Best Practices

H A N D B O O K

for Gubernatorial Candidates

How to Use Issues to Help You Win in 2003

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Introduction

You have in your hands a Democratic Governors' Association Best Practices Handbook. This handbook provides you with "best practices" in two senses:

- It illustrates possible positions your campaign can take on the leading issues facing gubernatorial candidates this year with "best practices" successfully implemented by incumbent Democratic Governors across the country. Of course, we couldn't possibly include every good idea and successful program of every Democratic Governor – but by building off this sampling of successful examples from current Democratic Governors, you will not only directly strengthen your own campaign's message: You will also strengthen the "Democratic Governor" **brand** and underscore the national message that "It Makes A Difference" when states elect Democratic Governors – indirectly benefiting not just your campaign but those of Democratic gubernatorial campaigns across the country. And more Democratic Governors everywhere will help you as a future governor to govern better and exert a stronger voice for your state nationally.

- It also suggests "best practices" in the use of policies and issues in the campaign context – from assembling your issues operation, to assigning issues their proper place in your strategic and tactical arsenal, to choosing the best means and forums for presenting your positions. The authors, **Public Works'** Campaign Policy Group, have provided policy and issues assistance to nearly three dozen Democratic gubernatorial campaigns in the last three election cycles – about a dozen in conjunction with DGA – including current Democratic Governors Gray Davis (CA), Ruth Ann Minner (DE), Roy Barnes (GA), and Bob Wise (WV). DGA, of course, has been providing technical assistance to successful Democratic candidates for decades. Our combined expertise allows us to provide your campaign with a fairly definitive – if brief – look at not just possible issue positions in response to the challenges awaiting you as governor, but also ways to formulate and utilize the positions to maximum effect in your campaign.

This handbook consists of five chapters:

- **Chapter I** frames the issues facing state-level campaigns nationwide – and suggests some particularly novel or different ways to address them, for the campaign looking to launch a "signature" or potential "breakthrough" proposal.

- **Chapters II-IV** address the three issues DGA has identified as the leading issues in this year's campaigns:
  - **Economic development.**
  - **Health care.**
  - **Education.**

  We briefly summarize the major aspects of these broad areas, discuss the main choices you face in deciding where to position yourself on these issues – and then offer a variety of successful solutions from Democratic Governors around the country.

- Finally, **Chapter V** offers guidance on establishing an issues infrastructure – and then making the most of it.

We hope this handbook gives you everything you need on the policy front to run a successful campaign for governor – but, inevitably, it can't. That's why they invented telephones and the Internet:

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We'll be happy to tell you where you can get additional help with your campaign issues operation, or answer any questions about policies and best practices presented in this Handbook.

Chapter I: Overview

A. ISSUES OVERVIEWS

As of January 2003, a majority of Americans again live under state governments headed by Democratic governors.

There is a reason for this. As executives, governors cannot hide from responsibility. Voters expect them to deliver real results on the issues of most immediate and lasting concern to them – the economy and jobs; the variety of health care issues from drug prices to insurance costs to skyrocketing long-term care that more than anything else today challenge family budgets; and their children's educations, which Americans increasingly recognize as the *sine qua non* of their families' economic futures. And working, in most cases, with Republican control of one or both legislative chambers, governors must produce these results through a process of political compromise.

The result is that Democratic governors have proposed, pushed through, and implemented policies that succeed in both the practical and political sense. Very broadly speaking, these result-oriented policies paint a picture of an American Agenda that stands in stark contrast to the inaction and reaction offered by Republicans in Washington.

- An economic program of tax reductions aimed at working families and middleclass Americans within a framework of a more progressive and fair tax system, short-term stimulus based on investment in needed "public goods" and business tax incentives that truly serve as incentives for economic growth and job-creation rather than simply giveaways to special interest.

- Approaches to health care costs that use governmental as an intelligent and effective aggregator of consumer clout to lower the costs of prescription drug s, health coverage, and long-term care at little or no cost to taxpayers – and, in fact, along with intelligent investments in the American public's health and well-being, potentially *lowering* the costs of ensuring adequate health for all Americans.

- A commitment to reinvigorating, rather than abandoning, American public education by combining a demand for results with needed public investment in schools and their most important ingredient – teachers – while ensuring that our country remains a place where all children can go as far as their abilities, and not just family wealth, can take them.

This document, then, provides a sampling of the most successful, comprehensive – and, hopefully, most nationally relevant – policy ideas that have emerged from the states in recent years under Democratic governors in economic development, health, and education.

Economic Development

Success in this economy requires a complex host of inter-related factors: education (from early childhood to university research), child care, lifelong learning, recreational opportunities to attract international visitors, "smart growth" development planning, entrepreneurial culture, and information technology infrastructure. In short, states can succeed in this economy if *and only if* they have a coherent strategy for fostering success for a highly mobile citizenry that needs skills, knowledge, information, and control over benefits and wealth-building assets.

States have long followed a traditional approach to economic development that relied heavily on the idea of attracting and retaining businesses essentially by competing on cost – providing tax incentives, reductions in regulatory constraints, and reductions in other government-maintained overhead costs such as unemployment compensation or workers compensation. There is, however, an emerging consensus around a new sort of economic development strategy that acknowledges that, like businesses, states can compete not just on *cost* but also on *quality* – that rather than just bargain-basements, higher-value (and thus higher-margin) “brands” can be built through investment. The investments states can pursue successfully to attract new and better jobs including human capital not just through education but through adult job training and retraining programs; infrastructure, both in transportation and information technology; and quality of life.

States can also help on the *cost* side, of course. They can reduce needless regulatory costs, and they can cut taxes. These can be done without gutting other important goals, however, like protecting workers, consumers, and the environment, and preserving adequate funding for needed public services – including those necessary to foster economic growth. And here it certainly makes a difference to elect Democratic governors, who have put in place tax cuts that lessen the burden on businesses in ways that are truly tied to job creation, and on families who need and deserve relief the most.

Health Care

Health care has been a major factor in elections for the last decade. Health policy issues center on the affordability of insurance, the quality of treatment insured families receive, and the special medical needs of children, women and seniors. Some states have foregone the opportunity to expand coverage to low- and moderate-income children and families – but not Democratic Governors, who have expanded access to public programs for families under a wider range of conditions, offered more extensive benefits, and allowed moderate-income families (whose incomes otherwise are too high to qualify) to buy into these programs at low premiums. A number of Democratic Governors have also instituted special programs to expand health options for women, especially in the area of protections against cancer.

Problems with HMOs and managed care have emerged as a major issue in recent years. Republicans have blocked patients’ rights legislation in Washington – Democratic Governors across the country, in contrast, have successfully pushed for and implemented such safeguards. Seniors face fast-growing health care costs in two areas: Prescription drugs can be unaffordable to those who need them most, the elderly; while Republicans in Washington have blocked a Medicare prescription drug benefit, Democratic Governors in the states have instituted drug buying cooperatives and funded pharmaceutical assistance programs. Long-term care costs also threaten many family budgets; several Democratic Governors have produced novel solutions, including tax incentives and expanded use of home- and community-based care in place of institutionalization.

In the current state fiscal climate, cost cutting is particularly important. As in the economic development area, it makes a difference to have Democratic Governors, who understand that cuts can be made intelligently so as to maintain needed health care in a state and improve the efficiency of health services rather than simply to reduce coverage for families and children in need. In fact, intelligent investments in health care and wellness can save states money *and* promote their citizens' well being.

Education

Education is one of America's top concerns, and despite our history of local control there is much that Governors can do to improve education at all levels. This starts in early childhood, where Democratic Governors developed signature programs to ensure that every child enters school "ready to learn." One of the most important issues for K-12 education is attracting and retaining high-quality teachers. Democratic Governors have devised a variety of programs to raise teacher compensation, improve and reward teacher preparation, and implement innovative incentives for our best minds to enter and remain in the classroom.

High standards must also be defined and set for schools. And the role of parents cannot be overlooked: Democratic Governors have created programs that increase parental involvement in children's education – and that provide parents a range of public school choices. Students need not only high educational content but safe environments in which to learn – and our Governors have implemented a number of measures to improve school safety, from background checks to character education. And finally, in today's economy, more and more Americans will need at least some education beyond high school; Democratic Governors have led the way in providing financial assistance programs to ensure that every student can go as far as his or her ability will allow.

B. BEYOND THE PROVEN SUCCESSES

The main thrust of this handbook is how you can put proven, successful ideas to work. The remainder of the book provides a wide range of best practices from Democratic Governors across the country. But every now and then you might want to venture beyond the proven successes into original territory that helps establish your *own* "brand." What follows are a few of our favorite suggestions – ideas that grow out of state, local or academic experiences and experiments in a range of forums across the country. We list them here to encourage you to push the envelope – and create the new ideas that will fill the *next* compendium of programs by successful Democratic Administrations, like your own.

Total Government Review

A performance review is an evaluation that challenges the purpose, operations and policies of government. The review can be applied to an entire government, a single agency or a program involving multiple agencies. A performance review focuses not only on *cost* savings, but also on the efficiency and effectiveness of operations and service delivery – qualities that can't always be measured in dollars. A successful review identifies ways to work *better* as well as more cheaply – and because of that usually identifies more and better ways to save money than a simple search for cost-cutting.

Revenue Maximization

One of the simplest and most productive strategies a state can undertake is to examine how it could maximize the receipt of federal revenues to which it is entitled. The federal government provides hundreds of millions of dollars in reimbursements that states can receive and/or recover from "uncapped" federal funding programs such as Title IV-A (previously AFDC, now TANF), Title IV-E/Foster Care and Adoption Assistance,

and Title XIX/Medicaid. Often, a state is not taking full advantage of available federal funds – predominately, from failing to *report* or categorize such expenditures properly so as to receive the federal match.

Capitalizing on Unrealized Assets

Under "tax-advantaged leasing," a governmental unit can earn an upfront cash benefit for transferring tax ownership (although not "actual" ownership) of an asset to a taxpayer who can then take advantage of the benefits of tax ownership, i.e., depreciation. This basically would allow the state to receive a cash-out of the tax depreciation on its physical assets – most notably highways, bridges, and other expensive infrastructure – that it otherwise could never capitalize. The immediate cash infusion could be enormous.

The WiFi Revolution – Bridging the 'Last Mile' and Beyond

Wi-fi, or 802.11g, is quickly becoming the standard in wireless networking. And businesses, airports, and hotels are readily adopting this new technology in order to provide top service to the business and leisure traveler. In fact, the nation's fastest growing chain, Starbucks, just recently rolled out a high-speed wireless Internet service and students in Georgia crated a WiFi "cloud" that spans six-blocks, serving local businesses as well as the student population**.** Customers are able to surf the web, download email, or chat on-line at blazing speeds on the Internet -- all without the use of phone jacks. You can replicate this service in public areas around our cities and business districts. However, rather than some expensive internet or phone company, the state will act as the host. By doing so you can bulk purchase the time from a carrier (t-mobile, AT&T, Verizon, Sprint for example or even some new non-profit ventures) and make it available to customers. Tying into important civic services like Fire Departments, Police Stations, or even farmers where the rural landscape creates a costly venture for providing the last mile of broadband, your government will not only improve vital services but also create a networked village that attracts businesses, young professionals, and students. People can purchase access to the network directly from their state or local government, helping pay for the service and produce extra revenue – all for less than they would pay for monthly internet access. By working with local businesses and buildings you can distribute the costs of developing the network –

along with the benefits of a networked community, longer visits by consumers at area businesses and higher productions by farmers.

State Employee Health Plan "Buy-Ins"

The cost of employee health benefits imposes a significant burden on many businesses – especially small businesses. State governments could harness the market power of their public employee health plans by opening them up to the public as well, allowing employers to purchase the same health coverage available to State employees. This would have several positive effects for small businesses and their employees. The cost to small businesses of providing health insurance to their workers should drop, encouraging more small businesses to establish or maintain health coverage for their employees. This is because the buying power of the pool would increase, giving the State government and small businesses still greater leverage in negotiating rates.

Improve Nursing Home Quality

Even with a strong system of supports, training and resources to enable the elderly to remain at home for longer periods of time, many older families will live in a nursing home at some point in their later years. Improving the quality of nursing homes will insure that seniors will not relinquish the dignity and quality of care that they have at home, and enable their children and families to feel secure in the care that is being provided. Improving nursing home quality will require collaboration and innovation. There are a number of efforts that we will pursue to foster the continuous improvement of nursing care in long-term care facilities. Among these strategies are:

- Creating a "Gold Seal" certification program under a multi-disciplinary group of professionals and practitioners that would identify excellent standards of practice for nursing homes to meet. Facilities that meet these standards will be awarded a Gold Seal certificate that would inform the public of their high standard of care.

- Developing "Teaching Nursing Homes" through partnerships between local nursing home facilities and BSN and MSN schools of nursing throughout your state, which would provide advanced practice nurse consultants and students to work with Directors of Nursing at nursing homes to foster enhanced levels of care.

- Forming provider partnerships jointly to hire and share the expertise of a consulting Advanced Practice Nurse in gerontological nursing, to provide clinical supervisory expertise to Directors of Nursing and other supervisory nurses.

- Forming a public/private partnership to fund supervisory and management training programs for RNs and LPNs in long term care facilities. We will offer these programs onsite and also use tele-health conferencing to reach as many nurses as possible.

"X-Centers" in Math/Science/Engineering

The continuing growth of every state's new economy depends directly on increasing numbers of highly educated workers with sophisticated skills in mathematics, the sciences and engineering. Regional *Centers for Technology Excellence* – "X-Centers" – would strengthen middle and high school teaching statewide in math, science and technology, improve student achievement in math and science, and motivate more students to enter math, science, engineering and related careers by:

- Improving education and training in math, science and technological skills for college-level education students and existing teachers.
- Developing, demonstrating and evaluating innovative math and science curricula and teaching techniques for students in grades 6 through 12.
- Providing math and science enrichment programs for students in grades 6 through 12.
- Motivating students to pursue math and science careers through school-based outreach and career counseling programs.

Income-Contingent College Scholarship Repayment

We can effectively eliminate tuition as a barrier to college access by adapting a little-known option available to states under federal law: The Income Contingent Repayment Plan. This plan bases monthly payments on the borrower's income and the total amount borrowed. As the borrower's income rises or falls each year, monthly payments can be adjusted accordingly. Borrowers have up to 25 years to repay; after 25 years, any unpaid amount is discharged, but borrowers must pay taxes on the amount discharged. In fact, a state could go even further: Upfront tuition could be abolished for all students and replaced with such a career repayment system (the transition costs of such a change would be high). Either way, people would pay for their college education after the fact, when they're working, not when they're struggling poor or middle-class students.

Use Community Colleges to Provide Custom-Tailored Training

Under former Democratic Governor Jim Hunt, North Carolina has successfully used its community college system to encourage young and old workers alike to pursue education beyond high school without requiring the time and expense of a four-year college degree. North Carolina has turned its community colleges into a system that custom trains and retrains workers in the specific skills that a company needs — at little or no cost to the company, and at the low cost of less than $1,000-a-year for a full-time student. As a result, Guilford County, North Carolina, has seen non-agricultural employment double in the last decade — and per-capita income quintuple.

Fund Schools First

Education should be state government’s top priority. In most states, it is one of the few services constitutionally mandated. But in recent years many states have been bearing a declining share of education costs; many states have dedicated revenue sources for education – which voters generally believe legislators undercut by simply transferring elsewhere the other funding that used to be provided to education. States could constitutionally require the Governor to propose – and the legislature to enact – a spending blueprint that fully funds education *before* the legislature adopts a budget and spend money on other state government activities. Only after there is a state education budget that the comptroller or auditor can certify *fully funds K-12 educational needs* would the legislature be empowered to consider spending in any other area.

Revive the Social Compact to Improve Education

It’s not just government’s – and the taxpayers’ – obligation to make schools better. It’s also the obligation of parents and businesses throughout our state. There’s a simple way to revive the social compact that says that everyone has not only rights but also responsibilities – and those responsibilities include caring about our kids. States could expand on the Family and Medical Leave Act to require that employers provide employees up to 24 hours of unpaid leave per year to participate in school activities directly related to their child’s educational advancement, and accompany their children and elderly relatives to routine medical and dental visits. If we recognize this obligation of employers as part of the “social contract,” we can also ask parents who want to take advantage of these benefits to meet specific obligations. In particular, we can and should expect parents taking advantage of this expansion of Family and Medical Leave to attend a parent-teacher conference at least once per school year, assist their children with their homework an average of four hours a week, and keep their children current on all vaccinations and regular health check-ups.

School-Based Management

The most common criticism of the management of public high schools in this country is that they are top-heavy with management and largely use a top-down style that ignores the expertise of the teachers working in the classrooms. Increasingly school-based (or "site-based") management is being touted as the means to improving school performance. This trend parallels many of the management changes of corporate America. Just as in business, schools are learning that the people who work on the frontlines of jobs have a great deal to contribute to the management and leadership of schools. In the case of schools, teachers, parents and taxpayers all have a role to play in the management. At least five states mandate some form of more inclusive decision-making at every school and urban school systems in Chicago, Miami, Los Angeles, San Diego, and Rochester (NY) have all moved toward school-based management.

Charter Districts

Instead of seeking to establish a separate class of schools that succeed outside the public school system, why aren't we working to make the school system *itself* embody the models of success? *Every* school should be a "charter" school: small, subject to competitive "consumer" pressures, promoting parental control and school-based management and accountability. But – and this is crucial – it would not be simply a private-market school "system," but a true *public* school *system* protecting the values that have made America a leader of democracy and intellectual advance. Educational groups of administrators and teachers would offer themselves as a package to parents enrolling their kids at a given school; if the team is succeeding, parents will keep them, and if not they will be dismissed. Parents must have the ultimate say on overall school functioning and choice of the management "team." The centralized school administration, however, would be responsible for ensuring both a diversity of offerings *and* a minimum number of "general education" schools offering standard curricula at both the college-prep and GED levels. The state would also set measurable "output standards" for schools – not specifying and regulating "inputs," as state bureaucrats and central administrators do now – but not abandoning all standard-setting and regulation, as under many charter schools law.

Crisis Response Box

Recent tragedies on school campuses in Mount Morris Township, Michigan; Littleton, Colorado; and Conyers, Georgia raise serious concerns about school safety. School and law enforcement officials involved in these tragedies reinforce one resounding message: It can happen to you. The **Crisis Response Box** is a guide to assist schools in crisis prevention planning. A strong crisis response strategy is designed to contain a crisis and thereby reduce the risk of violence or trauma to students and school personnel. "The box" is developed to help schools, local law enforcement and emergency services personnel prepare for a school emergency. The Crisis Response Box is an invaluable resource if a critical incident ever arises at your school. It walks you through the steps necessary to assemble a school emergency response plan adapted for your school and community before an event occurs. School and law enforcement officials involved in most of the recent major school shooting incidents across the nation helped design this tool based on the lessons they learned. It includes what they wished they had had at their fingertips when crisis hit their schools. With this powerful tool, you will have at hand the information you need if an emergency strikes – for maximum protection of students and staff and a swift recovery of the entire school community. Comprehensive school crisis prevention planning includes assembling the box, coordinating with all those who will be involved if a crisis occurs, conducting practice drills and identifying security needs. The box, therefore, is designed to be both a process and a result. It consists of bringing together school officials, law enforcement officers and emergency services personnel in the collaborative process required to meet your school's disaster planning needs. And, it will result in a tangible aid to gaining control of any school critical incident.

Protect Children from Internet Stalkers

Make Internet Sex Crimes Against Children a Crime. Support the introduction of a law to make sex crimes against children that involve the Internet a specific crime. California, Illinois, and North Carolina have similar laws that codify that a person with knowledge that a person is a minor, knowingly distributes, sends, causes to be sent, exhibits, or offers to distribute or exhibit by electronic mail, the Internet, or a commercial online service any harmful matter to a minor—with the intent of arousing, appealing to, or gratifying the lust or passions or sexual desires of that person or of a minor, and with the intent, or for the purpose of seducing a minor—is guilty of a public offense and shall be punished by imprisonment in the state prison or in a county jail.

Helping Schools and Libraries Protect Children On-Line

By creating and managing an Internet-Action Mobilization program called **I-AM Informed**, your state can provide information so that at least one educator in every school and at least one library official in every public library can be trained on the methods and technologies to block predators from access to our children. The state would provide all participating organizations with written information on the do's and don'ts of Internet safety that they can distribute to all parents and students as well as educators and librarians. The state would also take the battle against Internet predators to the front lines, arming educators, parents, and children so they can fight back. All participating schools and libraries would receive special recognition from the Governor's Office as an Internet safety school, and could receive a small grant to aid in their local efforts.

Chapter II: Economic Development

A. OVERVIEW

Economic development used to seem pretty simple: offer lower taxes and less government to attract businesses to move to or expand in your state. While Republicans still stick largely to that mantra – and Democrats must be able to show their sensitivity to business costs – success in today's economy depends upon a complex host of inter-related factors:

- Education, from early childhood to university research to lifelong learning and job re-training.
- Access to childcare.
- Affordable health insurance.
- High quality of life.
- An entrepreneurial climate including venture and start-up capital.
- The infrastructure to connect – physically and virtually – with the rest of the world.

In short, states can succeed in this economy if *and only if* they have a coherent strategy for investing in skills, knowledge, information, and other wealth-building assets.

Nations, states and communities, like businesses today, have a choice of two paths along which to compete: They can compete along the path of lower cost. Or they can compete along the path of higher quality.

Traditional economic development strategies are essentially lowest-cost approaches: We'll lower our labor rates. We'll reduce protections and benefits for workers. We'll make our natural resources cheaper and easier to exploit and degrade. And we'll lower taxes for businesses, meaning that we won't require them to invest in building up our human capital or our physical infrastructure.

Ultimately, these low-cost strategies are limited: They leave states, in the long run, with lower wages, a less-skilled workforce, a less developed infrastructure, and a lower overall quality of life.

In short, America can't succeed in the long run with low-cost, low-wage strategies — and we shouldn't want to. We should choose instead to create, attract and maintain high-wage, high-quality jobs. Pursuing a high-wage, high-value strategy means the same thing for states and communities that it means for businesses: It means adding value to the production processes — through higher knowledge or skills, higher quality, better marketing, or successful exploitation of a "niche" or competitive advantage. That requires greater innovation, flexibility, workforce involvement, and commitment to investment. It means producing easily accessible capital to fuel the small businesses that are the engines of growth in the new economy; cutting-edge infrastructure and systems providing high mobility to people, goods, and information; and high-quality environments for living and working. Those are the characteristics of the most successful firms in the new world economy — and they are the characteristics of the most successful nations. They must become the characteristics of successful state economies, as well.

The high-value path requires investment. Democratic Governors have been leading America in that direction.

B. RESPONSIBLE TAX CUTTING

1. The Right Way to Provide Business Incentives

More and more, states are linking tax incentives to required job creation or making them available only to industries that the state needs. In particular, states are increasingly targeting financial inducements to new and developing industries.

Governor Ronnie Musgrove of Mississippi used targeted tax incentives to help bring in and create thousands of new jobs. He used a one-two punch consisting of “Advantage Mississippi” and “Quality Jobs” programs that helped usher in major corporations like Nissan. The programs combine refined incentives to meet the needs of new and existing business and industry coupled with community investments to strengthen the local area.

- The **Advantage Mississippi Program** expands on an existing job-creation credit program to categories related to data, computing, software and other tech-related jobs. The tax credit goes to companies who grow their workforce by at least 10 positions per year. Jobs tax credits include:

    - $1000 for each new job that pays at least 125% of the average annual state wage rate.
    - $2000 for new jobs paying at least 200% of the average annual state wage rate.
    - $1000 for new jobs in R&D.
    - $500 for any full-time net new employee or for establishing or transferring a regional or national headquarters to Mississippi.
    - 50% for certain basic skills training.
    - A special “closing fund” to make the difference in the location of projects meeting certain criteria.
    - Tax-free zones for up to 10 years (not including school taxes) to encourage development in specific counties.

- The **Quality Jobs Program** provides incentives to businesses in qualifying industries (non-retail only) at the discretion of the state for planned job creation. It comes in the form of quarterly incentive payments that are tied in amount to the individual income tax withholdings on the wages created by the project. In general, the payments equal up to 4% of payroll related to the job creation, but not exceeding the actual withholding taxes paid on that payroll. They are paid for up to ten years. Minimum wage rates, health insurance benefits and minimum total job creation are required.

    In addition to the Quality Jobs Program, there will be certain areas called "growth and prosperity counties", and "supervisors’ districts". In these areas, state and local taxes may be exempted for relocating and expanding business at the discretion of the state. Other economic development programs created by this act include a mechanism for infrastructure funding, a fund for economic development grants, and a "fee-in-lieu" of franchise tax arrangement that may be granted for extremely large projects.

Also, certain areas will be eligible to grant state and local tax exemptions to relocating or expanding business enterprises. Further, there are mechanisms put into place to fund economic development grants, to provide infrastructure funding, and to provide a "fee-in-lieu" of franchise tax option for large projects.

- Governor Mike Easley in North Carolina has targeted jobs rather than corporate giveaways with a job-development investment grant program that will enable the state to compete more aggressively in industrial-recruitment projects that otherwise would not consider North Carolina. The program authorizes up to 15 job development grants annually to strategically important new and expanding businesses and industrial projects, and targets the grants only to projects whose benefits exceed their costs to the state. Annual grant amounts will be capped at $10 million, and the legislation sunsets in two years.

  Under the program, grants will be negotiated and awarded by a newly created Economic Investment Committee, comprised of the state secretaries of Commerce and Revenue, the director of the Office of State Budget & Management, and two at-large appointees, one of each selected from the general public by the speaker of the state House of Representatives and the president pro tempore of the state Senate. Grants to companies would be funded by up to 75 percent of employee withholding taxes for new jobs at a new or expanded facility, making the program essentially self-funding. Grants may be made available for up to 12 years at the discretion of the committee. Twenty-five percent of grants to companies in more developed counties will help fund an existing state fund for rural infrastructure improvements.

2. Tax Breaks for Individuals and Families

While times are tough and almost all states are looking for revenue to help balance the books, many Governors are searching for ways to provide tax relief to their citizens. Unlike national Republicans who believe that tax cuts in tough times should go to those who make the most, Democratic Governors are finding imaginative ways to cushion the effects of the current downturn by aiding middle class and needy Americans. While not directly transferable to the federal level in all cases, these proposals lay out a framework for real and meaningful tax relief for American families in stark contrast to the program of the Republicans in Congress and the Bush Administration:

- Indiana Governor Frank O'Bannon's 21st Century Tax Plan would move the state's fiscal base to a more modern reliance on the state's existing sales and income taxes, by cutting the state property tax by 20 percent.

- To keep young people in Iowa, Governor Tom Vilsack wants to offer college graduates a tax credit against their income to pay for college tuition.

- North Carolina Governor Mike Easley's budget included a tax relief package that eliminated the marriage penalty, and increased a child income tax credit. Easley also signed into law a bill giving North Carolina's senior citizens and disabled persons with low incomes more relief on their property tax bills starting in 2002. The law exempts senior citizens and the disabled from property taxation on 50 percent of the appraised value of a residence owned by an elderly or disabled person whose annual income did not exceed $18,000.

- West Virginia Governor Bob Wise has proposed a new Economic Opportunity Credit. Businesses that create a minimum number of new jobs would be eligible for a tax credit based upon qualified investment associated with those new jobs. Eligible businesses would include those engaged in the activities of manufacturing, information processing, warehousing, goods distribution exclusive of retail trade, destination tourism, and research and development. In addition, any business that relocates its corporate headquarters to West Virginia and creates a minimum number of new jobs could be eligible for the economic opportunity credit. If an eligible business creates at least 15 new jobs in a distressed county within three years, it is allowed a 20 percent tax credit for its investment. The credit rises to 25 percent for more than 140 new jobs and to 30 percent if the number of new jobs exceeds 260.

C. HELPING FAMILIES AND COMMUNITIES RECOVER

The continuing Bush recession is forcing governors to provide not just a temporary boost but also long-term focus much like that when a natural disaster occurs – where "rebuilding" is the operative word. One of our nation's newest Governors, Mark Warner of Virginia, has tackled this situation with creativity and zeal.

- Within his first year, Governor Mark Warner of Virginia established the **Economic Crisis Strike Force** (Strike Force).

  Designed to react to a sudden series of economic events that negatively impact a community, the Strike Force utilizes the vast resources of state government to take a global approach to assisting distressed areas. For example, economic crises such as the closure of textile plants in Martinsville and Henry County or the temporary closure of National Airport all received Strike Force assistance.

  In one town that lost over 800 workers to plant closings, the governor, through the Strike Force, opened a Coordinated Economic Relief Center to assist those who had lost jobs. The center will provide a convenient and effective single point of entry to services, jobs and other important resources. Laid-off workers receive assistance in searching for jobs, filing unemployment insurance claims and pursuing retraining opportunities. The center will also provide laid-off workers and their families with financial assistance in paying emergency medical bills and health insurance, and in receiving food stamps.

  In addition, the Strike Force partners with local private and non-profit organizations, churches, and mission-oriented organizations to help meet the needs of the families that have been affected. The ongoing purpose of the Strike

Force, Chaired by the Secretary of Commerce and Trade, is to serve as an on-call working group to respond as needed to economic disasters in Virginia communities by:

- Immediately providing a single point of contact for citizens in affected communities to assist with accessing available government and private sector services and resources.
- Assisting localities in developing short-range and long-term strategies for addressing the economic crisis.

D. INVESTING IN HUMAN CAPITAL

With up to a third of all jobs in flux every year, states must invest in helping workers learn new skills and remain adaptable throughout their work lives. In the words of Nobel Laureate economist Douglas North, states need to engage in "adaptive efficiency" – the ability to innovate, continuously learn, and productively change. The most effective way for a state to engage in adaptive efficiency is to create a flexible, mobile, developing workforce that not only moves with the churn of the New Economy, but leads it.

Democratic Governors have already begun to embrace this new paradigm and are leading the way in innovative programs that foster workforce-centered job creation:

- Indiana Governor Frank O'Bannon created the **"Advance Indiana**" program to train incumbent workers. Since July 1999, more than 200 companies throughout the state have been awarded $9,824,685 in training grants through the Advance Indiana program. The previous grants are helping more than 10,000 Hoosiers get the training they need to keep up with advances in the workplace. The Advance Indiana program has four principle component programs:

  1. **Gain Education and Training** is targeted to Indiana businesses and organizations that develop innovative training programs to train workers who are currently employed. Grant funds must be used to develop employee transferable skills which are skills that enhance an employee's general knowledge, employability and flexibility in the workplace. Employees of or represented by an eligible applicant must document achievable outcomes. Companies must estimate how many Associate Degrees, GEDs, CTAs or other certifications will be achieved. Total number of employees to be trained must reflect the number of individuals to be trained, and not the number of training sessions to be attended. Time on-the-clock training is encouraged as a share of matching funds. An eligible applicant cannot receive more that $500,000 in state training funds during a two-year period. Grant eligibility will be for a two-year period with the maximum allocation of $200,000 for that period. The money may only be used for training and covers no administrative costs. Eligible activities will be limited to training and associated costs including, but not limited to: wages for company trainers; wages for company training coordinators; Indiana public and/or private school tuition; training seminars; training manuals; audio /visual materials; software; short-term rent of training equipment.

2. **Workforce Investment Now** is targeted to companies where there are recognized risk factors such as non-seasonal layoffs, reduction in productivity or quality or loss of a product line. Grant funds must be used to develop employee transferable skills; which are skills that enhance an employee's general knowledge, employability and flexibility in the workplace. Employees of or represented by an eligible applicant must document achievable outcomes. Companies must estimate how many Associate Degrees, GEDs, CTAs or other certifications will be achieved. Total number of employees to be trained must reflect the number of individuals to be trained, and not the number of training sessions to be attended. Time on-the-clock training is encouraged as a share of matching funds. Eligible applicants cannot receive more that $500,000 in state training funds during a two-year period. Grant eligibility is for a two-year period with the maximum allocation of $100,000 for that period. The grant recipient must provide at least $1.00 cash or in-kind match for each grant dollar received. The money may only be used for training and covers no administrative costs. Eligible activities are limited to training and associated costs including, but not limited to: wages for company trainers; wages for company training coordinators; Indiana public and/or private school tuition; training seminars; training manuals; audio /visual materials; software; short-term rent of training equipment.

3. **Skilled Trades Apprenticeship** grants help ensure that Indiana manufacturers have the employees skilled in industrial trades needed to operate productively. Training participants must be members of a joint labor-management training committee. Training participants must be enrolled in courses approved by the Bureau of Apprenticeship and Training (BAT), a division of the US Department of Labor. Ivy Tech State College provides training for these apprenticeship programs. Allocation of these funds requires approval of the Indiana Unemployment Insurance Board. The Department of Workforce Development may provide financial assistance for tuition, materials and training equipment

4. **Regional Skill Alliance Training Network grants** assist consortiums of companies with similar training needs. These grants are available to Workforce Investment Boards on a competitive basis. **E**mployers must be willing to participate in a return on investment study that project wage increases that result from training. Other requirements include the development of tuition reimbursement initiatives or other activities that promote additional learning opportunities, attainment of recognized skill credentials for trainees and the support of union representatives for any unions that may be affected by the training.

In addition, the O’Bannon Administration recently unveiled a $1.25 billion comprehensive 10-year job-creation plan called **Energize Indiana**, which it will ask the legislature to approve in the 2003 session. Energize Indiana does not use a single dollar of state tax money, but will diversify Indiana’s economy with a focus on creating high-skill, high-wage jobs; sustain continuous improvement in K-12 classrooms; increase the number of Hoosiers enrolled in higher education; recruit and assess workers; help existing businesses expand; stimulate research and development by universities and the private sector; build research parks and laboratory capacity; encourage entrepreneurs with venture capital; develop rural communities; and extend unemployment benefits. In addition, the administration is asking the legislature to permanently set the tax credit for research and development at 10 percent (this is significant because the rate, now 10 percent, is due to revert to 5 percent after 2004), reduce the 30 percent floor on the business personal property tax, authorize a referendum on amending the state constitution to eliminate the requirement that inventory be taxed, and target Skills 2016 training funds to workers in the four industrial sectors.

To accomplish the set goals, Energize Indiana will make a series of targeted investments**:**

- **$360 million** in the new Indiana Growth Fund, which will be directed to the 21st Century Research and Technology Fund and to efforts to move ideas to the marketplace.
- **$40 million** to establish technology centers or parks.
- **$42 million** in rural development.
- **$75 million** in university research construction projects.
- **$200 million** in K-12 education.
- **$135 million** for scholarships for college students studying in four targeted industrial sectors: advanced manufacturing; life sciences; information technology; and 21st Century logistics.
- **$35 million** in the State Student Assistance Commission of Indiana
- **$50 million** in assessing skills of Hoosier workers and matching them with jobs
- **$60 million** to extend unemployment benefits
- **$50 million** to modernize and simplify the state's unemployment insurance system
- **$100 million** for "alternative" investments of pension funds
- **$100 million** in low-rate financing for public and private projects

Funding will come from a mix of securitizing tobacco settlement proceeds, tobacco settlement trust fund deposits, the federal economic stimulus package, Public Employee Retirement Fund and Teachers Retirement Fund alternative investments, and debt issued by the Indiana Port Commission.

The idea behind Energize Indiana is to build on Indiana's strengths. This includes world-class research universities and its central geographic location, and focuses on four industry sectors to which Indiana has a legitimate claim:

- Advanced manufacturing, such as automotive and electronics, aerospace technology, robotics, and engineering design technology.
- Life sciences such as orthopedics; medical devices, biomedical research and development, pharmaceutical manufacturing, agribusiness, and nanotechnology; molecular manufacturing.
- Information technology such as infomatics, certified network administration, software development, and fiber optics.
- 21st century logistics such as high-tech distribution, efficient, effective flow and storage of goods, services and information, and intermodal ports.

The most important reason the O'Bannon Administration is focusing on these sectors is to diversify the economy, making it more resilient in downturns. Life science industries, for example, tend to be non-cyclical and have high growth potential and high wages. In addition, Indiana's universities – both public and private – are known for their capabilities in advanced manufacturing, life sciences and information technology. Already, Indiana contains some of the country's leading contributors to the life sciences and advanced manufacturing, and thousands of Hoosiers find employment in information technology firms. As for 21st century logistics, Indiana *is* the crossroads of America. *Global Business* magazine recently called it "a logistics manager's dream come true."

The goal is for Indiana in the next 10 years to:

- Create 200,000 new high-wage, high-skill jobs in the four targeted sectors
- Enroll 200,000 additional students in higher education and credential programs
- Grow per capita income faster than the national average.

- Governor Ruth Ann Minner of Delaware supported several worker-training programs designed to help workers when the labor market cannot respond or when additional skills are necessary because of a particular business situation. The Delaware Economic Development Office helped to provide skill training, and even arranged training contracts with colleges, vocational schools, specialized training centers, and independent agencies that provide business, industrial, and service-related instruction. Governor Minner also helped to create the Blue Collar Training Fund. This fund was used to help Delaware businesses provide customized training programs to upgrade and/or retrain their employees (Current Employee Training), provide financial assistance to full or part-time employees (Workforce Development Grant) and to help the Office of State Personnel provide career ladder training for State employees (State Employees Job Training Program).

- Indiana Governor Frank O'Bannon created the "Advance Indiana" program to train incumbent workers. Since July 1999, more than 200 companies throughout the state have been awarded $9,824,685 in training grants through the Advance Indiana program. The previous grants are helping more than 10,000 Hoosiers get the training they need to keep up with advancements in the workplace. The Advance Indiana Program has four principle component programs:

  - Gain Education and Training is targeted to Indiana businesses and organizations that develop innovative training programs to train workers who are currently employed.
  - Workforce Investment Now is targeted to companies where there are recognized risk factors such as non-seasonal layoffs, reduction in productivity or quality or loss of a product line.
  - Skilled Trades Apprenticeship grants help ensure that Indiana manufacturers have the employees skilled in industrial trades needed to operate productively.
  - Regional Skill Alliance Training Network grants assist consortiums of companies with similar training needs. These grants are available to Workforce Investment Boards on a competitive basis.

- Governor Bob Wise recently proposed strengthening West Virginia's community college system and better define its role by stabilizing their budgets, limiting tuition increases and providing free or reduced community college tuition to people working to get off the welfare rolls. Governor Wise noted that West Virginia colleges must expand educational opportunities at nontraditional locations and even included the State Capitol as a potential classroom.

- In New Jersey, Governor James E. McGreevey has begun to **consolidate jobs programs under one agency.** All of the state's workforce development programs will be moved under a common administrative umbrella in the Department of Labor. New Jersey currently has a highly fragmented workforce development system. Several departments offer programs designed to prepare individuals for jobs, connect them with job opportunities and develop and improve their skills so that they can readily qualify for a new or better jobs. The programs are designed to train and educate workers with the job skills demanded in the workplace. They include apprenticeship programs, adult literacy and lifelong learning programs as well as basic skill programs for workers. This will improve the ability to develop a high-quality workforce and to focus resources on increasing worker skills in order to attract and support the kind of jobs that will keep New Jersey at the cutting edge of this economy.

- Washington Governor Gary Locke's WorkFirst welfare reform program is putting people to work and since January 1997, caseloads are down by nearly 40 percent. A recent study commissioned by the Legislature found that WorkFirst increased employment by 56 percent, increased average quarterly earnings by 48 percent, and decreased the likelihood of people returning to welfare by 21 percent. WorkFirst placed first in the nation in improving job placements and improving the success of people entering the workforce. The successes have saved taxpayers $200 million so far, and allowed Governor Locke to invest $60 million in the year 2000 to help families break the welfare cycle. The new expenditures will mean:

    - Parents will pay less toward their state-subsidized childcare costs. The co-payments are adjusted to gradually reflect the full cost of care as a family's income rises.
    - A campaign will be launched to make sure families who leave welfare are aware of benefits such as food stamps, childcare subsidies, and health insurance.
    - Expanded legal assistance and family planning services for more low-income families.
    - Childcare centers and homes that achieve certification for quality care will qualify for increased childcare subsidy rates.

E. INVESTING IN START-UPS

Start-ups and small businesses are the engines of the new economy. Venture capital and technology are their fuels. Democratic Governors have taken a variety of actions to help these new economy "drivers" move their state economies forward:

- Under Governor Paul Patton, Kentucky started the **Kentucky Investment Fund Act** (KIFA) to encourage investors in Kentucky to back Kentucky small businesses. Using tax incentives as its catalyst, KIFA provides 40% tax credits (up to 25% in any single year) to individuals and companies that invest in approved venture capital funds. Contributions must remain in the fund for at least five years, and approved funds must invest in Kentucky-based small businesses. Projects may range between $1 million and $10 million in total size.

  KIFA-tax credits off-set Kentucky's individual or corporate income tax or the Kentucky corporate license tax. The Commonwealth, through the Kentucky Economic Development Finance Authority (KEDFA), approves investment funds and fund managers. The criteria for certification include a business plan evaluation, investment strategy analysis, and past experience of the fund manager.

  The certified venture capital funds are required to make certain investments in the development of small businesses. To qualify as a small business under the act, the entity must have more than 50 percent of its assets, operations, and employees located in Kentucky; a net worth of less than $3 million; and 100 or fewer employees.

  Approved funds must invest in Kentucky-based small businesses. Total qualified investments made by an investment fund cannot exceed 25% of the cash contributions in the investment fund. Investors may take up to 25% of the credit in any single tax year and may carry forward credits for up to fifteen years.

- **Missouri Governor Bob Holden promotes entrepreneurs.** Working with the National Governors Association, the Kauffman Center for Entrepreneurial Leadership (based in Kansas City), and the National Commission on Entrepreneurship to conduct a policy academy, the Holden Administration is developing a strategic plan for encouraging and supporting an entrepreneurial culture. About a dozen economic development policy leaders from around the state appointed by the Governor participated in the academy and are working to implement and promote strategies that are identified. Holden also formed a Center for Entrepreneurship within the Department of Economic Development, which will provide a coordinated, statewide focus on this issue. The Center will focus on ways to help fast-growth companies led by entrepreneurs prosper in Missouri.

F. INVESTING IN INFRASTRUCTURE

1. Investing in Transportation Infrastructure

Infrastructure is where new technology and old-fashioned "getting around" come together. Connecting people to one another, to work, to shopping, to services, to recreation is one of the greatest challenges facing any public official. Technology has brought us many of opportunities not available before. From "clean car" technologies and quieter airplanes to intelligent transportation systems planning, we are now able to expand mobility with significantly less pollution and noise while improving the efficiency of transportation facilities. And by emphasizing market incentives, public-private partnerships, and user fees to ease congestion and expand transport facilities, states can bring a new, market-driven approach to infrastructure issues.

- Washington Governor Gary Locke recently signed into law landmark legislation that puts into statute transportation efficiencies and reforms recommended by the state's Blue Ribbon Commission on Transportation:

  - Reducing engineering/construction cost ratio. WSDOT's preliminary engineering and construction engineering costs have recently been reduced from 26% to 20% of overall ('hard') construction costs.
  - Using right-of-way "banking."
  - Continuing to assess prevailing wage survey techniques.
  - Providing incentives to encourage efficiencies.
  - Having predictable revenue sources to fully fund projects, thereby eliminating starts and stops in design and construction, which result in delays and increased project costs.

- Missouri Governor Bob Holden advanced a multi-modal plan emphasizing accountability and encompassing all modes of transportation in both urban and rural areas.   His One Missouri Transportation Plan will be funded by a combination of gasoline taxes, state sales tax on automobiles, and an increase in registration fees.

2. Investing in High-Tech Infrastructure

The information super highway has quickly become as necessary to business and job growth as old-fashioned roads and highways. With more and more schools and libraries on-line, and the costs of computers coming down significantly, bridging the digital divide is becoming easier and happening at its own fairly rapid pace much like the television set did over 60 years ago. However, availability continues to be an issue. In many parts of the country, especially the most rural and urban areas, Internet technologies are not brought in because costs are too high and use too low. Democratic Governors are closing that gap:

- Governor Davis has proposed aggressive expansion of the state's electronic government programs, including redesigning the state's web page and enhanced electronic mail system. In particular, Governor Davis allocated $2.45 million for government-to-business systems such as online professional licensing, online competitive bid processing, e-procurement expansion to benefit small business and access multiple departments involved in procurement, environmental regulation of business; and interactive employer/employee job posting and recruitment. Davis proposed another $1.5 million to replace and upgrade equipment and wiring and to provide contingency capabilities and disaster recovery, and $1.2 million for government-to-citizens systems, including online domestic employer tax filing, Department of Motor Vehicle online services to include change of address, duplicate licenses, appointments and vanity plates, and state permits.

- Mississippi Governor Ronnie Musgrove initiated The Governor's Task Force for Classroom Technology – a time-limited commission with the sole purpose of accomplishing the Governor's goal of placing an Internet-accessible computer in every public elementary and secondary classroom in Mississippi by the end of 2002. Governor Musgrove and his Classroom Technology Task Force are seeking vendors willing and able to partner with the state to strengthen Mississippi's educational system. The State is requesting that vendors offer aggressive discounts, creative pricing arrangements, and value-added products and services.

- Washington Governor Gary Locke proposed tax credits for info-tech investments in rural areas. The new tax incentives for information-technology businesses that invest in rural areas of the state will encourage the high tech sector to build in rural and depressed parts of Washington. The governor's proposal would provide tax credits to attract software companies and businesses that establish "help desk" services to help other companies manage their computer and software systems, or that build new or expanded operations in distressed counties for the manufacture or programming of software.

G. REGULATORY REFORM

Regulatory reform needn't mean the elimination of all safety and security measures put in place to protect average citizens and – as we've realized with all the Bush-era corporate scandals – the market itself. It can also be an effective tool in the attraction of business and providing the tools necessary to keep up with the rapid changes in today's global business climate. By lowering the economic "drag" through regulatory reform you can not only make it more efficient to build and run business but also make your state more adaptive to new industries and the rapid changes within standard businesses. One leading trend among Democratic Governors, for instance, is to make it easier to start and expand a small business.

- For instance, Governor Gray Davis of California signed the **Small Business Regulatory Reform Act** of 2000, described by the Small Business Association as "the most important bill for small businesses in ten years." A major component of the law is the creation of a small business ombudsman – appointed by the Governor – and widely publicizing the position in appropriate agency publications and on the agency's website. Utilizing the agency's existing personnel and resources, the ombudsman is responsible for receiving and responding to complaints received by the agency from small business; providing technical advice and assisting small businesses in resolving problems and questions; and reporting small business concerns and recommendations to the agency head. The position cannot advocate for or against a regulatory action or intervene in any pending investigation or enforcement action.

  In addition, the law gives a person requesting a notice of regulatory action the option of being notified of all regulatory actions or specified regulatory actions regarding one or more of the agency's programs. It also establishes an Office of Small Business Advocate within the Governor's Office of Planning and Research.

The net effect is to create a two-way communications system – involving businesses and others directly and indirectly affected by proposed and current legislation in an immediate and open dialogue with the regulators. For example, under the law, each state agency that proposes regulatory actions must first accept comments from interested parties by facsimile and electronic mail and must post on its Internet website, if available, information regarding the proposed regulatory action. (A state agency is not required to establish or maintain a website or other electronic forum for electronic publication or distribution of written material to comply with this bill.)

Each state agency must then give a person requesting a notice of regulatory action the option of being notified of all regulatory actions regarding one or more of the agency's programs. This includes trade associations, industry associations, professional associations, or any other group or association of any kind representing a business enterprise or employees thereof. The law also requires a state agency proposing complex or multifaceted regulations to involve parties subject to regulations in public discussions *prior* to the publication of the proposed regulatory action. Exemptions to this provision apply when agencies are responding to federal law or regulations over which the state agency has little discretion.

Finally, the Small Business Regulatory Reform Act of 2000 establishes a Governor's Small Business Reform Task Force to be chaired by the Director of the Office of Small Business Advocate. The task force is required to include representatives appointed by the Governor from the California Small Business Association, other small business associations, and agency secretaries (or their designees) from state agencies that are heavily involved in small business regulation.

In addition, the Secretary of Trade and Commerce must conduct a study to consider problems encountered by small businesses working with different levels of government, different governmental offices, and multiple jurisdictions.

- Washington Governor Gary Locke streamlined the regulatory system while maintaining core protections for workers, consumers, and the environment. Governor Locke brought major reform and accountability to Washington's regulatory system by reducing the time and expense of securing regulatory permits by creating a coordinated system that simplifies and speeds up permitting, and expands the Master Business Licensing program, further saving businesses time. Other regulatory reform proposals by Governor Locke include:

    - Establishing a new Special Assistant for Business and Regulatory Reform who reports directly to the Governor and will focus on breaking the regulatory logjam in the state's permitting process for new development, with special emphasis on the Department of Ecology.
    - Developing clearer standards for meeting permitting requirements.
    - Establishing a new permit tracking system that will measure and report the time required to process different types of permits. These baseline measurements will be used to set goals for improving the efficiency of the permitting system.

- Another way to help business succeed and produce more jobs is to lower job-related costs such as Unemployment Compensation, Workers Comp, and health insurance. Again, this can happen by making them more efficient (the Democratic way) as opposed to simply gutting them (the Republican way). Several Governors have found ways to lower the costs of labor for both the employee and the employer.

  Our federally managed, state-run unemployment program needs some updating. Written in 1935, the original intent was to give income support to workers who were temporarily laid-off. It was expected that the worker would soon return to the company and so just needed a little help during the down-turn. The typical unemployment recipient has changed. Nowadays it is not uncommon for someone requiring unemployment to be a part-time employee, a former welfare-recipient, or without the requisite skills necessary to obtain the next job.

  While many of the reforms necessary to update our unemployment system are federal, Democratic Governors are making changes on the state level that are moving in the right direction.

  Governor Paul Patton of Kentucky set an example when reforming workers' compensation programs. Kentucky's workers' compensation program was prone to produce inconsistent results in similar circumstances. Both Kentucky workers and Kentucky businesses were suffering. Governor Patton sought to make Kentucky's program more consistent and effective. The Governor believes there is still much to be done and is working during the 2002 legislative session to further refine the state's unemployment system.

H. SMART GROWTH

One key to success in the New Economy that is all-too-often overlooked is quality of life: New Economy industries, their jobs, their money, and their people are increasingly moving out of places like Silicon Valley (which only a generation ago was, itself, sleepy farming country on the fringes of metropolitan San Francisco) and into places like Idaho, Utah, and New Hampshire. These are not states known historically as hotbeds of ferment, cosmopolitan centers, or even desirable climes. But they do offer lifestyles desired by the new e-entrepreneurs and knowledge workers who make up an increasing percentage of the population: crisp mountain air, untrammeled vistas, uncrowded and unhurried roads, safe communities, and strong traditional values.

Former Maryland Governor Parris N. Glendening is well known as a forerunner of innovative smart growth initiatives to halt urban sprawl. He created a national model that preserves open space, farmland, natural beauty and critical environmental areas; encourages the use of existing facilities and already developed areas; promotes walkable community centers; and helps communities toward mixed land use:

- *Use Incentives To Encourage Smart Growth*. Governor Glendening's Smart Growth initiative was the first in the U.S. to use public investments as a series of private sector incentives and disincentives. The Smart Growth philosophy is based on the idea that the state should not use taxpayer dollars to promote sprawl or to encourage the abandonment of cities. Instead, the state must use taxpayer dollars to revitalize existing communities. Governor Glendening crafted a program for priority funding or “Smart Growth” areas that allowed the State to direct financial resources for existing housing, transportation, and sewer and water funding toward those areas specifically designated by local jurisdictions for growth. With this Smart Growth funding method, Maryland invests taxpayer dollars in those areas that: provide efficient and effective use of those funds; support and revitalize existing neighborhoods and rural villages; support areas designated by local governments as priorities for growth; and reduce the pressure for sprawl and unnplanned development.

- *Growth Area Tax Credits*. Smart Growth further encourages development in designated growth areas through new job creation tax credits for those businesses that choose to locate or expand in these growth areas. These Priority Funding Areas throughout the state are mapped and available online. This is augmented with the innovative Live Near Your Work Program that provides incentives to encourage employees of Maryland's businesses and institutions to buy homes near their workplace. This initiative helps stabilize the neighborhoods surrounding the State's major employers by stimulating home ownership in targeted communities. The State also participates in the program as a major employer.

- *Funding for Conservation Easements*. Under the Glendening Smart Growth initiative, state funds are used to purchase conservation easements for large tracts of land particularly subject to development pressure. Sponsoring applicants, such as local governments or land trusts, compete for funds from this program.

- *Cabinet Level Secretary for Smart-Growth.* Governor Glendening created a Cabinet-level position secretary for smart growth to highlight or assist with major development projects that integrate housing, transportation and community facilities in a compact, smart-growth way.

- *Revitalize Communities through Smart Codes*. The Glendening Administration’s flexible, model Smart Codes were approved by the legislature. Smart Codes give developers and jurisdictions incentives to invest in existing communities, rather than building in undeveloped areas and leading to sprawl. The Maryland Building Rehabilitation Code streamlines the maze of local building codes and makes it easier to redevelop existing buildings. The Model Zoning Codes encourage developers to build or redevelop in existing communities, and promote the development of “Smart Neighborhoods” in newly developed areas.

Key initiatives to encourage sensible growth and development are in place in many other states as well. While many mirror some of the approaches undertaken in Maryland, governors have focused on a range of policies and activities based on the unique needs and concerns of their states.

Here’s what current Democratic Governors are doing to expand upon this legacy:

1. State Government as a Smart Growth Model

Democratic Governors have implemented initiatives that serve as examples of smart growth, as well as help spur private investment in priority growth areas by maintaining smart growth policies for state buildings and facilities:

- California Governor Gray Davis issued an Executive Order to promote “smart growth” policies in the siting of state buildings and facilities. The Governor’s Executive Order directed the Department of General Services, the state’s chief real estate manager, to give preference to the building and leasing of state offices in downtown areas. The Order also ensures that their site plans and architecture are environmentally friendly; convenient to public transit and affordable housing; and consistent with local government initiatives to promote smart growth.

- Governor Tom Vilsack’s economic development package for Iowa included a “ smart growth” land use initiative putting in place a set of land use principles that would be followed by state government agencies when siting or using buildings and facilities.

- Kentucky Governor Paul Patton issued an executive order to position the state to lead by example, by directing the Finance and Administration Cabinet to establish location criteria and design guidelines for public facilities with state funding. This plan will promote economical rehabilitation of aging buildings through the use of “smart codes,” ensure that state government coordinates the locating of state facilities with local communities It also promotes the concept of smart growth in school location criteria as well.

2. Incentives for Development in Growth Areas

Smart growth is not anti-growth, but rather uses carrots to encourage efficient growth patterns. Several incentive methods have been used to encourage development in growth areas:

- Governor Ruth Ann Minner’s Livable Delaware initiative offers tax incentives and a streamlined regulatory process to channel development to growth zones that already have been designated by state, county and local governments. This initiative also provides for “graduated impact fees” on development *outside* designated growth zones to help pay for infrastructure that will become necessary because of the increased development. According to Governor Minner, these fees will help ''channel growth away from those areas where the state and counties have planned little or no investment in roads, sewers, schools and other infrastructure.'' In addition, the law requiring counties and municipalities to have comprehensive plans to govern annexations and zoning decisions.

- Kentucky Governor Paul Patton’s Smart Growth plan to orderly statewide growth includes incentives to promote “healthy downtowns and strong neighborhoods,” consisting of tax credit programs for the rehabilitation of historic properties, new construction in historic districts and construction of affordable housing in distressed neighborhoods.

3. Support for Local Government Planning and Smart Growth Efforts

In most states, land use and development issues are a local responsibility. But in many cases local governments do not have the authority or the resources to fully address the problem of haphazard and unconstrained growth, or to assess the impact of local decisions on growth. Many Democratic Governors have therefore included assistance to local government in their smart growth initiatives.

- Kentucky Governor Paul Patton's Smart Growth plan includes a proposal to establish a State Planning Assistance Office to provide support and assistance to local communities in their planning efforts.

4. Farmland and Open Space Preservation Programs

An effective method of protecting farmland and open space from development is through preservation programs that purchase land and hold it from development, purchase development rights from farmers or other property owners that prohibit the owner from developing the land in future, or that provide tax credits to encourage conservation of land. Several Democratic Governors have made this a key part of their smart growth, farmland and habitat preservation efforts.

- Under Governor Gray Davis, a major bond issue allocates $2.1 billion for the acquisition and protection of natural areas, including state parks, urban parks, farmland, open space and wildlife habitats, and California's coastline. Governor Davis also signed a historic agreement to save 7,500 acres of old-growth coastal redwoods forest with a $385-million acquisition that the Los Angeles Times called a "landmark purchase." The agreement included tough environmental protections demanded by the Governor for an additional 4,500 acres that serve as a buffer to the Headwaters. He also fought for and won a $100-million Natural Heritage Tax Credit, the largest of its kind anywhere in America.

- Governor Ruth Ann Minner's Livable Delaware initiative expands support for Transfer of Development Rights (TDRs) to continue land preservation through purchases of development rights. Through TDRs, property owners in areas not suitable for intense development (such as agricultural or conservation areas) can sell their right to development of their land to other property owners in areas better suited to development. The TDR program saves farmland with private dollars and channels growth to urbanized areas, while allowing developers a bonus of increased density.

Chapter III: Health Care

A. OVERVIEW

Ever since 1991, when unknown Democrat Harris Wofford defeated former Governor and US Attorney General Dick Thornburgh in a Pennsylvania special election for the US Senate by asking one simple question – "If every criminal is entitled to a lawyer, why isn't every American entitled to a doctor?" – health care has been one of the top issues on America's agenda. The need to provide affordable coverage for every American was central to Bill Clinton's first successful campaign for the presidency in 1992. But Republican indifference to growing restrictions on Americans' health coverage has fueled continued voter frustration over managed care and in the last election cycle, the cost of pharmaceuticals.

The lesson of this decade is that health care remains a major concern for average Americans. Despite the permutations the issue has gone through – the plight of the uninsured, insurance abuses, drug costs – there has been a fairly consistent underlying theme: Health care has become one of the most expensive items in the average household budget, its costs are burgeoning, and people experience a feeling of almost total lack of control over this aspect of their lives. Feeling squeezed economically even at times of historic levels of wealth and prosperity, and a decreasing sense of control, are in fact central themes behind all politics in this age of transition. It is important to understand health care in that context.

The other major factor in the debate is, of course, the aging of the population. As people age, they need more care – and more expensive care. Baby-boomers, now starting to think about their own needs in old age, are trying to juggle the care needs of their aged parents and the health of their young children. This "sandwich" situation most affects middle class, middle-aged women – perhaps the prototypical swing voters. The major issues in health care – coverage for kids, for women and for seniors, affordability and accountability of insurance – essentially track these demographic realities.

B. CONTROLLING MEDICAID COSTS

Perhaps the most serious threat to state finances today is the Medicaid program. Originally intended to cover poor children and their families, Medicaid also pays for long-term care and other medical expenses for indigent elderly (or those who have "spent down" below the poverty thresholds); with the burgeoning elder population, and the exploding costs of long-term care and pharmaceuticals, Medicaid budgets are spiraling out of control in most states.

Democratic Governors, of course, want to stop the hemorrhaging of their Medicaid budgets without eroding program quality. Under Democratic leadership, states are exploring options across a spectrum of strategies:

- Under Governor Gary Locke, Washington State launched a new consultation service for physicians and other prescribers expected to hold down prescription drug costs while improving health care for thousands of Medicaid patients. This "**Therapeutic Consultation Service"** (TCS) will help doctors seeing Medicaid patients better target prescription medicines; it does not mandate that prescribers use generic or less expensive drugs, but rather offers a more complete picture of the drugs prescribed to an individual and gives doctors, nurses and physician assistants more information about alternatives. This will provide doctors with a quick, fast check on a patient's full prescription history and give them access to quick, up-to-date information from consulting pharmacists. It will also save the state money on duplicative, unnecessary, or contra-indicated prescriptions. In recent years, Washington's Medicaid drug costs have climbed above $800 million a biennium; the state estimates that TCS will save the program there upwards of $30 million over the next year and a half.

- **Medicaid premiums and copayments**. Washington Governor Gary Locke's proposed Medicaid waiver would allow the state to assess affordable co-payments for non-preventive services and impose reasonable premiums for Medicaid recipients with incomes above the federal poverty level, which is $8,590 for an individual, or $17,650 for a family of four. Other key parts of the proposed Medicaid Reform waiver would:

  - Allow the state more flexibility to adopt different benefit designs for Medicaid optional programs, while continuing to emphasize primary and preventive care.

  - Allow the state to impose enrollment caps and waiting lists for Medicaid optional and CHIP programs when necessary to keep programs within appropriated funding.

  - Allow people with disabilities the chance to keep their Medicaid benefits when they leave Supplemental Security Income to go to work.

  Children with family incomes above the poverty level, seniors, and people with disabilities in the Medically Needy "spend-down" program are targeted for enrollment freezes and premiums. Currently, the state may not turn away anyone eligible for Medicaid.

  Those affected by the waiver would be seniors and people with disabilities who have incomes of 62% to 80% of the poverty level after taking into account medical expenses for which they are responsible under Medicaid. Special needs children, those covered by the Children's Health Insurance Program (CHIP), and adults on Transitional Medical Assistance (TMA) and Health for Workers with Disabilities (HWD) are also affected.

  Medicaid premiums of $10, $15, or $20 per person per month would be imposed on children and Medically Needy clients over the poverty level. The $20 premiums would also apply to CHIP children who currently pay $10. There is a 3-person maximum premium (e.g., $60 for a CHIP family with over 3 children). In addition, TMA clients – those who receive Medicaid for a year following their exit from TANF due to increased earnings – would pay premiums for the entire year, not just the second six months.

All Medicaid and CHIP clients would be subject to $5 co-payments on brand-name drugs with generic equivalents and on non-preferred drugs in a therapeutic class with a preferred drug. A $10 co-payment will also be charged for non-emergency use of hospital emergency rooms. Each hospital could choose to require clients to contact a Medicaid consulting nurse by phone to discuss whether they have an emergency condition that requires hospital treatment.

The waiver includes a request to use the state's unspent CHIP allocation for Basic health. In addition, Washington is seeking federal funding for 20,000 parents and childless adults in this existing state-funded program. DSHS estimates that the payment of premiums will reduce expenditures by $26 million per year and the reduction in benefits will reduce expenditures by $2.5 million per year (reductions increase in later years). The waiver would not apply to long-term care services, such as nursing homes, or to home- and community-based care.

C. LONG-TERM SAVINGS THROUGH WELLNESS

There are a number of ways in which state budget situation could be strengthened by *improving* the quality of health care programs. Democratic Governors have recognized this and instituted a number of imaginative health initiatives:

- In California, Governor Gray Davis implemented several initiatives to address **long-term wellness** of the public. By focusing on wellness future illnesses can be avoided, saving human suffering as well as potentially saving future health care dollars.

  - **Reducing Tobacco Use.** Under Davis, California's anti-tobacco campaign has been the largest and most effective in the nation. Today, California has the second lowest smoking rate in the nation. In September of 2002, the Governor signed bills to ensure that our tough anti-tobacco laws are being enforced. He required age verification for the sale of cigarettes and other tobacco products over the Internet or through the mail, ensured that all state taxes are being fully paid on tobacco purchases, and increased the penalty for possessing or purchasing untaxed cigarettes.

  - **Newborns.** Governor Davis initiated the launch of the California Newborn Hearing Screening Program (NHSP), which will be the largest such program in the nation when it's fully implemented. By the end of 2002, NHSP will offer hearing screening to 400,000 newborns annually at more than 200 hospitals

  - **Seniors: StayWell Campaign.** As a part of the Aging with Dignity Initiative, Governor Davis implemented the StayWell campaign to raise awareness and enhance access to services. This program:

    √ Extended Medi-Cal benefits to 53,000 more seniors and disabled individuals.

- √ Helped qualifying seniors retain health care coverage by paying their premiums.
- √ Signed legislation requiring pharmacies to establish programs to prevent prescription drug errors.
- √ Enacted strongest-in-the-nation coverage for cancer clinical trials, expanded coverage for screening tests and doubled funding for prostate and breast cancer.
- √ Extended coverage for hospice care.
- √ Set higher standards for Alzheimer's care facilities.
- √ Signed legislation enacting the California Integrated Elder Care and Involvement Act of 2002, giving seniors and caregivers a single point of contact to access state and local community services and resources.
- √ Moved to establish the nation's first nursing staff-to-patient ratios to address the quality of care and help meet nursing workforce needs.

- Governor Ruth Ann Minner of Delaware’s promotes **clean air in the workplace**. Under Minner’s leadership the State of Delaware passed the nation’s most comprehensive state-wide initiative to protect non-smokers from exposure to tobacco smoke in most indoor public places – meeting facilities, food service establishments, bars, and places of employment. Delaware’s amended Clean Indoor Air Act prohibits smoking in any indoor enclosed area to which the general public is invited or in which the general public is permitted, including **all** work places. Penalties for violating this act are $100 for a first violation and not less than $250 for each subsequent violation. Employees who have provided information or assisted the Department of Labor are protected and any employer who discharges or discriminates against an employee for reporting violations will be fined between $2,000 and $10,000.

- Governor Jim McGreevey in New Jersey has moved to address the **shortage of nurses**. In an effort to improve patient care by attracting additional nurses to the profession, Governor McGreevey established the New Jersey Collaborating Center for Nursing at Rutgers University. The New Jersey Collaborating Center for Nursing is designed to continue the work of the New Jersey Colleagues in Caring Collaborative, which was established in 1996 under a Robert Wood Johnson Foundation Grant with a primary focus of initiating nursing work force development in New Jersey.

  Like many states, New Jersey is seeing more and more registered nurse positions remain unfilled. The New Jersey Collaborating Center for Nursing at Rutgers will examine the current issues facing nursing professionals and find new ways to address these problems. Members of the governing board will provide professional expertise to shape the center's curriculum. Students enrolled at the center will use state-of-the-art medical equipment and learn cutting-edge medical procedures.

  The primary goals of the Collaborating Center for Nursing also focus on work force development. These goals include creating a strategic plan for the continuing development of an adequately educated and trained nursing workforce; promoting the important contributions of the nursing work force to the health of the State; and providing consultation, technical assistance and information related to nursing resources and serving as a clearinghouse for data related to nursing resources.

In addition, the Center aims to foster collaboration among members of the health care community to achieve policy consensus, to promote diversity and to educate nurses and others in health policy and health services research. Finally, the Center will work to ensure competitive funding to enhance the resources available for innovative projects.

- Former Georgia Governor Roy Barnes devised a method whereby his state can do well by doing good. While Georgia is the 10th largest state in the nation, it is currently only 27th in the amount of funding received from the federal government. Governor Barnes announced a comprehensive initiative to improve prevention, screening, treatment, training and clinical research on cancer – the state's leading killer, with 30,000 Georgia residents battling it at any time. The Georgia Cancer Coalition, a public/private partnership, is coordinating development of a world-class, comprehensive cancer control program for the benefit of all Georgians.

  The Georgia Cancer Coalition will build a coordinated statewide network of cancer care. Public and private hospitals, private physicians and other health care providers will deliver most of the screening and treatment. The initiative calls for non-profit organizations, civic groups and private businesses to participate in prevention programs. Clinical research will include public and private academic institutions.

  The initiative will work to reduce the number of cancer deaths though a focused education and screening effort, with particular emphasis on the cancers that are the major causes of death. He also plans to establish an extensive treatment network, anchored by three cancer centers of excellence.

  A network of hospitals will ensure that basic cancer care is available close to home anywhere in the state. More advanced treatment will be available at several medical centers throughout the state and at three cancer centers of excellence, enabling Georgians to get world-class medical care and participate in clinical trials without leaving the state. All Georgia cancer providers will be part of the initiative.

  Georgia will undergo an extensive process to earn designation from the National Cancer Institute (NCI) for a comprehensive cancer center, the highest designation offered. Georgia's medical centers will coordinate research and develop new treatment methods and technologies. New detection and treatment methods and technology will contribute to the ultimate eradication of cancer.

  The initiative will support a bioinformatics program, using biology, mathematics and computers to predict predisposition for specific cancers. The program will be one of the few in the nation specializing in cancer. In addition, the initiative will develop curriculum standards for training of future clinicians and continuing education for practicing clinicians.

  Building partnerships with pharmaceutical and biotechnology companies will also provide quality jobs to Georgians and environmentally clean additions to the economy. Private funding will help support research and launch new developments with commercial potential.

The 1998 Master Settlement Agreement between the tobacco industry and the 50 states, estimated to total more than $246 billion over 25 years, provided an unprecedented opportunity for funding of vital health and cancer-related services. Governor Barnes committed financial support for the Georgia Cancer Coalition of between $300 million and $400 million over 5-to-7 years. Governor Barnes issued a challenge to leverage this amount three-fold, resulting in a total investment of $1 billion.

Besides preventing cancer and saving lives, this initiative was designed to help the state economically by bringing pharmaceutical and research jobs to Georgia and by caring for patients there – in the state. And by reducing cancer, the Barnes initiative will, over time, have a dramatic positive effect on the state's Medicaid finances.

D. PROVIDING HEALTH INSURANCE FOR LOW- & MODERATE-INCOME CHILDREN AND FAMILIES

One of the greatest challenges facing many working families in the United States is finding affordable, high-quality health care. The high cost of health insurance often prevents families from gaining access to the health care they need. Unfortunately, the number of uninsured Americans is rising. Fewer people are insured today by their employers than in the 1980's, although the loss of employer-based coverage moderated in recent years on the strength of the economy. Still, about one in every five workers (other than the self-employed) do not have access to health care at work, either because it is not offered, the worker's share of premiums is too costly, or the employee plans excluded certain workers: That's 20 million workers who had to buy health care themselves or do without. Still more families lack health insurance because they are temporarily unemployed.

Another major reason for the increasing number of uninsured is the decline in Medicaid coverage. Medicaid enrollment dropped by well over a million people in recent years due to welfare reform and the strong economy. Ironically, as people left welfare for jobs, their health care often did not go with them. Unfortunately, many of those who lost coverage under Medicaid were children. Despite the new Children's Health Insurance Program (CHIP) and expanded Medicaid eligibility, there are still over 11 million children without health care coverage, however, because many of these children are eligible to receive Medicaid or CHIP coverage but simply don't.

Children without health care are six times more likely to go without necessary health care and five times more likely to use emergency rooms regularly for care. Uninsured children are also 25% more likely to miss school, according to one study.

Thus far, the federal/state CHIP program, though still being phased in, has already provided coverage to 2 million children from working families with incomes too high to qualify for Medicaid but too low to afford health care on the private market. But some states have been slower to act than others, and many states have not invested enough money to draw down all the federal funds that are available to them. Democratic Governors are leading the fight to increase access to health insurance and improve services for children, address the high cost of health insurance, and develop innovative proposals to increase the ability of hard working Americans to enjoy access to affordable health care.

- Universal Immunization by Age Two. Governor Paul Patton developed an initiative, part of Kentucky Invests in Developing Success (KIDS), to provide universal immunization by age two. In April 2000, Governor Patton signed legislation to create KIDS NOW (Kentucky Invests in Developing Success), a multi-faceted program to provide for the education and healthy development of Kentucky's youngest children. The program seeks to ensure that children who are not eligible for Medicaid or CHIP have increased access to immunizations. The initiatives under KIDS NOW are based around desired outcomes in four areas: maternal and child health; supporting families; enhancing early care and education; and establishing the support structure. In order to reach the goal that all young children in Kentucky are healthy and safe, possess the foundation that will enable school and personal success, and live in strong families that are supported and strengthened within their communities. Services included, beyond immunization, are substance abuse treatment for pregnant and post-partum women, universal newborn hearing screening, eye examinations prior to school entry, and families will be supported through a voluntary home visiting program for first-time parents who are at-risk. The Office of Early Childhood Development, established by Governor Patton in 1998, with the Early Childhood Development Authority will oversee the KIDS NOW initiative The program is funded with 25 percent of Kentucky's Phase I Tobacco Settlement dollars, a total of $56 million over fiscal years 2001- 2002 will be provided for the program.

- Washington Governor Gary Locke has applied for a first-of-its-kind waiver from the federal government that would let the state use its unspent State CHIP allotment funds to expand coverage to parents of Medicaid and CHIP children and possibly childless adults, by expanding the Basic Health program.

  Currently, a state must return those funds at the end of each year even though they could be used for other health-care needs. Washington’s Basic Health Plan provides coverage through managed care organizations for uninsured adults and children who are not eligible for other government health insurance programs. Coverage is free for enrollees below the poverty level, but those above 100 percent of the federal poverty level must pay premiums. In addition to individual coverage, group coverage is available for employers and other sponsors. Funding for the program comes from taxes on alcohol, tobacco and hospitals. About 15 percent of the program’s operating budget comes from premium payments.

  States that have expanded their Medicaid and CHIP programs to parents have "far lower" rates of uninsured eligible children than states that do not cover parents, according to a new study from the Commonwealth Fund. According to the report, if states extended coverage to parents up to the same income level as children (in most cases 200 percent of the poverty level, or $36,000 for a family of four), 6.2 million adults would be eligible to get coverage The report concludes, "Building on Medicaid and CHIP to insure low-income parents may be one of the most effective incremental ways of covering the uninsured." For instance, if every state raised its income eligibility limits for parents to the limits already set for children, more than two million low-income parents would "immediately" become eligible for coverage because their children are already enrolled.

- **Simplifying the Application Process for CHIP.** California Governor Gray Davis simplified the CHIP application process, reducing the application from 28 to 4 pages and eliminating complicated mathematical calculations.

- **Expanding Health Coverage to Parents of Children Eligible for CHIP.** California Governor Gray Davis signed legislation expanding the Healthy Family Program to cover uninsured parents of eligible children. California's plan offers medical coverage to 275,000 parents of children who qualify for Medi-Cal or the state's Healthy Families programs. California, which has the fourth-highest rate of uninsured people in the nation, sought federal approval of its plan to expand health coverage to low-income parents in December 2000 and was granted a waiver to expand the program in January of this year. Parents and caregivers of children eligible for Medi-Cal or the Healthy Families program qualify for the low-cost health care if they do not already have health insurance and their family incomes are at or below 200 percent of the federal poverty level – a family of four, would be covered if its income is $35,300 or less. Parents will pay monthly premiums of $10 to $20. Funding for the program is provided through a match by the federal government of $2 for every $1 the state allocates. The state also expects about 25,000 more children will be signed up for the Healthy Families program because their parents can also receive coverage.

- **Providing Health Coverage for Children and Teens from Working and Non-Working Families.** Governor Tony Knowles of Alaska implemented a program to ensure that children and teens of both working and non-working families can have the health insurance they need. "Denali KidCare" provides health insurance coverage for children and teens through age 18, and for pregnant women who meet specific income guidelines. Denali KidCare children and teens receive a full range of prevention and treatment services including not only prescription drugs but also dental check-ups, cleanings and fillings; speech therapy; substance abuse treatment; chiropractic services; and medical transportation. There is no cost for eligible children, teens and pregnant women. However, youths who are 18 years old may be required to share a limited amount of the cost for some services. Even families with some form of health insurance can be covered under Denali KidCare. Denali KidCare brings basic health care benefits to more than 12,000 Alaskan children and pregnant women.

- **Providing Health Insurance Coverage to More Children and Families.** Under former Governor Howard Dean, Vermont's child health insurance program, "Dr. Dynasaur," became a national model. It was expanded to include children in families with incomes of up to 300 percent of the federal poverty level, as well as pregnant women in families with incomes of up to 200 percent of poverty.

  The Dr. Dynasaur program was created in 1989 as a state-funded program for pregnant women and children through age 6, who did not have health insurance, and who did not qualify for traditional Medicaid. The program covered children up to 225% of the Federal Poverty Level (FPL), and pregnant women up to 200% of FPL. Copayments were required for some medical services. In 1992, Dr. Dynasaur coverage was integrated into the Medicaid and coverage was expanded to children through age 17. To conform to traditional Medicaid, coverage under other health insurance no longer precluded eligibility and co-payments were eliminated. In October 1998, coverage was further expanded to children in families with incomes up to 300% of the FPL through the State Children's Health Insurance Program.

The goals of the Dr. Dynasaur program are twofold. The primary goal is to assure access for pregnant women and children to a full range of health care services with a strong emphasis on prenatal and preventive care, and to provide a system of coverage in concert with private health insurance that ensures universal health insurance coverage for all Vermont children. This access to care is essential to successfully achieve a number of key outcome indicators of Healthy Vermonters 2010, a major initiative of the Vermont Agency of Human Services. A secondary goal is to assist working families to maintain their self-sufficiency. This complements Vermont's welfare reform initiative by offering health coverage to low and moderate-income families who do not receive welfare cash assistance.

The income guidelines for the Dr. Dynasaur program are higher than for traditional Medicaid, up to 200% of FPL for pregnant women and up to 300% of FPL for children. As of January 1, 2002, this translates to income for a family of three of $30,144 for coverage for a pregnant women and $45,216 for coverage for children. There is no asset limit for Dr. Dynasaur eligibility.

Coverage under Dr. Dynasaur is as comprehensive as Medicaid and includes prenatal care, routine check-ups and immunizations, inpatient and outpatient hospital care, prescriptions, x-ray and lab tests, limited dental and vision services, as well as other medical services. Most Dr. Dynasaur beneficiaries receive services through a managed care delivery system. No copayments apply for any of these services. A $20 per month per family program fee is required for coverage for children under age 18 and pregnant women whose family income exceeds 185% of FPL but is less than or equal to 225%. A $50 per month per family program fee is required for children with income in excess of 225% of FPL and no other insurance coverage. A $24 per month per family program fee applies when the family has another source of insurance coverage. In that case, Dr. Dynasaur is a secondary payer.

It is estimated that Vermont has 140,000 under age 18, 90,000 under 300% of the FPL. Dr. Dynasaur covers 56,000. Between private health insurance and Dr. Dynasaur, Vermont has achieved virtual universal health insurance coverage for children

E. HEALTH CARE FOR WOMEN

Differences in health and health care for women are an increasingly important issue, particularly among women of color and those who are poor. For a long time, the need for such services as gynecologists and obstetricians to provide preventive care for routine women's health care services were largely ignored by health insurance plans.

Medicaid, the nation's health insurance program for the poor, provides over 12 million low-income women with basic health and long-term care coverage. But significant numbers of women are uninsured. Researchers have found that when women are uninsured, they are considerably more likely to postpone care and often forego important preventive services such as mammograms and Pap tests.

Not only is it cost effective to provide early prevention and detection of many illnesses more common among women, but more importantly, these services can save women's lives and untold future hardship on families. In response to these growing concerns, Democratic Governors have been eager to bring a more concerted focus to women's health and insurance issues.

- **An Office of Women's Health.** Governor Frank O'Bannon established the Office of Women's Health to improve the health status of women in Indiana through assessment of health needs, increased public awareness and education, and coordinated development of women's health programs.

- **Health Insurance Coverage for Breast and Cervical Cancer for Low-Income Women**. Missouri Bob Governor Holden announced that uninsured Missouri women who were diagnosed with breast or cervical cancer under the state's Breast and Cervical Cancer Control Project (BCCCP) were eligible to receive treatment through the state's Medicaid program. "Keeping Women Healthy" is the slogan of Missouri's BCCCP. Missouri women can qualify for free breast and cervical cancer screenings at health care facilities in their home areas. The screenings include breast and pelvic exams, mammograms, and Pap tests. This cancer coverage will benefit roughly 4,000 women each year.

  To qualify for BCCCP, women must live in Missouri and a have household income at or below 200% of the current federal poverty guidelines, be under age 65 (and thus Medicare eligible), and not eligible for Medicaid and without creditable health coverage. Women who have private insurance may be eligible for BCCCP; they must meet the residency, income and age requirements, and sign documentation they are financially unable to pay the insurance deductible or co-payment. Women who cannot pay the premium to enroll in Medicare-Part B and who meet BCCCP's income and age requirements may be eligible for BCCCP services. As of March 2001, the annual income of women living alone is up to $17,180. For two-member households, the maximum family income is $23,220. For three-member families, it's $29,260.

  Women who qualify must also meet Age guidelines for BCCCP Screening Services:
  Women age 50 and older are eligible for a clinical breast examination (CBE), breast self-examination (BSE) instruction, and mammogram, plus a pelvic exam and Pap test. **Women are 40-45 are eligible for** a biennial mammogram, and those **18-49 are eligible for** a pelvic examination, Pap test, and diagnostic breast services under certain conditions. **Women who have had a hysterectomy are also eligible for** regular cancer screenings.

  When appropriate, BCCCP can cover other diagnostic services: repeat CBEs, repeat mammograms, ultrasounds, fine needle aspirations, repeat Pap tests and pelvic exams, coloposcopies, core needle biopsies, stereotactic breast biopsies, incisional and excisional biopsies, Loop Electrode Excision Procedures (LEEPs), and Endocervical Curettage (ECC).

- **Covering Osteoporosis Testing.** In Missouri, Governor Holden signed a bill requiring coverage of state-of-the-art, bone-density testing for osteoporosis, which, when left untreated, can painfully limit the lives and productivity of older women.

- **Providing Pregnant Women Continuation of Coverage.** Governor Tom Vilsack of Iowa signed legislation allowing a pregnant woman in her second or third trimester to continue to receive coverage with a physician who is dropped from the health care plan.

- **Direct Access to OB/GYNs.** Missouri Governor Bob Holden also gave women direct, non-referred access to their OB/GYNs. Previously, state law only allowed one such visit a year unless women endured the time-consuming and expensive process of getting a referral from their primary-care doctors before each visit.

F. REFORMING MANAGED CARE & HMOs

As HMOs and managed care become more prevalent, consumer concern and complaints have grown. Policy makers, consumers, doctors and other health care workers have become alarmed that big health care businesses are putting profits ahead of patient care.

Under HMOs and other forms of managed care, a health plan’s profitability is based on keeping the costs of caring for each enrollee to a minimum. There are a number of methods these managed care plans use to hold down costs: Managed care plans enter into contracts with participating physicians, hospitals and other care providers to serve health plan enrollees at discounted rates. The plans make determinations on whether services and treatment are medically necessary before agreeing to cover them. They require that patients see specialists only when referred by a primary care “gatekeeper” and approved by the health plan itself. Although the plans do encourage preventive care, they often provide incentives for providers to *minimize* the care provided to patients.

When done right, managed care can hold down costs and still give patients quality care. But when handled improperly, managed care can mean that patients are denied care in the interest of saving costs and increasing profit.

In fact, a survey released last year by the Kaiser Family Foundation and Harvard University found that nearly half of those surveyed reported that they or someone they knew experienced problems with managed care plans, including needing more information about a health plan, difficulty seeing a specialist, difficulty getting the plan to pay an emergency bill, and being unable to file an appeal to an independent agency for a claim that has been denied.

Federal legislation to increase protection for consumers from arbitrary and unfair decisions from HMO's and managed care companies has remained mired in politics for several years now. That is why many states with Democratic governors (plus one state with a Republican governor – George W. Bush of Texas – where legislation took effect over the governor's objection and without his signature) have taken action to protect consumers on their own. Often called a "Patients' Bill of Rights," health care consumer protection legislation often mandates certain services and rights that patients are entitled to receive from their health care provider.

- **Requiring Health Plans to Pay Attorney's Fees in Losing Court Cases.** Under a new law signed by Missouri Governor Bob Holden, if a physician or other health care professional takes a health plan to court to recover any claim, interest or penalty, and the court rules in favor of the physician, the health plan is obliged to pay the attorney's fees.

- **Providing Direct Access to Chiropractic Care.** In Washington, Governor Gary Locke gave consumers direct access to chiropractic care through their HMO or managed care plan.

- **Guaranteeing Coverage for Emergency Care.** Delaware Governor Ruth Ann Minner signed legislation stipulating that patients would be covered for emergency room care, even if the emergency room a patient goes to is not in the patient's network.

- **Requiring a "Standing Referral."** Governor Minner also required HMOs to allow the patient's primary case or network doctor to approve a treatment plan with a specialist that eliminating the need to obtain the insurer's approval prior to each visit with the specialist.

- **Requiring Health Plans to Pay Attorney's Fees in Losing Court Cases.** Under a new law signed by Missouri Governor Bob Holden, if a physician or other health care professional takes a health plan to court to recover any claim, interest or penalty, and the court rules in favor of the physician, the health plan is obliged to pay the attorney's fees.

- **Providing Continuity of Care for Patients with Special Needs.** North Carolina Governor Mike Easley required managed care plans to allow patients with special needs to continue to see their doctor even if that doctor is no longer part of the health plan.

- **Covering Clinical Trials.** Governor Easley also provided benefits for clinical trials to the same extent as for enrollees in the State Health Plan.

- **Requiring Health Plan Directors to be Licensed Doctors.** Governor Gary Locke in Washington State required health insurance carriers to employ licensed doctors as medical directors.

- **Providing Direct Access to Pediatricians.** The patients' bill of rights introduced by Governor Mike Easley in North Carolina required insurers to allow patients to select a pediatrician as their minor child's primary care physician. Easley's bill stipulated that minors who need specialists must be allowed to see specialists with expertise in pediatrics and required plans to refer a minor to a nonparticipating specialist if an in-plan specialist is unavailable.

- **Hearing Screenings for Newborns.** Included in Governor Easley's patients' rights bill was the requirement that health plans in North Carolina pay for newborn hearing screenings.

- **Prohibiting "Gag Clauses."** In Iowa, Governor Tom Vilsack prohibited "gag clauses" restricting communication about medical services between enrollees and their health care professional. This ensures that patients receive all necessary information regarding the best course of treatment.

- **Providing a "Prudent Layperson" Standard For Care.** Governor Vilsack established the "prudent layperson" standard to evaluate if coverage for emergency care is necessary.

- Dedicated Department of Managed Care. Governor Gray Davis created **the California Department of Managed Health Care (DoMC).** It is the first consumer rights agency dedicated to helping people resolveproblems with their HMOs as well as ensuring a better, more solvent and stable managed health care system. The Department's innovative HMO Help Center – which the San Francisco Chronicle pronounced "proven effective in resolving consumer questions and complaints" – is the centerpiece of the Department. The Help Center works with a team of enforcers, patient advocates, HMOs, a health care provider liaison and a leadership team to root out systemic problems. When HMOs violate the law, the DoMC can take action to protect consumers. Already, the DoMC has levied more than $1.5 million in fines against state HMOs. In some cases it has even taken over control of HMOs to ensure quality for their patients.

- **Patients Rights**. Under a new law signed by Governor Davis strengthening patient rights, Californians now have:

  - The right to receive uninterrupted care from a doctor and HMO and to be referred to other health care providers when necessary.

  - The right to receive a second opinion when a patient or their doctor request one.

  - The right to receive an authorization from a health plan for referral to a specialist within 3 days.

  - The right to notice of physician termination. Californians are assured that they will receive notice when their primary care physician is terminated from a provider network.

  - The right to have a doctor freely discuss medical treatment options and care with a patient, without interference or restrictions by a health plan.

- The right to know all risks, benefits and treatment alternatives before consenting to any treatment.
- The right to refuse treatment by withholding patient consent.
- The right to obtain complete information about his/her patient’s medical condition and care.
- The right to inspect a patients’ own medical records within 5 days of making a written request.
- The right to have medical records kept confidential unless a patient provides written consent, except in limited circumstances.
- The right to sue any person who unlawfully releases medical information without a patients’ expressed consent.
- The right to receive emergency care at any licensed facility with an emergency room.
- The right to be treated until a emergency medical condition is stabilized when in a hospital emergency room.
- The right to be informed by the hospital of a patients’ right to receive emergency services, without regard to your ability to pay, prior to being transferred or discharged.
- The right to not to be transferred from an emergency care facility against a patients’ will.
- If you are joining a group health plan, patients have the right to not be denied coverage on the basis of health status, medical condition or history, genetic information, disability or insurability.
- The right to receive coverage for preexisting conditions in most cases within 12 months (or, in some instances, 6 months) of enrolling in a health care plan. In addition the right to ongoing specialist access for HIV patients. HIV patients are assured access to appropriate specialists on an ongoing basis.
- If a patient is enrolling in an individual plan, they have the right not to be denied coverage if they had 18 months of continuous coverage previously and meet certain other requirements.
- The right to be credited for time enrolled in a previous plan against any preexisting condition waiting period
- The right to parity in treatment for mental health disorders. Patients now have the right to mental health care for serious mental health disorders as well as major childhood emotional disturbances.

- The right to file a grievance with a health plan for any plan that patients believe has adversely affected their health care.

- The right to have grievance resolved by your plan within 30 days, when possible.

- The right to submit grievance to the Department of Managed Health Care, after participating in a plan's grievance process for 30 days.

- The right to have DMHC resolve a grievance within 30 days

- The right to have denials of treatment by a health plan or physician's group reviewed by an external, independent medical review organization.

- The right to sue a health plan in some circumstances — when a health plan interferes with the quality of care received and the patient is injured by the delay or refusal of the health plan to provide the care.

G. LOWERING PRESCRIPTION DRUG COSTS

Pharmaceuticals are much more important therapy now than when Medicare was created in 1965, often serving as a less costly and safer alternative to surgery or other treatments, or as a method of improving the likelihood of success of such treatments. Prescription drugs are particularly essential for those on Medicare, who make up 12 percent of the population but use about one-third of all prescription drugs.

Prescription drug costs are a significant portion of the average senior citizen's out-of-pocket health care costs. The average Medicare beneficiary pays for about one-half of their prescription drug costs themselves – about $470 in out-of-pocket costs. But this statistic dramatically understates the financial burden borne by many sick or frail elderly with greater health care needs: About 3 in 10 spend over $500 out-of-pocket each year, while about 1 in 7 – 4.5 million – spend more than $1,000 per year. Of these, 1.3 million American seniors must pay *over $2,000* out-of-pocket annually for their prescription drugs.

All told, a White House National Economic Council study determined that about three of every four Medicare beneficiaries lack "decent, dependable, private-sector coverage of prescription drug coverage." One of every three have no prescription drug coverage at all. This problem is expected to grow more serious over time. In addition, employers are cutting back on health care services, including prescription drug coverage, for their retirees.

Nothing has been done in Congress to aid seniors without prescription drug coverage. In contrast, Democratic Governors have answered the call in a number of innovative ways:

- Governor Tom Vilsack, along with Senator Tom Harkin, created the "**Iowa Priority" Prescription Savings Program** in response to the skyrocketing cost of prescription drug. In designing the plan, affordability and increasing access to prescription drugs was the obvious key. To get the significant discounts that seniors needed, the pharmaceutical manufacturers were asked to bear a greater burden.

This proposal requires any drug manufacturer or labeler that sells prescription drugs in Iowa to enter into a rebate agreement. This agreement requires the drug companies to provide discounts to all eligible seniors. These discounts must be the same or greater than the discount that the government provides to Medicaid patients.

For a minimal fee, any Medicare-eligible Iowan can sign up to be a member of the cooperative. Seniors who enroll will receive a "brown bag assessment" that will ensure that they are taking the right drugs and investigate any potential for adverse drug interactions that could cause harm. They will also receive a discount card that entitles them to a lower price on their prescriptions based on negotiations made directly with drug manufacturers (not community pharmacists who cannot afford further price cuts). The basic idea of such a co-op approach is to use the power of the market to drive better everyday prices for all senior citizens. Since these coalitions will be private, the cost to the government to assist in their development will be minimal – and will actually save money since they will lower the overall cost of prescription drug programs for seniors. Under the plan no state general funds are required and the burden of discounts is not shifted to the pharmacists.

There are 425,000 Iowans over the age of 65. Some of this group are covered by Medicaid or have some other type of insured benefit. It is estimated that approximately 273,000 people would potentially be eligible for this discount program. The Medicaid program had approximately 254,000 participants this past fiscal year. Based on that number, the state received $18 million dollars in rebates from the pharmaceutical companies. Under the new law, Iowans can reasonably expect to receive rebates in a similar range.

- In North Carolina, Governor Mike Easley developed "**The Prescription Drug Assistance Plan**." This targeted prescription drug cost relief plan doesn't attempt to address the full range of drugs – which the state could not afford at this time – but focuses instead on seniors' top needs. This will help up to 100,000 seniors struggling to pay for their medication.

  Governor Easley's plan makes eligible those seniors with incomes less than $17,180 a year and couples with incomes less than $23,220 (200 percent of poverty). The plan will include treatment for three specific diseases: cardiovascular disease, diabetes mellitus, and chronic obstructive pulmonary disease. It is estimated that 71 percent of seniors suffer from at least one of these diseases. Seniors will be given an enrollment card to present to participating pharmacies giving them an annual 60 percent discount up to a maximum of $1,000.

  Governor Easley convinced the state's Health and Wellness Trust Fund Commission (created from the tobacco settlement) to provide $32 million for these prescription drugs and $3 million to educate and counsel seniors for the first year of the program.

- Governor Gray Davis in California established a landmark prescription drug discount program, making California the first state in the nation to allow Medicare enrollees to simply show their Medicare card and receive the Medi-Cal prescription discount. On October 10, 1999, Governor Gray Davis signed a new law enabling Medicare recipients to obtain their prescription drugs at a cost no higher than the Medi-Cal reimbursement rates. Under Medi-Cal, pharmacy providers can only charge a Medicare recipient a price that does not exceed what Medi-Cal would reimburse the pharmacy for the same prescription, plus a small processing fee.

  Virtually every prescription medication is covered. There is no restricted formulary and there is no prior authorization. However, over-the-counter drugs are not covered under this new program. The processing fee is intended to cover the cost of processing charges incurred by the pharmacy. These charges occur when the pharmacy contacts Medi-Cal for prescription pricing information. Prior to the implementation of this new prescription drug program, these processing charges were not incurred by a pharmacy when filling a prescription for a Medicare recipient. The amount of the fee is 15 cents for each prescription filled. Anyone who has a Medicare card is eligible. That includes seniors over age 65 and those under age 65 who are disabled and have a Medicare card. A senior does not have to be on Medi-Cal to benefit from the program.

- Indiana Governor Frank O’Bannon created a new prescription drug fund – HoosierRx. The law puts $20 million of the state's tobacco settlement into the program to help low-income elderly pay for their prescriptions. Qualifying Hoosiers age 65 and over may receive refund certificates every three months, starting January 2001. The refunds will cover up to half of those seniors' prescription costs in each quarter, up to $1,000. Indiana residents age 65 or over, with family incomes below 135 percent of poverty, who lack prescription drug coverage are eligible.

- Governor Bob Holden launched the Missouri SenioRx Program. The program will result in Missouri seniors receiving substantial savings on their prescription medications. Of the approximate 40,581 applications that have been received for the program, over 26,000 applicants have been approved. Qualified seniors who paid their enrollment fee will save money on prescription medications. The Missouri SenioRx Program will pay 60% of their prescription drug costs once their annual deductible is met. The maximum annual benefit for each participant is $5000. Additionally, enrolled seniors will receive discounted prices on prescription medications when they use their Missouri SenioRx benefit cards.

  Applicants who met the program’s eligibility guidelines received enrollment letters requesting an enrollment fee of $25 or $35 per individual, depending on income. Upon receipt of the enrollment fee, members received their Missouri SenioRx benefit card and begin using the card today to receive discounted drug prices at local pharmacies. The Missouri SenioRx Program replaces the state’s senior prescription tax credit, which will be phased out following tax year 2001. The SenioRx program is designed to provide a more comprehensive benefit to seniors most impacted by recent increases in prescription-drug costs. According to information received from applicants about their 2001 prescription-drug costs, preliminary statistics project savings of approximately $700 annually for each Missouri SenioRx Program member.

- One increasingly popular way to save state money – being spearheaded by Democratic Governors – is to pool state purchasing power across state lines through **Multi-State Pharmaceutical Purchasing Alliances.** Multi-state pharmaceutical purchasing alliances operate as any large organization would do in the commercial world — states join together and use their bargaining power to buy in large volume of members. Led by West Virginia Governor Bob Wise – and including Governors Ronnie Musgrove (MS) and Bob Holden (MO) – the largest such coalition unites participating entities to create joint purchasing opportunities, counter detailing and utilization activities, pharmaceutical strategies, and advocacy activities. The working group is divided into two subcommittees, Medicaid and state public employees. To participate in the coalition, each state must review its own legislative enabling statutes. Several of the states have passed laws authorizing them to join a multi-state or multi-governmental purchasing consortium to purchase pharmaceutical products or other medical services.

H. LONG-TERM CARE

Long-term care refers to a broad range of personal, social and medical services required by people with chronic illnesses and disabilities. Alzheimer's disease, heart disease, mental retardation, spinal cord injury, and stroke are a few examples of the chronic illnesses and conditions that result in the need for long-term care. Over 12 million people – one-quarter of all elderly – in the United States need long-term care, and 1.5 million elderly have substantial long-term care needs. The elderly are more likely to need long-term care, although nearly half of those receiving care are under age 65, including 5.3 million working age adults and 400,000 children.

Medicaid is the major source of funding for long-term care for the elderly and for non-elderly persons with disabilities. Medicaid covers the cost of long-term care often excluded from private insurance and Medicare.

Nationally, 42 percent of Medicaid spending is for long-term care. Nursing home spending still accounts for 53 percent of the bill despite efforts to move individuals from institutional settings to community-based settings. Between 1990 and 1998, spending on home care services grew at an average annual rate of 18 percent, compared to 8 percent growth in Medicaid spending for nursing home care. Spending on home care has grown as a share of Medicaid long-term care from 13 percent of spending in 1990 to 24 percent in 1998, while spending on all institutional care has dropped from 81 percent to 68 percent of total spending.

Under Medicaid, states design their own long-term care programs, determining who is eligible for care and who qualifies for benefits. Through the design of these programs states are able to control cost and direct services to particular groups of individuals or geographic regions of a state. In 1999, the Supreme Court ruled in the *Olmstead* case that it is a violation of the Americans with Disabilities Act for states to discriminate against people with disabilities by providing long-term care in nursing homes when an individual could receive similar or better care in a community-based setting. States are now required to provide community-based care for people with disabilities if appropriate and there are adequate resource to provide such care.

- **Providing a Long-term Care Tax Credit for Families Caring for Seniors and Disabled Adults at Home.** California Governor Gray Davis implemented the Aging with Dignity initiative to increase access to long-term care to seniors and adults with functional impairments by providing a $500 long-term care tax credit for the cost of caring for seniors at home, which will allow more Californians in need of long-term care assistance to remain in their own homes and communities. The credit is designed to help ease the financial burden associated with providing unpaid, long-term care to family members. The program also provides grant money to develop new home- and community-based alternatives for seniors and younger adults with disabilities, as well as to encourage senior wellness through a health education campaign.

  To be eligible for the credit, the care recipient must be certified by a physician as needing long-term care for at least 180 consecutive days. Caregivers of adult family members qualify if the care recipient is unable to perform three activities of daily living (ADLs) without substantial assistance, or if the care recipient requires close supervision to ensure his or her safety due to cognitive impairments and cannot perform one ADL. The tax credit may be multiplied to reflect multiple care recipients if the above criteria are met. For example, someone caring for both parents may be eligible for a tax credit of $1,000. Additional provisions in the law apply to some familt caregivers of children. The credit is also limited to couples filing jointly with an adjusted gross income of less than $100,000 or a single tax payer with an adjusted gross income of less than $50,000.

- **Saving Money and Improving Care by Making Community Based Care a Priority.** Under Former Governor John Kitzhaber, Oregon became the first state to spend more on home and community-based care than on nursing home care. Over three-quarters of those relying on Medicaid funding of long-term care in Oregon receive care in the home or community-based care settings, and that number continues to increase.

  Oregon's efforts related to expansion of community-based care currently focus on people with developmental disabilities. An outgrowth of legislation enacted in 1999, the state developed a six-year plan that has as its goal the elimination of the waiting list for community-based services for people with developmental disabilities. The plan was the basis for the state's recent settlement of a lawsuit, *Staley vs. Kitzhaber*, filed on behalf of more than 5,000 people on a waiting list for care. The state agreed to create 50 new non-crisis placements annually for the next six years and will increase the availability of personal care and respite services. The governor proposed adding $40 million to the budget over two years for these services.

  Nursing home care typically runs double or even triple the cost of in-home care. As a result of Oregon emphasis on home and community based care, the state has expressed a dramatic per-case cost savings. All states have one or more programs that finance home and community-based services for individuals. The major source of financing for these programs is Medicaid. Other funding sources include Title III of the Older Americans Act, the Social Services Block Grant, and state appropriations. There are, however, dramatic differences across states and by target population (aged/disabled or mentally retarded/developmentally disabled).

Under Kitzhaber’s leadership, Oregon spent 45 percent of its total long-term care expenditures for the elderly and disabled on home and community-based services, whereas Tennessee, under the former Republican governor, spent 97 percent of its elderly and disabled long-term care expenditures on nursing homes. Among state Medicaid long-term care programs, 17 states spent more than two-thirds of expenditures on individuals residing in nursing homes, whereas in eight states more than two-thirds of Medicaid long-term care expenditures are spent on services in home and community-based settings.

The expansion of home and community-based care has had benefits for private payers in Oregon, as well: Clients who pay for their own care can also take advantage of the less costly and growing number of alternatives to nursing home care. In addition, the number of people who spend down their assets to qualify for public assistance is greatly reduced. In addition Oregon is one of five states that pay family members for as part of their Medicaid program or as part of state funded home care programs for services provided to patients. The other states include Washington, Wisconsin, Michigan and California.

The state has also improved services by increasing caregiver training programs and worked to increase caregiver assistance and training for nonmedical caregivers on proper care procedures.

Chapter IV: Education

A. OVERVIEW

A hundred years of history and today's public opinion polls alike tell us that education remains a top concern of all Americans. And for good reason. Study after study shows that as education levels increase, so do income levels. To succeed in the economy of the 21st century, however, students must acquire and master a host of technical, mathematical, analytical and literacy skills. And given the demands of the new economy, that means schools, teachers, students and parents must change. That's why Democratic Governors have made education reform and improved standards a hallmark of their administrations.

On the other hand, public education in America has a long history of local control. That fact, coupled with shrinking state and local budgets and funding structures that are dependent on monies raised in local school districts (and which, in turn, often substantially differ in their ability to raise money) has limited the reforms available to many Governors. When city school districts suffering from shrinking tax bases and falling state revenues – and rural school districts, which often never had the necessary financial or academic resources to begin with – compare themselves to well-funded suburban districts, the problem is only exacerbated. Because each state's laws and policies differ so widely, however, not all solutions will work in all states. Indeed, some solutions may not even work in every district within the same state.

Consequently, education reform requires a wide variety of approaches across the full academic spectrum, from early childhood and elementary education to secondary schools, higher education and lifelong learning.

B. FOCUSING ON EARLY CHILDHOOD EDUCATION

Early childhood development is now a concern of many state governments. But it took a Democratic Governor – former North Carolina Governor Jim Hunt – to found the "grand-daddy" of early childhood development programs. Enacted in July of 1993, "Smart Start" authorized creation of a state-level public-private partnership to provide funding and technical assistance to local public-private partnerships established to design and implement quality services for children based on community needs.

In the 21st Century, Democratic Governors continue to be the leaders in strengthening early childhood development and ensuring that all children arrive at school "ready to learn":

- **North Carolina Governor Mike Easley** has built on this fine tradition with his More At Four pre-kindergarten program. Costing $6.5 million for this year the More At Four program is a community-based, voluntary pre-kindergarten initiative designed to prepare at-risk four-year-olds in North Carolina for success in school. In its first year, More at Four funds will be made available to local communities for high quality pre-K programs that build on existing early childhood services, including public schools, community-based child care centers and preschools, and Head Start programs.

- **Kentucky Governor Paul Patton** used a portion of that state's tobacco settlement to create the Early Childhood Task Force in March of 1999. The task force was charged with developing a long-term strategy to enhance the opportunities of Kentucky's children. The Governor specifically requested a 20-year plan in recognition of the reality that supporting quality early childhood experiences requires a significant financial investment that can best be accomplished over an extended period of time. The task force recommendations were developed around desired outcomes in four areas:

    - Assuring Maternal and Child Health
    - Supporting Families
    - Enhancing Early Care and Education
    - Establishing the Support Structure

- Governor Patton also spearheaded the **STARS for KIDS NOW** rating system as part of his early childhood initiative. Under this system, child care programs are rated for adherence to a four-tier set of standards based on what research shows to be good practices for children: Lower staff to child ratios, greater levels of staff education and training, increased opportunities for family involvement and age-appropriate curriculum planning.

    The STARS for KIDS NOW rating system uses a scale of one to four stars to identify levels of quality that exceed those required by child care licensing. Even though the rating system goes up to four stars, a single star rating in considered to be good, and indicates that the quality of childcare surpasses what is required by the state.

    Thanks to funding by the 2000 General Assembly with tobacco settlement funds, STARS for KIDS NOW and other programs are assisting families across the state in getting children off to a good start. Since 2001, when the voluntary rating system became available statewide, the STARS for KIDS NOW program has issued ratings for child care program in almost 50 counties. As of 2002, over 250 childcare centers received ratings, serving over 16,000 Kentucky children.

- **In Indiana, Governor Frank O'Bannon's Bright Beginnings program** emphasizes the importance of emotional and brain development in children. Parents of every newborn receive a colorful, easy-to-read growth calendar to take home from the hospital. The information was designed to help parents give the attention, affection, and stimulation that young children need to reach their full potential. The program also promotes high quality childcare and helps parents recognize and remove lead and mercury hazards from their homes.

C. ATTRACTING AND RETAINING HIGH QUALITY TEACHERS

A large body of research suggests that school quality and student success are linked directly to the quality of teachers. But states and school districts face significant challenges in attracting good teachers. Every year the nation trains more than 200,000 prospective teachers for roughly 150,000 open teacher positions. Yet only 60 percent of those prepared to teach actually enter the classroom, and 30 to 50 percent of them leave teaching within the first five years.

As a consequence, many Governors have implemented plans to attract more high-quality teachers and offer incentives and support to keep more teachers in the profession. These solutions vary in scope and cost, and range from pay raises to bring teachers' salaries up to national averages, to providing better technical training and professional development.

1. Teacher Compensation

One of the reasons schools have such a difficult time recruiting and retaining teachers is that they are paid significantly less than other professionals. In fact, the average starting salary for teachers nationwide was only $26,639 in 1999, ranging from $31,000 in Connecticut and Alaska to $20,000 in North Dakota. In other words, the average beginning teacher salaries are about $7,500 less than the average starting salary in marketing and $15,000 less than the starting salary of a computer scientist. That's why the primary thing Governors are doing to attract and retain teachers is to improve their pay and other compensation.

- **Increasing Teacher Salaries To The National Average.** Democratic Governors around the country are attempting to raise teacher pay. Almost all are proposing to offer direct compensation or benefits that will boost the pay package of teachers in their state up to the national average. For example, in West Virginia, Governor Bob Wise increased teacher salaries by an average of $1,465, or 4.2% – one of the two largest increases in the Southeast this year. In the past two years, the salary increase given by Governor Wise totaled $2,465, which means that the average teacher salary in West Virginia has increased more than 7 percent during his administration. And Mississippi Governor Ronnie Musgrove has instituted a five-year plan to raise Mississippi teacher salaries from 19th in the nation to 19th; this year's budget contains a 6% increase in teacher salaries – the third installment in Musgrove's successful plan – with more than half the $142 million in this year's record-setting Mississippi K-12 budget going to the teacher raises.

- **Bonuses for Teachers Who Become National Board Certified Teachers.** Governor Bob Holden in Missouri recommended the creation of a $5,000 annual salary supplement for any Missouri teacher who becomes a National Board Certified Teacher, and a 10% salary increase for nationally certified teachers who mentor other teachers seeking such status. Missouri had only 44 nationally certified teachers when Gov. Holden took office, but he's determined the state will have 1,000 such teachers over the next four years.

- **Focusing on Teaching Skills.** Iowa is one of the first states in the nation to address teacher shortages and lagging teacher compensation using a statewide strategy designed to change the focus of financial rewards for teachers. Governor Tom Vilsack's proposal replaces a 50-year old system under which teacher pay is determined mostly by years of service and completion of additional college credits. Governor Vilsack's Plan will reward teachers for completing specific teaching-skill training programs that, in turn, are part of a broader teacher career development program that is tied to increasing student achievement.

  To improve Iowa's position for recruiting and retaining high-quality teachers, Gov. Vilsack's plan includes a variety of new and innovative ways to enhance teacher compensation that includes creating attractive career stages; establishing opportunities for teachers to be compensated for assuming roles such as curriculum specialists; recognizing National Board Certification teachers in the salary framework; and evaluating teachers based upon core evaluation criteria that define good teaching.

  Of all of Vilsack's proposed strategies, however, his most notable proposal is variable pay, which directly ties student academic improvement to teacher compensation. Under his proposal, students are given learning goals that are applied through state approval of the existing Comprehensive School Improvement Plan. Student performance is then evaluated using multiple assessment measures. Vilsack's plan, which is still in development, will make total compensation more competitive and better related to performance.

  Since Vilsack's Plan requires fundamental systematic changes, the state has devised a staggered implementation schedule for separate teacher initiatives within the plan. Staggered implementation allows Iowa school districts that are at various levels of readiness to successfully transition into this redesigned system.

2. Enhancing the Quality of Teachers and Principals

Many school districts faced with teacher shortages have simply lowered standards for entry-level teachers or forced veteran teachers to teach subjects in which they lack experience and expertise. In the end, however, these short-term "solutions" only hurt teaching quality and lower students' performance. That is why more and more states are establishing *higher* standards for teaching through certification and teacher testing policies.

49 states have developed common statewide academic standards in at least one subject, and 44 have standards in all four academic core subjects – English, mathematics, science, and social studies. Democratic Governors have advanced bold recommendations not only to increase standards for teachers, but also to offer them ways to improve their skills.

- **Attracting Top Teachers to Low-Performing Schools.** Governor Gray Davis of California created a separate incentive program offering a total of $30,000 to California's Nationally Board Certified teachers. He also expanded the incentive program for Nationally Board Certified teachers who accept teaching positions in low-performing public schools.

  The $30,000 consists of a $10,000 bonus for Nationally Board Certified teachers who agree to teach for 4 years in schools with low-test scores. These teachers also receive an additional $20,000 increase that is paid in $5,000 installments over the course of the four-year commitment.

  Already more than 350 of almost 800 of California's existing Nationally Board Certified teachers have agreed to teach in schools with low-test scores and have received at least the first installment of the new $20,000 incentive. In addition, the incentive programs have resulted in over 500 more California teachers seeking to become Nationally Board Certified.

- **Providing Mentors for New Teachers.** Governor Tom Vilsack of Iowa created a new teacher-mentoring program called the TQ initiative, as part of Iowa's new Teacher Quality/Student Achievement Policy. As of 2001, over 70 percent of the state's school districts have implemented TQ's teacher-mentoring program.

  The TQ initiative is a two-year mentoring program that is available to all beginning teachers. School districts that are participating in the mentoring project must adopt a formal mentoring program that meets quality standards.

  The state pays districts $1,300 per year for up to two years for each beginning teacher who participates. Veteran teachers who agree to be mentors receive a minimum of $500 per semester, and the district may use remaining dollars to offset other program costs.

- **Professional Development for Principals.** Governor Davis also signed the Principal Training Act, which will provide intensive leadership training for 5,000 principals and vice principals annually. The Act focuses on areas that will likely make the most difference in improving schools.

  The Act calls for $15 million a year for three years to train school principals and vice principals in school leadership and management standards, and how to use the results of student tests to improve instruction. School districts that put up at least $1,000 of their own money for the training would get an additional $3,000 match from the state.

  All of the state's 15,000 school site administrators will be trained by 2004. The training consists of at least 10 days of instruction, plus additional coaching. Skills will include:

  - having a solid foundation in the state's rigorous academic content standards;

  - knowing how to use individual student assessments to guide and improve teacher instruction and student learning; and

- instructional leadership training.

- **Increasing the Number of Teachers with National Certificates.** In South Carolina, former Governor Jim Hodges developed an aggressive initiative to enhance teacher quality by encouraging at least 500 teachers to obtain national certification by the year 2002. The initiative includes bonuses for the South Carolina Teacher of the Year, South Carolina Honor Roll teachers, and District Teachers of the Year. Pay for National Board Certified Teachers in South Carolina was increased by $7,500 per year for the life of the certificate. In addition, upfront $2,300 loans have been approved for teachers seeking National Board Certification; half the loan will be forgiven with no interest when a portfolio is submitted, and the remainder forgiven upon certification.

- **Instituting Strict Background Checks for Teachers.** Former Alabama Governor Don Siegelman and Alabama's State Board Of Education came together in support of tough teacher background checks. The checks, which run names through federal and state criminal databases, are now performed for all new job applicants.

3. Attracting More Teachers

Thanks to the "baby boom echo", demand for teachers continues to grow, especially in Western states. Enrollment in public elementary and secondary schools is projected to grow by 4 percent between 1997 and 2009, to a total of 48.1 million children. *Double-digit* enrollment increases are projected for Nevada, Idaho, California, and New Mexico. As a result, it is estimated that at least 2.2 million new public school teachers will be needed in the next decade.

But the demand for new teachers isn't just driven by increasing student populations. More than 25% of all current teachers are at least 50 years old, and nearly half will retire over the next decade. Preparing for the "double-whammy" of growing numbers of students and widespread teacher retirements, many Democratic Governors have introduced plans and offered proposals to attract qualified teachers.

- **Helping Teachers Purchase a Home.** In September of 2000, California Governor Gray Davis proposed the "Extra Credit Teacher Home Purchase Program" to attract and retain qualified teachers and principals willing to serve in low performing schools. Teachers and principals who agree to serve in such designated schools for five years qualify for tax credits or reduced interest rate loans to purchase a home. Tax credits under the program, for example, are worth approximately $37,000 over the life of a 30-year, $150,000 mortgage – an annual savings of $1,800. Eligible teachers and principals will also be guaranteed at least $7,500 in down payment assistance. Governor Bob Wise created the Teacher and Educational Employee Loan Assistance Program to make housing more affordable for employees of the West Virginia school system. The program's mortgage was designed for borrowers who could handle monthly payments, but needed extra help to afford the down payment and closing costs.

- **Attracting Top Teachers to Low-Performing Schools.** Additionally, Gov. Davis created a separate program offering a bonus of $20,000 to California's nationally board-certified teachers who agree to teach for 4 years in schools with low-test scores.

- **Attracting National Board Certified Teachers.** Gov. Davis' California program contains two additional incentives for national board certified teachers. One is giving state grants to local school districts so they can make one-time awards of $10,000 to any public school teacher attaining National Board Certification. The second is allowing licensed teachers in other states who have been certified by the National Board to obtain a California teaching credential without undergoing the state's teacher preparation program.

- **Forgiving Loans For Teachers.** In Iowa, Governor Tom Vilsack successfully sought to keep Iowa-trained teachers at home through a "forgivable loan" program. In 2000, 48 teachers who received loans of up to $3,000 per year stayed in Iowa to teach reading, math, industrial technology, English/language arts, and special education. In 2001, an additional 123 teachers received forgivable loans took shortage-area teaching assignments.

D. IMPROVING SCHOOL QUALITY

Improving school quality continues to be a top priority for governors around the country. Studies consistently show that students learn better with small class sizes and more one-on-one contact and involvement from parents, teachers and community leaders. Reducing class sizes faces a number of challenges that include a shortage of qualified teachers and the resource to build the physical classrooms to house the students.

Currently, students around the country attend class in over-crowded temporary classroom trailers because so many schools lack the funds to build real schools and repair old and decrepit buildings. As the full-day kindergarten movement grows around the country, problems of over-crowding will only be exacerbated. Finding creative source of funding for public schools has been a top priority for almost every Democratic governor.

- Mississippi Governor Ronnie Musgrove instituted an initiative called "Computers in the Classroom" to place an Internet-accessible computer in every public classroom in the state. In less than three years under Governor Musgrove's leadership, Mississippi became the first state in the nation to achieve this goal. As a result, the National Governors Association has called Musgrove's Mississippi "at the head of the wave of technological innovation."

- Governor Musgrove has also made increased state education funding a priority. At a time when many states are considering cuts in their education budgets, Governor Musgrove called for, pushed through and signed into law significant education spending *increases* this year. Governor Musgrove called on legislators to raise the share of the state budget devoted to education to 62% (up from a low of 57%), restoring two years of cuts and providing funding for every part of the state's school improvement program for the first time ever. And he persuaded the legislature to enact all this in the first month of session – rather than at the end, as is traditional.

- In January 1999, Iowa Governor Tom Vilsack proposed a four-year $130 million state funding initiative for local schools to reduce class sizes for Iowa's early elementary students. This effort was designed to complement Iowa's share of the federal class size reduction appropriation. The Governor worked with the Iowa legislature in the spring of 1999 to design a program that focuses on reducing class size and provides funding flexibility for school districts to meet the local needs of their K-3 students. Funding flexibility in the state law allows school districts to also use the money for early intervention for K-3 students who need help with reading or other basic skills, while they may use up to two thirds of their state technology funding to support their class size and early intervention efforts. State funds have been available under this program to local schools since the fall of 1999. As a result of the first year alone of the class size reduction program, 21.4 percent of Iowa K-3 classrooms met the state K-3 class size goal of 17 students to 1 teacher.

- Missouri Governor Holden signed into law an education accountability plan, under which administrators, teachers, parents and students in priority schools will be held responsible for addressing specific needs in their schools. They will be required to develop an improvement plan, choosing from a menu of proven strategies including smaller class sizes; preschool and full-day kindergarten; advanced teacher specialists in problem areas; and after-school, summer school and one-on-one tutoring for students who need extra help.

- **Increasing Literacy.** Two recent Democratic governors launched innovative efforts to increase reading and literacy. South Carolina's Jim Hodges created the "Governor's Institute of Reading" in 1999 to ensure every child in that state learns to read by the third grade. A collaborative effort using the resources of education, business and community, the Institute is funded by the state, and run by the State Department of Education. It reviews "best practices" in the teaching of reading, provides teachers with professional development, and awards competitive grants to school districts for designing and providing comprehensive approaches to reading instruction based on those "best practices". During the 2000 – 2001 academic year, the Institute of Reading awarded $50,000 in grants to 30 school districts for implementation of reading initiatives. Don Siegelman of Alabama **w**as a strong proponent of the "Alabama Reading Initiative" (ARI) – whose goal is a 100% literacy rate in Alabama schools. The ARI has five criteria for participating schools:

- **100% Literacy:** Schools must seek a 100% literacy rate among their students.
- **Faculty Training:** Schools must provide a 10-day faculty-training program to train at least 85% of faculty members.
- **Research Based Practices:** Schools must adjust reading instruction to reflect research-based practices.
- **Modeling Effective Instruction:** Schools must model effective instruction for other schools.
- **Full Participation:** Schools must require full participation of the principal during summer training, and undergo outside evaluation.

E. PARENTAL INVOLVEMENT

It is widely accepted that parental involvement is critical to a child's success in school. Parents are not only huge influences on their children and their biggest source of encouragement, but are often the only ones to help with homework and answer questions. What is less understood is the important role schools play in determining the level of parental involvement.

Research, however, indicates that the level of parent involvement is dependent on how well the school integrates parents with the school's programs. *Education Week* described six types of programs (developed by Joyce Epstein, Director of the National Network of Partnership Schools) schools can use to build strong parental involvement.

1. Schools can assist families with parenting and child-rearing skills.
2. Schools can communicate with families about school programs and student progress and needs.
3. Schools can work to improve recruitment, training, and schedules to involve families as volunteers in school activities.
4. Schools can encourage families to be involved in learning activities at home.
5. Schools can include parents as participants in important school decisions.
6. Schools can coordinate with businesses and agencies to provided resources and services for families, students, and the community.

However much Governors and educators may agree on the importance of parent-school involvement, they nonetheless encounter many obstacles in developing these partnerships. Today, not all families are the same; many are headed by a single parent or, in some cases, a grandparent. Many other families can pay the bills only with both parents working; still other families are broken or dysfunctional. Despite these realities, however, the good news is that most parents still want to be involved in their children's education and Democratic Governors have put forward proposals to help:

- **"Parents As Teachers" – A Family Education and Support Program.** Created in Missouri, Parents as Teachers is a national, award-winning, non-profit parent education and family support organization. Through a network of local programs, the Parents as Teachers National Center develops curriculum, and trains and certifies "parent educators" to work with parents, give them parenting support and provide them with information on their developing child.

The program's core components consist of personal visits, group meetings, developmental screenings and linkages to a network of community resources. Based on figures calculated for SFY 2000, 46 percent of eligible Missouri families with children up to five years of age participated in the program. To date, Parents as Teachers has been implemented in more than 2,600 sites in 49 states and the District of Columbia, six foreign countries and five U.S. territories.

Grounded in the belief that parents are a child's first and most influential teachers, this nationally acclaimed early childhood program that now serves more than 150,000 Missouri families was expanded to include kindergarten-age children under Governor Bob Holden's leadership.

Despite the tight state budget, Parents As Teachers is a major funding priority, and one that will continue to be sustained, and hopefully expanded to reach even more families. Governor Holden recently approved a new $350,000 appropriation to help with collaboration between Parents As Teachers and other early childhood programs. This additional appropriation, in particular, will be used to provide resource information about the whole array of early childhood services that are available for Missouri parents.

- **Providing Parents with School Accountability Report Cards.** In North Carolina, Governor Mike Easley instituted school accountability report cards that are distributed to all parents, giving them updated information about the size of their child's class, the overall performance of the school and the certification background of their child's teachers.

  A completed version of the report card was to be issued in early 2003. Report cards are provided for grades K-12. Each school receives one of the following designations: Exemplary Growth, Expected Growth, No Recognition or Low Performing, and schools that are performing exceptionally well may receive the designation of School of Excellence or School of Distinction. Each designation is based on how well each school is performing in each of the three core areas (bold) and three, smaller sub-core areas which are:

  - **School Performance.**
  - **Student Performance.**
  - **What We Look Like**: School Size, class size and teacher qualifications and turnover.

  Through the publication and dissemination of school performance data—parents, educators, local businesses and communities can learn more about school progress and resources.

- **Rewarding Schools for Improving Parental Involvement and Training Programs for Parents.** Under Governor Gray Davis, California adopted a training program for parents who wish to become more actively involved in schools and an awards program for schools that effectively increase parental involvement. In addition, a new law will make schools eligible for grants to pay teachers to visit their students' homes after school and on weekends. Schools with more than 1,000 students will be eligible for $40,000 grants, while schools with fewer than 1,000 students will be eligible for $20,000 grants. The legislation was modeled after a successful home-visitation pilot program in the 51,000-student Sacramento district.

- **Partnership for Achieving Successful Schools (PASS).** Virginia Governor Mark Warner recently launched his Partnership for Achieving Successful Schools (PASS) initiative to offer special attention and assistance to Virginia's at-risk schools. PASS is based on the belief that the key to maintaining a school's success is continued, collective improvement from parents, businesses and the larger community.

  PASS supports the collaborative efforts of the larger community beyond the academic walls of a classroom. PASS works to elevate student achievement by:

  - Engaging businesses, community groups and individual citizens as partners;
  - Improving reading and mathematics achievement in schools currently accredited with warning;
  - Building the capacity of schools to maintain high student achievement; and
  - Encouraging parents to provide essential support in the home.

  PASS has targeted more than 100 identified low-performing schools whose students are struggling to meet the state's Standards of Learning exams that were approved in 1995; the schools are eligible to receive enhanced services from visiting academic review teams. To date, 34 schools, of all the participating schools in the PASS program, are designated PASS Priority Schools. These schools receive additional intervention and follow-up to track the progress made by students, teacher and administrators.

  Business and community partners are asked to help in the areas of academic, family and facility support. Academic support can include mentoring, reading and math tutors, after-school programming, onsite training, and retired and community volunteers. Family support includes child support services, counseling, job training, adult literacy services, GED and computer instruction and health services. And facility support includes landscaping, recreational equipment, electrical and lighting needs, HVAC, furniture, computers and schools supplies.

- **Former South Carolina** Governor Jim Hodges launched the "Compact with Our Children" as a means of boosting parental involvement in their children's education. Over 100,000 parents signed compacts during Hodges' tenure, pledging to provide a supportive learning environment and to take an active role in school activities. This pledge called for teachers, parents, and students to share the responsibility for education and to live up to high standards. At the beginning of each school year parents pledge to:
  - Read to young children.
  - Encourage older children to read by themselves.
  - Provide a quiet, well-lit study area at home.
  - Ensure regular and punctual school attendance.
  - Provide adequate rest, food, and a healthy environment.
  - Support school activities by volunteering, visiting the classroom, and attending parent-teacher conferences.

F. PUBLIC SCHOOL CHOICE

Choice initiatives offer parents various educational alternatives for their children. Those in favor of public school choice say it encourages schools to experiment with different educational approaches, letting them find what works best for the students they serve, and that the added competition of the “market” will improve school performance because those schools that cannot attract students will be encouraged to improve.

Public school choice initiatives include the creation of specialized or “magnet” schools that draw students from a wide geographical area. Magnet schools are based on a “theme,” such as technology or classical studies.

Charter schools are publicly-financed and increasingly popular, though largely independent. Like magnet schools, charter schools are usually created around a specific teaching philosophy or subject area, and generally are designed to attract students throughout a district who want an alternative to traditional public schools. Charter schools begin when a group of teachers or other educators apply for permission from their local education authority to open a school. If approved, the school operates with taxpayer dollars, but is generally free from the rules and regulations that other public schools must follow. In most states, however, charter school students are subject to the same proficiency tests and accountability measures as other public school students.

- California, Governor Gray Davis signed a law that permits charter schools to participate in “revolving loan funds” available to new school districts, but also clarifies that the schools are subject to the same statewide assessment tests given to public school students, and requires charter school petitions to address the issue of dispute resolution. California also responded to growing public demand for public school choice by enacting three inter-district student transfer laws and one intra-district transfer law.

G. SCHOOL SAFETY

The tragedy at Columbine High School in Colorado changed the way teachers, parents, administrators and students think about school safety. For one thing, Americans now understand that school violence is not confined to urban schools; rural and suburban settings like Santee, CA, Paducah, KY, and Jonesboro, AR, prove that violence can happen anywhere, and that the need for safety is universal. In fact, according to an April 2000 Gallup Poll, roughly 66 percent of all adults, and 63 percent of parents with children in school, feel that it is very or somewhat likely that a High-style shooting could occur in their community.

As a consequence, schools all over the country have begun installing metal detectors, organizing rapid response plans in conjunction with police forces, passing zero tolerance policy against violence and conducting hostage and evacuation drills.

The FBI has even developed a "threat assessment protocol" for children who are thought to have the potential for engaging in deadly acts at school.

However, there has *not* been an increase in school violence across the country. According to the "2000 Annual Report on School Safety" from the U.S. Departments of Education and Justice, overall crime rates in schools have actually *declined* from their peak in 1993. Between 1995 and 1999, for example, the percentage of students who reported being victims of crime at school decreased from 10 to 8 percent.

Nevertheless, school safety remains a major concern among voters, and schools are increasing their efforts to "crackdown" on potentially violent students. As a result, many schools and school districts have turned to preventive measures, as well as to various "get tough" measures. Schools, working with local and state governments, are increasingly focusing attention on "at-risk" students and those in danger of "falling through society's cracks." Some districts are trying to improve relations between adults and students, and some are offering conflict management training for students. Other policy makers have concentrated on curbing violence in the media and in video games, while still others are trying to make guns less accessible to children.

One thing, however, seems clear. Teachers cannot be expected to act as police officers, too. That is why Democratic Governors are working both with local communities and police organizations to develop creative ways to prevent or at least reduce school violence so children can learn and teachers can teach.

- **Safe Routes to School.** In response to the decrease in children who bike or walk to school, Delaware Governor Ruth Ann Minner recently signed into law a Safe Routes to School program. The program is intended to remove the barriers such as distance, traffic, weather and crime that prevent children from biking or walking to school.

  Under the Delaware Department of Transportation's jurisdiction, the program will use existing federal funds to award grants to schools and school districts based on a statewide competition. Grant applicants will be required to identify safety hazards, as well as current and potential biking and walking routes. Applicants will be judged on their potential effectiveness in reducing child injuries and fatalities, and also in encouraging more biking and walking.

  Governor Minner hopes the new program will not only help to reduce childhood obesity, but will also reduce traffic congestion, air pollution and energy consumption.

- **Getting Tough on False Bomb Threats and Other Threats of Violence.** One of the first acts former Alabama Governor Siegelman signed into law last year was a bill to increase the charge against anyone falsely reporting a bomb or other incidents causing public alarm from a Class A misdemeanor to a Class C felony. In addition, anyone convicted of threatening Alabama school children could serve up to ten years in prison. Another measure to curb school violence in Alabama is state funding assistance to encourage schools to put video cameras in middle and high schools across Alabama. Schools can receive up to $10,000 for video camera installation by providing a well thought out plan, as well as matching funds totaling 20% of total project cost. Priority is given to schools demonstrating the most need.

H. AFFORDABLE HIGHER EDUCATION

Perhaps as never before, higher education is central to our nation's economic future and the wellbeing of our citizens. Although Americans who have attended college (but did not necessarily graduate) still constitute just under half of the population, they earn an astounding two-thirds of the nation's total income. And that share is growing over time. In 1970, college graduates accounted for just 22% of the nation's income. Today, that figure is 40%.

Other statistics further underscore the correlation between higher education and earnings potential. The College Board, for example, recently reported that college graduates earn an average of 75% more than high school graduates; over a lifetime, that means more than a million dollars in additional income. Even a *little* higher education can make a big difference: earning an associate's degree lifts wages by an average of 35%.

A global economy driven by computers and information technology makes a college education virtually essential to success. That is why more than seven in 10 of today's high school graduates enroll in a postsecondary education program of one sort or another. For its part, the Federal government has made increased numbers of college graduates a priority ever since passage of the GI Bill after World War II. Today, the U.S. Department of Education sponsors several different financial assistance programs for students, and has become the largest source of aid in the nation. Together, Federal programs provide over $40 billion a year in grants, loans, and work-study assistance.

Even though half of all college students receive financial aid, much more needs to be done, especially for those who are economically disadvantaged. According to the U.S. Department of Education, low-income families are 32 percent less likely to send their children to college than families with higher incomes. The average unmet need to attend a public 4-year university is $3,800 a year for low-income students, but only $400 annually for students from high-income families.

Another major problem is that many high school graduates are unprepared and lack the skills needed to succeed in college. In fact, nearly 50% of all college students are required to do remedial coursework. This lack of preparation is one of the chief reasons why more than one-quarter of freshmen at four-year colleges and nearly half of those at two-year colleges drop out before their sophomore year.

To better prepare students for higher education, Democratic Governors are working with legislators and administrators to find more money for college students, and with educators to develop stronger ties between colleges and universities and our nation's K-12 systems. In some states, Governors are encouraging schools to offer the academic coursework and to teach the skills necessary for college success.

- **Expanding the Promise of College Access.** In West Virginia, Governor Bob Wise funded the PROMISE Scholarship to provide students with a 3.0 GPA and a 21 ACT score, or a combined SAT score of 1000, a full tuition scholarship at any West Virginia public institution or an equivalent dollar scholarship to an in-state private institution. Unlike other state-sponsored tuition programs, the PROMISE scholarship is based entirely on a student's academic achievements rather than on a parent's financial resources, a college's resources or other factors.

  The scholarship program covers a student's mandatory enrollment fees with the exception of fees that are for a specific program or one-time freshman orientation fees. In addition, the scholarship covers up to eight semesters of a student's undergraduate career. In 2002, almost 5,900 students applied for the PROMISE Scholarship, which is about 30 percent of the total number of seniors who will graduate from West Virginia high schools this year. Approximately, 3,900 of these students will meet the eligibility criteria; 20 peercent of the students are from families with incomes less than $30,000, 41 percent from families with incomes less than $50,000, and 68% from families with incomes below $75,000. The average ACT score for PROMISE scholars is 24, well over the state's average of 20.3. For students using the PROMISE Scholarship, the average core grade point average is 3.64 and the overall grade point average is 3.71.

  Counselors report that more students are planning to stay in West Virginia to attend college, since the scholarship program was made available. These trends demonstrate both the great interest and enthusiasm that PROMISE has generated statewide and the programs' potential to increase the state's college-going rate.

- **Helping Parents and Students Save Money for College.** Governor Bob Holden has been a strong supporter of the Missouri Saving for Tuition Program (MO$T) that was launched in November of 1999. Under the program, Missouri families open a MO$T savings account on behalf of a designated beneficiary. The amount contributed each year can be deducted from Missouri state taxable income (up to a maximum of $8,000 per taxpayer per year). Investment earnings on money contributed to MO$T accounts are exempted from state income taxes, and Federal income taxes are deferred until the money is withdrawn – and then taxes at the student-beneficiary's rate, rather than at the (usually higher) rate of the account owner. When the beneficiary goes to college, the money can be used to pay qualified education expenses at eligible schools in Missouri or anywhere else in the country.

- **Tuition Breaks for Student-Soldiers Waging America's Battle Against Terrorism.** Governor Bob Holden announced that Missouri's two- and four-year public colleges and universities will refund tuition and suspend loan payments for students called up for military duty as part of the nation's fight against terrorism. Governor Holden's initiative protects deserving students against financial loss during their active term of duty. Colleges and universities have different arrangements in place. Some will allow students who are called up and unable to complete an academic term to withdraw from school and receive a 100 percent refund of their tuition and fees. Other options might include allowing students to take an incomplete until they finish their courses, or students could complete their courses and receive their grades early. Under Governor Holden's loan provision, students, called to military service, can fulfill their duty while remaining out of financial debt, and without jeopardizing their ability to complete their undergraduate degree upon return.

Chapter V: Making Issues Work for You

So far, this handbook has provided ideas on possible issue positions you might take. This final chapter is a guide in building an operation to determine which of those – and other – ideas are right for you, and how you can get the most out issues in your campaign.

A. GETTING THE BEST USE OUT OF ISSUES

Beyond the "big idea" and major policy pieces of an issues campaign is the day-to-day role issues can play in your race. Issues are a way to not only keep your name in the press and drive the agenda, but should also be used to build cache with your voters – just having a detailed plan you can point to will lend credibility to your message. Generally, there are four places for issues to play a role that can truly aid in your campaigning:

1. The Earned Media Tour

Not every idea has to be big to get press attention. However, the more in-depth your idea, the more coverage you will get. By producing multiple separate ideas that might fit under one larger idea, a campaign can get multiple coverage on the same issue.

For example, during the last election cycle prescription drug costs were a big issue. Many campaigns used bus tours to Mexico or Canada as a way to get coverage, and that was good. However, a three-point plan that incorporates different ways to lower costs will allow you to get the fluff coverage from trips to Canada with support from other coverage detailing your ideas. In addition, you will be able to hold a different press conference within the same media market for each bullet of your plan.

2. Hitting Your Opponent Where It Hurts

Somewhere, somehow your opponent voted wrong on a popular issue, made an inappropriate statement about an issue, or took money from the wrong side of an issue. When this happens, there are two ways to attract attention.

The first step is just to point out what he or she did wrong.

But to leave things at that would be to miss an opportunity. The second step is to come out with your own proposal on how to handle the issue *properly*. To use a glaring current example, let's say your opponent took money from Enron and then helped the company obtain a seat on the state's energy deregulation board. After you "call" him (in this case) on the conflict-of-interest charge, you can also come out with your own campaign finance reform proposal to halt that kind of corruption – further positioning your opponent under the black hat and giving voters a positive reason to vote for you.

3. Constituent Outreach

A third opportunity to use issues as a campaign tactic is to reach out to new constituencies. There are hundreds of smaller constituent groups that feel they rarely get attention from a candidate. With technology being what it is today, and a little issues development, you can really reach out and touch these largely ignored voter groups. For example, as a supporter of laws that bring in tech-qualified immigrants, you may find that developing a position paper highlighting your views on H1-B Visa expansion might gain you some supporters that would have never given you a second look.

4. Rapid Response

Ever since President Clinton's first campaign in 1992, every campaign talks about having a good rapid response operation. This is another – and overlooked – place where solid issues development can play a strong role, because, whether it be a debate, a commercial, or even answering your opponent's position paper, rapid response relies on two things:

- A strong mechanism for getting out your message.
- The right information, quickly accessible.

While the first is up to your communications operation, the second requires a ready understanding of issues, alternative responses, their pros and their cons.

B. ESTABLISHING YOUR ISSUES OPERATION

Like all aspects of a campaign, in order for you to be effective at positioning yourself on the issue, you must have a fluid and succinct issues operation. The following outlines how campaigns manage their issues operation:

1. A Volunteer Operation

Campaign volunteers care deeply about their government and the democratic process, and may have a unique tie to the candidate. Any way you look at it, they have a bond to the campaign that most other voters do not share, and that makes them important.

There are usually a number of people within your state who want to work with a campaign on matters of policy. Many of these volunteers have special interest areas or professional expertise that can benefit a campaign. Given that campaigns are increasingly capital intensive and decreasingly labor intensive, there is usually little else that campaigns can offer willing – often eager – volunteers to do. And candidates usually have a coterie of people whose views and insights they respect and whose policy input they want on their campaigns.

Using volunteer issue committees is a way many campaigns try to save money while getting input from local people. It is a good way to help a range of individuals, organizations, and constituencies feel involved and respected.

Most volunteers, however – especially the ones with the most knowledge and experience to contribute on the issues front – have day jobs; when their “day job” end, sometimes at 9 p.m., and they have to choose between getting home before their children go to bed for once, or writing their candidate’s issue paper, most make the choice you’d want them to make. Furthermore, rarely do volunteers and volunteer committees have the political skills and expertise to produce policy that you can actually use in a campaign – policy that combines substantive depth and accuracy with political insight and sensitivity.

2. Hiring A Campaign Policy Staffperson

A campaign policy director usually spends the bulk of his or her time answering the increasing number of questionnaires from interest groups, and in between spending time developing issue papers, and hopefully working to create a pro-active issues programs for the campaign to formulate around.

Generally in statewide campaigns, this policy work will be overwhelming for one individual. Not only can managing any volunteer groups you assemble be a full-time job, but as with all campaign positions the policy director will be pulled in many different directions by the constant need to drop everything else and respond to candidate requests for information and respond to crises that require immediate attention. Together, these factors often prevent the policy director from producing the pro-active work that – as we discuss at the end of this chapter – a campaign needs to optimize its message.

3. Professional Consultants

A third option is, as with other increasingly sophisticated areas of campaigns, to hire a professional consulting firm that specializes in policy work. A policy consultant, like all campaign consultants, works seven days a week, but can often be less expensive than even just one staff member even though such a firm will have several people working on your race at any given time who generally have more issues and political experience than a staffer or volunteer committee.

You need to find the right fit that is comfortable for you. It is possible to combine elements of each of these approaches. Whatever course you pursue, your issues program – like your television, mail, phone, and field operations – should not add to your problems, but aid in their solution.

C. DEVELOPING YOUR ISSUE POSITIONS

Issues work best, and campaign better control the debate, when issues are a part of the entire communications and strategy effort. Everything about an issue operation — including the timing and order of issue announcements — should be understood as part of a carefully considered communications strategy.

While voters may never read a word of a candidate's position paper, voters like to know that the candidate has something to say on matters that are important to them. They will learn this through the media – including your advertising repeating what positive things the press is saying about you. Hearing that you have ideas on those issues as well as a range of others also reinforces another important notion: You are qualified to hold the position of chief executive.

First of all, working with the media consultants and pollster and researcher, your issues team needs to understand the overall theme and general positioning you wish to project for the campaign.

Also at the outset, you will want to nail down the specific topics around which white papers will be compiled, and establish a schedule for their release.

- Developing an outline and calendar for issue releases – based on an overall strategic vision and tactical plan for the campaign – is one of the most important (if less work-intensive) parts of the effort. Of course, an old military maxim is that no battle plan survives initial contact with the enemy – your carefully crafted calendar of issues releases will undoubtedly shift and change in response to unforeseen developments, unexpected opportunities, and unwanted distractions. But, if you at least had a carefully crafted calendar to begin with, you will be that much more effective at (like any successful general) keeping the battle on the terrain you choose and (like a basketball team whose strengths play to either a run-and-gun offense or a ball-control approach) keeping the campaign pace on your terms.

- Another important tactical consideration at this point, often overlooked, is what kind of "papers" you want to put out: a few short items? a flurry? a large "definitive" tome on one topic? a single all-encompassing book? The latter appears to be a popular choice, and it can have a very positive effecting garnering attention, framing the issues debate and your candidacy, and establishing you as the candidate of ideas. On the other hand, smaller and more frequent issue releases will maximize your chances of generating free media, as we discuss later on.

An early assessment needs to be made of the existing political culture in the state: While an issue such as education or crime may call for largely the same sort of policy answers everywhere in the country, the specifics will never be the same from place to place. Every state has its historical oddities that must be taken into account; for instance, state property tax systems, economic development centerpieces, and specific environmental concerns tend to vary widely from state to state. Issues of importance to the various constituencies within your state must also be considered.

In all of this, of course, the candidate sets the tenor for the values and positioning of the campaign – with input, of course, from his or her pollster, media advisor, and top campaign strategists. In fact, many of the best ideas on a campaign come from the candidate's own views and ideas of how things should work. Taking some time out of your campaign to sit down with your policy team and conduct an open discussion on the issues can be one of the best ways to produce unique position papers and ideas. And the earlier you do so, the better: In the heat of a tight election battle, you shouldn't be formulating your positions or conducting issue retreats – you need to be talking to voters.

The issues team can then begin to flesh out the chosen direction in a little more detail. Rather than producing an authoritative dissertation on a particular issue at this point, however, we recommend a short memo and discussion on, say, each of these 4 or 5 solutions on each of the 3 or 4 major problem areas in education policy. Then, when the candidate and political advisors have chosen the basic policy positions with which they feel the most comfortable, these can be most efficiently developed in sufficient detail to give the candidate a level of comfort and confidence in debates, interviews, and public appearances – and to withstand scrutiny from the press and attack from the opposition.

- This is the point at which it makes most sense to consult outside experts (including voluntary committees) identified by the candidate and the campaign. This process serves two purposes:
    - It ensures that state-specific details are worked into policy ideas that might be culled from national sources (including this handbook); and
    - Such outreach allows your campaign to touch base with individuals with whom you want or need to form or develop relationships.
- This is also the point at which the issues team should begin looking outside of the campaign to compile relevant reports on your state and policy ideas from around the nation.
    - You should first assess what resources you already have readily available: Many states have excellent collections of university, business-related or independent "think tanks" that have issued worthwhile studies on important state public policy issues; many states have highly informative and useful budget publications and other policy documents (including web sites); some, such as New Jersey and California, actually have very good periodicals devoted entirely to state government issues. The issues team needs to identify what sorts of research vehicles are available and you already have "in stock" at the campaign.
    - Look for successful ideas elsewhere: Once you have identified what is available and needed your team should begin looking to outside sources such as the Internet, this handbook, news articles, think tanks, public interest organizations and constituency groups. Here you will gather new ideas that you can adopt based on the needs of your state as well as supplement any positions already developed.

Any issues "Plan" needs to be fleshed out at three different levels:

- The Plan to be publicly disseminated, which includes descriptive information, facts and figures, and other rhetoric necessary to the argument for it.

- A short (2-3 page) background paper on those facts and details that the candidate will likely need to know in order to discuss the Plan, and answer questions about it, coherently, intelligently, and confidently in most campaign settings (interviews, town meetings, etc.).

- Such additional detail, beyond that contained in the Plan itself, that campaign staff – particularly communications staff – will need to know or have readily available in order to respond to press inquiries, opposition attacks, and the like.

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