people have transformed our Shangri-La of clean beaches, tiled houses and orchards into a place of crime, pollution, joblessness and homelessness. People scream about taxes, but school enrollments, which take more than 40 percent of state revenues, have risen by 23 percent since 1985. If California doesn't educate its new population, the future will be even bleaker.

The leadership has to come from Sacramento. Wilson is right to focus attention on measures, however draconian, that tend toward a solution. The libertarian drift of the Deukmejian years did nothing to help California cope.

Limiting welfare payments to new arrivals, if it can pass court tests, would be smart policy. Just as the state requires a residency period for higher education benefits, there would be a residency for welfare. Tough, yes, but California with too few jobs and too many people cannot afford its past largess. The marketplace will play a large role in limiting California's population expansion, but state policy also has a role to play.

The motor for California's long-term prosperity will be business. The aircraft, defense and semiconductor industries will not play the role they once did, but California always has been adaptable. By joining with Mexico, orienting our economy toward the Pacific and investing in industries of the future such as high tech and tourism, we can help restore the state's health.

The most difficult part of the job lies in the need to balance economic growth against preservation of this state as nature intended it. In every vote, in every poll, Californians insist that each be done, that neither economy nor environment be sacrificed to the other.

That is the task, now let's do it.

THE WHITE HOUSE

Office of the Press Secretary
(Cleveland, Ohio)

For Immediate Release

May 21, 1992

REMARKS BY THE PRESIDENT
AT BUSH-QUAYLE '92 FUNDRAISING LUNCHEON

Grand Ballroom
Stouffer Tower City Plaza Hotel
Cleveland, Ohio

12:25 P.M. EDT

THE PRESIDENT: Thank you all. Please be seated, and thank you for that welcome. George Voinovich gave our administration a lot of credit for these things that he clicked off today, and he talked about the blast furnace. You should have seen the letter that he sent to me, blasting us to get the blast furnace going. (Laughter.) He's a hands-on Governor, just as he was a hands-on mayor of this great city. And he is one of our very, very best across the whole country and you all are awful lucky, in case you didn't know it. (Applause.) And that goes for Janet, too. (Applause.)

I, too, want to thank the Fairview High School Band and Virgil Brown; Jim Petro for leading us in the Pledge. May I single out one who is with me today that some of you know personally, but who is doing a superb job fighting now to get some legislation that he and I believe in -- legislation that's been lingering before the Congress for three years through the Congress. I'm talking about our able Secretary of HUD Jack Kemp over here. Jack? (Applause.)

And may I wish Mike Dewine the very, very best. We need him in the Senate. We've got to get control of the United States Senate. (Applause.) And also, Art Modell, thank you, sir. I'll never forget a marvelous event out at Art's house when I was running for this job, and he's been a good supporter and an outstanding citizen of Cleveland. And, of course, Tim Timken has been at my side for a long, long time and I'm very proud of the job he does on the national level as well as working for the Bush-Quayle effort here in this state. Bob Taft is with us, the Secretary of State, another longtime friend, also doing a superb job for all of you.

Bob Bennett -- when I think back to my days of being National Chairman, Chairman of the Republican Party, there were some who just were ornaments. Some didn't hit a lick. And Bob Bennett is an outstanding, active hands-on Chairman of the Republican Party in this State; and that's why I believe we will get control of the state House Representatives. (Applause.)

And may I, too, thank Stan Aronoff and Martha Moore and single out Bobby Holt, our National Finance Chairman; and Dick Freeland, our regional Bush-Quayle Finance Chairman. I am very, very pleased to be here. I will be out of here in time for you all to go back to work, suit up, and then watch the Cavs and the Bulls play at 8:00 p.m. tonight. So my priorities are correct. (Applause.)

Let me start by saying I think we have an awful lot to be grateful for as a nation. These are troubled times -- times of discontent. It isn't just America if you look around the world, incidentally. Take a look at Germany. Take a look at France. Take a look at what was happening in England before their election. There seems to be a turmoil, an antipolitical mode.

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But I think, as George pointed out, we have a lot to be grateful for. We have affected, helped affect, worldwide change. Democracy is on the move. There's turmoil in Eastern Europe, but it's moving in the right direction. Totalitarianism is dead. South of our own border you're seeing, through our Enterprise for the Americas Initiative and through the Brady Plan you're seeing a whole resurgence of private sector activity and the democratic march in our own hemisphere.

The main point I would make is that our kids can go to sleep at night in this country with far less fear of nuclear war. That is significant change. That is worldwide change. And we had a hand in bringing it about, everybody that supported the strong defense of the United States. (Applause.)

So, as we move into this election year we're moving in there with something we can really be proud of to take to the American people. The spirit of Desert Storm is not dead in this country. The country came together after we were the ones that stood up to aggression, formed a coalition, and said to the rest of the world: One country, a big bully of a country is not going to take over another. And that has given us the standing around the world that I think is unprecedented, certainly in recent times.

Now, what we're trying to do domestically is to take that move for change and bring it to bear on our problems right here at home. It's been put in focus by the troubles out in Los Angeles. We have a program that ties in and fits nicely to solving the problems in not only Los Angeles, but the problems that are plaguing our cities. And, indeed, many of the answers spill over into rural America as well.

What I wanted to do is just point out where we stand in terms of trying to change things productively here at home.

The first thing I would say is we have to support our law enforcement people. We do. Our administration does it in many, many ways. We have a program now that is called "Weed and Seed" -- weed out the criminals and then seed these neighborhoods with hope and with opportunity. But we must not move away and try to explain away those who -- the gang members and the terrorists in our cities.

I was pleased to see some of Cleveland's Finest out here, police officers, because I like to be able to tell these men who are giving themselves for all of us that we back them up as they go into harm's way, trying to bring order and civility to the neighborhoods that need it the most. We must support our police. (Applause.)

You know, I made that comment in the Mt. Zion Baptist Church right in the heart of South Central L.A. And I felt strongly about it, and I was flanked by 200 pastors from the various Baptist churches, and the area's churches that were in the most heavily impacted area. The church came out in spontaneous applause. The people in the neighborhood know that they are the ones that are being ravaged by the gangs and the criminals and the criminal elements.

The next point, though, is not just weed, it's not just law enforcement, law and order; it is also seeding the area with hope and with opportunity. This program we have, antidrug, pro-family, pro-investment, is a good one. So we start with our first incentive: fund our Weed and Seed program. The second one: we've got to rebuild community. And again, I salute Jack Kemp. He's been out on the firing line for this for the three years that our administration has been in office.

Enterprise zones. There is an idea whose time has come. And everywhere Jack and I went in the neighborhood,

MORE

whether it was Hispanic, whether it was the Korean neighborhood, whether it was in the largely Afro-American neighborhoods, those community leaders were saying, give us enterprise zones. Change the tax structure so that this place can serve as a magnet to bring jobs with dignity into the private sector. That idea is here now, it's on the table right this minute in the Congress, and the Congress ought to pass it, and pass it fast. (Applause.)

And along with it is another concept: Homeownership. Isn't it far better, isn't it far better for the dignity and strength of a family to have a person own a home or have a tenant-managed project than it is to go to some desolate bricks and mortar that has no heart, no soul, and falls apart because nobody cares? Homeownership is an idea whose time has come. And we've challenged the Congress again: Get moving and give us more to take to the American people in terms of homeownership. That's the third one.

The fourth one: welfare reform. Some say, well, when you talk about welfare reform, you're injecting race into the situation. That isn't what we're talking about at all. Did you know that if a family -- I saw a case the other day of a little girl saved a little money in a welfare family, got past \$1,000. And she was penalized. She -- oh, you can't -- your family is on welfare, you can't do that. We've got to reform the welfare system, not only to make it so there's workfare and learnfare and give the states a chance to innovate, but to change the rules so people are not punished for saving. It's not a racist thing. It isn't a black versus white or Hispanic versus anybody else; it's what's fair and right. We've got to give some dignity to the family, and the way to do it is to reform the welfare system, and we're going to keep on trying. (Applause.)

Number four: job training. We've got a good new job training approach. Frankly, there's an awful lot of government agencies involved in servicing communities, as George Voinovich knows. He's working hard to help us streamline this. But we have a Job Training 2000 program that calls for one-stop shopping, so a person that doesn't quite know how to filter his way around through all this big bureaucracy of ours can go and take his tiny little problem to the one-stop office and try to get some job training that really is effective. And Job Training 2000 is a good, new program, and I believe that it needs to have the support of the American people, and we are going to keep working not only legislatively, but administratively to bring more jobs and opportunity through job training to the various communities.

Then, the last point of these six is the question of education. It's a little longer-run. Our education program won't solve the problems of the cities overnight. But if you take a look at what we really have to do in this country, we literally have to revolutionize education. And we've got a great Secretary of Education in Lamar Alexander. He's ably assisted by a former businessman that many of the people in this room know, David Kearns; he was the former Chief Executive of Xerox, who gave up his wonderful business challenge and perhaps retirement to come in as the number two guy in the Department of Education.

What we've done is design a program called America 2000. It literally revolutionizes the education system in this country. It emphasizes things like choice. We find that when parents have a choice of where their kids go to school, not only do they get a much better shot at what they want, but the schools that are not chosen improve themselves. So our administration stands firmly for parental choice, for private and public and religious schools alike. And we ought to get that done right now for the American people. (Applause.)

These are some specific points that we're working for, and right now I've challenged the Congress in this manner. I've said to them: Look, I know we have political differences.

MORE

I'm a realist about the election, and I know that the closer and closer we get to the election it isn't going to be easy. You're not going to want to see me get one leg up. And I'm going to continue to fight for the things we believe.

But let's take the things we agree on now -- homeownership is one, enterprise zones is one. In fact, that passed the United States House of Representatives, wrapped up in a great big tax increase bill that, of course, I wasn't going to sign. But nevertheless, we have several of these programs that will help America right now. Rather than play the political game -- I've had two meetings with the leadership, both Republican and Democrat -- and I said, look, let's agree on several of these points and pass it and show the American people that we can move forward instead of standing around there playing politics as usual. (Applause.) I will repeat that: Let's pass what we can and pass it now.

Now, if you think of these points I have outlined, there are themes to all this. Personal responsibility. Opportunity. Ownership. Independence. Dignity. Empowerment. And that all adds up to the American Dream. And we are not going to give up on the American Dream, and we recognize that there's -- overlying these issues are enormously big issues. And one of them is we've got to stop mortgaging our kids' future. And the way to go about doing that -- and there's another idea whose time has come -- finally we are getting bipartisan consideration of the balanced budget amendment, something I've been talking about for 12 years. And it's time to pass it. We've got to phase it in, but pass it. (Applause.) And that will discipline not just the Congress, but the Executive Branch as well. And it's really moving now.

So if you have any influence at all on either side of the aisle, make your case. Because it's timely and it's an idea whose time has come.

And the other one which I consider a great, big issue that fits into the idea of fiscal sanity is this: Forty-three governors can take a pen and they can axe out something that they consider is irrelevant in terms of spending, or excessive in terms of spending. So I say and ask for support from the American people on this one: You give me the line-item veto this fall and let's see if we can't do a better job cutting the spending that is ruining America's fiscal standing. (Applause.)

And the third issue of that nature -- a balanced budget amendment, line-item veto -- is legal reform. We've got to help each other more and sue each other less. And the way to do it is for tort reform. (Applause.)

And the last point I want to make today has nothing to do with Murphy Brown. (Laughter.) But it does have to do with something that George Voinovich mentioned. I'm talking about family values. And I'm going to continue to talk about that.

I've talked with Jack about this -- Jack Kemp -- and I had a meeting with the National League of Cities -- I mentioned this in the State of the Union -- key mayors, Tom Bradley of Los Angeles, a mayor from a tiny -- a Republican mayor from a tiny town in North Carolina, and all size city mayors from in-between. One from Plano, Texas.

And they came to me and they said, we've been thinking what we can do about the cities. And we think that the single most important problem is the demise, the dissolution, the decline of the American family. And I just can't tell you what an impact that made on me. They weren't saying send us all this money -- of course, they'd like to have that. But they addressed themselves to the decline of the American family and they asked

MORE

me to appoint an urban commission, a commission on the American family, which as you may recall I did, announcing John Ashcroft of Missouri and Mrs. Strauss, the former Mayor of Dallas to be the cochairs of that committee.

We have got to find ways to strengthen the American family. And that's why I ask you to give sincere consideration and support to those six objectives that I spelled out above. Because each one of them, in some way or another, strengthens and does not diminish the American family.

I feel very strongly about it. I know that there are those who are deprived, who are born into almost hopeless situations. But there are all kinds of ways that we can help. You can lift up the kid that starts off with a tremendous advantage through what we call "Points of Light" activities. You can look at every single piece of legislation to see that it doesn't encourage husband and wife to live apart. You can do what you can in the whole field of education.

But all of us as Americans must address ourselves to the idea that we must find ways to strengthen the American families. Because Barbara Bush is right: What happens in your house is much more important than what happens in the White House.

So here's our agenda. I think it's a good one. I think it is an optimistic one. I think it is an encouraging one. And I will be proud to be taking this case to the American people in the fall. But as I conclude today, my appeal to the American people would be, please, help us now with the United States Congress and move this hope and opportunity agenda through the United States Congress. We need your help. We need the help of the people. And now is the time.

Thank you all, and God bless you. And thank you for your support.

END

12:57 P.M. EDT

ID Number: PR92:192

Press Release Date: March 9, 1992

PR92:192

GOVERNOR WILSON'S REACTION TO THE SUPREME COURT'S DECISION TO
UPHOLD PROP 140

FOR IMMEDIATE RELEASE
March 9, 1992

CONTACT: Bill Livingstone
James Lee
Franz Wisner
(916) 445-4571

SACRAMENTO -- Following are statements on Proposition 140
Governor Pete Wilson made today when he travelled to Stockton:

"Well I am not surprised, (about the Supreme Court decision to uphold Proposition 140) and as you know in my campaign for Governor I supported it. That wasn't a particularly popular position with the Legislature although there are some legislators, not many, who have had the courage to say that they thought that term limits were a good thing. They didn't want to make it a career. They were willing to serve and then move on and make room for others. I think we'll have a healthier and frankly a more responsive legislature with term limits.

When asked about what someone does if he doesn't necessarily make it a career, Wilson said:

"Well what one does, is he doesn't necessarily make it a career. He is not so worried about keeping his seat and being a political survivor that he's willing to trim his sails. And if you take people who have either had another career, in business, or labor, or have operated a farm, people who have done something else and who are willing you give, say six years, maybe eight years as a matter of public service. I think they're more inclined to do it as public service than some of the people who have been up there who have viewed it as their own private right to hold office, in perpetuity. People who are that desperate to hang on that seat, sometimes are not thinking first about the citizens, about their constituents. They're thinking about holding on to that seat."



GOVERNOR PETE WILSON

WILSON ANNOUNCES INITIATIVE TO REFORM AUTOPILOT GOVERNMENT SPENDING; PLAN PROTECTS TAXPAYERS, CALIFORNIA'S CHILDREN

FOR IMMEDIATE RELEASE
December 9, 1991

CONTACT: Bill Livingstone
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(916) 445-4571

GLENDALE -- Governor Pete Wilson today unveiled a statewide ballot initiative -- The Taxpayer Protection Act -- to dramatically reform autopilot government spending, which threatens to bankrupt taxpayers, as well as crowd out essential funding for our schools, health care, and public safety.

In his announcement, Wilson cited the demographic changes in California's population, and the Legislature's inability to support structural reforms to contain runaway government spending, as reasons for the initiative.

"California government is running up a bill that California can't afford," Wilson said in a luncheon speech to the Glendale Chamber of Commerce.

The initiative provides flexibility in the state budget process to deal with fiscal crises, and implements significant reforms in the state's welfare program to encourage personal responsibility and gainful employment.

It also imposes new responsibilities on the Legislature and Governor, including the forfeiture of their salaries and travel and living expenses if a balanced budget is not passed by June 15.

Wilson said that unless action is taken to control autopilot spending on public assistance programs, California will be forced to reduce spending on both higher and basic education, public safety, and prevention programs that can make the difference between success or failure for children.

"We will have to violate time-honored obligations of the Master Plan for higher education by restricting access to the University of California and California State Universities," Wilson said.

"The state will be forced to make decisions that endanger public safety, including the early release of dangerous felons from prison," Wilson said.

- MORE -

Wilson was joined at today's announcement by Assembly Leader Bill Jones (R-Fresno) and Joel Fox, President of the Howard Jarvis Taxpayers Association, both of whom have pledged to work for the initiative's passage.

Specifically, major provisions of the initiative include:

** Forfeit Salaries -- requires the Legislature to pass a budget by June 15, and if it fails to do so, the Governor and Legislature forfeit their salaries and per diem payments until the state budget is passed;

** Timely Budget -- moves the deadline for submitting a balanced budget to March 1 from January 10, making the proposed budget more timely to economic conditions, and resulting in more focused budget deliberations and more accurate information;

** Ending Budget Impasse -- allows the Governor to declare a fiscal emergency if the budget is not passed and signed by July 1. The prior year's budget would continue to operate until the Legislature and Governor pass a new budget bill. The Governor can propose reductions in spending programs that are not protected specifically by the Constitution (education, debt service, etc.).

The Governor can also reduce salaries and benefits of state workers, not covered by a collective bargaining agreement, by up to five percent. Spending reductions take effect in 30 days unless the Legislature enacts a balanced budget by a two-thirds vote;

** Fiscal Emergencies -- gives authority to the Governor to declare a fiscal emergency if revenue drops and/or expenditures increase causing a budget imbalance of at least three percent. In a fiscal emergency, the Governor may reduce spending that is not specifically protected by the Constitution (education, debt service, etc.). The reductions take place in 30 days unless the Legislature enacts an alternative plan by a two-thirds vote in each house.

REFORMING WELFARE TO ENCOURAGE EDUCATION/JOBS

Wilson said we must do more to make welfare what it should be for those capable of working -- transitional support rather than indefinite maintenance and dependency.

"Welfare dependency has grown at a frightening rate in California, frightening not just for taxpayers, but frightening for the thousands of recipients who have been trapped and warehoused by the welfare system," Wilson said.

California's welfare system is now growing almost 12 percent a year -- four times faster than the rate of population growth.

Wilson said the system is not only overburdening a dwindling base of taxpayers, it is also sapping the incentive of those already in the system.

A recent report by the nonpartisan California Legislative Analyst found if a welfare recipient took a job paying \$1,200 a month, their monthly income would actually drop by \$150.

"Welfare was meant to tide people over until they got a job," Wilson said. "Now it actively discourages job-seekers."

"Welfare was meant to be a temporary assistance. Now it shackles families to dependency and misery for generations," Wilson said.

"Welfare was meant to support families. Now it is weakening and even pulling families apart. The welfare system actually encourages teen pregnancies," Wilson said.

To transform the welfare system, the initiative would bring about the following incentives and reforms:

** Cal Learn -- teenage parents eligible to receive AFDC support will get a \$50 increase in their monthly grant so long as they make progress in completing their high school education. If they dropout, their grant will be reduced by \$50;

** Work Incentive -- the amount an individual can earn before there is a commensurate reduction in the size of a grant will remain at \$694, thus encouraging individuals to get a job to provide for their family. There is no loss of eligibility for any other benefits -- Medi-Cal, child care, etc.

At the same time, the size of the overall grant level will be reduced by ten percent (for a family of three the grant would be reduced from \$663 to \$597);

** Food Stamps -- families will receive an increase in food stamps by \$20;

** Making Welfare Transitional -- sets up a two-tier grant structure. For the first six months, families requiring immediate financial support will receive the full grant level.

After six months, families with an able-bodied adult will shift to a basic grant, which is 15 percent below the transitional level. The two-tier system will reinforce the need for able bodied individuals to seek supplementary income. The full grant level will continue to be available to families in which the adult is disabled or too old to work;

** Maximum Family Grant -- grants will not be increased for additional children born to mothers who are already receiving welfare;

** Annual Grant Levels -- grants will be determined based on the state's ability to pay for the costs, which is based on revenues and caseload growth;

** Residency Requirement -- families moving to California will receive grants no larger than what they could have received/did receive in the state where they moved from for the first 12 months. Families living in California for more than a year are not affected. The amount of time spent in California while not on welfare counts against the 12-month requirement;

** Teen Pregnancy Disincentive -- provides that minors who have children are eligible to receive AFDC support only if they remain at home with their parent(s) or legal guardian, so long as the parent or legal guardian is not abusive or otherwise unfit. Payment of the grant will be made directly to the parent or legal guardian on behalf of the teen and her child.

#

June 10, 1992

Michele:

Please get me some background on these California reform issues:

- Wilson's current welfare reform proposals
- legislative term limits (enacted) Prop 140
- school choice (on this November's ballot)

Jim Botenhouse
Nov. Gov. Wilson
1990

Gov no position on it yet

Reagan's Moscow State University Speech
1988

Dr. Rick Sherwood
(202) 331-1807

Oral Surgeon

Dr. Buchard
Dentist



State of California

HEALTH AND WELFARE AGENCY

1600 NINTH STREET, ROOM 480
SACRAMENTO 95814

PETE WILSON
GOVERNOR

1992 MAY 20 AM 9 4

TELEPHONE
(916) 654-3454

FAX
(916) 654-3343

RECEIVED
FAMILY SERVICES

May 19, 1992

Jo Anne Barnhart, Assistant Secretary
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Dear Ms. Barnhart:

Attached is California's Welfare Reform package demonstration project proposal pursuant to Section 1315 of Title 42 of the United States Code which has been the topic of discussion during our meetings this past winter. Due to our anticipation that State legislation will be enacted shortly in support of the provisions, we request that the package be reviewed and any identified issues be resolved as soon as possible. In the meantime, we will continue to work with members of your staff on details of the evaluation design.

This proposal is a historic attempt to alter the policy underpinnings of California's welfare program. Proposal components are aimed at providing work incentives, promoting individual responsibility, supporting/reinforcing the policy of family preservation, and addressing disturbing trends related to teen pregnancy and school dropouts. We believe all of these problems significantly contribute to the growing phenomenon of government dependency. If successful, the proposal will help hundreds of thousands of Californians to reduce or eliminate their dependence on governmental support. California's welfare population is growing at an alarming rate with increases of more than ten percent per year. Less than eight percent of AFDC recipients have earned income. The current AFDC program has very few built-in incentives to work and, in most cases, works as a disincentive for able-bodied recipients to find and maintain employment. The result is that welfare recipients are relegated to a life style dependent on government support, without opportunity to realize their true potential and become productive contributing members of our society. The proposed changes will enhance and motivate these people to become self-supporting and to break the cycle of dependency. This will result in tremendous personal benefit to these individuals and their families and also address several very perplexing State/national economic societal problems.

We estimate that the proposal will immediately save \$1.2 billion annually (\$579 million Federal, \$580 million State, and \$26 million County with administrative costs taken into account) in welfare costs in California. Given the current fiscal condition of the State and Federal governments, it is imperative that these reforms be implemented as soon as possible. Currently, basic services are being sacrificed in order to sustain over 2 million people on AFDC. In making welfare recipients more responsible and productive members of society, funds currently used to support them on welfare can be diverted to other essential services and benefits which will ultimately improve the quality of life for Californians as a whole.

The proposal makes several major changes in California's AFDC program. These and other changes are discussed below.

WORK INCENTIVE

The proposal increases the work incentive in California's AFDC program in three ways.

First, by reducing the Maximum Aid Payments (MAP) by 10 percent for recipients in their first six months and by an additional 15 percent after six months, the proposal will reduce the financial incentive to choose welfare over work. In his "Work and the U.S. Welfare System: A Review," May 1987 (DHHS contract No. HHS-OS-100-86-0021), Robert Moffitt states that "in the economic model, the offer of a payment to nonworkers decreases the need to work to generate consumption (the 'income effect')." He goes on to state that the fact that "1986 monthly AFDC maximum levels are in excess of monthly earnings from full-time minimum wage" earnings in eight states (including California) strongly suggests that such work disincentives are present. Currently in California, households of four or more with one full-time minimum wage worker would receive more in an AFDC grant than they would earn from employment. If the total economic benefits (i.e., the wage plus the Earned Income Tax Credit, less work expenses, including child care, less taxes, especially FICA) of work are compared to the total welfare benefits (i.e., AFDC, Food Stamps, and Medicaid), many households of two and three are also better off on welfare than with employment. This work disincentive has existed throughout the 1980's and undoubtedly accounts for much of the rapid increase in California's AFDC caseloads as evidenced by the fact that less than eight percent of AFDC recipients have earned income. We therefore believe that the proposed reduction in the MAP, for which we are requesting a waiver of Title 42 of the United States Code, Section 1396a(c), is an essential component of our welfare reform proposal.

Second, by leaving the Minimum Basic Standard of Adequate Care (MBSAC) at the 1990 levels, the proposal will allow recipients to retain net non-exempt income from all sources, including work, in an amount equal to the difference between the MBSAC and the MAP. This equates to 14 percent of the MBSAC for recipients in their first six months and 27 percent after six months. It is noteworthy that the heads of most AFDC households would only have to work a few hours per week in order to generate enough net non-exempt income to take full advantage of these work incentives. This type of work incentive is also key to our proposal because, by encouraging recipients to work, even while they remain on welfare, it will (1) raise their self-esteem, since they will be contributing to their own support, (2) increase acceptance of the AFDC program by the general population, since much of the current objection to the program surrounds the perception that it supports able-bodied adults without asking anything of them in return, and (3) allow recipients, through exposure to the labor market and through actual work experience, to increase their "human capital formation", and thereby increase their future potential earnings. As you know, these are all themes at the cutting edge of recent works on welfare reform by such divergent thinkers as David Ellwood (Poor Support), Lawrence Mead (Beyond Entitlement), and Stuart Butler and Anna Kondratas (Out of the Poverty Trap).

Third, by eliminating the time limits on the \$30 and 1/3 earned income disregard, the proposal will allow for a smoother transition to total independence from welfare for families as their incomes from employment increase. Without the extension of this disregard, AFDC families have only minimal financial incentives to increase their earned income over a broad band of potential incomes. The disregard gives them a financial incentive to work more hours and to seek higher wage jobs by allowing them to retain one third of any increase in their earnings (at least up to the point where the 185 percent gross income limit causes them to leave aid altogether).

In addition to increasing financial incentives to work, the proposal would also eliminate a major barrier to employment, the 100-hour work rule, for which we are also requesting a waiver. This rule is inconsistent with the basic thrust of our welfare reform proposal. For larger AFDC households, the 100-hour work limit could actually prevent the household from earning enough income to take full advantage of the work incentive that would result from the proposed gap between the MBSAC and the MAP.

Our proposal recognizes that some recipients are not able to work due to the incapacity or age of the head of household. Thus, these recipients would be exempted from the 15 percent MAP reduction that would otherwise occur after six months on aid.

MEDICAL CARE

We also recognize the key role that the availability of Medicaid services without a share of cost plays for many low-income households, especially those newly terminated or about to be terminated from AFDC due to increases in earnings. For some, the prospect of losing eligibility to Medi-Cal could overwhelm any other financial incentives provided by our welfare reform proposal. We are therefore seeking the Secretary's concurrence and approval that, if California retains the current Medicaid maintenance need levels, the lower spenddown (a result of the higher maintenance need levels) is an appropriate cost of the demonstration project, and Federal financial participation would be made available under Title 42, United States Code, Section 1315a(2).

To further alleviate concerns about potential loss of medical benefits and also to provide additional incentives for California's low-income families to free themselves from the "welfare trap," California will implement CheckUp, a new State-supported health insurance program which will provide low-income pre-schoolers up to the age of six with access to prevention and primary care services.

The CheckUp program is designed to provide subsidized private health insurance to an ever-increasing segment of the population -- uninsured low-income children, many of whom are the dependents of working parents. More than 300,000 uninsured children under age six will be eligible for this coverage in California. Implementation of CheckUp will begin in FY 1992/93.

A second, longer-term goal of CheckUp will be to integrate children currently served by Medi-Cal into the streamlined private insurance system established by CheckUp to offer prevention and primary care services to all of California's pre-schoolers. This long-term integration will ultimately reach more than one million additional children under age six.

The longer term integration of Medi-Cal and CheckUp will begin as Federal waivers are obtained and as provider capacity and financial resources allow. In the short-term, the State will use residual funds (CheckUp program funds not used to subsidize participation for the uninsured) to enhance Medi-Cal prevention and primary care services for pre-schoolers.

In addition to the obvious health benefits of such a program, we also expect it to relieve the pressure that some working families feel to reduce their incomes in order to qualify for Medicaid.

EMPLOYMENT SERVICES

We recognize that financial incentives to work may not be enough for some recipients, especially those who lack job search skills and those who are simply having trouble finding work on their own. To address this, we are also proposing a new JOBS component to provide voluntary up-front job club workshops to recipients in their first six months on aid who are not being served by GAIN. As you know, job club workshops have been proven to be cost-effective in the past and we believe that they will prove extremely beneficial when combined with significant financial incentives to work. We believe that the proposed job clubs will be more beneficial on a solely volunteer basis. The individuals subject to the grant reductions under this proposal will be highly motivated to increase earned income through work and will volunteer. It is under this basic concept that we are requesting waiver of the good cause, conciliation and sanction sections of the Federal laws and regulations for these job club workshops. We intend that these workshops be a strong, positive support of our work incentives. We also believe that our current GAIN (JOBS) program can be better tailored to serve clients in the new more work-oriented AFDC environment that will result from our proposal. Thus, we are currently exploring several options for redesigning GAIN to make it more work-oriented.

CALIFORNIA RELOCATION GRANT

The proposal reduces the incentive for families to migrate to California for the purpose of obtaining higher aid payments. This would be accomplished by limiting (for a 12-month period) the grant level for families moving to California to the lesser of California's grant level or the MAP of the State of previous residence.

MAXIMUM FAMILY GRANT

The proposal encourages family responsibility by capping the MAP to exclude any children conceived while the mother or father was receiving aid. It is important to note that such children would be counted in determining the appropriate MBSAC for the family and would be covered by Medicaid.

TRANSITIONAL GRANT

As indicated above, the proposal would reduce a family's MAP after six months on aid by 15 percent. We believe that it is important to provide six months of financial assistance at the higher transitional level in order to allow able-bodied adult recipients to overcome temporary economic and family setbacks.

This 15 percent reduction will not be imposed on families in which the adult caretaker is disabled and receiving SSI/SSP or over 60 years of age nor will it apply to a minor parent living independently and regularly attending school.

CAL LEARN

Cal Learn will encourage pregnant and parenting teens to stay in school by providing a \$50 per month incentive payment or a \$50 per month grant reduction based on school attendance. In addition, Cal Learn participants living independently will not be subject to the 15 percent transitional grant reduction referenced above if they are regularly attending school. We believe that, in the long run, keeping these children in school will increase their parenting skills, enhance their earning potential and reduce their chances of long-term welfare dependency. To further assist the teen parent, child care services, necessary transportation to and from the child care provider, ancillary expenses and case management will be provided to Cal Learn participants under the JOBS Program, but outside of the GAIN program.

TEEN PREGNANCY DISINCENTIVE

The proposal also includes a provision which restricts the conditions under which minors who have children can receive AFDC. The additional condition of eligibility is that such minors can be eligible for AFDC only if they remain at home with their parent(s) or legal guardian. Current requirements provide that the income of the parent(s) would also be considered in determining the minor's eligibility. The provision also requires that the AFDC payment be made directly to the parent or guardian on behalf of the minor. The provision also recognizes certain specified exceptions to the requirement that the minor live with his/her parent. These exceptions were developed to ensure that the minor is not forced to live in an unsafe or inappropriate environment. We believe that this welfare reform component will discourage teen pregnancy and encourage families to stay intact.

Though not a part of this demonstration project, the Wilson Administration currently has the following three major family planning initiatives under development which will also help address the teen pregnancy problem. "Education Now and Babies Later" is a multifaceted preventive health information and education initiative that targets teens between the ages of 12-14 to help them postpone sexual activity. "Expanded Office of Family Planning (OFP) Teen Counseling Services" targets AFDC, GAIN, Foster Care and other teens at risk of pregnancy due to ineffective use of contraceptives or lack of access/knowledge of OFP Services. "Expanded Adolescent Family Life Program" (AFLP) expands AFLP case management services in counties with the highest teen birth rates.

CHILD SUPPORT

State legislation signed by the Governor in 1991 will increase most child support awards due to a revised statewide mandatory formula; prohibit State licensure of professionals (e.g., realtors, contractors) who refuse to come into compliance with court-ordered support obligations; require labor unions and public utility companies to provide information to child support agencies; and mandate maintenance of Social Security Numbers as part of the Department of Motor Vehicles' driver's license and vehicle registration data bases. A major statewide automation project, now in the procurement process, will significantly increase the effectiveness of locate, enforcement and collection actions on behalf of single parent families, thus decreasing their need for public assistance. These activities will complement the overall welfare reform effort by increasing child support collections on behalf of AFDC recipients and former recipients, as well as other single parents needing assistance enforcing support orders.

We have attached amended sections of the IV-A State Plan to implement portions of the welfare reform proposal. In addition, we will propose State legislation to modify California's GAIN program and to make it more employment oriented and remove program barriers to employment in an effort to help welfare recipients move more quickly to paying jobs.

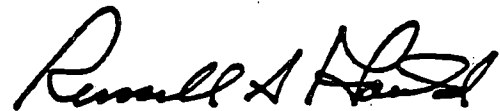
We are convinced that our comprehensive statewide proposal will significantly reduce welfare dependency in California. Yet many of its features, the extension of \$30 and 1/3 and the Cal Learn component, for example, involve significant investments which will further Governor Wilson's commitment to preventive government. In combination with other initiatives that we are proposing in the Health and Welfare area, we believe that our welfare reform proposal will not only result in savings to the taxpayer but in reductions in poverty and improvements in the quality of life for California's less fortunate families.

All cost/savings estimates are subject to revision as part of our April Subvention revision of the Governor's Budget; revised numbers will be provided to you as soon as the Subvention process is completed.

Jo Anne Barnhart
Page Eight

To facilitate expeditious review of the proposal, we have separately addressed each proposal component. If you have any concerns about any of the concepts, we would like to discuss them with you as soon as possible in order to assure a rapid approval date. Questions should be directed to me at (916) 654-3345, or John Healy, Interim Director of the Department of Social Services, at (916) 657-2598. Questions concerning Medicaid should be directed to John Rodriguez, Chief Deputy Director of Programs, Department of Health Services at (916) 654-0391.

Sincerely,



RUSSELL S. GOULD
Secretary

Attachments

cc: Ms. Christine Nye, Director
Medicaid Bureau
Health Care Financing Administration
East High Rise Building, Room 200
6325 Security Blvd.
Baltimore, MD 21207

Ms. Mary Kennison, Director
Office of Demonstrations
and Evaluations
Health Care Financing Administration
2430 Park Meadows Building
6325 Security Blvd
Baltimore, MD 21207

Mr. Lawrence L. McDonough
Associate Regional Administrator
Division of Medicaid
Health Care Financing Administration
75 Hawthorne Street, Fourth Floor
San Francisco, CA 94105

Sharon Fujii
Regional Administrator
Administration for Children and Families
50 United Nations Plaza, Room 450
San Francisco, CA 94102

APPLICATION FOR FEDERAL ASSISTANCE

1. TYPE OF SUBSIDY: FEDERAL ASSISTANCE CONTRIBUTION NON-CONTRIBUTION

2. DATE RECEIVED BY STATE: _____

3. DATE RECEIVED BY FEDERAL AGENCY: _____

4. FEDERAL AGENCY NUMBER: _____

5. NAME OF AGENCY: Department of Social Services, State of California

6. ADDRESS AND PHONE NUMBER OF THE PERSON TO BE CONTACTED IN RELATION TO THIS APPLICATION (GIVE ADDRESS AND PHONE NUMBER):
 744 P Street, Sacramento, CA 95814
 Kathy B. Lewis, Chief, AFDC Program Branch, (916) 657-2128

7. TYPE OF APPLICATION: NEW CONTINUATION REVISION

8. NUMBER AND DURATION (GIVE IN BOXES):
 A. PERIOD: _____
 B. PERIOD: _____
 C. PERIOD: _____

9. TYPE OF FEDERAL AGENCY:
 A. STATE B. COUNTY C. MUNICIPALITY D. TOWN E. SPECIAL DISTRICT F. FEDERAL AGENCY G. SOCIAL SERVICE H. OTHER (SPECIFY) _____

10. NAME OF FEDERAL AGENCY: Department of Health and Human Services, Administration for Children and Families

11. DESCRIBE TITLE OF APPLICANT'S PROJECT: California Welfare Reform Demonstration Project

12. AGENCY AFFICED BY PROJECT (GIVE PROJECT IDENT. NO.): Statewide

13. PROJECT NUMBER: _____

14. CONGRESSIONAL DISTRICT OF: 3, 4

15. PROJECT TYPE: Statewide

16. ESTIMATED FUNDING:

| | |
|-------------------|---------------|
| A. FEDERAL | \$ 7,500,000 |
| B. FEDERAL | \$ 7,500,000 |
| C. STATE | \$ 7,500,000 |
| D. LOCAL | \$ _____ |
| E. OTHER | \$ _____ |
| F. FEDERAL SOURCE | \$ _____ |
| G. TOTAL | \$ 15,000,000 |

17. IS THIS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS? YES THIS APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON _____ DATE

18. NO. PROGRAM IS NOT COVERED BY E.O. 12372 OR PROGRAM HAS NOT BEEN SELECTED BY STATE EXECUTIVE ORDER 12372

19. IS THE APPLICANT REQUESTING AN AMOUNT OF FEDERAL FUNDS? YES NO

19. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION ARE TRUE AND CORRECT, THE ACCOUNT HAS BEEN FULLY AUTHORIZED BY THE BOARDING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED REGULATIONS IF THE ASSISTANCE IS AWARDED.

20. NAME OF APPLICANT: John D. Healy, Interim Director

21. FEDERAL AGENCY NUMBER: (916) 657-2598

22. DATE SIGNED: _____

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APPLICATION FOR FEDERAL ASSISTANCE

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------|
| 1. TYPE OF SUBMITTING AGENCY <input type="checkbox"/> Construction <input checked="" type="checkbox"/> Non-Construction | <input type="checkbox"/> Application <input type="checkbox"/> Continuation <input type="checkbox"/> Non-Continuation | 2. DATE SUBMITTED | Applicant Identifier |
| | | 3. DATE RECEIVED BY STATE | State Application Identifier |
| | | 4. DATE RECEIVED BY FEDERAL AGENCY N/A | Federal Identifier |

| | | |
|--------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. APPLICANT INFORMATION Legal Name: State of California | | Organizational Unit: Department of Health Services |
| Address (give city, county, state, and zip code): 714 P Street Sacramento, CA 95814 | | Name and telephone number of the person to be contacted on matters pending this application (give area code): John Rodriguez (916) 654-0391 |

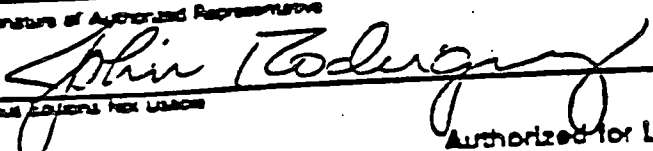
| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. EMPLOYER IDENTIFICATION NUMBER (EIN): [] [] - [] [] [] [] [] [] [] [] | 7. TYPE OF APPLICANT: (check appropriate letter in box) |
| 8. TYPE OF APPLICATION: <input type="checkbox"/> New <input type="checkbox"/> Continuation <input type="checkbox"/> Revision | A. State B. County C. Municipal D. Township E. Interstate F. Intermunicipal G. Special District H. Independent School Dist. I. State Controlled Institution of Higher Learning J. Private University K. Indian Tribe L. Individual M. Private Organization N. Other (Specify) _____ |
| 9. REVISION, OTHER MODIFICATIONS letter(s) in box(es): <input type="checkbox"/> <input type="checkbox"/> A. Increase Award B. Decrease Award C. Increase Duration D. Decrease Duration Other (Specify): _____ | 10. NAME OF FEDERAL AGENCY: Department of Health and Human Services Health Care Financing Administration |

| | |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER: [] [] [] [] [] [] [] [] [] [] | 11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT: California Welfare Reform Demonstration Project - Medicaid Elements |
| 12. AREAS AFFECTED BY PROJECT (include county, state, etc.): | |

| | |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| 13. PROPOSED PROJECT: Start Date: _____ Ending Date: _____ | 14. CONGRESSIONAL DISTRICTS OF: a. Applicant: 3, 4 b. Project: Statewide |
|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------|

| | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|-----|-------------|----|-----|----------|----|-----|----------|----|-----|----------|----|-----|-------------------|----|-----|----------|----|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. ESTIMATED FUNDING: <table border="1"> <tr> <td>A. Federal</td> <td>\$</td> <td>.00</td> </tr> <tr> <td>B. Accounts</td> <td>\$</td> <td>.00</td> </tr> <tr> <td>C. State</td> <td>\$</td> <td>.00</td> </tr> <tr> <td>D. Local</td> <td>\$</td> <td>.00</td> </tr> <tr> <td>E. Other</td> <td>\$</td> <td>.00</td> </tr> <tr> <td>F. Program Income</td> <td>\$</td> <td>.00</td> </tr> <tr> <td>G. TOTAL</td> <td>\$</td> <td>.00</td> </tr> </table> | A. Federal | \$ | .00 | B. Accounts | \$ | .00 | C. State | \$ | .00 | D. Local | \$ | .00 | E. Other | \$ | .00 | F. Program Income | \$ | .00 | G. TOTAL | \$ | .00 | 16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS? a. YES THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON DATE _____ b. NO <input type="checkbox"/> PROGRAM IS NOT COVERED BY E.O. 12372 <input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE EXECUTIVE ORDER |
| A. Federal | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| B. Accounts | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| C. State | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| D. Local | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| E. Other | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| F. Program Income | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| G. TOTAL | \$ | .00 | | | | | | | | | | | | | | | | | | | | |
| 17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | | | | | | | | | | | | | | | | | | | | | |

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN FULLY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.

| | | |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------|
| a. Typed Name of Authorized Representative: John Rodriguez | b. Title: Deputy Director of Programs | c. Telephone number: (916) 654-0391 |
| d. Signature of Authorized Representative:  | | e. Date Signed: 4/7/92 |

PREVIOUS EDITIONS NOT VALID

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Flood Disaster Protection Act of 1973 (16 U.S.C. 1361) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.

U.S.C. 470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq.).

Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. § 1451 et seq.); (f) conformity of Federal actions to State (Clear Air) Implementation Plans under Section 176(c) of the Clear Air Act of 1955, as amended (42 U.S.C. § 740) et seq.; (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523); and (h) protection of endangered species under the Endangered Species Act of 1973, as amended, (P.L. 93-205).

14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. 2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4801 et seq.) which prohibits the use of lead based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act of 1984.
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations and policies governing this program.

12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. § 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.

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|---------------------------------------------|------------------|
| SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL | TITLE |
| <i>John D. Deady</i> | Interim Director |
| APPLICANT ORGANIZATION | DATE SUBMITTED |
| Department of Social Services | |

Attachment - U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
 CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS
 GRANTEE'S OTHER THAN INDIVIDUALS

By signing and/or submitting this application or grant agreement, the grantee is providing the certification set out below.

This certification is required by regulations implementing the Drug-Free Workplace Act of 1986, 45 CFR Part 76, Subpart F. The regulations, published in the January 31, 1989 Federal Register, require certification by grantees that they will maintain a drug-free workplace. The certification set out below is a material representation of fact upon which reliance will be placed when the U.S. Department of Health and Human Services determines to award the grant. False certification or violation of the certification shall be grounds for suspension of payments, suspension or termination of the grant, or governmentwide suspension or debarment.

4. The grantee certifies that it will provide a drug-free workplace by:

(2) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

(b) Establishing a drug-free awareness program to inform employees about:

(1) The dangers of drug abuse in the workplace;

(2) The grantee's policy of maintaining a drug-free workplace;

(3) Any available drug counseling, rehabilitation, and employee assistance programs; and

(4) The penalties that may be imposed upon employees for drug violations occurring in the workplace;

(c) Make it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (2);

(d) Notifying the employee in the statement required by paragraph (2) that, as a condition of employment, under the grant, the employee will:

(1) abide by the terms of the statement; and

(2) notify the employer of any criminal drug statute conviction for a violation occurring in the workplace not later than five days after such conviction;

(e) Notifying the agency within ten days after receiving notice under subparagraph (c) (2) from an employee or otherwise receiving actual notice of such conviction;

(f) Taking one of the following actions, within 30 days of receiving notice under subparagraph (c) (2), with respect to any employee who is so convicted:

(1) taking appropriate personnel action against such an employee, up to and including termination; or

(2) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a federal, state or local health, law enforcement, or other appropriate agency;

(g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (e), (b), (c), (d), and (f).

3. The grantee shall insert in the space provided below, the site(s) for the performance of work done in connection with the specific grant (Street address, city, county, state, zip code):

State:

THE GOVERNOR'S OFFICE

Michelle-

Here's some info. on Prop 140,
Choice, and the Welfare
initiative. If you, Dan or the
uniter need anything at all, give
me a call. Best of luck -



GOVERNOR PETE WILSON SACRAMENTO, CALIFORNIA 95814

Remarks and a Question-and-Answer Session With the Students and Faculty at Moscow State University May 31, 1988

The President. Thank you, Rector Logunov, and I want to thank all of you very much for a very warm welcome. It's a great pleasure to be here at Moscow State University, and I want to thank you all for turning out. I know you must be very busy this week, studying and taking your final examinations. So, let me just say *zhelayu vam uspekha* [I wish you success]. Nancy couldn't make it today because she's visiting Leningrad, which she tells me is a very beautiful city, but she, too, says hello and wishes you all good luck.

Let me say it's also a great pleasure to once again have this opportunity to speak directly to the people of the Soviet Union. Before I left Washington, I received many heartfelt letters and telegrams asking me to carry here a simple message, perhaps, but also some of the most important business of this summit: It is a message of peace and good will and hope for a growing friendship and closeness between our two peoples.

As you know, I've come to Moscow to meet with one of your most distinguished graduates. In this, our fourth summit, General Secretary Gorbachev and I have spent many hours together, and I feel that we're getting to know each other well. Our discussions, of course, have been focused primarily on many of the important issues of the day, issues I want to touch on with you in a few moments. But first I want to take a little time to talk to you much as I would to any group of university students in the United States. I want to talk not just of the realities of today but of the possibilities of tomorrow.

Standing here before a mural of your revolution, I want to talk about a very different revolution that is taking place right now, quietly sweeping the globe without bloodshed or conflict. Its effects are peaceful, but they will fundamentally alter our world, shatter old assumptions, and reshape our lives. It's easy to underestimate because it's not accompanied by banners or fanfare. It's been called the technological or informa-

tion revolution, and as its emblem, one might take the tiny silicon chip, no bigger than a fingerprint. One of these chips has more computing power than a roomful of old-style computers.

As part of an exchange program, we now have an exhibition touring your country that shows how information technology is transforming our lives—replacing manual labor with robots, forecasting weather for farmers, or mapping the genetic code of DNA for medical researchers. These microcomputers today aid the design of everything from houses to cars to spacecraft; they even design better and faster computers. They can translate English into Russian or enable the blind to read or help Michael Jackson produce on one synthesizer the sounds of a whole orchestra. Linked by a network of satellites and fiber-optic cables, one individual with a desktop computer and a telephone commands resources unavailable to the largest governments just a few years ago.

Like a chrysalis, we're emerging from the economy of the Industrial Revolution—an economy confined to and limited by the Earth's physical resources—into, as one economist titled his book, "The Economy in Mind," in which there are no bounds on human imagination and the freedom to create is the most precious natural resource. Think of that little computer chip. Its value isn't in the sand from which it is made but in the microscopic architecture designed into it by ingenious human minds. Or take the example of the satellite relaying this broadcast around the world, which replaces thousands of tons of copper mined from the Earth and molded into wire. In the new economy, human invention increasingly makes physical resources obsolete. We're breaking through the material conditions of existence to a world where man creates his own destiny. Even as we explore the most advanced reaches of science, we're returning to the age-old wisdom of our culture, a wisdom contained in the book of Genesis in

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applaud the new to see it go fur- hail Baryshnikov tists Mrs. Reagan in Washington, We hope to see olzhenitsyn pub- And we hope to strictions on the writers. We want but for our own. the freedoms in secure both our And we believe country are free people are richer. poets—although ng of any of the ge to help man t, by reminding or and hope and oity and sacrifice of our past. The ly be the record the props, the here today and ith me, and God

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the Bible: In the beginning was the spirit, and it was from this spirit that the material abundance of creation issued forth.

But progress is not foreordained. The key is freedom—freedom of thought, freedom of information, freedom of communication. The renowned scientist, scholar, and founding father of this university, Mikhail Lomonosov, knew that. "It is common knowledge," he said, "that the achievements of science are considerable and rapid, particularly once the yoke of slavery is cast off and replaced by the freedom of philosophy." You know, one of the first contacts between your country and mine took place between Russian and American explorers. The Americans were members of Cook's last voyage on an expedition searching for an Arctic passage; on the island of Unalaska, they came upon the Russians, who took them in, and together with the native inhabitants, held a prayer service on the ice.

The explorers of the modern era are the entrepreneurs, men with vision, with the courage to take risks and faith enough to brave the unknown. These entrepreneurs and their small enterprises are responsible for almost all the economic growth in the United States. They are the prime movers of the technological revolution. In fact, one of the largest personal computer firms in the United States was started by two college students, no older than you, in the garage behind their home. Some people, even in my own country, look at the riot of experiment that is the free market and see only waste. What of all the entrepreneurs that fail? Well, many do, particularly the successful ones; often several times. And if you ask them the secret of their success, they'll tell you it's all that they learned in their struggles along the way; yes, it's what they learned from failing. Like an athlete in competition or a scholar in pursuit of the truth, experience is the greatest teacher.

And that's why it's so hard for government planners, no matter how sophisticated, to ever substitute for millions of individuals working night and day to make their dreams come true. The fact is, bureaucracies are a problem around the world. There's an old story about a town—it could be anywhere—with a bureaucrat who is known to be a good-for-nothing, but he

somehow had always hung on to power. So one day, in a town meeting, an old woman got up and said to him: "There is a folk legend here where I come from that when a baby is born, an angel comes down from heaven and kisses it on one part of its body. If the angel kisses him on his hand, he becomes a handyman. If he kisses him on his forehead, he becomes bright and clever. And I've been trying to figure out where the angel kissed you so that you should sit there for so long and do nothing." [*Laughter*]

We are seeing the power of economic freedom spreading around the world. Places such as the Republic of Korea, Singapore, Taiwan have vaulted into the technological era, barely pausing in the industrial age along the way. Low-tax agricultural policies in the subcontinent mean that in some years India is now a net exporter of food. Perhaps most exciting are the winds of change that are blowing over the People's Republic of China, where one-quarter of the world's population is now getting its first taste of economic freedom. At the same time, the growth of democracy has become one of the most powerful political movements of our age. In Latin America in the 1970's, only a third of the population lived under democratic government; today over 90 percent does. In the Philippines, in the Republic of Korea, free, contested, democratic elections are the order of the day. Throughout the world, free markets are the model for growth. Democracy is the standard by which governments are measured.

We Americans make no secret of our belief in freedom. In fact, it's something of a national pastime. Every 4 years the American people choose a new President, and 1988 is one of those years. At one point there were 13 major candidates running in the two major parties, not to mention all the others, including the Socialist and Libertarian candidates—all trying to get my job. About 1,000 local television stations, 8,500 radio stations, and 1,700 daily newspapers—each one an independent, private enterprise, fiercely independent of the Government—report on the candidates, grill them in interviews, and bring them togeth-

er for debates. In the end, the people vote; they decide who will be the next President. But freedom doesn't begin or end with elections.

Go to any American town, to take just an example, and you'll see dozens of churches, representing many different beliefs—in many places, synagogues and mosques—and you'll see families of every conceivable nationality worshipping together. Go into any schoolroom, and there you will see children being taught the Declaration of Independence, that they are endowed by their Creator with certain unalienable rights—among them life, liberty, and the pursuit of happiness—that no government can justly deny; the guarantees in their Constitution for freedom of speech, freedom of assembly, and freedom of religion. Go into any courtroom, and there will preside an independent judge, beholden to no government power. There every defendant has the right to a trial by a jury of his peers, usually 12 men and women—common citizens; they are the ones, the only ones, who weigh the evidence and decide on guilt or innocence. In that court, the accused is innocent until proven guilty, and the word of a policeman or any official has no greater legal standing than the word of the accused. Go to any university campus, and there you'll find an open, sometimes heated discussion of the problems in American society and what can be done to correct them. Turn on the television, and you'll see the legislature conducting the business of government right there before the camera, debating and voting on the legislation that will become the law of the land. March in any demonstration, and there are many of them; the people's right of assembly is guaranteed in the Constitution and protected by the police. Go into any union hall, where the members know their right to strike is protected by law. As a matter of fact, one of the many jobs I had before this one was being president of a union, the Screen Actors Guild. I led my union out on strike, and I'm proud to say we won.

But freedom is more even than this. Freedom is the right to question and change the established way of doing things. It is the continuing revolution of the marketplace. It is the understanding that allows

us to recognize shortcomings and seek solutions. It is the right to put forth an idea, scoffed at by the experts, and watch it catch fire among the people. It is the right to dream—to follow your dream or stick to your conscience, even if you're the only one in a sea of doubters. Freedom is the recognition that no single person, no single authority or government has a monopoly on the truth, but that every individual life is infinitely precious, that every one of us put on this world has been put there for a reason and has something to offer.

America is a nation made up of hundreds of nationalities. Our ties to you are more than ones of good feeling; they're ties of kinship. In America, you'll find Russians, Armenians, Ukrainians, peoples from Eastern Europe and Central Asia. They come from every part of this vast continent, from every continent, to live in harmony, seeking a place where each cultural heritage is respected, each is valued for its diverse strengths and beauties and the richness it brings to our lives. Recently, a few individuals and families have been allowed to visit relatives in the West. We can only hope that it won't be long before all are allowed to do so and Ukrainian-Americans, Baltic-Americans, Armenian-Americans can freely visit their homelands, just as this Irish-American visits his.

Freedom, it has been said, makes people selfish and materialistic, but Americans are one of the most religious peoples on Earth. Because they know that liberty, just as life itself, is not earned but a gift from God, they seek to share that gift with the world. "Reason and experience," said George Washington in his Farewell Address, "both forbid us to expect that national morality can prevail in exclusion of religious principle. And it is substantially true, that virtue or morality is a necessary spring of popular government." Democracy is less a system of government than it is a system to keep government limited, unintrusive; a system of constraints on power to keep politics and government secondary to the important things in life, the true sources of value found only in family and faith.

But I hope you know I go on about these things not simply to extol the virtues of my

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December in Washington and whose instru-
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morrow—the first true nuclear arms reduc-
tion treaty in history, calling for the elimi-
nation of an entire class of U.S. and Soviet
nuclear missiles. And just 16 days ago, we
saw the beginning of your withdrawal from
Afghanistan, which gives us hope that soon
the fighting may end and the healing may
begin and that that suffering country may
find self-determination, unity, and peace at
long last.

It's my fervent hope that our constructive
cooperation on these issues will be carried
on to address the continuing destruction
and conflicts in many regions of the globe
and that the serious discussions that led to
the Geneva accords on Afghanistan will
help lead to solutions in southern Africa,
Ethiopia, Cambodia, the Persian Gulf, and
Central America. I have often said: Nations
do not distrust each other because they are
armed; they are armed because they dis-
trust each other. If this globe is to live in
peace and prosper, if it is to embrace all the
possibilities of the technological revolution,
then nations must renounce, once and for
all, the right to an expansionist foreign
policy. Peace between nations must be an
enduring goal, not a tactical stage in a con-
tinuing conflict.

I've been told that there's a popular song
in your country—perhaps you know it—
whose evocative refrain asks the question,
"Do the Russians want a war?" In answer it
says: "Go ask that silence lingering in the
air, above the birch and poplar there; be-
neath those trees the soldiers lie. Go ask my
mother, ask my wife; then you will have to
ask no more, 'Do the Russians want a
war?'" But what of your one-time allies?
What of those who embraced you on the
Elbe? What if we were to ask the watery
graves of the Pacific or the European bat-
tlefields where America's fallen were
buried far from home? What if we were to
ask their mothers, sisters, and sons, do
Americans want war? Ask us, too, and you'll
find the same answer, the same longing in
every heart. People do not make wars; gov-
ernments do. And no mother would ever
willingly sacrifice her sons for territorial
gain, for economic advantage, for ideology.

A people free to choose will always choose
peace.

Americans seek always to make friends of
old antagonists. After a colonial revolution
with Britain, we have cemented for all ages
the ties of kinship between our nations.
After a terrible Civil War between North
and South, we healed our wounds and
found true unity as a nation. We fought two
world wars in my lifetime against Germany
and one with Japan, but now the Federal
Republic of Germany and Japan are two of
our closest allies and friends.

Some people point to the trade disputes
between us as a sign of strain, but they're
the frictions of all families, and the family of
free nations is a big and vital and some-
times boisterous one. I can tell you that
nothing would please my heart more than
in my lifetime to see American and Soviet
diplomats grappling with the problem of
trade disputes between America and a
growing, exuberant, exporting Soviet Union
that had opened up to economic freedom
and growth.

And as important as these official people-
to-people exchanges are, nothing would
please me more than for them to become
unnecessary, to see travel between East and
West become so routine that university stu-
dents in the Soviet Union could take a
month off in the summer and, just like stu-
dents in the West do now, put packs on
their backs and travel from country to
country in Europe with barely a passport
check in between. Nothing would please
me more than to see the day that a concert
promoter in, say, England could call up a
Soviet rock group, without going through
any government agency, and have them
playing in Liverpool the next night. Is this
just a dream? Perhaps, but it is a dream
that is our responsibility to have come true.

Your generation is living in one of the
most exciting, hopeful times in Soviet histo-
ry. It is a time when the first breath of
freedom stirs the air and the heart beats to
the accelerated rhythm of hope, when the
accumulated spiritual energies of a long si-
lence yearn to break free. I am reminded of
the famous passage near the end of Gogol's
"Dead Souls." Comparing his nation to a
speeding troika, Gogol asks what will be its

destination. But he writes, "There was no answer save the bell pouring forth marvelous sound."

We do not know what the conclusion will be of this journey, but we're hopeful that the promise of reform will be fulfilled. In this Moscow spring, this May 1988, we may be allowed that hope: that freedom, like the fresh green sapling planted over Tolstoy's grave, will blossom forth at last in the rich fertile soil of your people and culture. We may be allowed to hope that the marvelous sound of a new openness will keep rising through, ringing through, leading to a new world of reconciliation, friendship, and peace.

Thank you all very much, and *da blagoslovit vas gospod*—God bless you.

Mr. Logunov. Dear friends, Mr. President has kindly agreed to answer your questions. But since he doesn't have too much time, only 15 minutes—so, those who have questions, please ask them.

Strategic Arms Reductions

Q. And this is a student from the history faculty, and he says that he's happy to welcome you on behalf of the students of the university. And the first question is that the improvement in the relations between the two countries has come about during your tenure as President, and in this regard he would like to ask the following question. It is very important to get a handle on the question of arms control and, specifically, the limitation of strategic arms. Do you think that it will be possible for you and the General Secretary to get a treaty on the limitation of strategic arms during the time that you are still President?

The President. Well, the arms treaty that is being negotiated now is the so-called START treaty, and it is based on taking the intercontinental ballistic missiles and reducing them by half, down to parity between our two countries. Now, this is a much more complicated treaty than the INF treaty, the intermediate-range treaty, which we have signed and which our two governments have ratified and is now in effect. So, there are many things still to be settled. You and we have had negotiators in Geneva for months working on various points of this treaty. Once we had hoped that maybe, like

the INF treaty, we would have been able to sign it here at this summit meeting. It is not completed; there are still some points that are being debated. We are both hopeful that it can be finished before I leave office, which is in the coming January, but I assure you that if it isn't—I assure you that I will have impressed on my successor that we must carry on until it is signed. My dream has always been that once we've started down this road, we can look forward to a day—you can look forward to a day—when there will be no more nuclear weapons in the world at all.

Young People

Q. The question is: The universities influence public opinion, and the student wonders how the youths have changed since the days when you were a student up until now?

The President. Well, wait a minute. How you have changed since the era of my own youth?

Q. How just students have changed, the youth have changed. You were a student. [Laughter] At your time there were one type. How they have changed?

The President. Well, I know there was a period in our country when there was a very great change for the worse. When I was Governor of California, I could start a riot just by going to a campus. But that has all changed, and I could be looking out at an American student body as well as I'm looking out here and would not be able to tell the difference between you.

I think that back in our day—I did happen to go to school, get my college education in a unique time; it was the time of the Great Depression, when, in a country like our own, there was 25-percent unemployment and the bottom seemed to have fallen out of everything. But we had—I think what maybe I should be telling you from my point here, because I graduated in 1932, that I should tell you that when you get to be my age, you're going to be surprised how much you recall the feelings you had in these days here and that—how easy it is to understand the young people because of your own having been young once. You know an awful lot more about being

have been able to meeting. It is not some points that are both hopeful ore I leave office, uary, but I assure re you that I will accessor that we igned. My dream ce we've started ook forward to a l to a day—when clear weapons in

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our day—I did my college edu- was the time of n, in a country -percent unem- seemed to have But we had—I l be telling you e I graduated in that when you oing to be sur- the feelings you that—how easy ng people be- en young once. re about being

young than you do about being old. [Laughter]

And I think there is a seriousness, I think there is a sense of responsibility that young people have, and I think that there is an awareness on the part of most of you about what you want your adulthood to be and what the country you live in—you want it to be. And I have a great deal of faith. I said the other day to 76 students—they were half American and half Russian. They had held a conference here and in Finland and then in the United States, and I faced them just the other day, and I had to say—I couldn't tell the difference looking at them, which were which, but I said one line to them. I said I believe that if all the young people of the world today could get to know each other, there would never be another war. And I think that of you. I think that of the other students that I've addressed in other places.

And of course, I know also that you're young and, therefore, there are certain things that at times take precedence. I'll illustrate one myself. Twenty-five years after I graduated, my alma mater brought me back to the school and gave me an honorary degree. And I had to tell them they compounded a sense of guilt I had nursed for 25 years because I always felt the first degree they gave me was honorary. [Laughter] You're great! Carry on.

Regional Conflicts

Q. Mr. President, you have just mentioned that you welcome the efforts—settlement of the Afghanistan question and the difference of other regional conflicts. What conflicts do you mean? Central America conflicts, Southeast Asian, or South African?

The President. Well, for example, in South Africa, where Namibia has been promised its independence as a nation—another new African nation. But it is impossible because of a civil war going on in another country there, and that civil war is being fought on one side by some 30,000 to 40,000 Cuban troops who have gone from the Americas over there and are fighting on one side with one kind of authoritative government. When that country was freed from being a colony and given its independence, one faction seized power and made itself the gov-

ernment of that nation. And leaders of another—seeming the majority of the people had wanted, simply, the people to have the right to choose the government that they wanted, and that is the civil war that is going on. But what we believe is that those foreign soldiers should get out and let them settle it, let the citizens of that nation settle their problems.

And the same is true in Nicaragua. Nicaragua has been—Nicaragua made a promise. They had a dictator. There was a revolution, there was an organization that—and was aided by others in the revolution, and they appealed to the Organization of American States for help in getting the dictator to step down and stop the killing. And he did. But the Organization of American States had asked, what are the goals of the revolution? And they were given in writing, and they were the goals of pluralistic society, of the right of unions and freedom of speech and press and so forth and free elections—a pluralistic society. And then the one group that was the best organized among the revolutionaries seized power, exiled many of the other leaders, and has its own government, which violated every one of the promises that had been made. And here again, we want—we're trying to encourage the getting back those—or making those promises come true and letting the people of that particular country decide their fate.

Soviet MIA's in Afghanistan

Q. Esteemed Mr. President, I'm very much anxious and concerned about the destiny of 310 Soviet soldiers being missing in Afghanistan. Are you willing to help in their search and their return to the motherland?

The President. Very much so. We would like nothing better than that.

U.S. Constitution

Q. The reservation of the inalienable rights of citizens guaranteed by the Constitution faces certain problems; for example, the right of people to have arms, or for example, the problem appears, an evil appears whether spread of pornography or narcotics is compatible with these rights. Do you believe that these problems are just

unavoidable problems connected with democracy, or they could be avoided?

The President. Well, if I understand you correctly, this is a question about the inalienable rights of the people—does that include the right to do criminal acts—for example, in the use of drugs and so forth? No. No, we have a set of laws. I think what is significant and different about our system is that every country has a constitution, and most constitutions or practically all of the constitutions in the world are documents in which the government tells the people what the people can do. Our Constitution is different, and the difference is in three words; it almost escapes everyone. The three words are, “We the people.” Our Constitution is a document in which we the people tell the Government what its powers are. And it can have no powers other than those listed in that document. But very carefully, at the same time, the people give the government the power with regard to those things which they think would be destructive to society, to the family, to the individual and so forth—infringements on their rights. And thus, the government can enforce the laws. But that has all been dictated by the people.

President's Retirement Plans

Q. Mr. President, from history I know that people who have been connected with great power, with big posts, say goodbye, leave these posts with great difficulty. Since your term of office is coming to an end, what sentiments do you experience and whether you feel like, if, hypothetically, you can just stay for another term? [*Laughter*]

The President. Well, I'll tell you something. I think it was a kind of revenge against Franklin Delano Roosevelt, who was elected four times—the only President. There had kind of grown a tradition in our country about two terms. That tradition was started by Washington, our first President, only because there was great talk at the formation of our country that we might become a monarchy, and we had just freed ourselves from a monarchy. So, when the second term was over, George Washington stepped down and said he would do it—stepping down—so that there would not get to be the kind of idea of an inherited aris-

ocracy. Well, succeeding Presidents—many of them didn't get a chance at a second term; they did one term and were gone. But that tradition kind of remained, but it was just a tradition. And then Roosevelt ran the four times—died very early in his fourth term. And suddenly, in the atmosphere at that time, they added an amendment to the Constitution that Presidents could only serve two terms.

When I get out of office—I can't do this while I'm in office, because it will look as I'm selfishly doing it for myself—when I get out of office, I'm going to travel around what I call the mashed-potato circuit—that is the after-dinner speaking and the speaking to luncheon groups and so forth—I'm going to travel around and try to convince the people of our country that they should wipe out that amendment to the Constitution because it was an interference with the democratic rights of the people. The people should be allowed to vote for who they wanted to vote for, for as many times as they want to vote for him; and that it is they who are being denied a right. But you see, I will no longer be President then, so I can do that and talk for that.

There are a few other things I'm going to try to convince the people to impress upon our Congress, the things that should be done. I've always described it that if—in Hollywood, when I was there, if you didn't sing or dance, you wound up as an after-dinner speaker. And I didn't sing or dance. [*Laughter*] So, I have a hunch that I will be out on the speaking circuit, telling about a few things that I didn't get done in government, but urging the people to tell the Congress they wanted them done.

American Indians

Q. Mr. President, I've heard that a group of American Indians have come here because they couldn't meet you in the United States of America. If you fail to meet them here, will you be able to correct it and to meet them back in the United States?

The President. I didn't know that they had asked to see me. If they've come here or whether to see them there—[*laughter*]—I'd be very happy to see them.

Let me tell you just a little something

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about the American Indian in our land. We have provided millions of acres of land for what are called preservations—or reservations, I should say. They, from the beginning, announced that they wanted to maintain their way of life, as they had always lived there in the desert and the plains and so forth. And we set up these reservations so they could, and have a Bureau of Indian Affairs to help take care of them. At the same time, we provide education for them—schools on the reservations. And they're free also to leave the reservations and be American citizens among the rest of us, and many do. Some still prefer, however, that way—that early way of life. And we've done everything we can to meet their demands as to how they want to live. Maybe we made a mistake. Maybe we should not have humored them in that wanting to stay in that kind of primitive lifestyle. Maybe we should have said, no, come join us; be citizens along with the rest of us. As I say, many have; many have been very successful.

And I'm very pleased to meet with them, talk with them at any time and see what their grievances are or what they feel they might be. And you'd be surprised: Some of them became very wealthy because some of those reservations were overlaying great pools of oil, and you can get very rich pumping oil. And so, I don't know what their complaint might be.

Soviet Dissidents

Q. Mr. President, I'm very much tantalized since yesterday evening by the question, why did you receive yesterday—did you receive and when you invite yesterday—refuseniks or dissidents? And for the second part of the question is, just what are your impressions from Soviet people? And among these dissidents, you have invited a former collaborator with a Fascist, who was a policeman serving for Fascist.

The President. Well, that's one I don't know about, or maybe the information hasn't been all given out on that. But you have to understand that Americans come from every corner of the world. I received a letter from a man that called something to my attention recently. He said, you can go to live in France; but you cannot

become a Frenchman; you can go to live in Germany, you cannot become a German—or a Turk, or a Greek, or whatever. But he said anyone, from any corner of the world, can come to live in America and become an American.

You have to realize that we are a people that are made up of every strain, nationality, and race of the world. And the result is that when people in our country think someone is being mistreated or treated unjustly in another country, these are people who still feel that kinship to that country because that is their heritage. In America, whenever you meet someone new and become friends, one of the first things you tell each other is what your bloodline is. For example, when I'm asked, I have to say Irish, English, and Scotch—English and Scotch on my mother's side, Irish on my father's side. But all of them have that.

Well, when you take on to yourself a wife, you do not stop loving your mother. So, Americans all feel a kind of a kinship to that country that their parents or their grandparents or even some great-grandparents came from; you don't lose that contact. So, what I have come and what I have brought to the General Secretary—and I must say he has been very cooperative about it—I have brought lists of names that have been brought to me from people that are relatives or friends that know that—or that believe that this individual is being mistreated here in this country, and they want him to be allowed to emigrate to our country—some are separated families.

One that I met in this, the other day, was born the same time I was. He was born of Russian parents who had moved to America, oh, way back in the early 1900's, and he was born in 1911. And then sometime later, the family moved back to Russia. Now he's grown, has a son. He's an American citizen. But they wanted to go back to America and being denied on the grounds that, well, they can go back to America, but his son married a Russian young lady, and they want to keep her from going back. Well, the whole family said, no, we're not going to leave her alone here. She's a member of the family now. Well, that kind of a case is brought to me personally, so I bring it to

the General Secretary. And as I say, I must say, he has been most helpful and most agreeable about correcting these things.

Now, I'm not blaming you; I'm blaming bureaucracy. We have the same type of thing happen in our own country. And every once in a while, somebody has to get the bureaucracy by the neck and shake it loose and say, Stop doing what you're doing! And this is the type of thing and the names that we have brought. And it is a list of names, all of which have been brought to me personally by either relatives or close friends and associates. [Applause]

Thank you very much. You're all very kind. I thank you very much. And I hope I answered the questions correctly. Nobody asked me what it was going to feel like to

not be President anymore. I have some understanding, because after I'd been Governor for 8 years and then stepped down, I want to tell you what it's like. We'd only been home a few days, and someone invited us out to dinner. Nancy and I both went out, got in the back seat of the car, and waited for somebody to get in front and drive us. [Laughter]

[At this point, Rector Logunov gave the President a gift.]

That is beautiful. Thank you very much.

Note: The President spoke at 4:10 p.m. in the Lecture Hall at Moscow State University. Anatoliy A. Logunov was rector of the university.

Toasts at a State Dinner Hosted by the President at Spaso House in Moscow May 31, 1988

The President. Mr. General Secretary, Mrs. Gorbachev, distinguished guests and friends, it's a pleasure to host all of you tonight and to reciprocate, in a small way, the hospitality you lavished upon us yesterday evening. While the General Secretary and I had already held three meetings before this one began here in Moscow, each of those earlier encounters took place in the autumn. The days were growing short, the weather ever grayer and colder. It makes for a bracing, delightful change to have this meeting take place at the high point of spring, a time of long, light-filled days.

I know that Nancy found her springtime visit to Leningrad earlier today both magnificent and moving. The play of light upon the rivers and canals added the special splendor of the season to a city splendid in any season. And everywhere, Nancy has told me, there was a sense of history, especially of Leningrad's immense courage and sacrifice during the Second World War, surely one of the most stirring epics in the whole human story.

Here in Moscow, I've been reminded a number of times during this springtime visit

of a passage in a book about your country by Laurens Van der Post. Especially struck by the city's churches, Van der Post wrote that when he caught his first sight of the Moscow skyline he saw "the light of an unusually pure evening upon it. That light was alchemical, and it transformed Moscow into a city of gold. The tops of the spires and pinnacles drawing the rigid forms of the skyscrapers after them into arrows of gold aimed at the arched and timeless blue." So, we, too, have found Moscow a city of beauties. A city, especially, whose pinnacles and spires reminded one at virtually every turn of man's ancient capacity for aspiration, for reaching out toward the light.

It's a particular pleasure to be able to welcome you to Spaso House—a house of considerable beauty in its own right—the residence of our Ambassadors to the Soviet Union. During the 55 years of diplomatic relations between our two nations, Spaso House has served as one of the principal settings for exchanges between us—exchanges formal and informal alike. There have been some splendid moments within these walls. Prokofiev once conducted his

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| 01. Memo | Joe Duggan to David Demarest, re: Howard Jarvis Taxpayers Association Speech. (1 pp.) | 06/09/92 | P-5 | |

Collection:

Record Group: Bush Presidential Records
Office: Speechwriting, White House Office of
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WHORM Cat.:
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June 9, 1992

TO: David Demarest
FROM: Joe Duggan
SUBJECT: Howard Jarvis Taxpayers Association Speech

I would like you to clear the air for me on how to proceed with this speech.

I spent yesterday working under guidance that the President would be endorsing Pete Wilson's ballot initiative/legislation for California welfare reform. Then last night Leigh Ann Metzger and Dan Casse told me that Wilson's office does not want the President explicitly to endorse the plan. Moreover, I could not get from Casse anything new or bold in policy worth making the basis of a speech. Are the highest level people working on something big and close-hold for this event?

If not, the speech should be a limited government/tax limitation speech, showcasing the balanced budget amendment, the line-item veto, and regulatory reform. Joel Fox, the head of the Jarvis group, told me these are higher priorities to his membership than welfare reform. The Jarvis group does support Wilson's welfare reform plans -- indeed an audience of Jarvis members responded favorably when Wilson gave them a recent presentation on welfare. But it is important to keep in mind that welfare as such is not a central issue to these people. Taxes, spending, and big government need to be addressed head-on with this audience.

The Jarvis association members are mostly senior citizens, homeowners who want to preserve the gains they made through Proposition 13. A scientific poll of Jarvis members early this year showed them standing fast with Bush against Buchanan -- by about 82%-12%. An unscientific survey of Jarvis members (voluntary responses to direct mail) showed warning signs: 34% Bush; 27% Perot; 7% Buchanan; 6% Clinton; 5% Brown.

2ND STORY of Level 1 printed in FULL format.

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The San Francisco Chronicle

MAY 21, 1992, THURSDAY, FINAL EDITION

SECTION: NEWS; Pg. D7

LENGTH: 505 words

HEADLINE: S.F. Schools Face 'Calamity'
New superintendent warns of \$ 23 million budget shortage

BYLINE: Nanette Asimov, Chronicle Staff Writer

BODY:

Bill Rojas, San Francisco's incoming school superintendent, said yesterday that California's worsening financial crisis is creating a "fiscal calamity" in city schools, and proposed an array of cuts for next year to make up an anticipated loss of \$ 23 million in the education budget.

The proposed cuts include laying off more than 60 teachers, increasing class size, closing the district's popular public radio station KALW-FM, and declining to fill nearly 100 vacant positions ranging from gardeners and custodians to secretaries and library assistants.

"These are frightening times for the state of California," Rojas wrote in the 27-page draft proposal, in which he called on the "citizenry of San Francisco to step forward" and help out the schools.

Although Rojas will not officially become superintendent until August 1, he has been given the authority to run the district while Superintendent Ramon Cortines is out of town.

In addition, he has been preparing his budget proposal in anticipation of what he called California's "worst financial condition since the Great Depression 60 years ago."

Rojas and budget director Bob Golton assume that the worst-case scenario is the most likely for San Francisco schools: that they will not receive a cost-of-living increase from the state nor have access to \$ 17.5 million that educators had hoped to reap from a quarter-cent county sales tax increase for education implemented in February.

The tax money would wipe out much of the district's budget problems, according to the report. But a lawsuit by the Howard Jarvis Taxpayers Association, supported by independent state Senator Quentin Kopp of San Francisco, seeks to nullify the tax on the grounds that it conflicts with Proposition 13. On May 7, the Sacramento Superior Court issued a temporary freeze on the money until the suit is resolved. The money may eventually be returned to taxpayers.

"Mr. Rojas is inheriting a whirlwind," said Joan-Marie Shelley, president of the United Educators of San Francisco. "The problem is much bigger than he is. But I find it very hard to believe that any teachers have to be laid off after so many people took early retirement this year."

The San Francisco Chronicle, MAY 21, 1992

More than 100 employees left in February under the incentive plan.

In his report, Rojas said that the district can no longer afford the \$ 148,000 it takes to run its radio station KALW, which broadcasts the school board's semi-monthly meetings. He said the station "provides no direct educational experiences to . . . students."

Daniel Del Solar, manager of KALW, said he was "floored and surprised" at the news that the 51-year-old station may close, and said that the station's 100,000 weekly listeners had yet to be heard from on the matter.

"I understand that the district has tremendous financial pressures," he said. "I am disappointed that we (station employees) haven't been brought into discussions about ways to keep it operating. It's disappointing."

SUBJECT:

SF; SCHOOLS; EDUCATION; OFFICIALS; BUDGET; FINANCE; REACTION; CA; STATE BUDGET; LAYOFF

NAME:

Bill Rojas; S.F. Superintendent of Public Instruction

4TH STORY of Level 1 printed in FULL format.

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The Washington Post

May 2, 1992, Saturday, Final Edition

SECTION: REAL ESTATE; PAGE E1

LENGTH: 1045 words

HEADLINE: California's Tax Reform Faces Test;
High Court Case Has National Implications

SERIES: Occasional

BYLINE: Jacqueline L. Salmon, Washington Post Staff Writer

BODY:

When attorney Stephanie Nordlinger purchased her modest bungalow in the Baldwin Hills neighborhood of Los Angeles, she didn't know that she would end up in the forefront of a challenge to the California tax revolt that swept the state in 1978.

But that was before she discovered that her property taxes were more than four times higher than some of her neighbors.

"I knew how much I was paying," Nordlinger said. "But I didn't know how little everyone else was paying."

That discovery has led Nordlinger all the way to the Supreme Court. In February, it heard her case challenging the constitutionality of Proposition 13, the landmark law that California voters passed in 1978 to halt rapidly escalating property taxes. While Proposition 13 rolled back taxes for longtime property owners, newcomers to the state must pay property taxes that are as much as 15 times higher.

Nordlinger and others who support her say the property tax system is unfair and violates the equal-protection clause of the 14th Amendment. And its effect is to force newcomers to foot the bill for public services that also are being used by longtime property owners.

"There is no rational basis for this particular [method]," Nordlinger said, "except 'We've got ours and now we want you to pay for it.' "

Joel Fox, president of the Howard Jarvis Taxpayers Association, the successor to the group that sparked the anti-tax fervor leading to Proposition 13, disagrees.

"The people who have been here [in California] a long time -- they've been paying into the system that has paid for the roads, the government services, the schools all these years," Fox said.

In its response to the lawsuit, California has argued that its tax system is not unconstitutional. In fact, it said, its system may be fairer than other states' systems because it taxes property based on its value when the property is purchased, rather than assessing it periodically and then taxing property

The Washington Post, May 2, 1992

owners on "an unrealized gain in value" of their property.

The Supreme Court is expected to make a ruling in the next few months. Nordlinger has been rebuffed at lower court levels, and most legal scholars doubt that the Supreme Court will overturn the law. But the mere possibility has set off alarm bells in California, which is struggling with an economic downturn. Longtime property owners would face soaring tax bills if Nordlinger wins.

In the unlikely event that Proposition 13 were to be overturned, the implications on the national level are huge, said Ferdinand Schoettle, a University of Minnesota law professor and an authority on state and local taxes.

Tax systems or financing systems that divide taxpayers or recipients into classes would all be vulnerable, Schoettle said. The capital gains tax, school-financing formulas, even the federal system for financing Medicaid would be "up for grabs," he said.

"The implications for constitutional scrutiny of the federal tax system would be extraordinary," Schoettle said.

Under Proposition 13, tax assessments in California are limited to 1 percent of a property's assessed value and increases are limited to 2 percent a year.

For properties bought before the measure was passed in 1978, the value of a property was rolled back to the 1975 level. For properties bought after 1978, the assessed value is determined by the selling price.

The effect of this provision, known scornfully as the "welcome stranger" measure, has been to produce enormous disparities in the taxes paid by California residents.

The taxes on Nordlinger's \$ 170,000 home, for example, totaled \$ 1,700 in the year she bought it, while some of her neighbors who bought before 1978 were paying taxes as low as \$ 400.

"That doesn't have any relationship to what you can afford to pay, nor does it have any relationship to the kinds of services you get from the government," Nordlinger said, adding, "I get the same services that my neighbors who pay \$ 400 a year get."

In the beach community of Venice, a \$ 335,000 house purchased recently had property taxes of \$ 3,350 a year, while a comparable house nearby bought before 1975 had property taxes of \$ 260.

In Beverly Hills, the owner of a \$ 3.8 million mansion paid \$ 38,000 a year in property taxes, while the owner of a similar house purchased before 1975 paid only \$ 3,230 in the same year.

A California Senate commission study has shown that if Proposition 13 is thrown out, the state would rake in an additional \$ 11 billion in revenue from longtime property owners. It would be a "huge, massive property tax increase in the state of California," Fox warned.

The Washington Post, May 2, 1992

To avoid this politically explosive windfall of money in a year of taxpayers' rebellions, the Senate commission recommended cutting the property tax rate on homes, but taxing business property at full market value to make up for it. That hasn't sat very well with California businesses, which, a recent study showed, already have one of the highest tax burdens in the country.

Nordlinger's lawsuit has drawn support from some far-flung groups, including home builders, who have been hit with ever-higher development fees by jurisdictions seeking alternative sources of revenue.

The California Association of Home Builders has estimated that development fees for such items as schools, roads, police cars, fire stations and freeway interchanges add an average of \$ 20,000 to \$ 25,000 to the price of a new home in California.

In San Jose, development fees can soar as high as \$ 60,000 per house in some subdivisions, according to Dwight Hansen, a lobbyist for the builders' association. The effect has been to jack up already soaring home prices and to exacerbate several housing affordability problem in California. It also means "service for an entire community is being funded by a small percentage of the population," Hansen said.

"The public continues to demand services, and rightfully so," he said. "But we now have a system where they don't have to pay for these services."

Nordlinger's challenge of Proposition 13 hasn't made her very popular with neighbors who might face sharply higher property tax bills if she wins her case. She declined to be photographed with her house, for example, fearing that it would only inflame matters.

GRAPHIC: PHOTO, ATTORNEY STEPHANIE NORDLINGER WORKS IN THE YARD OF HER HOME IN THE BALDWIN HILLS NEIGHBORHOOD OF LOS ANGELES. ADRIENNE HELITZER FOR TWP

TYPE: NATIONAL NEWS

SUBJECT: CALIFORNIA; TAX ASSESSMENTS; LAWSUITS

50TH STORY of Level 1 printed in FULL format.

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States News Service

September 9, 1986, Tuesday

LENGTH: 740 words

BYLINE: By Cheryl Romo, States News Service

DATELINE: WASHINGTON

KEYWORD: nobel

BODY:

As the result of a controversial tax overhaul plan, the United States may soon become the only country in the world that taxes the cash given to Nobel Prize recipients.

Under current law, Nobel recipients are not taxed on the award money as long as they did not nominate themselves for the award and perform no service in exchange. Passage of the new tax regulations are being regarded as a virtual certainty by most observers.

The tax package is expected to reach President Reagan's desk later this month. Under the proposed provisions, the award, approximately \$289,855 in 1986, will be taxable as income unless the recipient donates the entire prize to a university or other institution for research. The change will effect next year's Nobel laureates.

Although the Nobel Prize is not singled out, the award falls under the category of prizes and awards that, for the first time, will be considered taxable income. "In the quest to broaden the tax base we have to bring all income in," said John Sherman, a spokesman for the House Ways and Means Committee.

"As far as we know the United States will be the only country to tax winners," says Nancy Abramowitz of Arnold & Porter, the law firm that represents the Nobel Foundation in the Capital. "The foundation would have preferred to see it otherwise."

Public opinion regarding the proposed tax change, which will take effect in 1987, is sharply divided. Some see it as an insult to the meaning of the Nobel Prize, while others see it as a part of a national trend to treat all sources of taxable income in a more equitable fashion.

"I think it's scandalous and petty," said Allan Cormack, a physicist at Tufts University who, in 1979, shared a Nobel Prize in medicine and physiology. "It diminishes the prestige of the United States government that they would pinch 45 percent of it."

Harvard University physicist Sheldon Glashow, another co-winner in 1979 for physics research, feels the tax proposal is "very bizarre and tasteless." He and other recipients received letters from the Nobel Foundation earlier this year protesting the proposed taxation as a lack of national respect for potential winners.

States News Service, September 9, 1986

"You don't do things like that," said Glashow, adding that most American laureates would not take kindly to the change.

In addition to the cash award, a spokeswoman at Swedish Embassy said winners also receive a certificate and gold medal presented by Swedish King Carl XVI in Stockholm December 10. The peace prize will be awarded in Oslo, Norway.

Winners in medicine, peace, physics and chemistry, and economics will be announced in mid-October. No date has been set yet to announce the literature award, said the spokeswoman.

Those in the United States who feel all sources of income ought to be taxed, including unemployment compensation and social security benefits in some cases, are part of a national movement spawned a decade ago by a crusty gadfly named Howard Jarvis, who died recently in California. Jarvis was the father of what has come to be called the "Proposition 13 Tax Revolt."

The movement spread like prairie fire from California across the United States and led to the organization of "citizens committees," such as the National Tax Limitation Committee, headquartered in the nation's capital. John Davis, legislative representative for the group which boasts some 800,000 individual and 300,000 corporate members, feels that it is somewhat unfortunate that the Nobel Prize cash awards will be taxed.

"It does seem inflammatory," he said, adding that there is a slight possibility that the tax "could be excluded" for such "a high honor" as the Nobel Prize before the tax revision package reaches President Reagan's desk for approval.

But other "tax revolters," such as David Keating, executive vice president of the National Taxpayers Union, don't feel the Nobel Prize should be given special treatment.

"Part of the whole idea of the (tax) bill is to treat all sources of income more equally," said Keating. "It seems reasonable that prizes and awards for scientific and other achievement would be taxable as well."

Keating further stated that his 150,000 member organization is only concerned with curbing government taxes and spending and worked actively to promote the tax reform bill. "People need to remember," he said, "that the United States is one of the few countries that (will tax) income no higher than 28 percent."