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IMPORTANT NOTICE
TELECOPY/FACSIMILE COVER LETTER

TO: Matt Bennett
White House Office of
Intergovernmental Affairs

DATE: 3/24/00

FROM: John S. Stanton
DIRECT DIAL 202 637 5704

TIME: 10:15

TOTAL NO. OF PAGES, INCLUDING COVER: 6

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MESSAGE:

Elk Hills letter from entire California House delegation sent out to Chairman Regula on March 23.

FOR INTERNAL PURPOSES ONLY

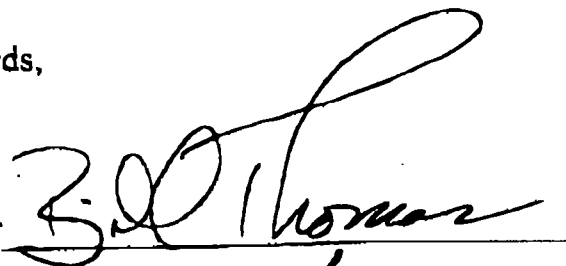
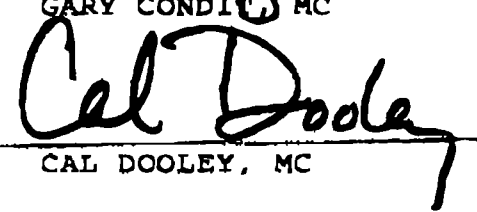
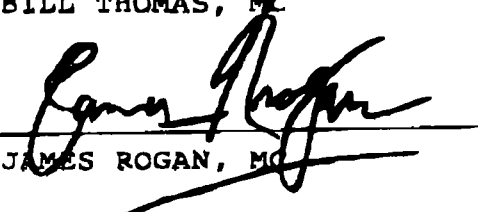
TELECOPY/FAX NUMBER:	<u>456-2889</u>
CLIENT NUMBER:	<u>58243/0014</u>
ATTORNEY BILLING NUMBER:	<u>0471</u>
CONFIRMATION NUMBER:	<u></u>

1998 and 1999, and now for the third time, the California House delegation has written to you in strong support of the appropriation of this Elk Hills compensation. Adopting an advance appropriation this year to provide for the remaining annual installments would relieve your Subcommittee of the burden of having to address this issue, and contend with the Senate, four more times in the future.

Further, we would accept the language inserted in the conference report accompanying last year's Interior appropriations as a means of spelling out the intent of Congress with regard to these future payments. That language providing that the year 2000 "payment will be delayed until October 1, 2000, and the payment should be made on that date or as soon thereafter as possible." We would gladly accept these terms -- providing for payout of each annual installment on October 1 of the following fiscal year -- for the remaining future installments, as a condition for guaranteeing that the remaining payments due our State are made.

The California Congressional delegation appreciated your decision to include \$36 million for the second installment of compensation in the House Interior Appropriations bill for FY 2000 and for seeing that funding was included in the conference report. We would very much appreciate your serious consideration of including in the FY 2001 Interior Appropriations bill an advance appropriation to provide for the remaining annual installments of Elk Hills compensation due to the State. At the minimum, we strongly urge the appropriation of \$36 million for FY 2001 to pay the State of California the third annual installment of compensation due under the Settlement Agreement with the State regarding the Elk Hills Naval Petroleum Reserve.

Best regards,

	
GARY CONDIT, MC	BILL THOMAS, MC
	
CAL DOOLEY, MC	JAMES ROGAN, MC

George Miller

GEORGE MILLER, MC

Tom Lewis

TOM LANTOS, MC

Matthew G. Martinez
MATTHEW MARTINEZ, MC

MATTHEW MARTINEZ, MC

ELTON GALLEGLY, MC

ELTON GALLEGLY, MC

Joe Baud

JOE BACA, MC

Howard L. Berman
HOWARD BERMAN, MC

HOWARD BERMAN, MC

Nick Simpson

MIKE THOMPSON, MC

Jerry Lewis
JERRY LEWIS, MC

GERRY, LEWIS, MC

David Druin

DAVID DREIER, MC


ZOE LOFGREN, MC

ZOF LOFGREN, M

Ken G

CHRIS COX, MC

Lucille Roybal-Allard

LUCILLE ROYBAL-ALLARD, MC

Ellen Stauch

ELLEN TAUSCHER, MC

Nancy Pelosi

NANCY PELOSI, MC


SAM FARR, MC

SAM FARR, MC

Paul H. Hays

HOWARD P. MCKEON, MC

Grace S. Napolitano
GRACE NAPOLITANO, MC

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Loretta Sanchez
LORETTA SANCHEZ, MC

LORETTA SANCHEZ, MC

Lynn Woolsey
LYNN WOOLSEY, MC

LYNN WOOLSEY, MC

Anda Pengiran

RANDY CUNNINGHAM, MC

Ken Beckard

RON PACKARD, MC

MARY BONO, MD

MARY BONO, MO

Steve Horn
STEVE HORN, MC

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B. B. Fulmer

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Brian Bilbray

BRIAN BILBRAY, MC


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GEORGE MADANO ICH, MC


JULIAN DIXON, MC

JULIAN DIXON, MC

Ken Calvert

KEN CALVERT, MC

Tom Campbell
TOM CAMPBELL, MD

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Pete Stark

PETE STARK, MC

Richard Pank

RICHARD POMBO, MC

WALLY HENGER, MC

WALLY HENGER, MC

GARY MILLER
GARY MILLER, MC

~~GARY MOILER, MC~~

ANNA ESHOO, MC

ANNA ESHOO, MC

Robert J. Matsun

ROBERT T. MATSUI, MC

Barbara Lee

BARBARA LEE, MC

XAVIER BERRERA, M

Henry Waxman
HENRY WAXMAN, MC

Dana Rohrabacher
DANA ROHRABACHER, MC

Lois Capps
LOIS CAPPS, MC


DOUG ROSE, MC

John T. Doolittle
JOHN T. DOOLITTLE, MC


BRAD SHERMAN, MC


STEVEN KUYKENDALL, MC

QUANITA MILLENDER-MCDONALD, MC

Ed Royce
ED ROYCE, MC

Maxine Waters
MAXINE, WATERS, MC


DUNCAN HUNTER, MC

- FY 00 Interior Approps Bill

\$36M Adv Approps into '01

FY01 Budget asks for the same thing

2002-04 \$36M per ye

05-06 \$60M "

Full-Funding

**Congress Should Appropriate the Funds Necessary to
Fulfill the Federal Government's Settlement Obligation to
Provide Compensation for the State of California's
Interest in the Elk Hills Naval Petroleum Reserve**

Executive Summary

- **Congress directed the Administration to settle the State of California's claims for compensation as part of the sale of the Elk Hills Naval Petroleum Reserve**
 - * Congress reserved 9% of the net proceeds from sale of the Elk Hills Reserve to provide compensation for the State school lands in the Reserve.
 - * Congress directed the Administration to seek a settlement in order to provide proper compensation for the State's claims.
- **Settlement reached that is fair to both sides**
 - * **Maximized Federal revenues by removing the cloud of the State's claims in advance of the sale**
 - State entered into binding waiver of rights against the purchaser prior to the sale, removing the cloud over purchaser's title, prohibiting the State from enjoining or interfering with the sale, and removing the purchaser's exposure to treble damages.
 - Federal Government thereafter sold Elk Hills for \$3.65 billion, substantially exceeding earlier estimates of value.
 - * **Provides proper compensation for the State's claims as Congress directed**
 - In exchange for the State's waiver of rights to Elk Hills, settlement provides the State with proper compensation for the fair value of its claims, as Congress directed in enacting the legislation for the sale of Elk Hills.
 - While Federal Government receives the Elk Hills sales proceeds in a cash lump sum upon sale, the State agreed in a substantial concession to accept compensation in installments stretched out over 7 years without interest.

- Congress reserved 9% of sales proceeds to compensate State. State lands' share of Elk Hills Reserve estimated by Federal Government at 8-9%. By comparison, present value of stretched out compensation payments to State determined by Federal Government to be only 6.4% of sales proceeds because of the substantially deferred pay-out period without interest.
 - Settlement calls for a \$36 million annual installment payment in each of the first 5 years (FY 1999-2003) and installments of \$70 million in each of years 6 and 7 (FY 2004-2005).
- **The money is there. The funds necessary to compensate the State have been collected from the sales proceeds and are now being held in escrow for the express purpose of compensating the State, as Congress directed.**
 - **In each of the past 2 fiscal years (FY 1999-2000), Congress has appropriated the funds necessary to pay the \$36 million installment of compensation due for that year.**
 - **The President is expected to request an appropriation of \$36 million to fulfill the Federal Government's obligation to pay the next installment of compensation due for FY 2001 under the settlement agreement with the State.**
 - **Congress should appropriate the funds necessary to pay the \$36 million installment of compensation due for FY 2001 under the settlement that Congress directed the Administration to achieve.**

For more information contact:

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California State Teachers' Retirement System
Selection of Largest Quarterly 68.2% and 75% Supplemental Payment Difference by California Congressional District
January 11, 1999

Congressional District	Member	Annual Allowance	Monthly Supplemental Payment		Annualized Supplemental Payment Difference	Benefit Effective		Gender	Zip Code
			68.2%	75.0%		Date	Birthdate		
1	Thompson	9,781.78	833.90	777.30	1,720.80	19870701	19090521	F	94558-5816
2	Herger	9,991.68	801.39	743.32	1,703.16	19720701	19110628	M	96097-2826
3	Ose	9,684.36	583.11	720.69	1,650.98	19720701	19170424	F	95816
4	Doolittle	9,981.60	588.53	729.21	1,688.16	19680621	19080921	F	95687-5023
5	Matsui	9,802.92	833.34	777.02	1,724.16	19680701	19080930	F	95831
6	Woolsey	9,739.44	680.67	828.54	1,774.44	19680701	19130522	M	95403-1177
7	Miller	9,800.16	586.31	725.30	1,667.88	19650619	19050828	M	94565-6035
8	Pelosi	9,590.04	547.23	680.57	1,600.08	19680614	19040926	F	94129-0064
9	Lee	8,902.44	540.83	667.90	1,524.84	19600130	19030126	F	94611-5250
10	Tauscher	9,881.72	593.68	733.78	1,681.20	19720718	19170518	M	94588-3752
11	Pombo	9,755.52	587.20	725.78	1,662.96	19720716	19141116	F	95207-4953
12	Lantos	9,950.40	557.16	694.41	1,647.00	19700613	19050518	F	94122-4429
13	Stark	9,630.64	591.69	731.33	1,675.88	19720714	19120714	F	94539-4804
14	Eshoo	9,851.84	630.49	774.27	1,725.36	19680915	19091212	F	95014-1043
15	Campbell	9,747.00	623.78	766.03	1,707.00	19680701	19130708	F	95070-6140
16	Lofgren	9,739.20	591.84	730.88	1,668.48	19640619	19051011	F	95127-2214
17	Farr	9,968.88	630.62	775.35	1,736.76	19690701	19040625	M	93940-2512
18	Condit	9,952.92	588.22	706.62	1,660.80	19690618	19030423	F	95328-0055
19	Radanovich	9,904.56	629.53	773.68	1,729.80	19640728	19081028	M	93704
20	Dooley	9,978.12	600.81	742.57	1,701.12	19720701	19120129	F	93245-2413
21	Thomas	9,968.28	587.66	728.14	1,685.76	19680608	19060210	F	93304-4343
22	Capps	9,724.56	615.13	756.31	1,694.16	19691001	19111001	F	93442-2652
23	Gallegly	9,997.92	602.03	744.08	1,704.60	19720701	19150928	F	93011-0482
24	Sherman	9,901.32	576.22	714.86	1,663.68	19730701	19130523	F	91320-5226
25	McKeon	9,617.64	579.08	715.69	1,639.56	19720701	19091221	F	91355-3529
26	Berman	8,825.52	493.21	614.82	1,459.32	19720830	19070709	F	91342-4260
27	Rogan	9,923.40	644.61	790.46	1,750.20	19640701	19110526	F	91001-4310
28	Dreier	9,956.76	637.66	783.02	1,744.32	19680801	19040321	F	91750-4312
29	Waxman	9,848.40	597.20	737.68	1,685.76	19680618	19040528	M	90027-1132
30	Becerra	9,363.12	592.02	727.92	1,630.80	19690815	19040715	F	90038-4062
31	Martinez	9,391.08	651.79	793.97	1,706.16	19680704	19150514	F	91801-3267
32	Dixon	9,322.44	604.45	741.30	1,642.20	19670702	19050102	F	90230-7010
33	Roybal-Allard	9,701.76	543.02	676.83	1,605.72	19700620	19041130	F	90201-1008
34	Napolitano	9,525.48	568.88	703.77	1,618.68	19710722	19090722	F	90640-3373
35	Waters	9,920.28	464.34	591.97	1,531.56	19740628	19080908	F	90305-4079
36	Kuykendall	9,896.88	554.05	690.55	1,638.00	19700620	19050310	M	90268-4636
37	Millender-McDonald	9,940.32	598.53	739.75	1,694.64	19720718	19070718	F	90059-3335
38	Horn	9,806.28	600.16	740.49	1,683.96	19700806	19080806	F	90803-4015
39	Royce	9,790.08	589.38	728.46	1,668.96	19720708	19121008	F	90631-5903
40	Lewis	9,863.04	593.95	734.22	1,683.24	19670624	19110320	F	92286-1359
41	Miller	9,662.16	577.36	714.32	1,643.52	19650209	19111110	F	91782-4734
42	Brown	9,820.56	601.23	741.79	1,686.72	19701001	19140216	F	92377-4003
43	Calvert	9,913.44	630.98	775.36	1,732.56	19630901	19150108	F	91752-1590
44	Bono	9,973.20	600.30	741.97	1,700.04	19720720	19070719	F	92586-2894
45	Rohrabacher	9,634.08	579.94	716.80	1,642.32	19720723	19150822	F	90680-6706
46	Sanchez	9,864.36	593.95	734.09	1,681.68	19720901	19130109	F	92706-0186
47	Cox	9,911.28	596.77	737.58	1,689.72	19720701	19100316	M	92653-2809
48	Packard	9,823.32	617.83	760.16	1,707.96	19650901	19011101	F	92054-4933
49	Billbray	9,935.16	627.70	771.92	1,730.64	19640701	19080815	F	92109-2347
50	Filner	9,759.60	545.32	678.79	1,613.64	19720617	19071213	F	91910-6102
51	Cunningham	9,881.40	632.74	776.99	1,731.00	19680701	19060216	F	92124-2307
52	Hunter	9,898.92	592.26	732.65	1,684.68	19650627	19040927	M	91977-5810

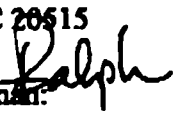
FEB-18-99 12:08 FROM: 1010 PAGE 1/9

Congress of the United States

Washington, DC 20515

February 12, 1999

Chairman Ralph Regula
Subcommittee on Interior Appropriations
2309 RHOB
Washington, DC 20515

Dear Mr. Chairman: 

We are writing to strongly urge the appropriation of \$36 million for FY 2000 to pay the State of California the second annual installment of compensation that is necessary to fulfill the Federal Government's obligation under its Settlement Agreement with the State regarding the Elk Hills Naval Petroleum Reserve.

In the Defense Authorization Act for FY 1996 authorizing the sale of the Elk Hills Reserve to private industry, Congress acknowledged the State of California's longstanding claims to the State school lands located within the Reserve. Congress set aside a portion of the proceeds from the sale to settle the State's claims and directed the Secretary of Energy to negotiate a settlement with the State.

81 T 91 After protracted negotiations, the State Attorney General of California reached a settlement with the Secretary of Energy, which was approved by Gov. Pete Wilson. The Settlement Agreement is fair to both sides. It enabled the Federal Government to maximize the sales revenues for the Federal taxpayer by removing the threat of the State's claims in advance of the sale as well as the ability of the State to interfere with the sale. In return, the Settlement Agreement provided proper compensation to the State, as Congress had directed, for these lands that had been granted to the State at the time of its admission to the Union. The Settlement Agreement obligates the Federal Government to make installment payments of compensation to the State over a seven-year period without interest.

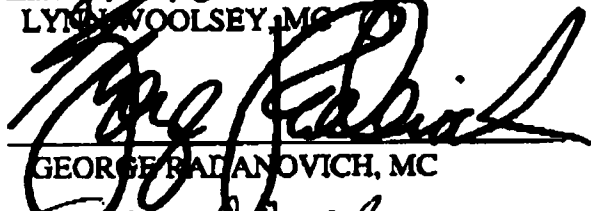
10 01 91 The State of California has kept its part of the Settlement Agreement by removing the cloud of the State's claims, which enabled the Federal Government to sell the Elk Hills Reserve for \$3.65 billion, substantially more than had been anticipated. The funds necessary to compensate the State are there, having been collected from the sales proceeds and are now being held in escrow for the express purpose of compensating the State, as Congress directed. The

Federal Government to continue to satisfy its obligation under the Settlement Agreement by paying the \$36 million installment due for FY 2000 from the escrow fund set aside for compensation.

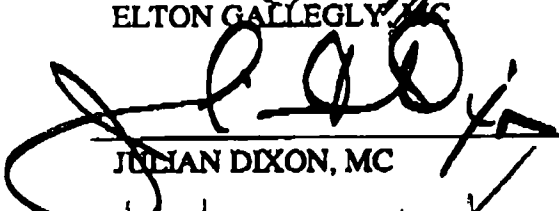
The California Congressional delegation very strongly supports on a broad bipartisan basis this payment of proper compensation to the State under the Settlement with the Federal Government and accordingly urges the appropriation for FY 2000 of the \$36 million necessary to fulfill the Federal Government's obligation.

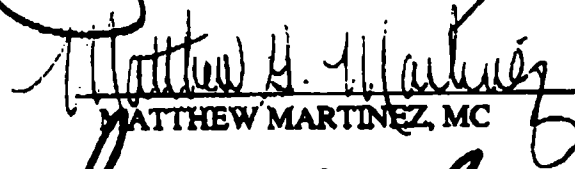
Best regards,

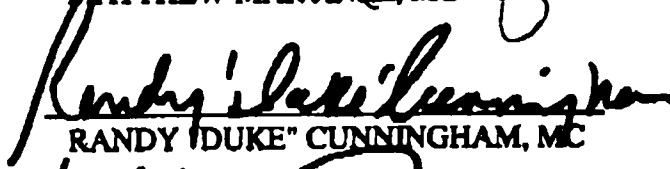

LYNN WOOLSEY, MC


GEORGE RADANOVICH, MC

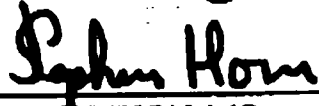

ELTON GALLEGLY, MC

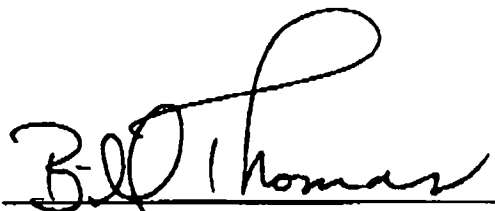

JULIAN DIXON, MC


MATTHEW MARTINEZ, MC


RANDY "DUKE" CUNNINGHAM, MC

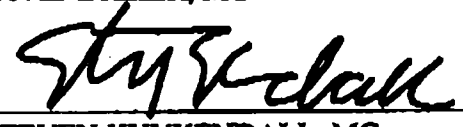

MARY BONO, MC


STEPHEN HORN, MC


BILL THOMAS, MC


TOM CAMPBELL, MC

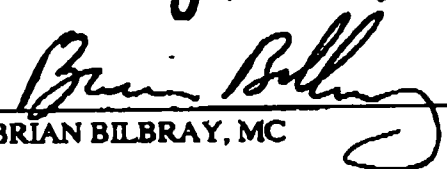

DAVID DREIER, MC


STEVEN KUYKENDALL, MC

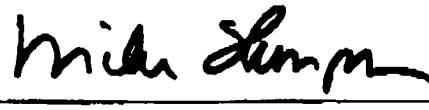

HOWARD P. "BUCK" MCKEON, MC


CHRISTOPHER COX, MC

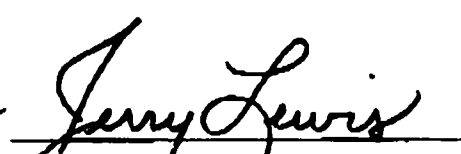

WALLY HERGER, MC


BRIAN BILBRAY, MC


HOWARD BERMAN, MC


MIKE THOMPSON, MC


JAMES ROGAN, MC

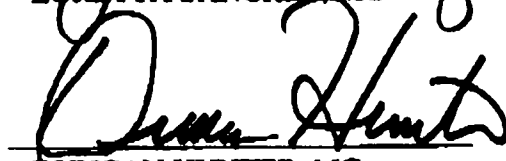

JERRY LEWIS, MC


RICHARD POMBO, MC

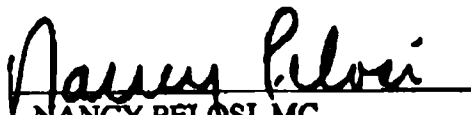

DANA ROHRABACHER, MC


LORETTA SANCHEZ, MC

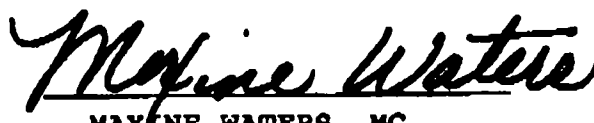

TOM LANTOS, MC

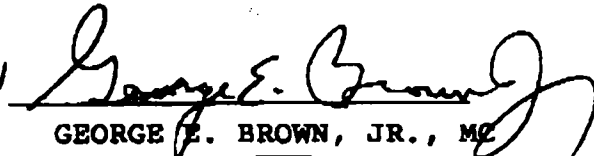

DUNCAN HUNTER, MC


ELLEN TAUSCHER, MC


NANCY PELOSI, MC

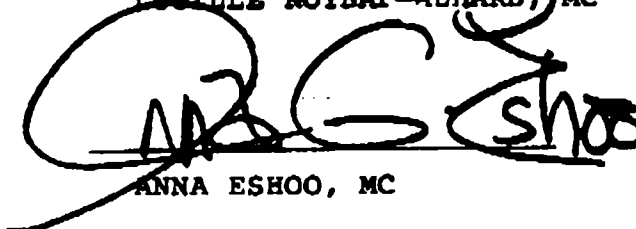

GEORGE MILLER, MC

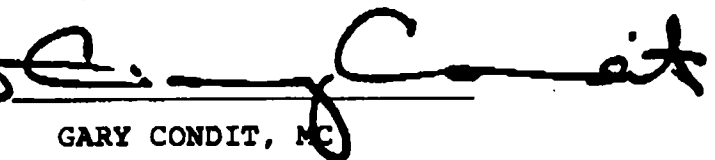

MAXINE WATERS, MC


GEORGE E. BROWN, JR., MC


LUCILLE ROYBAL-ALLARD, MC

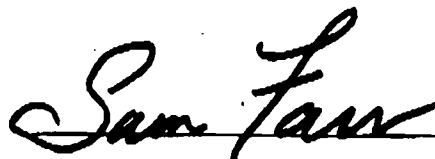

XAVIER BECERRA, MC


ANNA ESHOO, MC

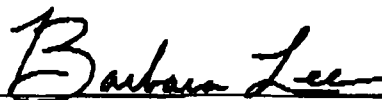

GARY CONDIT, MC



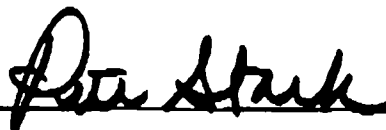
LOIS CAPPS, MC



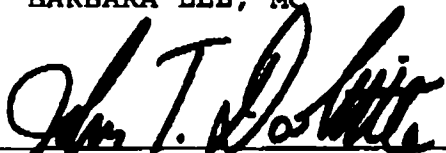
SAM FARR, MC



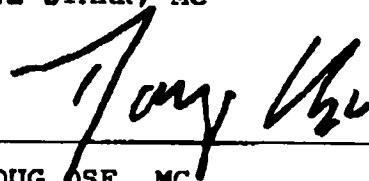
BARBARA LEE, MC



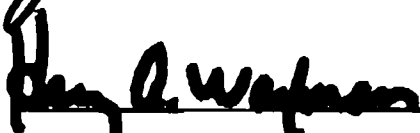
PETE STARK, MC



JOHN DOOLITTLE, MC



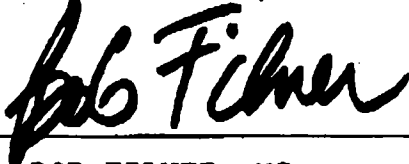
DOUG OSE, MC



HENRY WAXMAN, MC



ED ROYCE, MC



BOB FILNER, MC



KEN CALVERT, MC



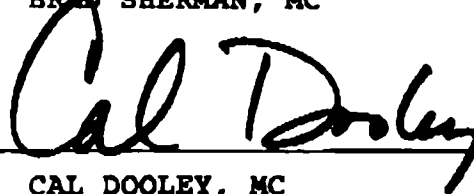
RON PACKARD, MC



BRAD SHERMAN, MC



GARY MILLER, MC



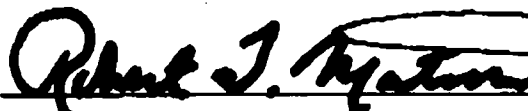
CAL DOOLEY, MC



GRACE NAPOLITANO, MC



ZOE LOFGREN, MC



ROBERT T. MATSUI, MC



JUANITA MILLENDER-MCDONALD, MC



The Secretary of Energy

Washington, DC 20585

October 8, 1999

The Honorable Slade Gorton
Chairman
Subcommittee on Interior
and Related Agencies
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

As you prepare for conference deliberations on the FY 2000 Interior Appropriations Bill, I want to express my strong support for the \$36 million for the Elk Hills school lands fund included in the Administration's budget request and provided for in the House bill.

The United States privatized the Elk Hills Naval Petroleum Reserve in 1998 pursuant to the National Defense Authorization Act of FY 1996 (the Act). It was the largest-ever sale of any Government asset, yielding approximately \$2 billion more than anticipated by the Congressional Budget Office.

In accordance with the Act, the State of California entered into a Settlement Agreement with the Federal Government in 1996 settling certain "school lands" claims of the State to lands within the Elk Hills Reserve. The funding included in the Administration's budget request and the House bill will provide the second annual Federal payment to the State in accordance with the 1996 Agreement. These payments will be used to support the California State Teachers' Retirement Fund.

I strongly urge the conference committee to accept the House funding level for the Elk Hills school lands fund. I look forward to working with you on this important issue during the conference.

Yours sincerely,

A handwritten signature in black ink, reading "Bill Richardson", is positioned above the printed name.

Bill Richardson

cc: The Honorable Robert C. Byrd
Ranking Minority Member



Printed on recycled paper



P.O. BOX 15275

SACRAMENTO, CA 95851



WRITTEN STATEMENT

OF

**JAMES D. MOSMAN,
CHIEF EXECUTIVE OFFICER**

STATE TEACHERS' RETIREMENT SYSTEM

STATE OF CALIFORNIA

Submitted for the Record of the

SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

COMMITTEE ON APPROPRIATIONS

U.S. SENATE

**March 18, 1999 Hearing
(Department of Energy: Fossil Energy Program)**

**Congress Should Appropriate the Funds Necessary to
Fulfill the Federal Government's Settlement Obligation
to Provide Compensation for the State of California's
Interest in the Elk Hills Naval Petroleum Reserve**

Summary

Acting pursuant to Congressional mandate, and in order to maximize the revenues for the Federal taxpayer from the sale of the Elk Hills Naval Petroleum Reserve by removing the cloud of the State of California's claims, the Administration reached a settlement with the State in advance of the sale. The State waived its rights to the Reserve in exchange for fair compensation in installments stretched out over an extended period of time.

Following the settlement, the sale of the Elk Hills Reserve went forward without the cloud of the State's claims and produced a winning bid of \$3.65 billion, far beyond most expectations. Last year, Congress appropriated the \$36 million necessary to satisfy the Federal Government's obligation to make the first annual installment payment of compensation due in FY 1999 to the State for its interest in the Elk Hills Reserve.

The President's FY 2000 Budget includes a request for an appropriation of the \$36 million necessary to make the second annual installment of compensation due to the State under the settlement agreement. Congress should appropriate the \$36 million to fulfill the Federal Government's obligation to make the second installment payment of compensation due under the settlement that Congress directed the Administration to achieve.

Background

Upon admission to the Union, States beginning with Ohio and those westward were granted by Congress certain sections of public land located within the State's borders. This was done to compensate these States having large amounts of public lands within their borders for revenues lost from the inability to tax public lands as well as to support public education.

Two of the tracts of State school lands granted by Congress to California at the time of its admission to the Union were located in what later became the Elk Hills Naval Petroleum Reserve.

The State of California applies the revenues from its State school lands to assist retired teachers whose pensions have been most seriously eroded by inflation. California teachers are ineligible for Social Security and often must rely on this State pension as the principal source of retirement income. Typically the retirees receiving these State school lands revenues are single women more than 75 years old whose relatively modest pensions have lost as much as half or more of their original value to inflation.

Congressional Direction to Settle the State's Claims

In the National Defense Authorization Act for FY 1996 (Public Law 104-106) that mandated the sale of the Elk Hills Reserve to private industry, Congress reserved 9 percent of the net sales proceeds in an escrow fund to provide compensation to California for its claims to the State school lands located in the Reserve.

In addition, in the Act Congress directed the Secretary of Energy on behalf of the Federal Government to "offer to settle all claims of the State of California. . . in order to provide proper compensation for the State's claims." (Public Law 104-106, § 3415). The Secretary was required by Congress to "base the amount of the offered settlement payment from the contingent fund on the fair value for the State's claims, including the mineral estate, not to exceed the amount reserved in the contingent fund." (*Id.*)

Settlement Reached That Is Fair to Both Sides

Over the course of the year that followed enactment of the Defense Authorization Act mandating the sale of Elk Hills, the Administration and the State engaged in vigorous and extended negotiations over a possible settlement. Finally, on October 10, 1996 a settlement was reached, and a written Settlement Agreement was entered into between the United States and the State, signed by the Secretary of Energy and the Governor of California.

The Settlement Agreement is fair to both sides, providing proper compensation to the State and its teachers for their State school lands and enabling the Federal Government to maximize the sales revenues realized for the Federal taxpayer by removing the threat of the State's claims in advance of the sale.

Federal Revenues Maximized by Removing Cloud of State's Claim in Advance of the Sale

The State entered into a binding waiver of rights against the purchaser in advance of the bidding for Elk Hills by private purchasers, thereby removing the cloud over title being offered to the purchaser, prohibiting the State from enjoining or otherwise interfering with the sale, and removing the purchaser's exposure to treble damages for conversion under State law. In addition, the State waived equitable claims to revenues from production for periods prior to the sale.

The Reserve thereafter was sold for a winning bid of \$3.65 billion in cash, a sales price that substantially exceeded earlier estimates.

Proper Compensation for the State's Claims as Congress Directed

In exchange for the State's waiver of rights to Elk Hills to permit the sale to proceed, the Settlement Agreement provides the State and its teachers with proper compensation for the fair value of the State's claims, as Congress had directed in the Defense Authorization Act.

While the Federal Government received the Elk Hills sales proceeds in a cash lump sum at closing of the sale in February, 1998, the State agreed to accept compensation in installments stretched out over an extended period of 7 years without interest. This represented a substantial concession by the State. Congress had reserved 9 percent of sales proceeds for compensating the State. The State school lands' share had been estimated by the Federal Government to constitute 8.2 to 9.2 percent of the total value of the Reserve. By comparison, the present value of the stretched out compensation payments to the State has been determined by the Federal Government to represent only 6.4 percent of the sales proceeds, since the State agreed to defer receipt of the compensation over a 7-year period and will receive no interest on the deferred payments.

Accordingly, under the Settlement Agreement the Federal Government is obligated to pay to the State as compensation, subject to an appropriation, annual installments of \$36 million in each of the first 5 years (FY 1999-2003) and the balance of the amount due split evenly between years 6 and 7 (FY 2004-2005). The State's compensation will be adjusted to reflect the Federal Government's final share of revenues once the determination of equity interests with the Federal Government's co-owner Chevron is finally made.

The Money Is There to Pay the State

The funds necessary to compensate the State have been collected from the sales proceeds remitted by the private purchaser of Elk Hills and are now being held in escrow for the express purpose of compensating the State.

The President Has Requested an Appropriation of \$36 Million to Fulfill the Federal Government's Obligation to Pay the Second Installment of Compensation Due Under the Settlement Agreement

In the Administration's Budget for FY 2000, the President has requested an appropriation of \$36 million to fund the second installment of compensation due to the State under the Settlement Agreement.

Congress Should Appropriate the Funds Due Under the Settlement that Congress Directed the Administration to Achieve

Congress should appropriate the \$36 million requested by the Administration for FY 2000 from the special Elk Hills compensation fund to fulfill the Federal Government's obligation to make the second installment payment of compensation due under the settlement that Congress directed the Administration to achieve.

THE WHITE HOUSE

WASHINGTON

Matt —

It is true that
Gov. Davis sees
this as a high
priority issue —
Please see
what you can
do on this with
OMB others —
(over)

Todd has more
pages on this
issue from our
meeting with
Olivia. You can
call John Stanton
on my behalf if
we'll but keep
Olivia in loop too.

Mike

- SAP —

- Ltr to

Conferees

Loz Krauss

will call

back

HOGAN & HARTSON L.L.P.

September 24, 1999

M E M O R A N D U M

TO: Mickey Ibarra
Assistant to the President for Intergovernmental Affairs

FROM: John S. Stanton
202/637-5704
(Representing the California State Teachers' Retirement System)

RE: Appropriation for Administration Settlement with
California's 600,000 Teachers

I am writing to follow up on my earlier memoranda regarding the Elk Hills appropriation issue that is of great interest to the 600,000 active and retired teacher members of the California State Teachers' Retirement System. The White House had requested the necessary Elk Hills appropriation in its budget. The appropriation was included in the House version of Interior Appropriations, but not the Senate version.

As the Interior Appropriations measure moves to Conference, the Elk Hills funding provision in the House bill is very much at risk because of overall funding constraints in the Interior bill. Today, all of the Californians on House Appropriations sent the attached bipartisan letter on behalf of the entire California Congressional delegation to House Interior Appropriations Subcommittee Regula strongly urging that the House provision funding Elk Hills compensation for California and its teachers be retained in the final Conference Agreement. Senator Feinstein continues to actively press for Elk Hills funding from the Senate side. I understand that the Governor of California has identified Elk Hills as one of his top appropriations priorities in a recent discussion with your office.

We would respectfully request that the Administration express to the Conferees on the Interior Appropriations measure its insistence that funding for Elk Hills compensation be included in the final Interior Appropriations legislation. We understand that Secretary of Energy Richardson is in the process of preparing a letter to the Conferees strongly supporting Elk Hills funding (staff contact: Melanie Kenderdine, 586-8900). Would it be possible for you to assist in expediting this letter to the Conferees at this crucial juncture? In addition, we would ask that OMB include Elk Hills funding on its list of must-have items for the Administration in the final Interior Appropriations Conference Agreement. Thanks for your consideration.

Lori Krauss

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- Chris Kreig
Feinstein
etc
Sen. Feinstein
it
to Podesta

SEP-24-99 13:55 FROM:

CONGRESS OF THE UNITED STATES

Washington, DC 20515

September 24, 1999

Chairman Ralph Regula
Subcommittee on Interior Appropriations
B-308 Rayburn House Office Building
Washington, DC 20515

Dear Ralph:

Earlier this year we joined in a letter to you from the entire California Congressional delegation strongly urging the appropriation of \$36 million for FY 2000 to pay the State of California the second annual installment of compensation that is necessary to fulfill the Federal Government's obligation under its Settlement Agreement with the State regarding the Elk Hills Naval Petroleum Reserve.

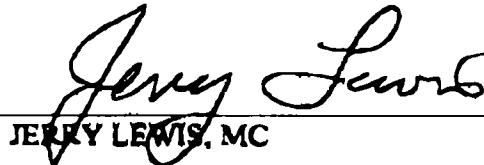
The State of California has kept its part of the Settlement Agreement by removing the cloud of the State's claims to the Elk Hills Reserve, which enabled the Federal Government to sell Elk Hills for \$3.65 billion, substantially more than had been anticipated. The funds necessary to compensate the State are there, having been collected from the sales proceeds and are now being held in escrow for the express purpose of compensating the State, as Congress had directed. The first installment of compensation was appropriated for FY 1999. It is now up to the Federal Government to continue to satisfy its obligation under the Settlement Agreement by paying the \$36 million installment due for FY 2000 from the escrow account set aside for compensation.

We are writing to reiterate the strong support of the entire California Congressional delegation on a broad bipartisan basis for the \$36 million appropriation for FY 2000 that is necessary to fulfill the Federal Government's obligation to the State under the Elk Hills Settlement Agreement.

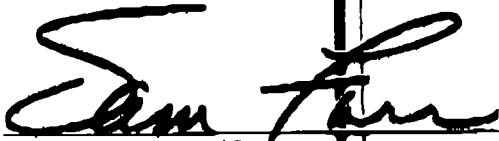
Sincerely,

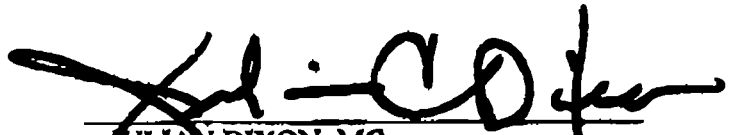


BILL THOMAS, MC



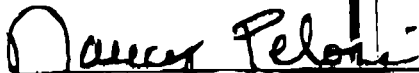
JERRY LEWIS, MC


SAM FARR, MC


JULIAN DIXON, MC


RANDY "DUKE" CUNNINGHAM, MC


RON PACKARD, MC


NANCY PELOSI, MC


LUCILLE ROYBAL-ALLARD, MC

Elk Hills

Earlier this year, California received the first of seven installment payments for the sale of the DOE-owned and operated Elk Hills Naval Petroleum Reserve. The proceeds from the sale are credited to the California Retired Teachers Fund and are used to boost pension payments to the State's 126,000 retired teachers. In the past, the Clinton Administration has been a strong supporter in the appropriations battle over the inclusion of these installment payments in the Interior bill.

⇒ **Request:** Continue to insist on the inclusion of this year's \$36 million installment in the appropriation bill.

California Retired Teachers Association

1130 K STREET, SUITE 210
SACRAMENTO, CALIFORNIA 95814
(916)441-3300 fax(916)441-3893

FAX COVER

DATE: September 28, 1999

TIME: 1:49 PM

Number of pages including cover sheet: 2

TO: Mickey Ibarra
Assistant to the President for Intergovernmental Affairs

FAX: 202.456.6220

FROM: David Walrath

PHONE: 916/441-3300

FAX: 916.441.3893

SUBJECT:



CALIFORNIA RETIRED TEACHERS ASSOCIATION

800 HOWE AVENUE, SUITE 370 • SACRAMENTO, CA 95825 • (916) 923-2200

September 28, 1999

The Honorable Bill Clinton
President of the United States
White House
1600 Pennsylvania Ave., N.W.
Washington, DC 20500

Dear President Clinton:

Thank you for your support of the first Elk Hills appropriation and for helping put the second appropriation in the Administration's budget proposal. California's 600,000 teachers need help in ensuring that the appropriation is part of the final budget.

The California Retired Teachers Association (CRTA) represents 137,000 retirees from the California State Teachers' Retirement System (STRS). CRTA and the other organizations representing all 600,000 members of STRS have supported the legislation which dedicates the Elk Hills settlement funds to help the oldest retirees with the lowest pensions. These are the retirees who have lost the value of their small pensions because of inflation.

CRTA and the other organizations are currently working on California legislation to ensure that the pensions of career teachers do not fall below the poverty line. The Elk Hills settlement funds are intended to help these people who retired in the 1960s, 1970s and early 1980s with low salaries and high inflation. Many of these older retirees have pensions which are now below the poverty line.

As part of the settlement agreement on land title in the Elk Hills Naval Petroleum Reserve, California agreed not to exert its land claim in exchange for a portion of the sale proceeds. California and the federal government agreed to an allocation of a portion of the sale proceeds based on seven annual appropriations.

California's teachers believe the federal government made a commitment and that this commitment ought to be honored. Thank you for your past assistance. We look forward to thanking you for the second and subsequent appropriations.

Thank you for all of your past help. Please continue the work to secure the settlement funds promised to California's retired teachers.

Sincerely,



David L. Walrath

DLW:ad

LEGISLATION

Betty Soennichsen, Chairman
4952 Northlawn Court
San Jose, CA 95130
408-379-3747

Reva E. Leppanen, Area I
3337 Chompton Avenue
Lakeport, CA 95453
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Polly Bacich, Area II
PO Box 2220
Nevada City, CA 95959
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Peter Wiesick, Area III
1130 Eunice Drive
Woodland, CA 95695
530-662-5680

Alpha Quincy, Area IV
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Lafayette, CA 94549
925-935-2582

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Rebecca R. Chavez, Area VIII
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Arcadia, CA 91007
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Cliff Jordan, Area XI
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Sacramento, CA 95825
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LEGISLATIVE ADVOCATE

David Walrath
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Sacramento, CA 95814
916-441-3300

HOGAN & HARTSON L.L.P.

**COLUMBIA SQUARE
555 THIRTEENTH STREET, N.W.
WASHINGTON, DC 20004-1109**

Tel.: (202) 637-5600**Fax: (202) 637-5910**

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NEW YORK, NY
ROCKVILLE, MD**

**Affiliated Office*

IMPORTANT NOTICE
TELECOPY/FACSIMILE COVER LETTER

TO: Matt Bennett
Office of Intergovernmental Affairs
Executive Office of the President

DATE: 09/28/99

FROM: John S. Stanton
DIRECT DIAL 202 637 5704

TIME: 2:27 PM

TOTAL NO. OF PAGES, INCLUDING COVER: 14

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MESSAGE:

FOR INTERNAL PURPOSES ONLY

TELECOPY/FAX NUMBER:	<u>456 2889</u>
CLIENT NUMBER:	<u>58243/14</u>
ATTORNEY BILLING NUMBER:	<u>0471</u>
CONFIRMATION NUMBER:	<u>456 6422</u>

HOGAN & HARTSON

L.L.P.

JOHN S. STANTON
PARTNER
DIRECT DIAL (202) 637-5704

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910

MEMORANDUM

September 10, 1999

TO: Mickey Ibarra
Assistant to the President and
Director of Intergovernmental Affairs
Intergovernmental Affairs Office
Executive Office of the President

FROM: John S. Stanton
(Representing California State Teachers' Retirement System)

RE: White House Support for Appropriation of Funds to
Implement \$324 Million Settlement between the
Administration and California's 600,000 Teachers

I am writing to alert you to an appropriations issue that is of great interest to the more than 600,000 active and retired teacher members of the California State Teachers' Retirement System and is an issue on which we have worked very closely with the White House in recent years.

The matter enjoys the strong support of the California Congressional delegation, with the entire 52-Member House delegation having signed a letter to House Appropriations Committee Chairman Bill Young seeking the necessary appropriation. Governor Gray Davis is a strong supporter, as was his predecessor Governor Pete Wilson. We worked over the years on this issue with John Emerson, when he was with the White House Office of Intergovernmental Affairs, and Leon Panetta, when he was Chief of Staff. Last year, Karen Skelton of the Political Affairs Office worked actively with us, and the matter was included on the President's list of priority items when Erskine Bowles and John Podesta negotiated the omnibus appropriations package last October.

The matter involves compensation to the State of California and its teachers for the State's interest in the Elk Hills Naval Petroleum Reserve. The matter began with the Administration's proposal to sell off the Elk Hills Reserve -- an oil field then operated by the Federal Government -- to private industry. The

- 2 -

State and its teachers had a longstanding claim to a portion of the Elk Hills Reserve. With the active assistance of Messrs. Emerson and Panetta, the Administration reached a settlement of the California teachers' claim in advance of the sale of the Elk Hills Reserve. Without the cloud of the State's claim hanging over the sale, the Elk Hills Reserve was sold by the Administration for \$3.65 billion, far more than anticipated. The State's share under the settlement with the Administration is \$324 million, to be paid in installments over 7 years, subject to a Congressional appropriation of the funds necessary to pay this compensation.

The State of California applies these funds to supplement the pensions of the most elderly of its retired teachers, whose pensions have been most seriously eroded by inflation. The Elk Hills compensation has provided an increase of \$120 to \$150 in the monthly pension of these elderly teacher retirees. Not unexpectedly, the Elk Hills compensation issue has very high visibility among the more than 600,000 active and retired teachers in California.

A Congressional appropriation is necessary to fund each of the annual installments of compensation to the State and its teachers. Last year, although the Administration's budget included a request for the \$36 million necessary to fund the first compensation installment due for FY 1999, because of the budget caps neither the House Interior Appropriations measure nor the Senate Interior Appropriations included the necessary appropriation. We worked very closely with Karen Skelton, who in turn worked with Erskine Bowles and John Podesta, to have the Elk Hills appropriation included on the President's list of priority items when the omnibus appropriations package was negotiated with the Congressional leadership at the end of last year's session. The effort was successful, and the Elk Hills funds were included in the final appropriations package. Secretary of Energy Richardson came to California in March of this year to present Governor Davis with the \$36 million check for the FY 1999 installment of compensation, in a public ceremony that the Administration went to considerable lengths to publicize (see attached DoE press release.) (Secretary Richardson's staff contact on this issue is Melanie Kenderdine (586-8900)).

This year we are pursuing the Congressional appropriation of the next \$36 million of Elk Hills compensation due to the State and its teachers for FY 2000. The Administration requested the necessary \$36 million appropriation in its FY 2000 budget request. Due in significant part to the attached letter of support from the entire 52 Member California House delegation, the Interior Appropriations measure passed by the House includes the necessary \$36 million for Elk Hills funding.

On the Senate side, we have been less successful. Senator Feinstein, who serves on the Interior Appropriations Subcommittee, is a long-time supporter on the Elk Hills issue (her appropriations staffer is Chris Kierig). During this year's mark-up of the Senate Interior Appropriations measure,

- 3 -

Senator Feinstein actively sought the necessary appropriation in the Senate Interior Appropriations measure and complained at length to Subcommittee Chairman Slade Gorton (R-Wash.) at the mark-up that the Elk Hills funding had not been included. Subcommittee Chairman Gorton indicated that the matter would be dealt with in Conference or in any year-end omnibus appropriations negotiation with the Administration and that it was incumbent on the Administration to make Elk Hills funding a high priority item in Conference or any year-end omnibus appropriation negotiation.

In light of the White House's historic involvement with this issue, we wanted to alert you to its present status and to seek the White House's strong support of the efforts by Senator Feinstein and the California House delegation to obtain the necessary \$36 million appropriation for the FY 2000 installment of Elk Hills compensation. We would strongly urge that Elk Hills funding be included in the Administration's list of priority items for appropriations, whether Interior Appropriations is to be dealt with by a House-Senate Conference or instead as part of an omnibus year-end appropriations negotiation with the Administration.

While the House-Senate Conference on Interior Appropriations or the omnibus appropriations negotiations are not likely to take place until later this month, we wanted to alert you to the issue well in advance. In light of the White House's highly visible role last year and the publicized ceremony of Secretary Richardson delivering the check to Governor Davis earlier this year, the Administration's role is a matter of high visibility to the rank-and-file teachers in California, and the White House may be receiving some grassroots communication on the issue.

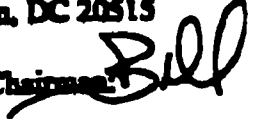
I am enclosing a brief background memorandum on the Elk Hills issue, as well as the California Congressional delegation letter and the Secretary of Energy's press release on his delivery of the Elk Hills check to Governor Wilson.

We would very much welcome your help on this issue. I urge you to call me at 202/637-5704 with any questions. We appreciate your consideration of this matter.

- > Energy Secretary Richardson Joined by Governor Davis in Delivering Initial
- > Payment on a \$324 Million Promise
- > SAN FRANCISCO, April 19 /PRNewswire/ -- U.S. Energy Secretary Bill Richardson, joined by California Gov. Gray Davis, Lt. Gov. Cruz Bustamante and retired schoolteachers, today personally delivered \$36 million to the California Retired Teachers Fund. The payment -- the first in a series agreed to as part of the privatization last year of the DOE-owned and operated Elk Hills Naval Petroleum Reserve near Bakersfield -- was presented in a ceremony at San Francisco City College.
- > "This payment delivers on a promise the Clinton-Gore Administration made to California teachers when we sold Elk Hills," Secretary Richardson said.
- > "There are 126,000 retired public schoolteachers in the Golden State, and nearly 20,000 more who now live elsewhere in the country, and this settlement agreement will help provide for their financial security."
- > Elk Hills, the nation's 10th largest oil field, was sold to Occidental Petroleum for \$3.65 billion. The California Retired Teachers Fund will eventually receive 9 percent of that selling price (or \$324 million), which will be used to boost pension payments to retirees.
- > The first \$36 million installment was included in the Administration's fiscal year 1999 budget request. While the payment was not included in the initial appropriations bills passed by the House and the Senate, the Administration was successful in getting the first payment included in the fiscal year 1999 omnibus appropriations bill passed in the closing days of the 106th Congress. The Administration has included a request for the second \$36 million payment in its fiscal year 2000 budget request.
- > Under the settlement terms, payments to the state are to be made in five \$36 million installments, with the balance to be paid in the sixth and seventh years. All payments were made subject to Congressional appropriation in the legislation authorizing the sale of Elk Hills, passed by Congress in 1996 and signed into law by President Clinton.
- >

Congress of the United States**Washington, DC 20515****February 12, 1999**

**Chairman Bill Young
House Committee on Appropriations
2437 RHOB
Washington, DC 20515**

Dear Mr. Chairman: 

We are writing to strongly urge the appropriation of \$36 million for FY 2000 to pay the State of California the second annual installment of compensation that is necessary to fulfill the Federal Government's obligation under its Settlement Agreement with the State regarding the Elk Hills Naval Petroleum Reserve.

In the Defense Authorization Act for FY 1996 authorizing the sale of the Elk Hills Reserve to private industry, Congress acknowledged the State of California's longstanding claims to the State school lands located within the Reserve. Congress set aside a portion of the proceeds from the sale to settle the State's claims and directed the Secretary of Energy to negotiate a settlement with the State.

After protracted negotiations, the State Attorney General of California reached a settlement with the Secretary of Energy, which was approved by Gov. Pete Wilson. The Settlement Agreement is fair to both sides. It enabled the Federal Government to maximize the sales revenues for the Federal taxpayer by removing the threat of the State's claims in advance of the sale as well as the ability of the State to interfere with the sale. In return, the Settlement Agreement provided proper compensation to the State, as Congress had directed, for those lands that had been granted to the State at the time of its admission to the Union. The Settlement Agreement obligates the Federal Government to make installment payments of compensation to the State over a seven-year period without interest.

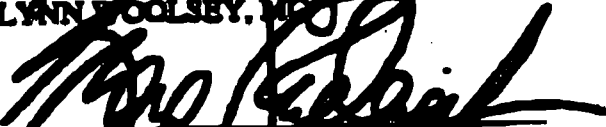
The State of California has kept its part of the Settlement Agreement by removing the cloud of the State's claims, which enabled the Federal Government to sell the Elk Hills Reserve for \$3.65 billion, substantially more than had been anticipated. The funds necessary to compensate the State are there, having been collected from the sales proceeds and are now being held in escrow for the express purpose of compensating the State, as Congress directed. The

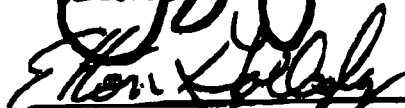
Federal Government to continue to satisfy its obligation under the Settlement Agreement by paying the \$36 million installment due for FY 2000 from the escrow fund set aside for compensation.

The California Congressional delegation very strongly supports on a broad bipartisan basis this payment of proper compensation to the State under the Settlement with the Federal Government and accordingly urges the appropriation for FY 2000 of the \$36 million necessary to fulfill the Federal Government's obligation.

Best regards,


LYNN WOOLSEY, MC


GEORGE RADANOVICH, MC


ELTON GALLEGO, MC

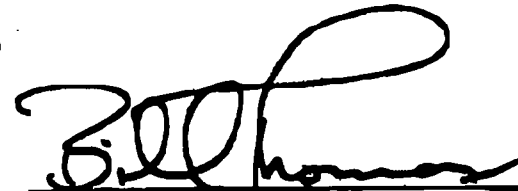

JULIAN DIXON, MC


MATTHEW MARTINEZ, MC


RANDY "DUKE" CUNNINGHAM, MC


MARY BONO, MC


STEPHEN HORN, MC


BILL THOMAS, MC


TOM CAMPBELL, MC


DAVID DREIER, MC


STEVEN KUYKENDALL, MC


HOWARD P. "BUCK" MCKEON, MC


CHRISTOPHER COX, MC


WALLY HERGER, MC

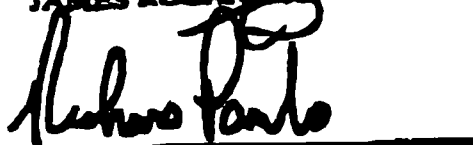

BRIAN BILBRAY, MC


HOWARD BERMAN, MC


MIKE THOMPSON, MC


JAMES ROGAN, MC


JERRY LEWIS, MC


RICHARD POMBO, MC

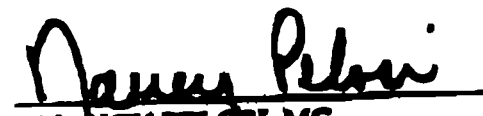

DANA ROHRBACHER, MC

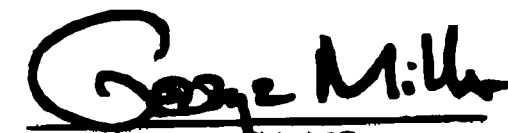

LORETTA SANCHEZ, MC


TOM LANTOS, MC

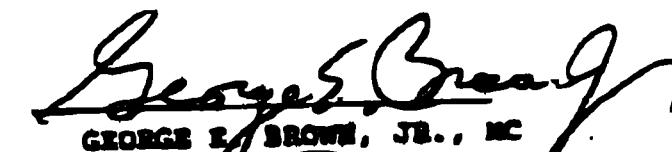

DUNCAN HUNTER, MC


ELLEN TAUSCHER, MC

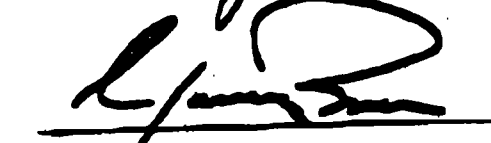

NANCY PELOSI, MC

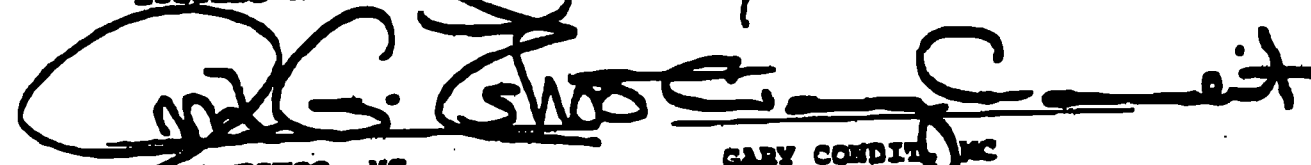

GEORGE MILLER, MC

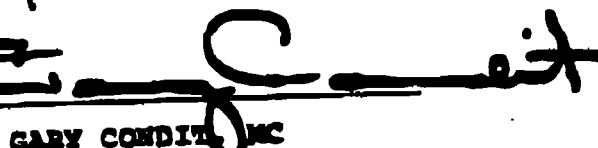

MAXINE WATERS, MC


GEORGE E. BROWN, JR., MC

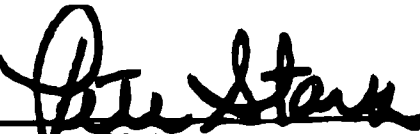

LUCILLE ROYBAL-ALLARD, MC


XAVIER BECERRA, MC


ANNA ESHOO, MC


GARY CONDIT, MC


JOHN T. DOOLITTLE, NC


PETE STARK, NC


DOUG OSH, NC


BARBARA LEE, NC


HENRY WAXMAN, NC


ED ROYCE, NC


BOB FILNER, NC


KEN CALVERT, NC


RON PACKARD, NC


BRAD SHERMAN, NC


GARY MILLER, NC


CAL DOOLEY, NC


GRACE NAPOLITANO, NC


JOE LONGREN, NC


ROBERT T. MATSUI, NC


MARJITA MILLENDER-MCDONALD, NC

Lois Capps
LOIS CAPPS, NC

LOIS CAPPS, NC

Sam Fann
SAN FANN, NC

SAN PABLO, NC

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**Congress Should Appropriate the Funds Necessary to
Fulfill the Federal Government's Settlement Obligation to
Provide Compensation for the State of California's
Interest in the Elk Hills Naval Petroleum Reserve****Executive Summary**

- **Congress directed the Administration to settle the State of California's claims for compensation as part of the sale of the Elk Hills Naval Petroleum Reserve**
 - Congress reserved 9% of the net proceeds from sale of the Elk Hills Reserve to provide compensation for the State school lands in the Reserve.
 - Congress directed the Administration to seek a settlement in order to provide proper compensation for the State's claims.
- **Settlement reached that is fair to both sides**
 - **Maximized Federal revenues by removing the cloud of the State's claims in advance of the sale**
 - State entered into binding waiver of rights against the purchaser prior to the sale, removing the cloud over purchaser's title, prohibiting the State from enjoining or interfering with the sale, and removing the purchaser's exposure to treble damages.
 - Federal Government thereafter sold Elk Hills for \$3.65 billion, substantially exceeding earlier estimates of value.
 - **Provides proper compensation for the State's claims as Congress directed**
 - In exchange for the State's waiver of rights to Elk Hills, settlement provides the State with proper compensation for the fair value of its claims, as Congress directed in enacting the legislation for the sale of Elk Hills.
 - While Federal Government receives the Elk Hills sales proceeds in a cash lump sum upon sale, the State agreed in a substantial concession to accept compensation in installments stretched out over 7 years without interest.

- 2 -

- Congress reserved 9% of sales proceeds to compensate State. State lands' share of Elk Hills Reserve estimated by Federal Government at 8-9%. By comparison, present value of stretched out compensation payments to State determined by Federal Government to be only 6.4% of sales proceeds because of the substantially deferred payout period without interest.
- Settlement calls for a \$36 million annual installment payment in each of the first 5 years (FY 1999-2003) and installments of \$70 million in each years 6 and 7 (FY 2004-2005).
- The money is there. The funds necessary to compensate the State have been collected from the sales proceeds and are now being held in escrow for the express purpose of compensating the State, as Congress directed
- Last year Congress appropriated the funds necessary to pay the first \$36 million installment of compensation due in FY 1999
- The President has requested an appropriation of \$36 million to fulfill the Federal Government's obligation to pay the next installment of compensation due for FY 2000 under the settlement agreement
- Congress should appropriate the funds necessary to pay the \$36 million installment of compensation due for FY 2000 under the settlement that Congress directed the Administration to achieve

For more information contact:

John S. Stanton
Hogan & Hartson L.L.P.
Washington, DC
202/637-5704
202/637-5910 (fax)

Jennifer DuCray-Morrill
Deputy Chief Executive Officer
Government Affairs, Policy & Program
Development Branch
California State Teachers' Retirement System
Sacramento, CA
916/229-3714
916/229-3704 (fax)

Mr. John D. Podesta
October 27, 1998
Page Two

We have appreciated the opportunity to work with Karen Skelton of the Political Affairs Office. She is very able and has been very responsive on this issue of crucial importance to California and its teachers.

Once again, let me extend our deep gratitude for all of the help you have given the State and its teachers.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Mosman', with a long horizontal flourish extending to the right.

JAMES D. MOSMAN
Chief Executive Officer

cc: Ms. Karen E. Skelton
White House Office of Political Affairs

NATIONAL
GOVERNORS'
ASSOCIATION



✓ CC
Todd

Michael O. Leavitt
Governor of Utah
Chairman

Parris N. Glendening
Governor of Maryland
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1512
Telephone (202) 624-5300
<http://www.nga.org>

Facsimile Cover Sheet

National Governors' Association

From:	Nolan Jones
Phone:	(202) 624-5360
Fax:	(202) 624-5313
To:	Mr. Mickey Ibarra Director of Intergovernmental Affairs
Fax:	202/456-5558
Date:	9-29-99
Pages: Including This Cover	2

Comments:

For your information.

**NATIONAL
GOVERNORS'
ASSOCIATION**



Michael O. Leavitt
Governor of Utah
Chairman

Parris N. Glendening
Governor of Maryland
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
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<http://www.nga.org>

September 29, 1999

MEMORANDUM

To: Directors of Intergovernmental Relations for
The Department of Housing and Urban Development
The Department of Health and Human Services
The Department of Agriculture
The Federal Emergency Management Agency
The Small Business Administration
The Department of Commerce


From: Nolan B. Jones, Director, Human Resources Group

Re: Briefing for Governors Representatives in States Affected by Flooding

As you are aware, several of our states were affected by flooding in the aftermath of Hurricane Floyd, with devastated areas in many. The National Governors' Association (NGA) will host a briefing for the representatives of Governors from these states on Wednesday, October 6, 1999 at 10:30 a.m. here in the Hall of the States, 444 North Capitol Street, conference room 235.

We would like for someone from your department or agency to join us in a discussion about efforts underway and available resources to assist the states that were affected by flooding in the recovery process. It does not have to be a very lengthy or specific presentation. Only the general resources, and if there are any services currently being provided to the states. Also, you may wish to give them the phone number of an individual who could assist with future questions about the recovery process.

Please contact me at 202/ 624-5360 or e-mail at njones@nga.org by Friday noon with the name of a representative from your department or agency.

Thank you so kindly in advance for your consideration and participation.

Cc: White House Intergovernmental Relations



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 13, 1999
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 2466 -- DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS BILL, FY 2000

(Sponsors: Young (R) Florida; Regula (R) Ohio)

This Statement of Administration Policy provides the Administration's views on the Interior and Related Agencies Appropriations Bill, FY 2000, as reported by the House Appropriations Committee. Your consideration of the Administration's views would be appreciated.

The allocation of discretionary resources available to the House under the Congressional Budget Resolution is simply inadequate to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet such needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance this spending. Congress has approved, and the President has signed into law, nearly \$29 billion of such offsets in appropriations legislation since 1995. The Administration urges the Congress to consider such proposals and to reduce unrequested funding for programs and projects in this bill.

The Administration appreciates efforts by the Committee to accommodate certain of the President's priorities within the 302(b) allocation. However, the allocation to the Subcommittee is simply inadequate. Moreover, the Administration would strongly oppose an amendment, which it understands may be offered as a floor amendment, to reduce the already inadequate resources allocated to this bill. The amendment would reportedly require an across-the-board reduction of \$138 million below the Committee-approved levels. A reduction of this magnitude would be both unjustified and unnecessary, requiring further cuts in basic services provided by the broad array of agencies funded in this bill, including education and health care for Native Americans, and national park and forest facilities used by millions of Americans annually.

The President's Lands Legacy Initiative is funded at only \$219 million, 73 percent below the request. It would be short-sighted to reduce the important Lands Legacy Initiative drastically, given the growing bipartisan recognition of the need to protect and enhance open spaces and preserve America's great places.

statement. This cumbersome process will unnecessarily delay ICBEMP's conclusion by six months or more, since there has already been extensive public participation and comment on this project that is vital to future Federal land management in this region. (section 330).

- Amendment of 1872 Mining Law Limitation on Waste Piles. Permanently overrides the 1872 Mining Law's five-acre millsite (waste pile) limitation per hardrock mining claim on Federal lands, which would allow mining operators to claim, at taxpayer expense, as much acreage as the operators deem necessary for these waste piles that often pose significant environmental problems (section 336).
- Columbia River Gorge National Scenic Area Land Acquisition. Mandates unique bargaining and arbitration procedures for Forest Service land acquisition in the Columbia River Gorge (WA/OR), potentially encouraging federal land acquisitions at greater than fair market value, establishing special protocols that do not adhere to uniform federal policies on real property acquisition, and creating a precedent for a costly and adversarial process nationwide (section 338).
- Mineral Development in the Mark Twain (MO) National Forest. Overrides the ability of the federal land managers to withdraw lands in the national forest from future mineral development. These lands border the Ozark Scenic Riverways National Park. (section 340).
- Limitation on Energy Efficiency in Federal Government Operations. Prohibits the use of funds to study, develop, or implement procedures or policies to establish energy use and efficiency guidelines or rules other than those "based upon" a 1975 energy conservation policy act; this could effectively override several subsequent energy and energy-efficiency laws, and undermine the Administration's widely praised June 1999 Executive Order promoting energy efficiency within the Federal Government (section 341).
- Limitation on Receipt of Fair Market Value for Oil from Federal Lands. Delays, for the fourth time, publication of Interior Department final rules to establish fair market value for the royalties paid by oil companies for oil produced on Federal and tribal lands, costing Federal taxpayers, States, and tribes about \$68 million in FY 2000 (section 342).

* * * * *

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The Administration appreciates the Committee's efforts to minimize extraneous, objectionable provisions, but we are concerned about provisions adversely affecting the environment and natural resources, which would likely be rejected by the Congress if considered on their own merits. The Administration urges the House to keep the bill free of extraneous provisions.

The following highlights our specific concerns with the Committee bill.

Environmental and Other Legislative Riders

The Administration objects to several provisions in the bill. The Administration opposes a provision that would prohibit revisions to forest plans until final planning regulations are published, thereby preventing new science and sustainable forest practices from being incorporated into expiring forest plans. Further, the Administration objects to the Committee bill's funding prohibition on certain inter-agency reimbursable programs included in the bill, such as the Department of Commerce's spectrum management and coordination program. These organizations provide necessary services and are dependent on these reimbursable arrangements. In addition, since the Administration has stated that it does not intend to implement the Kyoto Protocol on global climate change until it has been ratified by the Senate, section 331 is an unnecessary restriction.

The Administration also opposes Section 326 that would prevent funds provided in the bill from being used to support the American Heritage Rivers initiative. This rider is an unworkable infringement on the Administration's ability to implement the widely-supported American Heritage Rivers initiative.

In addition, we oppose a provision containing new reporting requirements that would further delay completion of the Interior Columbia Basin Ecosystem Management Project (WA, OR, ID, MT). Other examples of objectionable riders include a provision that would automatically extend Bureau of Land Management grazing permits, one that would provide for indefinite renewal of grazing permits at Lake Roosevelt National Recreation Area (WA), and one that would prohibit establishment of a National Wildlife Refuge in the Kankakee River (IL, IN) watershed.

Finally, the Administration appreciates and shares the Committee's commitment to ensuring adequate fresh water supplies for the Everglades, but these issues should be considered as part of the authorization of the comprehensive plan for restoring the Everglades.

Infringement on Executive Authority

There are several provisions in the Committee bill that purport to require congressional approval before Executive Branch execution of aspects of the bill. The Administration will interpret such provisions to require notification only, since any other interpretation would contradict the Supreme court ruling in INS vs. Chadha.

Lands Legacy Initiative/Land and Water Conservation Fund (LWCF)

The Administration strongly opposes the Committee's decision not to fund major portions of the President's Lands Legacy Initiative, such as the Cooperative Endangered Species Conservation Fund and the State and Private Forestry grant program. No funds are provided for State land acquisition, open space planning, or urban park grants, and funding is greatly reduced for land acquisitions in national parks, refuges, forests, and other public lands. In addition, it would be premature and inappropriate to eliminate the funding that the Congress previously approved to initiate acquisition of the majestic Baca Ranch in New Mexico while negotiations with the landowners are ongoing.

Land Management Operations

The Administration commends the Committee's actions to address the operational and maintenance needs of land management agencies in the Department of the Interior and the Forest Service in the Department of Agriculture. While the Administration appreciates the \$11 million increase provided for Abandoned Mine Lands reclamation, as part of the Clean Water Action Plan, full funding of the \$25 million request would allow significant progress in addressing acid mine drainage and watershed problems in the Appalachian region.

The Administration is concerned, however, with the Committee's reductions to the President's request for key conservation programs. The Fish and Wildlife Service's endangered species program is reduced by \$10 million, or nine percent, below the request and the Forest Service's wildlife management, ecosystem planning, and research programs are reduced by \$65 million, or 13 percent, from the request. Moreover, the bill increases funding for Forest Service timber sales management by \$23 million, or 12 percent, above the request. The Administration urges the Committee to redirect these unrequested funds and to adopt the Administration's timber sale user fee and offset proposals to fund the higher priority programs.

Millennium Initiative to Save America's Treasures

The Administration objects to the lack of funding for the \$30 million Presidential initiative to commemorate the Millennium by preserving the Nation's historic sites and cultural artifacts that are America's treasures, but appreciates the Committee's willingness to address the needs of this important program as the bill moves forward. Funds provided by Congress in FY

1999 have already been used with matching State, local, and private funds to preserve such important national symbols as the Star Spangled Banner, the 1905 Wright III (the world's first practical airplane), and the Louis Armstrong House and Archives.

Bureau of Indian Affairs and Office of Special Trustee for American Indians

The Administration commends the Committee's action to fully fund the request for Indian trust management improvements that are essential to enable the Department of the Interior to continue making progress in this multi-faceted reform effort. The Administration, however, opposes the decision not to fund the \$30 million Bureau of Indian Affairs (BIA) School Construction Bonding Initiative for much-needed replacement or repairs of BIA-funded elementary and secondary schools. The Administration is concerned that the Committee has provided only \$13 million of the \$27 million increase requested to meet the needs of expanding school populations. Likewise, the Administration is concerned that the Committee has funded only one program increase, \$5 million for the Indian Self-Determination Fund, of the \$17 million increase requested for Tribal Priority Allocations.

Priority Construction and Maintenance Needs

In response to congressional concerns, the National Park Service (NPS) has taken steps to improve construction program management by controlling costs and setting priorities through an objective, merit-based review process. These steps would be undermined, however, by the Committee's earmarking of \$22 million for 18 unrequested and unscheduled NPS projects. The Administration urges Congress to support construction management reforms by funding those projects that have been selected in the five-year construction priority lists of the NPS and other land management agencies in the Department of the Interior, as well as funds requested for maintenance management improvement.

National Endowment for the Arts/National Endowment for the Humanities/Institute for Museum and Library Services

The Administration strongly objects to the proposed funding levels for the National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), and the Institute for Museum and Library Services (IMLS), Office of Museum Services. The Committee's proposed \$52 million, or 35-percent, reduction from the request would preclude NEA from moving forward with its Challenge America initiative, which emphasizes arts education and access to under-served communities across America. The \$39 million, or 26-percent, reduction from the request would preclude NEH from expanding its summer seminar series to provide professional development opportunities to our Nation's teachers as well as broadening the outreach of its humanities programs. The nearly \$10 million, or 29-percent, reduction from the request would preclude IMLS from moving forward on the digital library for

education, expanding of after-school programs in museums, and enhancing the Museums On-line program to improve museum access to communities and schools. The Administration urges the Congress to approve funding for the Endowments and IMLS' Office of Museum Services at the requested levels.

Other Funding Issues

The Administration is concerned that the Committee has rejected the \$15 million increase for science programs of the U.S. Geological Survey. This increase is intended to support the land management bureaus. Maintaining the FY 1999 enacted funding level for the Office of the Solicitor would seriously undermine this vital office, requiring personnel reductions and impairing Indian trust reform and other important activities.

The Administration also objects to the elimination of funding for digitizing collections in the Smithsonian Institution and the National Park Service as a part of the digital library for education, denying school children around the nation the opportunity to explore the unique materials available in the collections of these two agencies.

Indian Health Service – Department of Health and Human Services

The Administration appreciates the Committee's support of the increase in funding over the FY 1999 enacted level for Indian health, which is \$14 million below the \$170 million requested increase for the Indian Health Service. This funding increase represents a significant step towards continuing demonstration of the Federal commitment to provide quality health care to 1.5 million American Indian and Alaska Natives. The Administration is pleased that the Committee has provided the full \$35 million increase requested for Contract Support costs. However, the Administration is concerned that the inclusion of language on *pro rata* is premature given that authorization hearings, authorization action, and tribal consultation have not been completed. The Administration will continue to work with Congress and the tribes to resolve this. We hope that the final mark will provide our requested levels in women's health, information systems, dental health, mental health, sanitation, maintenance, and public health nursing -- all critical areas of need for Native American communities.

Department of Energy

The Administration opposes several reductions contained in the Committee bill. The Committee funding level for the Department of Energy's Conservation program is \$151 million below the President's request, on a comparable program basis, and is \$5 million below the FY 1999 enacted level. In particular, this reduction would seriously hamper the progress that is being made in the Partnership for a New Generation of Vehicles (PNGV) to promote the development of 80-mpg family sedans. Such a reduction would also prevent the Partnership for Advancing Technologies in Housing (PATH) from achieving dramatic savings in the energy operating costs of new homes. The Committee's reduction of \$34 million to the request for the Weatherization

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Assistance Program would mean that approximately 17,000 fewer low-income homes would be weatherized than requested. The Administration also opposes the 25-percent State matching requirement. The Administration appreciates the Committee's support for funding of the second-year payment to the California State Teachers' Retirement Fund, which was part of the privatization of the Elk Hills Naval Petroleum Reserve. ← *

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To <u>Matt Bennett</u>	From <u>Lori Krauss</u>
Dept./Agency	Phone # <u>53463</u>
Fax # <u>62899</u>	Fax #

NSN 7540-01 317 7300 5000-101

GENERAL SERVICES ADMINISTRATION

OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503July 26, 1999
(Senate Floor)Matt: 110 Conference
yet. Lori**STATEMENT OF ADMINISTRATION POLICY**

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

**S. 1292 -- DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES
APPROPRIATIONS BILL, FY 2000**

(Sponsors: Stevens (R), Alaska; Gorton (R), Washington)

This Statement of Administration Policy provides the Administration's views on the Interior and Related Agencies Appropriation Bill, FY 2000, as reported by the Senate Committee.

The allocation of discretionary resources available to the Senate under the Congressional Budget Resolution is simply inadequate to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet such needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance this spending. Congress has approved, and the President has signed into law, nearly \$29 billion of such offsets in appropriations legislation since 1995. The Administration urges the Senate to consider such proposals as the FY 2000 appropriations process moves forward. In addition, we urge the Senate to reduce unrequested funding for programs and projects in this bill.

The Committee bill makes major reductions to critical requests for the President's Lands Legacy Initiative and for key tribal, energy, and cultural programs. The bill also includes many environmental provisions that would be highly objectionable to the Administration. Consequently, if the bill were to be presented to the President in its present form, the President's senior advisors would recommend a veto.

Objectionable Legislative Riders

The Administration strongly opposes the many environmental and other authorizations in the bill, which are inappropriate for inclusion in an appropriations act. The inclusion of such riders in this bill is unacceptable. (See attachment.) Such riders rarely receive the level of congressional and public review required of authorization language, and they often override existing environmental and natural resource protections, limit tribal sovereignty, or impose unjustified micro management restrictions on agency activities. We strongly urge the Senate to oppose such provisions.

Lands Legacy Initiative/Land and Water Conservation Fund

The Administration strongly opposes the Committee's decision not to fund major portions of the President's Lands Legacy Initiative. Overall, only \$263 million, or 33 percent, of the \$797 million requested in this bill for the Initiative would be funded. The bill would provide no funding for State conservation grants and planning assistance, and only a portion (11 percent) of the requested increase for the Cooperative Endangered Species Conservation Fund. The Committee bill would also make significant cuts in State and Private Forestry grants. Federal land acquisition funding would be cut by more than half from the Lands Legacy request, from \$413 million to \$198 million, and would include none of the \$45.6 million requested for a grant to the State of Florida for Everglades restoration, and force a premature and inappropriate termination of funding that Congress previously approved to initiate acquisition of the majestic Baca Ranch in New Mexico. It would be short-sighted to gut the important Lands Legacy Initiative, given the growing bipartisan recognition of the need for the Federal Government, the States, and the private sector to protect open spaces and preserve America's great places.

Land Management Operations

The Administration commends the action of the Committee in addressing the operational and maintenance needs of land management agencies in Interior and the Department of Agriculture. The Administration is concerned, however, with cuts in key conservation programs from the request. For example, the bill makes major reductions in the Administration's Clean Water Action Plan (CWAP), providing less than ten percent of the \$102 million requested increase. Forested watersheds managed by the land management agencies supply drinking water to millions of Americans. The Administration is also concerned with the lack of additional funding for abandoned mine lands reclamation under the CWAP. Full funding of the \$25 million request would allow significant progress in addressing acid mine drainage and watershed problems in the Appalachian region.

In addition, the bill would reduce requests for the Fish and Wildlife Service's endangered species program by \$13 million, or 12 percent, and the Forest Service forest research program by \$48 million, or 20 percent, and funding to meet the science needs of Interior's land management programs. Increased funding for key programs within the Forest Service operating program, such as wildlife and fisheries habitat and rangeland management, could be offset with reductions in unrequested and excessive funding for timber sale preparation and management. An additional \$29 million could be provided for high-priority programs by adopting the Administration's proposal to charge timber companies for the costs of preparing timber sales on National Forests. By adopting the Administration's proposed Forest Service concession reforms, \$11 million in additional fees could be directed to improve recreational opportunities.

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Millennium Initiative to Save America's Treasures

The Administration objects to the lack of funding for the \$30 million Presidential initiative to commemorate the Millennium by preserving the Nation's historic sites and cultural artifacts that are America's treasures, and urges the Committee to address the needs of this important program as the bill moves forward. Funds provided by Congress in FY 1999 have already been used with matching State, local, and private funds to preserve such important national symbols as the Star Spangled Banner, the 1905 Wright III (the world's first practical airplane), and the Louis Armstrong House and Archives.

Priority Construction and Maintenance Needs

The Department of the Interior has developed a five-year plan that prioritizes Maintenance and Construction projects based on uniform criteria, with greatest emphasis given to deferred maintenance needs related to critical health and safety and resource protection needs. This action would be undermined, however, by the Committee's earmarking of approximately \$50 million for nearly three dozen unrequested and unscheduled NPS projects. The Administration urges Congress to support construction management reforms by funding those projects that have been selected in the five-year construction priority lists of the NPS and other land management agencies in the Department of the Interior, as well as funds requested for maintenance management improvement and special projects, such as the addition to the FDR Memorial (DC).

National Endowment for the Arts/National Endowment for the Humanities/Institute for Museum and Library Services

The Administration strongly objects to the proposed funding levels for the National Endowment for the Arts (NEA) and National Endowment for the Humanities (NEH) and the Institute of Museum and Library Services (IMLS), Office of Museum Services. The Committee's proposed \$51 million, or 34-percent, reduction from the request would preclude NEA from moving forward with its Challenge America initiative which emphasizes arts education and access to under-served communities across America. The \$38 million, or 25-percent, reduction from the request would preclude NEH from expanding its summer seminar series to provide professional development opportunities to our nation's teachers as well as broadening the outreach of its humanities programs. The \$10 million, or 29-percent, reduction from the request would preclude IMLS from moving forward on the digital library for education, expansion of after-school programs in museums, and Museums On-line to improve museum access to communities and schools. The Administration urges the Senate to approve funding for the Endowments and IMLS' Office of Museum Services at the requested levels.

OMB/ESD ID: OCT 01 99 15:27 NO.000 1.04

Bureau of Indian Affairs and Office of the Special Trustee for American Indians

The Administration is very concerned that the Committee has not provided the requested funds to address long-standing concerns of Native Americans. Although the bill increases Office of the Special Trustee for American Indians funding over the FY 1999 enacted level, it is still \$21 million, or 21-percent, below the Administration's request, which is critical for implementing Trust management reforms and consolidating highly fractionated ownership of Indian lands. In addition, the Committee bill does not fund the \$30 million Bureau of Indian Affairs School Construction Bonding Initiative for much-needed improvements in elementary and secondary schools, nor does it provide adequate funding to operate these schools.

Guam Assistance

The Administration opposes the Committee's decision not to provide additional funding to reimburse Guam for economic and social costs due to migration from the freely associated states of Micronesia authorized by the Federal compacts with those nations.

Other Funding Issues

Maintaining the FY 1999 enacted funding level for the Office of the Solicitor, as proposed by the Committee bill, would seriously undermine this vital office, requiring personnel reductions and impairing Indian trust reform and other important activities.

The Administration supports full funding for digitizing collections in the Smithsonian Institution and the National Park Service as part of the Digital Library for Education, providing school children around the nation the opportunity to explore the unique materials available in the collections of these two agencies.

Indian Health Service (Department of Health and Human Services)

While the Administration is pleased that the Committee has provided an increase over the FY 1999 enacted level for the Indian Health Service (IHS), we are disappointed that the increase is less than half of the \$170 million increase the Administration has requested for IHS. In particular, the Senate did not provide any of the \$35 million increase requested for Contract Support Costs. The FY 2000 Budget seeks to increase the health provider staffing and infrastructure necessary to improve access to health care services, including an additional 25,000 dental services, a Women's Health Initiative to provide 34,000 additional breast cancer mammography screenings, and 100 more community-based Public Health Nurses to provide preventive outreach activities, including well-child examinations, immunizations, and prenatal care. These increases are necessary if we are to help reduce disparities and improve the health status of Native Americans and Alaska Natives. We strongly urge the Senate to fully fund the requested levels in Hospitals and Clinics, Dental, Mental Health, Contract Health Care, Public Health Nursing, Contract Support Costs, Sanitation, and maintenance -- all critical areas of need for Native American communities.

OMB/ESD ID: OCT 01 99 15:28 NO.000 1.00

Department of Energy

The Committee mark severely reduces high priority Energy Conservation programs \$155 million below the President's request. The Administration strongly opposes this reduction. The cut seriously hampers the progress being made in the Partnership for a New Generation of Vehicles (PNGV) to promote the development of high mileage vehicles. The reduction also prevents the Partnership for Advancing Technologies in Housing (PATH) from demonstrating technologies which achieve dramatic savings in the energy costs for new housing.

The effect of Section 341 of the General Provisions is not clear, but appears to be intended to impede efforts to save taxpayers money by reducing the energy costs of operating Federal buildings. This type of interference in the efficient running of government is highly objectionable and counterproductive. The Committee mark does not include the President's request for \$36 million for the second Elk Hills installment payment to the State of California for its use in the California Retired Teachers System. This payment should be provided consistent with P.L. 104-106. The Committee also provides \$27 million more than the President's request for Fossil Energy Research and Development activities and reduces the requested Clean Coal deferral by a net of \$90 million. The Administration prefers that the research priorities contained in the President's budget be funded instead of these lower priority Fossil Energy Research and Development activities. 

Smithsonian Institution and Other Cultural Agencies

Although the Administration appreciates the funding levels the Committee has provided for the Kennedy Center, National Gallery of Art, and the U.S. Holocaust Memorial Museum, we would hope that the Senate could provide additional funds for the Smithsonian Institution.

Infringement on Executive Authority

There are several provisions in the Committee bill that purport to require congressional approval before Executive Branch execution of aspects of the bill. The Administration will interpret such provisions to require notification only, since any other interpretation would contradict the Supreme Court ruling in INS vs. Chadha.

**OBJECTIONABLE RIDERS
DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES
APPROPRIATIONS BILL**

(AS REPORTED BY THE SENATE COMMITTEE)

The following are examples of some objectionable legislative riders in the FY 2000 Interior and Related Agencies Appropriations Bill, as reported by the Senate Appropriations Committee (in bill order).

- Permanent Extension of Grazing Without Environmental Reviews. Permanently extends expiring grazing permits nationwide on Bureau of Land Management lands, without the environmental review required by current law (section 117).
- Extension of Expiring Grazing Permits in Lake Roosevelt National Recreation Area (WA). Requires the renewal of expiring grazing permits in this recreation area administered as part of the National Park System, notwithstanding the fact that grazing is not an authorized purpose for this recreation area (section 124).
- Delays in National Forest Planning. Delays revisions to Forest Plans until final planning regulations are published, thereby preventing new science and sustainable forest practices from being incorporated into expiring forest plans (sections 320).
- Limitation on Tribal Self-Determination. Prohibits tribes from entering into new or expanded self-determination contracts, and grants, and or self-governance compacts with the Bureau of Indian Affairs or the Indian Health Service, contrary to the long-standing Federal Government policy to promote tribal self-determination (section 324).
- Permanent Prohibition of Grizzly Bear Reintroduction. Permanently prohibits the re-introduction of the threatened grizzly bear on Federal lands in Idaho and Montana, without the consent of the governors of both states, providing an unprecedented veto power to the States over Federal Government activities to implement species recovery plans pursuant to the Endangered Species Act (section 328).
- Limitation on Wildlife Surveys in Federal Land Management. Overturns a recent Federal Circuit Court of Appeals decision requiring Federal land management agencies to conduct wildlife surveys before amending land management plans and approving transactions such as timber sales involving Federal lands (section 329).
- Additional Delay for the Interior Columbia Basin Ecosystem Management Project (ICBEMP). Requires a new 120-day comment period for the pending interagency report on ICBEMP's economic outputs, and inclusion of detailed responses to comments received in the ICBEMP (WA/OR/ID/MT) final supplemental environmental impact

10-4-97

FOR YOUR INFORMATION

DAVE WALRATH

(916) 441-3300

FAX (916) 441-3893

Matt - I am
having lunch with
the 3 top officers
of the California
Teachers Assn on
Thursday. Please
give me a status
report on this
issue. Thanks.

Wally



CALIFORNIA RETIRED TEACHERS ASSOCIATION

800 HOWE AVENUE, SUITE 370 • SACRAMENTO, CA 95825 • (916) 923-2200

September 28, 1999

The Honorable Bill Clinton
President of the United States
White House
1600 Pennsylvania Ave., N.W.
Washington, DC 20500

Dear President Clinton:

Thank you for your support of the first Elk Hills appropriation and for helping put the second appropriation in the Administration's budget proposal. California's 600,000 teachers need help in ensuring that the appropriation is part of the final budget.

The California Retired Teachers Association (CRTA) represents 137,000 retirees from the California State Teachers' Retirement System (STRS). CRTA and the other organizations representing all 600,000 members of STRS have supported the legislation which dedicates the Elk Hills settlement funds to help the oldest retirees with the lowest pensions. These are the retirees who have lost the value of their small pensions because of inflation.

CRTA and the other organizations are currently working on California legislation to ensure that the pensions of career teachers do not fall below the poverty line. The Elk Hills settlement funds are intended to help these people who retired in the 1960s, 1970s and early 1980s with low salaries and high inflation. Many of these older retirees have pensions which are now below the poverty line.

As part of the settlement agreement on land title in the Elk Hills Naval Petroleum Reserve, California agreed not to exert its land claim in exchange for a portion of the sale proceeds. California and the federal government agreed to an allocation of a portion of the sale proceeds based on seven annual appropriations.

California's teachers believe the federal government made a commitment and that this commitment ought to be honored. Thank you for your past assistance. We look forward to thanking you for the second and subsequent appropriations.

Thank you for all of your past help. Please continue the work to secure the settlement funds promised to California's retired teachers.

Sincerely,

David L. Walrath

DLW:ad

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CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Summary of Adverse Fiscal Impact of Mandating Social Security Coverage for State and Local Government Employees

Major new payroll tax burden for school districts

If added to current pension costs, the 12.4% Social Security payroll tax cost of mandatory Social Security coverage for all new teachers would create a major financial burden for California public schools. The average additional annual cost for a new hire would be at least \$1,600 each for the employer and for the employee.

Employers cannot provide an adequate pension benefit after funding the Social Security payroll tax

The additional Social Security payroll tax burden approaches the normal cost of the current California teachers retirement plan (CalSTRS), leaving little room for the design of a retirement benefit to supplement Social Security for the new hires, except in the unlikely event that new State and local funding can be found.

Dramatically higher costs to fund current retirement benefit levels

State and local government retirement plans produce substantially higher investment returns than Social Security. Actuarial studies show that the current CalSTRS plan produces a much greater benefit than a plan coordinated with Social Security for the same level of contribution, for essentially all combinations of age and service.

If Social Security is substituted for a large portion of the current State pension benefit, contributions to the State plan will have to increase substantially in order to fund the same level of benefits as currently provided to California teachers. CalSTRS has calculated these costs at over 7% of payroll. Based upon California's estimated current teacher payroll of \$16 billion, the increase in total cost would be \$1.1 billion per year, and increasing over time with growth in payroll. If the employer is required to absorb these costs, the impact to school districts would be doubled. If employees were required to share these increased costs, the impact of mandating Social Security would mean a reduction in salary of nearly 10 percent (6.2% SS tax plus 3.5% increased retirement costs).

Benefits to be cut, rather than costs increased

Given the fiscal and political difficulties of increasing State and local government retirement costs, it seems likely that State and local employers would respond to mandatory coverage for new hires by cutting benefits under the State and local retirement plan rather than suffering substantial increases in contribution costs.

Funded benefit replaced by pay-as-you-go

Mandatory Social Security coverage would substitute an unfunded benefit under the pay-as-you-go Social Security system for the funded retirement benefit that the new State or local worker would have received under the State or local government retirement system.

Threat to future funding status of the State retirement plan

As the U.S. General Accounting Office has noted in recent testimony before the House Ways and Means Social Security Subcommittee: "Mandatory coverage and the resulting changes to benefit levels for newly hired employees are likely to result in reduced contributions to the current pension plan. The impact of reduced contributions on plan finances would depend on the actuarial method and assumptions used by each plan, the adequacy of current plan funding, and other factors." (p. 10).

Even though CalSTRS is currently well-funded, in the future the liabilities for the closed group of current participants could exceed assets, creating an unfunded liability. A substantial reduction in the contributions from new hires would have an adverse impact on the pay-down of any unfunded liability of the plan.

For more information, contact:

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Washington, DC
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Edward Derman
Deputy Chief Executive Officer,
External Affairs and Program Development
California State Teachers' Retirement System
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Why California School Districts Care About Mandatory Social Security

After years of general talk about reforming the Social Security system, news out of Washington indicates Congress and the Administration are finally serious in their search for ways to bail out the struggling program. A common element in almost all the proposals under consideration is mandatory Social Security coverage of newly hired state and local government employees, including public school teachers.

The Teachers' Retirement Board opposes mandatory Social Security coverage. California school districts would be asked to cast aside decades of successfully providing retirement benefits to generations of teachers, in order to force future members into a system with reduced benefits at higher cost.

Social Security has been in place for 63 years as a "pay-as-you-go" system. It might have been "fair" to mandate state and local governments at the start. However, it is unfair to wait until late in the game and then mandate coverage to solve long-standing solvency problems that the states had no hand in creating.

Mandated coverage for newly hired teachers would adversely affect not only those teachers, but would have far-reaching impacts on the schools, current teachers and STRS itself.

Threats to School Budgets

- ✓ Added to current pension costs, schools would face a 6.2 percent Social Security

payroll tax cost for each new teacher. According to a STRS actuarial study, the average additional annual cost for a new hire would be at least \$1,600 for the school district.

- ✓ School district administrators have already indicated to STRS that a reduction in services would be necessary in order to address the increased costs of mandatory coverage. This could mean:
 - a cut in funds for libraries, athletics and other programs
 - decreases in employer-provided benefits for current teachers, such as health care premium coverage
 - less money for salary increases
- ✓ A STRS actuarial study shows the current STRS plan produces a much greater benefit than a plan coordinated with Social Security for the same level of contribution. Unless additional state revenues are found, newly hired teachers would not receive the same level of benefit as teachers already hired. This would undermine the equity principle that all teachers within each district should receive comparable benefits for the same service and pay. The resulting two-tiered caste system could potentially present recruitment and labor relations problems.
- ✓ Depending upon the definition used of "new hire," currently employed teachers, who change jobs and begin

working for another district, might be affected. It is likely "new hire" would be defined as it is for Medicare, which applies not only to persons just hired, but also to persons who change from one employer to another. Given the additional costs to the teacher covered by Social Security, school districts might find it more difficult to recruit from another district.

Threats to Local Control and Flexible Benefit Management

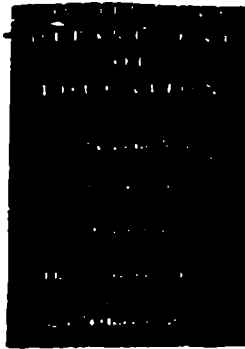
- ✓ The "one-size-fits-all" approach of Social Security determined in Washington would severely affect the current retirement plan with benefits tailored to teachers' unique work histories.
- ✓ School districts would lose the ability to provide input to state and local governments in managing retirement costs directly, with such costs now largely being thrust upon them from the federal government.

Threats to the Retirement System

- ✓ According to the U.S. General Accounting Office, mandatory coverage is "likely to result in reduced contributions to the current pension plan." STRS is currently well-funded. However, in the future, the liabilities for the closed group of current participants could exceed assets, creating an unfunded liability. A substantial reduction in the contributions from new hires would adversely affect the pay-down of any unfunded liability of the plan.
- ✓ A reduction in contributions to STRS due to mandatory coverage could also impact future increases in retirement benefits.

The Threat is Real and Imminent

- ✓ Competing Social Security reform plans already are being put together by Republicans and Democrats with an eye toward post-November election period negotiations between Congress and the Administration. All the plans proposed thus far include a mandatory coverage provision.
- ✓ Both Democrats and Republicans have indicated they view mandatory Social Security for local and state government workers as a "cash cow" or "free money." One White House staffer called adding coverage of these workers a "no brainer."
- ✓ Once a mandatory coverage provision is in a comprehensive Social Security reform legislation package, it will be hard to get out. The objective is not to be included in such a comprehensive package in the first instance.
- ✓ Unless concerned teachers and teacher groups express their concerns over the next three to six months, any Social Security reform legislation adopted within the next year likely will include mandatory coverage for all new teachers.
- ✓ Now is the time to act. Given the lengthy process to get to this point of actually drafting Social Security reform legislation, once action is taken in 1999, it will be years before further reform will be attempted. This means that by preventing mandatory coverage now, it probably will be years before the issue is raised again.

**DELAINE EASTIN**

State Superintendent of Public Instruction

December 3, 1998

Honorable William J. Clinton
President of the United States
The White House
Washington, DC 10500

Dear President Clinton:

As the chief educator for the State of California, I am writing to express the very grave concern of the California public school system and its teachers over a possible proposal to impose mandatory Social Security coverage on new teachers and other newly-hired state and local government workers as part of the current effort to preserve the long-term solvency of the Social Security trust fund.

Such a proposal would have a devastating fiscal impact on the California school system.

We currently have over 70,000 teachers and administrators in our system who are 55 years of age or older, and the average age of retirement is about 60. As a result, we will have to be replacing tens of thousands of teachers over the next few years, as well as hiring additional teachers to accommodate expansion of class size reduction in our state. Mandatory Social Security coverage would dramatically increase the cost of hiring these teachers, and will significantly reduce the ability of our schools to maintain this important program.

California teachers do not participate in Social Security and are the largest single group of state and local government employees who are outside of Social Security. At the time Social Security was established, California's teachers and all other state and local workers were expressly barred by Federal law from participating. Accordingly, the State of California established its own state system to provide a defined benefit pension for its retired teachers. The California State Teachers' Retirement System has almost 600,000 active and retired teacher members and currently pays out almost \$3 billion a year in benefits. Unlike the pay-as-you-go Social Security System, the State of California has fully funded its retirement plan. The California State Teachers' Retirement System has successfully provided benefits to generations of teachers in California.

Mandatory Social Security coverage would impose a major new payroll tax burden on California Public Schools. The 12.4 percent Social Security payroll tax cost of mandatory Social Security coverage would translate into an average additional cost for each new teacher of at least \$1600 each for the employer and for the employee.

If Social Security is substituted for a large portion of the current State pension plan benefit, contributions to the State plan will have to increase substantially in order to fund the same level of benefits as currently provided to California teachers. This is because state and local government plans such as the California State Teachers' Retirement System produce substantially higher investment returns than Social Security. Actuaries for the California teachers' plan have determined that mandatory Social Security coverage will drive up overall retirement costs for school districts by an additional 7 percent of payroll or more just to reach the same level of retirement benefit currently provided by the State plan—a choking new cost burden.

California is only now recovering from years of dire fiscal straits. We have classrooms with leaky roofs, broken windows, and other serious structural problems. Money for necessary repairs is scarce. The class size reduction effort has spurred the need for additional classrooms. Then there is the substantial new fiscal burden of the new hiring necessary to achieve class size reduction itself.

Mandatory Social Security coverage will only exacerbate these fiscal difficulties with which the California school system already is grappling and could well even push some of the weaker school districts into bankruptcy.

Accordingly, on behalf of the 400,000 active teachers and 1,100 school districts in California, we strongly urge you not to include mandatory coverage of state and local government workers in any Social Security reform proposal to be submitted by the Administration to Congress and that your Administration vigorously oppose any effort in Congress to include such a provision during Congressional consideration of Social Security reform legislation.

Sincerely,



DELAINE EASTIN

State Superintendent of Public Instruction

DE:a

cc: James Mosman, Chief Executive Officer
California State Teachers Retirement System
Richard Riley
Secretary of Education
Michael Cohen, Special Assistant
to the President for Education

CALIFORNIA COMMUNITY COLLEGES

1107 NINTH STREET
SACRAMENTO, CA 95814-3607
http://www.cccco.edu
(916) 445-8752



January 12, 1999

The Honorable Robert Matsui
United States House of Representatives
2308 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Matsui:

As you pursue the challenging task of adopting Social Security reform legislation in this Congressional session, we are writing to urge you to oppose any effort to compel mandatory participation in the Federal retirement system for newly hired state and local public employees. The Board of Governors of the California Community Colleges has unanimously adopted the enclosed resolution opposing mandatory universal coverage. While we are transmitting the resolution to each Member of the California Congressional Delegation, we recognize the opportunity you have to provide leadership on this issue because of your position as ranking member of the Ways and Means Social Security Subcommittee. We are confident that you will help to withstand the apparent effort to gain a mere two-year extension of solvency for the Social Security Trust Fund at the direct expense of public school teachers, public college faculty, and other state and local public employees who have elected to invest their retirement security in alternative state and local retirement plans.

The more than 45,000 faculty and many administrators in the California Community Colleges system are not covered by Social Security. As you know, California's State Teachers Retirement Fund and its Public Employees Retirement Fund were created to provide retirement security for public employees at a time when their participation in Social Security was prohibited. Those employees who currently remain outside of the Federal system do so by their own local choice, declared at a time when public entities had been allowed the option of participating in Social Security and were compelled to make a permanent decision whether to remain inside or outside the system.

Unlike the pay-as-you-go structure of Social Security, the California systems are funded through secure high-return investments, offering our faculty and administrators a level of benefits that the Federal system cannot match. If we are forced to establish a two-tiered system that mandates Social Security coverage for new employees, the 106 colleges in our system will be faced with the responsibility

January 12, 1999

of paying an average added cost of \$1,600 for each new faculty hire to maintain current levels of benefits; or of reducing State benefits by 70 percent for the new employees to maintain current costs; or will have to negotiate some combination of these equally undesirable options.

Because the California community colleges are among the most efficient postsecondary institutions in the nation, operating on revenues of just \$4,300 per full-time-equivalent student, the cost of paying Social Security payroll taxes will have a direct impact on college programs and services for students and employees. We are also concerned about the long-term implications for labor relations and faculty job satisfaction that a two-tiered retirement structure would create. We envision future problems in faculty mobility and college hiring if faculty find that a job change could necessitate leaving the State retirement system and facing a reduction in benefits as a new employee at another college.

California is one of seven states that collectively account for 75 percent of the payroll currently outside the Social Security system. We are concerned that the best interests of our employees, and ultimately our students, might be sacrificed in the interests of a short-term infusion of funds to the ailing Federal system. We must rely on you to make every effort to craft a viable long-term solution to the solvency of the nation's retirement trust fund that preserves the right of those who have access to an alternate system to enjoy the benefits so offered.

If the California Community Colleges can be of any assistance to you, Congressman Matsui, as Social Security reform advances, please do not hesitate to call on us. You can reach Linda Michalowski, Director of Federal Relations, at (916) 327-0186 for additional information.

Thank you for your continued support for California's community colleges and your leadership on this important issue.

Sincerely,



Roger M. Schrimp
President, Board of Governors



Thomas J. Nussbaum
Chancellor

Enclosure

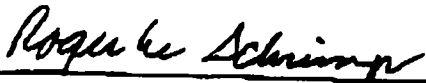
RESOLUTION

Opposing

Mandatory Participation in the Social Security System for State and Local Public Employees

- Whereas,* the more than 45,000 faculty in the California Community Colleges system are provided a high level of retirement security by their participation in the State Teachers Retirement System; and
- Whereas,* the State of California and local school districts established the State Teachers Retirement System and the Public Employees Retirement System because the Social Security system, when it was established in 1935 and for the 20 succeeding years, was closed to faculty and to other employees of state and local public entities; and
- Whereas,* community college faculty and many administrators elected fifteen years ago to remain participants in the State retirement systems with the understanding that their election was a declaration in perpetuity that they would not participate in the federal system; and
- Whereas,* the retirement systems maintained by the State of California have a successful history of providing income security for retired members, are able to provide levels of benefits superior to those offered by the Social Security system, and are actuarially robust; and
- Whereas,* a mandate that all new employees participate in the Social Security system would compel the 106 California community colleges to either 1) increase their retirement system expenditures by an average of \$1,600 for each new hire; or 2) reduce State plan retirement benefits by 70 percent for new hires; or 3) arrange for a combination of those equally counterproductive and undesirable options; and
- Whereas,* increased expenditures for retirement benefits would come at the direct expense of college programs and services for employees and students; and
- Whereas,* the resulting two-tiered system for current vs. new employees would undermine equity, impair labor relations, reduce faculty and administrator mobility, and hinder faculty and administrator recruitment; and
- Whereas,* compulsory universal participation in Social Security is proposed not as a *solution* to the fiscal crisis confronting the federal system but rather, according to the U.S. General Accounting Office, only as a means to extend the solvency of the Social Security Trust Fund for two additional years; and
- Whereas,* compelling state and local employees to join the federal retirement system provides no benefit to faculty, administrators, students, or colleges, *therefore, be it*
- Resolved,* that the Board of Governors of the California Community Colleges declares its ardent and unanimous opposition to mandatory participation in the federal Social Security system for state and local employees.

Adopted on December 7, 1998



President



Chancellor



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Redwood City, CA 94063

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Fax: 650.568.7382
www.cta.org

January 7, 1999

The Honorable Loretta Sanchez
United States House of Representatives
1529 Longworth House Office Building
Washington, DC 20515

Lois Tinson

President

Wayne Johnson

Vice President

Barbara E. Kerr

Secretary-Treasurer

Board of Directors

Jerry Brooks

Larry C. Carlin

Dayton Crumme

Diana M. Garchow

Deborah V. Harrison

Dianne K. Jones

Donnell Jordan

Sue Kenmotsu

Marilyn J. Landau

David A. Lebow

Joyce E. Lewke

Paul Markowitz

Robert C. Nichols

Norma J. Potter

Karen Russell

David A. Sanchez

Pixie Hayward Schickel

VirginiaAnn G. Shadwick

Sandra J. Thornton

Dean E. Vogel

Tony Williams

Dear Representative Sanchez:

The California Teachers Association joins our national affiliate and other organizations in asking you to actively oppose mandatory Social Security coverage on state employees.

Mandatory coverage is not proposed as a means of helping employees, but rather, as an effort to shore up the system's projected deficit. Of course, mandating California's teachers, police, firefighters and other public employees into the system will only add additional obligations on Social Security.

When Social Security was enacted, state and local government employees were not allowed to participate, and in reliance on that exclusion, California and other states established retirement systems such as the California State Teachers' Retirement System (STRS), which are funded without Social Security integration.

Mandated coverage would impose an additional 12.4% Social Security payroll tax cost for each new teacher, or approximately \$1,600 each for the school district and the teacher. This money would likely come at the expense of dollars otherwise available for the instruction of students. Currently, 16% of payroll is paid to STRS for benefits.

We believe that mandating Social Security coverage would result in higher costs, lower retirement benefits, and reduced monies to fund education programs for children.

Sincerely,

Lois Tinson

President

California Teachers Association

Carolyn Doggett,
Executive Director

c: Wayne Johnson, CTA
Barbara Kerr, CTA
Carolyn Doggett, CTA
John Hein, CTA
Jennifer DuCray-Morrill, STRS
Bob Walton, PERS
Assemblymember Lou Correa, Chair, Assembly PERSS Committee

nea



California-DC: An Education Alliance

January 11, 1999

The Honorable [Member]
U.S. House of Representatives
Washington, DC 20515

Dear Representative:

We are writing to express our concern regarding proposed Social Security Reform, specifically, a provision for mandatory coverage for all public employees not currently covered. California-DC: An Education Alliance represents millions of Californians committed to a better education, and mandatory Social Security would seriously undermine the retirement security of California's education community.

While we understand that the Social Security program provides valuable retirement, disability and survivor benefits to billions of Americans, if mandatory Social Security were adopted, California would need to cast aside decades of successfully providing retirement benefits to generations of teachers because of negative impacts on our current system. Individual members paying into both the State Teachers Retirement System (STRS) and into Social Security, because of Social Security offset provisions, would receive reduced benefits at retirement at a higher personal cost. If School and Community College Districts are mandated to contribute to social security as well as STRS, payroll costs would increase substantially. This increased cost of paying for both retirement systems could cause serious cuts to instructional programs. Furthermore, mandated coverage for newly hired teachers would adversely affect not only those teachers and STRS, but would have far-reaching negative impacts on our schools and the quality of education in our state, since none of these dollars districts would have to spend would go to students and programs.

We know that it has been a lengthy process to get to this point in the drafting of Social Security Reform legislation. However, we feel very strongly that it is in the best interest of California to oppose the mandatory coverage component of the Social Security Reform proposal and we will be working with other groups in California to eliminate this aspect of the proposal.

Thank you for your consideration of this important issue. We hope that we can count on your opposition to a mandatory coverage proposal and ask you to support removing this issue from the Social Security Reform negotiations. Please contact us if you have any questions or need additional information.

Sincerely,

Judith Michaels

Judith Michaels, Chair
California Federation of Teachers
(916)446-2788

Michael Kilbourn

Michael Kilbourn, Co-Chair
Orange County Office of Education
(714)966-4215

Lisa Ramer, Coordinator

1130 K Street, Sacramento, CA 95814

(916) 441-9335



"Impact of Mandatory Coverage of State and Local Workers on Public Education in California"

Presentation by William S. Lambert
United Teachers Los Angeles

I am here to express the very grave concern of the California public school system and its teachers over a possible proposal to impose mandatory Social Security coverage on new State and local government workers as part of the current effort to restore the long-term solvency of the Social Security trust fund.

Such a proposal would have a devastating fiscal impact on the California school system and would seriously undermine the State's pending effort to achieve the very class-size reduction that the President and the Vice President have been advocating as a national policy.

I represent the United Teachers of Los Angeles, the 40,000 teachers who work for the Los Angeles Unified School District (LAUSD), the largest school district in California. Statewide, California has over 400,000 active teachers working for 1,100 school districts.

Mandating our teachers into Social Security will have a harsh impact on both school districts and teachers. School districts will have to respond to the mandate in one of a number of ways, all of which negatively impact teachers and the cost of public education:

- 1) Pay an additional 6.2% of payroll for Social Security on top of employer costs required to fund the retirement benefits provided by the California State Teachers' Retirement System (CalSTRS).

This scenario would cost LAUSD alone \$440 million in the first 10 years. On a statewide basis, this alternative is projected to cost school districts \$3.8 billion dollars in the first 10 years. If the school district has to absorb the cost of the employee's 6.2% tax, this cost to the district could double.

- 2) Reduce CalSTRS benefits to a level that when combined with Social Security benefits would equate to the current level of benefits provided by CalSTRS.

If Social Security is substituted for a large portion of the current State pension benefit, contributions to the State plan will have to increase substantially in order to fund the same level of benefits as currently provided to California teachers. CalSTRS has calculated these costs at over 7% of payroll. Based upon California's estimated current teacher payroll of \$16 billion, the increase in total cost would be \$1.1 billion per year, and increasing over time with growth in payroll. If the employer is required to absorb these costs, the impact to school districts would be doubled. If employees were required to share these increased costs, the impact of mandating Social Security would mean a reduction in salary of nearly 10 percent (6.2% SS tax plus 3.5% increased retirement costs).

- 3) Reduce CalSTRS benefits to that which can be funded within current contribution levels after funding mandatory Social Security contributions.

Employers cannot provide an adequate benefit with the funds remaining after paying mandatory Social Security contributions. Staying within current contribution cost levels leaves only a 1.8% of compensation sliver to fund CalSTRS retirement benefits. You are then requiring teachers to reduce their standard of living in retirement. How are employers suppose to attract qualified and talented teachers into a profession that can't provide adequate retirement benefits? Schools will not be able to achieve its goal of educating our children.

In any scenario, school districts and their teachers will be harmed permanently. For what? To extend the solvency of the Social Security trust fund for a mere two years. Two years. Certainly this does not justify the decimation of school districts in California. It will be our school children who will suffer. There will be decreased money for textbooks, library services, athletic programs, music programs. The list goes on.

California's budget outlook for the near future has just been released and the forecast is grim. With current projections showing a \$1 billion shortfall in the budget beginning July 1, 1999, Governor-elect Gray Davis has recently announced that the aggressive education reform he campaigned on must be scaled back. In addition, California school districts are already attempting to implement its broad-ranging new class-size reduction programs. Mandatory coverage is certain to impede if not halt school districts' ability to fully implement class size reduction and other education reforms.

In addition to the impact that will be felt by teachers as a result of the increased employer costs, there are the real hard dollar costs that will hit teachers. At a minimum, teachers will have a reduction in their take home pay of at least the 6.2% Social Security contribution and potentially as much as 10% with the increased State retirement plan cost. Teachers in Los Angeles can't afford to achieve the American dream of buying a house now on their current salaries. How can they ever hope to with a loss in take-home pay of these proportions? If school districts are required to increase salaries to offset the impact of the Social Security tax on employees (as I can assure you UTLA will make every effort to do); the harsh fiscal impact on school districts will be just that much greater.

Proponents of mandatory coverage argue that mandating uncovered public employees into the Social Security system is only a matter of fairness and equity. UTLA takes exception with that argument. Where were these arguments before Social Security reached crisis mode? Mandatory coverage would not be proposed at this time if not for the condition of the Social Security trust fund. So let's call this what it really is - a bailout of the Social Security trust fund on the backs of school teachers and other state and local workers who did not create the problem.

UTLA is opposed to mandatory Social Security on the basis that it is blatantly unfair to now mandate into Social Security employees originally prevented from participating and instead told to fend for themselves. Public employees did just that and now will be penalized for it. I ask you - where is the fairness and equity in that?

**American Federation of State, County and Municipal Employees
American Federation of Teachers
Fraternal Order of Police
International Association of Fire Fighters
International Brotherhood of Police Officers
International City/County Management Association
International Personnel Management Association
International Union of Police Associations
League of California Cities
National Association of Counties
National Association of Government Deferred Compensation Administrators
National Association of Government Employees
National Association of Police Organizations
National Association of State Retirement Administrators
National Conference of State Legislatures
National Education Association
National Conference on Public Employee Retirement Systems
National Council on Teacher Retirement
National League of Cities
National Public Employer Labor Relations Association
Service Employees International Union
United States Conference of Mayors**

January 11, 1998

The Honorable Bill Archer
Chairman, House Committee on Ways and Means
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Chairman:

On behalf of state and local governments, public employee unions, and millions of public employees, retirees, and beneficiaries, the national public organizations listed above are writing to strongly oppose any effort to impose mandatory Social Security coverage on State and local workers. The sharp payroll cost inherent in mandatory Social Security coverage will have a devastating fiscal impact on the numerous State and local governments that do not participate in Social Security spread across virtually every state.

These State and local governments have only two responses available when confronted by such a heavy cost burden coming from the Federal government -- raising taxes or cutting spending on other essential government services. Ironically, these fiscal demands will have an enormous

impact on services such as elementary and secondary education and public safety, at a time when political leaders at all levels in this country are looking to improve such services.

It is important to remember that at the time Social Security was established, State and local governments and their workers were barred from participating in the program. State and local governments designed their own retirement plans in reliance on that exclusion, and benefits were structured and funded on that basis.

At the end of the day, all the Federal government would reap from the State and local government turmoil that would be caused by this proposal would be short-term additional cash flow to pay current beneficiaries. In the long-run, however, covering these additional employees would only impose additional liabilities on the Social Security system and ultimately would result in increasing the expenditures that must be paid out of the program.

We are a diverse group representing public interests. We strongly urge the Congress and the Administration to look beyond short-term Federal revenue needs and to consider the severe cost and dislocation that would be imposed on State and local governments, their taxpayers, their millions of workers, and their retirement systems. We look forward to working with you further on this issue of crucial importance.

Sincerely,

American Federation of State, County And Municipal Employees (AFSCME 202/429-1188)
American Federation of Teachers (AFT 202/879-4582)
Fraternal Order of Police (FOP 202/547-8189)
International Association of Fire Fighters (IAFF 202/737-8484)
International Brotherhood of Police Officers (IBPO 703/519-0300)
International City/County Management Association (ICMA 202/289-4262)
International Personnel Management Association (IPMA 703/549-7100)
International Union of Police Associations (IUPA 703/549-7473)
League of California Cities (LCC 202/833-0007)
National Association of Counties (NACo 202/393-6226)
National Association of Government Deferred Compensation Administrators (NAGDCA 703/683-2573)
National Association of Government Employees (NAGE 703/519-0300)
National Association of Police Organizations (NAPO 202/842-4420)
National Association of State Retirement Administrators (NASRA 202/624-1417)
National Conference of State Legislatures (NCSL 202/624-8670)
National Education Association (NEA 202/822-7324)
National Conference on Public Employee Retirement Systems (NCPERS 202/429-2230)
National Council on Teacher Retirement (NCTR 703/243-3494)
National League of Cities (NLC 202/626-3020)
National Public Employer Labor Relations Association (NPELRA 202/296-2230)
Service Employees International Union (SEIU 202/898-3413)
United States Conference of Mayors (USCM 202/861-6709)
