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The Wit
and Wisdom
of the
Presidents

By
Vic Fredericks *Fell, Frederick Victor*

Frederick Fell, Inc.

New York

ed States, too. Just think of such a ent."

aft was another who was not exactly ospect of becoming head man. When ty that he might be the next President said:

fer to go on the Supreme Bench for e presidency, and that in twenty years ould make myself more useful to the ent, even if my election should come

Both Houses, Upstairs and Down

Congressmen, the lawmakers, solons, senators, representatives, whatever you want to call them (and some Presidents had their own pet appellations), have been, at various times throughout our history, sources of aid and comfort, and irritation and annoyance to the Presidents.

The select group of lawmakers sent to Washington from all parts of the country is a tightly-knit club, despite surface outbursts and occasional friction. It is a brotherhood, and very often members will jump party lines and band together to oppose a President's wish.

Can this be revised for a joke?

There's a story they tell about Grover Cleveland who had been having trouble with a batch of senators. His wife woke up in the middle of the night and nudged him awake.

"I think there are burglars in the house," she whispered.

"No, not in the house, the Senate, my dear, they're in the Senate," he said, turning over and going back to sleep.

At one time Abraham Lincoln took great abuse for being too tolerant with his underlings. He was subjected to constant abuse for not firing General Grant as his number one soldier during the Civil War.

BOTH HOUSES, UPSTAIRS AND DOWN

Senator Wade of Ohio was particularly adamant that Lincoln should dismiss the General.

"You," he said, pointing a finger, "are only a mile from hell."

Said Lincoln with a smile, "About the distance from here to the Capitol, right?"

There contend desires. credited Thomas than big "You. The big in one h serve as equitabl in our s

Joke! ↓
"When I got back from Saudi Arabia, people asked me if I was nervous being so near to such hostile & potentially dangerous forces. I replied something along the lines of 'Congress ain't so bad'."

t must ion he reof is a with rather s way: o cool. mating se will more saucer

A saucer also figures in this story involving a freshman congressman from the Far West who was invited to have dinner in the White House with Calvin Coolidge. He had never been there before and was quite nervous. He was unsure of himself and decided to do everything that his host did.

Part way through the meal, the freshman noticed that Coolidge took his cup of tea and poured some into his saucer. The tyro representative did the same. With some alarm, he noted that Calvin poured some cream into the same saucer. Not knowing why, the novice followed suit. Then, looking on with mounting mortification, he watched as Calvin put the saucer down on the floor for his pet cat.

BOTH HOUSES, UPSTAIRS AND DOWN

There is another story concerning Calvin. He liked to ride horseback as a means of getting exercise. He and Mrs. Coolidge used to go for their regular jogs through the park. On this one occasion, Mrs. Coolidge noticed a man on a horse coming toward them.

"That's Senator Borah," she said, referring to a well-known solon who was known for his obstreperousness.

"Can't be," said Cal, "the horse and the rider are both going in the same direction."

Peace be adm praign, "Akr crats w arrange and the isn't it.

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- Joke w/ cars & Gingrich
- talk about conservative vision & how we are all riding in the same direction, fits in w/ Page metaphor

t always his cam- : Demo- nderful nocratic ens and to Con- men to a good

In a gress, t "Tex Congre... average."

One of the best comments made on President Kennedy's much publicized rocking chair came from Senator Everett Dirksen, who said, "It gives you a sense of motion, without a sense of danger."

One of President Kennedy's closest friends in Congress was Senator George A. Smathers of Florida. At a dinner honoring Smathers, Kennedy needled him this way:

DOWN

been one of my most valuable assets. In 1942 when I was thinking of running for the United States Senate, I went to Senator George, 'what do you think?' He said, 'I don't think you should run, but if you do, I'll support you.' He said, 'I don't want to win.'

About running for Vice-President, he thought. 'It's up to you,' he said. In 1960 I was considering running in the primary and George warned me against it and I didn't carry it.

When I really got nervous about the nomination for President was just when George came up and told me, 'I don't think you should run.'

The funniest campaign speech of all time was given by Senator Smathers, and it was one of the things that happened when Smathers was runner-up for the senatorial nomination in Florida.

When the Florida Floridians, Smathers said, 'The Pepper is known all over Washington. Not only that, but this man practices nepotism with his sister-in-law who was once a Thespian in Green Bay, it is an established fact that Mr. Pepper practiced celibacy.'

Write about congressmen concerns about Cannon. A group of newspapermen told Cannon they would push for the tariff on Canadian goods.

At 2,000 years ago, a certain fellow

BOTH HOUSES, UPSTAIRS AND DOWN

was taken up on a mountain top by a devil who offered him all the land if he would adore him. It so happened that the devil who was offering all that property didn't own one inch of it. And neither do you."

Another story involved Cannon's handwriting, which was quite difficult to read. At one time it was so illegible that a fellow congressman told him, "Joe, you're getting worse than ever. I showed that last letter you sent to about fifty guys and we finally managed to figure out everything but the last four words at the bottom of the page."

Cannon snatched his letter back, looked at it and shouted, "Beautiful! Those last four words are Top Secret and Confidential."

President Lyndon Johnson, who was one of the most vigorous and influential senators of all time, before accepting the nomination for Vice-President, defied congressional tradition by keeping his name in the telephone directory so people could reach him easily. He kept his name in even when he became Vice-President.

A relaxed, competent executive with huge amounts of energy, Johnson sometimes quotes a congressman to quiet his harried, harassed, upset colleagues. Johnson said that one time the late Representative Magnus Johnson of Minnesota, who occasionally blew sky-high when things went awry, shouted from the floor of the House, "We must take the bull by the tail and look the situation square in the face."

A verbose congressman had written a long bill and getting bored by the repetition and length, Lincoln said to the aide who was reading it aloud to him, "He's like the preacher with those long sermons. He started writing and is so lazy he can't stop."

What we need to do w/ this country's problems

MAYBE I SHOULDN'T SAY THIS, BUT . . .

House. Advising professional advice-givers and trouble-makers on how to treat any President, he said:

"If you would only give them a consistent and hearty support, bearing patiently with them when they seem to be making mistakes and giving them credit at least for good intentions, when these seem not to be clear—what comfort you would bestow."

Abe, at another time, explained the situation this way:

"Suppose everything you owned was being carried across by a man along Niagara Falls. Would you shout advice like lean to the left, or go slow? No, you would hold your breath. The government is carrying an immense weight. We are doing the best we can to guard our treasures. Don't badger us. Keep quiet and we will get you across safely."

General McClellan was constantly carping at Lincoln, giving him endless suggestions on how to run the White House. Lincoln said McClellan reminded him of the story of the man trying to get on a horse. As he climbed aboard, the animal picked up one of its rear feet friskily and got it caught in a stirrup. Said the man to the horse, "All right, if you want to get on, I'll stay off."

Before he became President, Lyndon Johnson was a very influential senator, being majority leader in 1954. Many of his fellow Democratic Party members urged Lyndon to really "get tough" on Eisenhower, putting the pressure on him politically for party purposes.

Lyndon refused, saying, "Any jackass can kick down a barn, but only men can build and keep one."

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36

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Why POTUS went
attack Democrats

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ng, to say

MAYBE I SHOULDN'T SAY THIS, BUT . . .

the least. But the second thought of the best people is, I believe, with me."

When Andrew Jackson was dishing out patronage appointments, one editor, who was being neglected, criticized the caliber of men being named to important posts.

Jackson, who believed that the men could honestly do the job, said, "Say to him, before he condemns the tree, he ought to wait and see its fruit."

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Addressing the problems
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the "New Path"

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The hardships and difficulties imposed on a President by a constant barrage of criticism was summed up this way by Woodrow Wilson:

"I fancy that it is just as hard to do your duty when men are sneering at you as when they are shooting at you."

37

Congress managing the Gulf effort

MAYBE I

While
Roosevelt
a mistake

odore
nakes

A gentle shaft of ridicule rather than a frontal assault was Abraham Lincoln's best weapon in bursting the arguments of his many opponents. He was once confronted by a weasel-worded politician who tried to put himself constantly in the most favorable light so he would profit.

Said Lincoln, "You remind me of the man who murdered both his parents and then, when sentence was about to be announced, pleaded for mercy on the grounds that he was an orphan."

Presic
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Don't know if it's
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funny

For the People

Our unique form of government, brought about through many years of trial, bloodshed and travail, has managed to flourish despite many bitter attacks throughout its existence.

Its history is the history of the custodians of our democracy. More definitions. Said back in 1789, the pillar of government consists

The Constitution consists in the and our Jefferson and our Constitution of Independence.

It remains that all men and women by their creator are life-givers. These

*Saddam
Insane*

In 1937, Franklin D. Roosevelt said, "The ultimate failures of dictatorship cost humanity far more than any temporary failures of democracy."

THE SMART WAY OUT

hurt the speaker's feelings, while taking care not to demean himself by being too humble.

Three months before his election in 1960, John Kennedy handled his effusive introduction this way:

"I want to express my appreciation to the Governor.

Ev... ally greatest
Pr... always think
pe... cees. George
W... want to say a
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Secretary of the White House mentioned to obtain in that Pakistan, but offense. I appointed

Can I like it, can we use it about Congress?

Abraham Lincoln once described diplomacy as the "ability to describe others as they see themselves."

Diplomacy often involves knowing when to keep quiet. Calvin Coolidge was a past master at this. When someone asked the taciturn New Englander how he became President, he replied with a shrug, "I just listened my way along."

blew up at someone who had
him about his actions on a
coln for advice. Abe told him
the matter and letting the
feels to be victimized like that.
others you," said Abe, "and in
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you finish. You'll feel much

Lincoln's great diplomacy was
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n's feelings outright, Lincoln
ed the Lord's commandments.
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Valdo Emerson said, "his heart
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ds. Despite a temper that occa-
ath, often he spoke in friendly

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that it is embarrassing. Yet, he
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LEVEL 1 - 2 OF 2 STORIES

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October 18, 1990, Thursday, Final Edition

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LENGTH: 918 words

HEADLINE: Risks in the war on bias

BYLINE: Melville Ulmer

BODY:

Simply put, Clint Bolick is an idealist. His hero is Thomas Paine and like Paine, he takes natural rights and civil rights as synonymous. His cause transports him not to picket lines, nor even the lobbies of Congress, but to courtrooms. In "Unfinished Business: A Civil Rights Strategy for America's Third Century" he makes his case for the general reader.

As director of the Landmark Legal Foundation for Civil Rights, Mr. Bolick's explicit objective is to reinforce America's national commitment to the Bill

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of Rights and the 14th Amendment to the Constitution, the latter of which guarantees "equal protection of the law" to all citizens. The particular rights Mr. Bolick has in mind pertain to individual economic freedom.

That approach invites him to a forensic war on two fronts. On one front, he opposes the reverse discrimination implicit in affirmative action quotas. He views quotas as illegal, immoral and counterproductive. On the other front, he would sweep away a mixed bag of government regulations such as minimum wage laws, license requirements and entry tests. Mr. Bolick contends they violate the Constitution and particularly restrict economic opportunities open to minorities.

Individuals, he observes, differ from one another in innumerable ways, including abilities and motivation. If they all enjoy equal treatment under the law, as the Constitution commands, they are bound to wind up with different shares in the bounties of life. Therefore equal "bounties" can be mandated only through "discriminating coercion," which by definition violates the constitutional guarantee for "equal treatment."

But such reasoning doesn't convince everyone. Think of Massachusetts Democratic Sen. Edward Kennedy and Supreme Court Justice Harry A. Blackmun - or the host of racial quotas already fixed in place, informally or otherwise,

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in industry, government and universities. The common defense of quota supporters is that discrimination in the past justifies favoritism in the present.

Mr. Bolick rejoins that quotas compound injustice, rewarding non-victims at the expense of others guilty of no wrongdoing. More important, he adds, quotas deal only with the unwelcome symptoms of racial inequality, not with the fundamental causes - unequal education and entry-level job opportunities.

It is at this point in the argument that Mr. Bolick joins forces with what promises to be a distinctly conservative and possibly more effective approach to the persistent issue of inner-city poverty. One of the code words that captures the spirit of this budding campaign is "incentives."

One of the contributors to this campaign is sociologist Charles Murray, who wrote the graceful foreword to Mr. Bolick's book. He is author of the path-breaking studies that demonstrated the perverse disincentives to personal effort and self-improvement inherent in traditional anti-poverty programs. Specifically, he showed that the most lavishly supported federal effort - centered in Aid for Families with Dependent Children - made it unprofitable for beneficiaries to accept the low-paying jobs that their limited education and skills would allow. The same federal readiness to support impecunious

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"households" inspired a record-breaking increase in teen-age pregnancies.

One corrective directly implied by Mr. Murray's findings was a significant cut in the magnitude of handouts, but this raised the specter of penalizing many of the truly helpless and desperately needy.

Mr. Bolick's central objective is to generate greater economic opportunities for minorities. It functions exclusively through revising or eliminating existing laws and regulations that restrict personal economic freedom, especially those that restrict opportunities open to blacks.

High on the list of things Mr. Bolick would rather do without, therefore, are officially sanctioned monopolies, trade licenses and entry examinations that unduly restrict newcomers to a business, and the minimum wage laws, which limit competition, especially that of less productive minorities. All of these impediments, he charges, lower competition and inhibit the efforts of the less-privileged to help themselves.

Mr. Bolick concludes: "In essence, government is slowly cutting off the bottom rungs of the economic ladder, leaving those outside the economic mainstream to argue their case for quotas and set-asides or to join the welfare rolls."

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The proposition could hardly be better put and is surely well documented here. Yet, strangely and unnecessarily, its force is weakened by the author's failure to clarify, or even frankly to confront, the underlying relationship between government and society.

Is there no case at all - ever - for regulation by government in the public interest? I may hope that Mr. Bolick would agree with Adam Smith that there is, but he gives no sign of it anywhere in this book. In fact, one gets the impression that he would oppose speed limits and traffic lights.

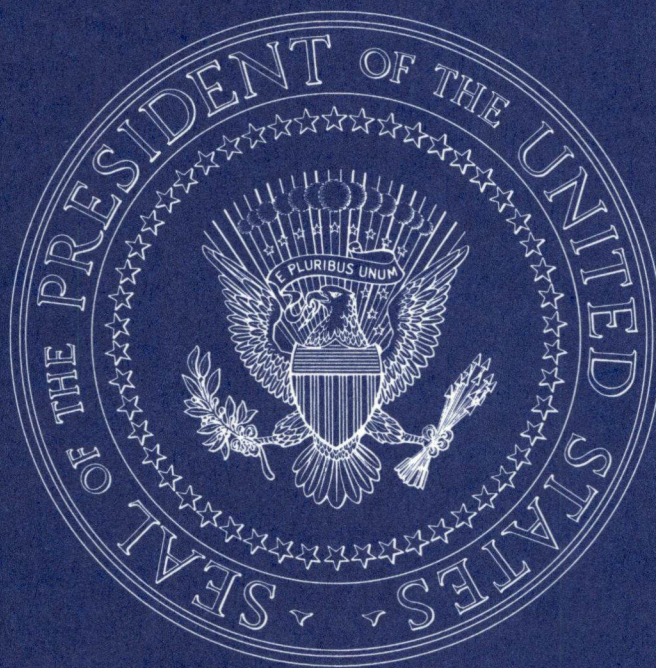
Melville J. Ulmer is professor emeritus of economics at the University of Maryland and a fellow of the National Endowment for the Humanities and the American Association for the Advancement of Science.

UNFINISHED BUSINESS: A CIVIL RIGHTS STRATEGY FOR AMERICA'S THIRD CENTURY

By Clint Bolick

Pacific Research Institute for Public Policy, \$24.95, 149 pages

The White House



Office of Public Affairs

TABLE OF CONTENTS

PAGE

1.	The State of the Union Address	1
2.	State of the Union Fact Sheet	9
3.	State of the Union Themes	21
4.	National Drug Control Strategy	24
5.	The National Education Goals	34
6.	Surface Transportation Reauthorization	41
7.	The National Energy Strategy	45
8.	Expanding Choice and Opportunity for Individuals, Families and Communities	55
9.	Crime Legislation	63
10.	Civil Rights Legislation	71
11.	Extension of Fast Track Authority	73
12.	Banking Reform -- the Financial Institutions Safety and Consumer Choice Act	83
13.	The National Export Initiative	94
14.	FY 1992 Budget (Director's Introduction and Summary of Selected Items)	98
15.	The President's Economic Growth Agenda	151
16.	America 2000: The President's Education Strategy	163
17.	21st Annual Council on Environmental Quality Report and letter to Congress.	172
18.	Enterprise Zone and Job-Creation Act of 1991 Home Ownership and Opportunity for People Everywhere (HOPE) Community Opportunity Act of 1991	184
19.	Improving Health for Infants and Children.	188
20.	Medical Malpractice	194

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

January 29, 1991

ADDRESS BY THE PRESIDENT
ON THE STATE OF THE UNION

The U.S. Capitol
Washington, D.C.

9:09 P.M. EST

THE PRESIDENT: Mr. President, and Mr. Speaker, and members of the United States Congress. I come to this House of the people to speak to you and all Americans, certain that we stand at a defining hour. Halfway around the world, we are engaged in a great struggle in the skies and on the seas and sands. We know why we're there. We are Americans -- part of something larger than ourselves. For two centuries, we've done the hard work of freedom. And tonight, we lead the world in facing down a threat to decency and humanity.

What is at stake is more than one small country; it is a big idea: a new world order, where diverse nations are drawn together in common cause to achieve the universal aspirations of mankind -- peace and security, freedom, and the rule of law. Such is a world worthy of our struggle and worthy of our children's future. (Applause.)

The community of nations has resolutely gathered to condemn and repel lawless aggress'on. Saddam Hussein's unprovoked invasion -- his ruthless, systematic rape of a peaceful neighbor -- violated everything the community of nations holds dear. The world has said this aggression would not stand -- and it will not stand. (Applause.)

Together, we have resisted the trap of appeasement, cynicism, and isolation that gives temptation to tyrants. The world has answered Saddam's invasion with 12 United Nations resolutions, starting with a demand for Iraq's immediate and unconditional withdrawal and backed up by forces from 28 countries of six continents. With few exceptions, the world now stands as one.

The end of the Cold War has been a victory for all humanity. A year and a half ago, in Germany, I said that our goal was a Europe whole and free. Tonight, Germany is united. Europe has become whole and free -- and America's leadership was instrumental in making it possible. (Applause.)

Our relationship to the Soviet Union is important, not only to us, but to the world. That relationship has helped to shape these and other historic changes. But like many other nations, we have been deeply concerned by the violence in the Baltics, and we have communicated that concern to the Soviet leadership.

The principle that has guided us is simple: Our objective is to help the Baltic peoples achieve their aspirations, not to punish the Soviet Union. (Applause.) In our recent discussions with the Soviet leadership, we have been given representations which, if fulfilled, would result in the withdrawal of some Soviet forces, a reopening of dialogue with the Republics, and a move away from violence.

We will watch carefully as the situation develops. And we will maintain our contact with the Soviet leadership to encourage

continued commitment to democratization and reform. (Applause.) If it is possible, I want to continue to build a lasting basis for U.S.-Soviet cooperation, for a more peaceful future for all mankind.

The triumph of democratic ideas in Eastern Europe and Latin America, and the continuing struggle for freedom elsewhere all around the world all confirm the wisdom of our nation's founders.

Tonight, we work to achieve another victory -- a victory over tyranny and savage aggression.

We in this Union enter the last decade of the 20th century thankful for our blessings, steadfast in our purpose, aware of our difficulties, and responsive to our duties at home and around the world.

For two centuries, America has served the world as an inspiring example of freedom and democracy. For generations, America has led the struggle to preserve and extend the blessings of liberty. And today, in a rapidly changing world, American leadership is indispensable. Americans know that leadership brings burdens and sacrifices. But we also know why the hopes of humanity turn to us. We are Americans: we have a unique responsibility to do the hard work of freedom. And when we do, freedom works. (Applause.)

The conviction and courage we see in the Persian Gulf today is simply the American character in action. The indomitable spirit that is contributing to this victory for world peace and justice is the same spirit that gives us the power and the potential to meet our toughest challenges at home.

We are resolute and resourceful. If we can selflessly confront evil for the sake of good in a land so far away, then surely we can make this land all that it should be. If anyone tells you that America's best days are behind her, they're looking the wrong way. (Applause.)

Tonight, I come before this House and the American people with an appeal for renewal. This is not merely a call for new government initiatives; it is a call for new initiative in government, in our communities, and from every American -- to prepare for the next American century.

America has always led by example. So who among us will set this example? Which of our citizens will lead us in this next American century? Everyone who steps forward today -- to get one addict off drugs, to convince one troubled teenager not to give up on life, to comfort one AIDS patient, to help one hungry child.

We have within our reach the promise of a renewed America. We can find meaning and reward by serving some purpose higher than ourselves -- a shining purpose, the illumination of a thousand points of light. And it is expressed by all who know the irresistible force of a child's hand, of a friend who stands by you and stays there -- a volunteer's generous gesture, an idea that is simply right.

The problems before us may be different, but the key to solving them remains the same. It is the individual -- the individual who steps forward. And the state of our Union is the union of each of us, one to the other -- the sum of our friendships, marriages, families, and communities.

We all have something to give. So if you know how to read, find someone who can't. If you've got a hammer, find a nail. If you're not hungry, not lonely, not in trouble, seek out someone who is. Join the community of conscience. Do the hard work of freedom. And that will define the state of our Union. (Applause.)

Since the birth of our nation, "We the people" has been the source of our strength. What government can do alone is limited -- but the potential of the American people knows no limits.

MORE

We are a nation of rock-solid realism and clear-eyed idealism. We are Americans. We are the nation that believes in the future. We are the nation that can shape the future. And we've begun to do just that -- by strengthening the power and choice of individuals and families.

Together, these last two years, we've put dollars for child care directly in the hands of parents instead of bureaucracies. (Applause.) Unshackled the potential of Americans with disabilities. (Applause.) Applied the creativity of the marketplace in the service of the environment, for clean air; and made home ownership possible for more Americans. (Applause.)

The strength of a democracy is not in bureaucracy. It is in the people and their communities. In everything we do, let us unleash the potential of our most precious resource -- our citizens, our citizens themselves. We must return to families, communities, counties, cities, states, and institutions of every kind the power to chart their own destiny, and the freedom and opportunity provided by strong economic growth. And that's what America is all about. (Applause.)

I know tonight in some regions of our country, people are in genuine economic distress. And I hear them.

Earlier this month, Kathy Blackwell, of Massachusetts, wrote me about what can happen when the economy slows down, saying, "My heart is aching, and I think that you should know your people out here are hurting badly."

I understand. And I'm not unrealistic about the future. But there are reasons to be optimistic about our economy.

First, we don't have to fight double-digit inflation. Second, most industries won't have to make big cuts in production because they don't have big inventories piled up. And third, our exports are running solid and strong. In fact, American businesses are exporting at a record rate.

So let's put these times in perspective. Together, since 1981, we've created almost 20 million jobs, cut inflation in half, and cut interest rates in half.

And, yes, the largest peacetime economic expansion in history has been temporarily interrupted. But our economy is still over twice as large as our closest competitor.

We will get this recession behind us and return to growth soon. (Applause.) We will get on our way to a new record of expansion and achieve the competitive strength that will carry us into the next American century.

We should focus our efforts today on encouraging economic growth, investing in the future, and giving power and opportunity to the individual. (Applause.)

We must begin with control of federal spending. (Applause.) That's why I'm submitting a budget that holds the growth in spending to less than the rate of inflation. And that's why, amid all the sound and fury of last year's budget debate, we put into law new, enforceable spending caps -- so that future spending debates will mean a battle of ideas, not a bidding war. (Applause.)

Though controversial, the budget agreement finally put the federal government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion. And that frees funds for saving and job-creating investment.

Now, let's do more. My budget again includes tax-free family savings accounts; penalty-free withdrawals from IRAs for first-time home buyers -- (applause) -- and to increase jobs and

MORE

growth, a reduced tax for long-term capital gains. (Applause.)

I know there are differences among us -- (laughter) -- about the impact and the effects of a capital gains incentive. So tonight, I'm asking the congressional leaders and the Federal Reserve to cooperate with us in a study, led by Chairman Alan Greenspan, to sort out our technical differences so that we can avoid a return to unproductive partisan bickering. (Applause.)

But just as our efforts will bring economic growth now and in the future, they must also be matched by long-term investments for the next American century.

That requires a forward-looking plan of action -- and that's exactly what we will be sending to the Congress. We've prepared a detailed series of proposals that include:

A budget that promotes investment in America's future -- in children, education, infrastructure, space, and high technology;

legislation to achieve excellence in education -- building on the partnership forged with the 50 governors at the Education Summit, enabling parents to choose their children's schools and helping to make America number one in math and science; -- (applause) --

a blueprint for a new national highway system -- a critical investment in our transportation infrastructure; -- (applause) --

a research and development agenda that includes record levels of federal investment, and a permanent tax credit to strengthen private R&D and to create jobs; -- (applause) --

a comprehensive national energy strategy that calls for energy conservation and efficiency, increased development, and greater use of alternative fuels; -- (applause) --

a banking reform plan to bring America's financial system into the 21st century so that our banks remain safe and secure and can continue to make job-creating loans for our factories, our businesses and home-buyers.

You know, I do think there has been too much pessimism. Sound banks should be making sound loans now -- and interest rates should be lower, now. (Applause.)

In addition to these proposals, we must recognize that our economic strength depends on being competitive in world markets. We must continue to expand American exports. A successful Uruguay Round of world trade negotiations will create more real jobs and more real growth for all nations. You and I know that if the playing field is level, America's workers and farmers can out-work, out-produce anyone, anytime, anywhere. (Applause.)

And with a Mexican Free Trade Agreement and our Enterprise for the Americas Initiative, we can help our partners strengthen their economies and move toward a free trade zone throughout this entire hemisphere. (Applause.)

The budget also includes a plan of action right here at home to put more power and opportunity in the hands of the individual. And that means new incentives to create jobs in our inner cities, by encouraging investment through enterprise zones. It also means tenant control and ownership of public housing. Freedom and the power to choose should not be the privilege of wealth. They are the birthright of every American. (Applause.)

Civil rights are also crucial to protecting equal opportunity. (Applause.) Every one of us has a responsibility to speak out against racism, bigotry, and hate. (Applause.) We will continue our vigorous enforcement of existing statutes, and I will

MORE

once again press the Congress to strengthen the laws against employment discrimination without resorting to the use of unfair preferences. (Applause.)

We're determined to protect another fundamental civil right -- freedom from crime and the fear that stalks our cities. The Attorney General will soon convene a crime summit of our nation's law enforcement officials. And to help us support them, we need tough crime control legislation, and we need it now. (Applause.)

And as we fight crime, we will fully implement our national strategy for combatting drug abuse. Recent data show that we are making progress, but much remains to be done. We will not rest until the day of the dealer is over, forever. (Applause.)

Good health care is every American's right and every American's responsibility. And so we are proposing an aggressive program of new prevention initiatives -- for infants, for children, for adults, and for the elderly -- to promote a healthier America and to help keep costs from spiralling. (Applause.)

It's time to give people more choice in government, by reviving the ideal of the citizen politician who comes not to stay, but to serve. And one of the reasons that there is so much support across this country for term limitations is that the American people are increasingly concerned about big-money influence in politics. So we must look beyond the next election, to the next generation. And the time has come to put the national interest above the special interest -- and totally eliminate political action committees. (Applause.)

And that would truly put more competition in elections, and more power in the hands of individuals. And where power cannot be put directly in the hands of the individual, it should be moved closer to the people -- away from Washington.

The federal government too often treats government programs as if they are of Washington, by Washington, and for Washington. Once established, federal programs seem to become immortal.

It's time for a more dynamic program life cycle: Some programs should increase. Some should decrease. Some should be terminated. And some should be consolidated and turned over to the states. (Applause.)

My budget includes a list of programs for potential turnover totalling more than \$20 billion. Working with Congress and the governors, I propose we select at least \$15 billion in such programs and turn them over to the states in a single consolidated grant -- fully funded -- for flexible management by the states. (Applause.)

The value -- the value of this turnover approach is straightforward. It allows the federal government to reduce overhead. It allows states to manage more flexibly and more efficiently. It moves power and decision-making closer to the people. And it reinforces a theme of this administration: appreciation and encouragement of the innovative powers of "States as Laboratories."

This nation was founded by leaders who understood that power belongs in the hands of people. And they planned for the future. And so must we -- here and all around the world.

As Americans, we know that there are times when we must step forward and accept our responsibility to lead the world away from the dark chaos of dictators, toward the brighter promise of a better day.

Almost 50 years ago we began a long struggle against aggressive totalitarianism. Now we face another defining hour for

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America and the world.

There is no one more devoted, more committed to the hard work of freedom, than every soldier and sailor, every Marine, airman, and Coastguardsman -- every man and woman now serving in the Persian Gulf. (Applause.) Oh, how they deserve -- (applause) -- and what a fitting tribute to them.

You see -- what a wonderful, fitting tribute to them. Each of them has volunteered -- volunteered to provide for this nation's defense -- and now they bravely struggle, to earn for America, for the world, and for future generations, a just and lasting peace.

Our commitment to them must be equal to their commitment to their country. They are truly America's finest. (Applause.)

The war in the Gulf is not a war we wanted. We worked hard to avoid war. For more than five months we, along with the Arab League, the European Community, the United Nations, tried every diplomatic avenue. U.N. Secretary General Perez de Cuellar; Presidents Gorbachev, Mitterrand, Ozal, Mubarak, and Bandjedid; Kings Fahd and Hassan; Prime Ministers Major and Andreotti -- just to name a few -- all worked for a solution. But time and again, Saddam Hussein flatly rejected the path of diplomacy and peace.

The world well knows how this conflict began and when: It began on August 2nd, when Saddam invaded and sacked a small, defenseless neighbor. And I am certain of how it will end. So that peace can prevail, we will prevail. (Applause.) Thank you.

Tonight, I am pleased to report that we are on course. Iraq's capacity to sustain war is being destroyed. Our investment, our training, our planning -- all are paying off. Time will not be Saddam's salvation.

Our purpose in the Persian Gulf remains constant: to drive Iraq out of Kuwait, to restore Kuwait's legitimate government, and to ensure the stability and security of this critical region.

Let me make clear what I mean by the region's stability and security. We do not seek the destruction of Iraq, its culture, or its people. Rather, we seek an Iraq that uses its great resources, not to destroy, not to serve the ambitions of a tyrant, but to build a better life for itself and its neighbors. We seek a Persian Gulf where conflict is no longer the rule, where the strong are neither tempted nor able to intimidate the weak.

Most Americans know instinctively why we are in the Gulf. They know we had to stop Saddam now, not later. They know that this brutal dictator will do anything; will use any weapon; will commit any outrage, no matter how many innocents suffer.

They know we must make sure that control of the world's oil resources does not fall into his hands, only to finance further aggression. They know that we need to build a new, enduring peace -- based not on arms races and confrontation, but on shared principles and the rule of law.

And we all realize that our responsibility to be the catalyst for peace in the region does not end with the successful conclusion of this war.

Democracy brings the undeniable value of thoughtful dissent -- and we've heard some dissenting voices here at home -- some, a handful, reckless -- most responsible. But the fact that all voices have the right to speak out is one of the reasons we've been united in purpose and principle for 200 years. (Applause.)

Our progress in this great struggle is the result of years of vigilance and a steadfast commitment to a strong defense. Now, with remarkable technological advances like the Patriot missile,

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we can defend against ballistic missile attacks aimed at innocent civilians.

Looking forward, I have directed that the SDI program be refocused on providing protection from limited ballistic missile strikes -- whatever their source. (Applause.) Let us pursue an SDI program that can deal with any future threat to the United States, to our forces overseas, and to our friends and allies.

The quality of American technology, thanks to the American worker, has enabled us to successfully deal with difficult military conditions and help minimize precious loss of life. We have given our men and women the very best. And they deserve it. (Applause.)

We all have a special place in our hearts for the families of our men and women serving in the Gulf. They are represented here tonight by Mrs. Norman Schwarzkopf. (Applause.) We are all very grateful to General Schwarzkopf and to all those serving with him. And I might also recognize one who came with Mrs. Schwarzkopf -- Alma Powell, the wife of the distinguished Chairman of the Joint Chiefs. (Applause.) And to the families, let me say our forces in the Gulf will not stay there one day longer than is necessary to complete their mission. (Applause.)

The courage and success of the RAF pilots, of the Kuwaiti, Saudi, French, the Canadians, the Italians, the pilots of Qatar and Bahrain -- all are proof that for the first time since World War II, the international community is united. The leadership of the United Nations, once only a hoped-for ideal, is now confirming its founders' vision. (Applause.)

I am heartened that we are not being asked to bear alone the financial burdens of this struggle. Last year, our friends and allies provided the bulk of the economic costs of Desert Shield. And now, having received commitments of over \$40 billion for the first three months of 1991, I am confident they will do no less as we move through Desert Storm. (Applause.)

But the world has to wonder what the dictator of Iraq is thinking. If he thinks that by targeting innocent civilians in Israel and Saudi Arabia, that he will gain advantage, he is dead wrong. (Applause.) If he thinks that he will advance his cause through tragic and despicable environmental terrorism, he is dead wrong. (Applause.) And if he thinks that by abusing the coalition prisoners of war he will benefit, he is dead wrong. (Applause.)

We will succeed in the Gulf. And when we do, the world community will have sent an enduring warning to any dictator or despot, present or future, who contemplates outlaw aggression.

The world can, therefore, seize this opportunity to fulfill the long-held promise of a new world order, where brutality will go unrewarded and aggression will meet collective resistance.

Yes, the United States bears a major share of leadership in this effort. Among the nations of the world, only the United States of America has both the moral standing and the means to back it up. We're the only nation on this Earth that could assemble the forces of peace. This is the burden of leadership and the strength that has made America the beacon of freedom in a searching world.

This nation has never found glory in war. Our people have never wanted to abandon the blessings of home and work for distant lands and deadly conflict. If we fight in anger, it is only because we have to fight at all. And all of us yearn for a world where we will never have to fight again.

Each of us will measure within ourselves the value of this great struggle. Any cost in lives -- any cost -- is beyond our power to measure. But the cost of closing our eyes to aggression is beyond mankind's power to imagine.

MORE

This we do know: Our cause is just. Our cause is moral.
Our cause is right. (Applause.)

Let future generations understand the burden and the
blessings of freedom. Let them say we stood where duty required us
to stand.

Let them know that, together, we affirmed America and the
world as a community of conscience.

The winds of change are with us now. The forces of
freedom are together, united. We move toward the next century more
confident than ever that we have the will at home and abroad to do
what must be done, the hard work of freedom.

May God bless the United States of America. Thank you
very, very much. (Applause.)

END

9:57 P.M. EST

THE WHITE HOUSE
Office of the Press Secretary

EMBARGOED FOR RELEASE
AND WIRE TRANSMISSION
UNTIL 9:00 PM (EST)
TUESDAY, JANUARY 29, 1991

THE PRESIDENT'S STATE OF THE UNION ADDRESS

FACT SHEET

The President's 1991 State of the Union address discussed:

- A New World Order
- Preparing for the Next American Century
- The War in the Gulf

The President explained that he came to speak to the Congress and all Americans "certain that we stand at a defining hour."

I. A NEW WORLD ORDER

A. Peace and the Rule of Law

The President declared that what is at stake in the Persian Gulf is more than just the independence of Kuwait. It is a new world order where diverse nations are brought together to give permanence to the universal aspirations of mankind:

- Peace and security;
- Freedom; and
- The rule of law.

The world has "resisted the trap of appeasement, cynicism, and isolation" and is united in demanding Iraq's immediate and unconditional withdrawal from Kuwait. We are working to achieve victory over tyranny and lawless aggression. America has "a unique responsibility to do the hard work of freedom."

B. Constructive Change

The President noted that "the end of the Cold War has been a victory for all humanity...Germany is united. Europe has become whole and free -- and America's leadership was instrumental in making it possible."

C. U.S.-Soviet Relations

The President stated that "our relationship with the Soviet Union is important, not only to us, but to the world." It has contributed to positive, historic change.

The President also noted that "like many other nations, we have been deeply concerned by the violence in the Baltics." The President stated that in discussions with the Soviet leadership "we have been given representations, which, if fulfilled, would result in the withdrawal of some Soviet forces, a reopening of dialogue with the Republics, and a move away from violence." We will watch carefully as the situation develops; we will also maintain our contacts with Soviet leaders to encourage democratization and reform.

II. PREPARING FOR THE NEXT AMERICAN CENTURY

The President asserted that the spirit that is winning a victory for world peace and justice in the Persian Gulf is "the same spirit that gives us the power and the potential to meet our toughest challenges at home." The President called for "new initiative in government, in our communities, and from every American, to prepare for the next American century."

The President encouraged all Americans to join the "community of conscience", asserting that "we have within our reach the promise of a renewed America." He said "we can find meaning and reward by serving some purpose higher than ourselves."

The President called for "strengthening the power and freedom of choice of individuals and families." He declared that "the strength of a democracy is not in bureaucracy," but "in the people and their communities." The President called for the unleashing of "the potential of our most precious resource -- our citizens." This should be done by returning to "families, communities, counties, cities, states, and institutions of every kind, the power to chart their own destiny."

A. Encouraging Economic Growth

The President explained that he understands the genuine economic distress experienced by many Americans. He offered three reasons to be optimistic about the economy:

- Inflation is low;
- Inventories are low; and
- Exports are strong.

The President expressed confidence that "we will get this recession behind us, and return to growth -- soon."

Controlling Federal Spending and Enforcing the Budget Agreement

The President declared that strong economic growth requires control of Federal spending. He will transmit a budget that holds the growth in spending to less than the rate of inflation.

The budget agreement put the Federal government on a pay-as-you-go plan and cut the growth of debt by nearly \$500 billion.

Encouraging Savings and Investment

The President explained that the budget agreement helped free private funds for savings and job-creating investment.

In addition, the President announced that his budget again includes:

- Tax-free family savings accounts;
- Penalty-free withdrawals from IRAs for first-time home buyers; and
- A strengthened long-term capital gains incentive.

He also asked congressional leaders, the Administration, and the Federal Reserve to cooperate in a study, led by Federal Reserve Chairman Alan Greenspan, to reach technical agreement on the budgetary and other economic effects of a strengthened capital gains incentive.

B. Investing in the Future

The President said that we must match incentives for economic growth today with long-term investments for the next American century.

Budget Priorities

The President indicated that his FY 1992 budget priorities will include promoting investments in children, education, infrastructure, space, and high technology.

Strengthening Education

The President will propose a new Educational Excellence Act which contains strategic initiatives to improve the learning achievement of all Americans and to restructure the nation's educational system. Initiatives in the Educational Excellence Act will:

- Stimulate fundamental reform and restructure our education system through promoting educational choice and alternative certification for teachers and principals.
- Promote local control and innovation in education by providing increased flexibility in funding at the Federal and state levels in exchange for enhanced accountability.
- Assist educators in their mission to improve student performance by: rewarding schools that demonstrate improved achievement among students; rewarding excellent teachers; and providing innovation in training school administrators.
- Provide incentives to school districts to design and implement innovative approaches to mathematics and science education; enhance the endowments of Historically Black Colleges and Universities; and contribute to improving literacy.

Strengthening Transportation Infrastructure

The President believes a strong highway system is a critical investment for our economic success. He indicated that he would shortly outline the details of a new National Highway System managed in partnership with the States.

Enhancing Research and Development

To strengthen our research and development capability and economic competitiveness the President will propose:

- A record Federal budget commitment to science and expanding the frontiers of knowledge, including basic research and making government research more available to the private sector for speedier commercialization;
- Increased support for generic or enabling technologies at the pre-competitive stage of R&D in such areas as high-performance computing, new energy technologies, and advanced manufacturing and materials; and
- Making permanent the R&E tax credit.

Reducing Energy Vulnerability

The President will soon present a comprehensive National Energy Strategy that calls for energy conservation and efficiency, increased domestic energy development, and greater use of alternative fuels. The elements of the strategy are designed to:

- Foster economic growth through the availability of ample supplies of reasonably priced energy;
- Enhance energy security by reducing vulnerability to oil disruptions; and
- Increase research and development of a wide range of promising energy technologies.

Providing Financial Security

The President said that we will continue to make sure banks are safe, sound, and able to provide adequate credit

for job-creating loans for factories, businesses, and homebuyers.

He stated that "sound banks should be making more sound loans, now -- and interest rates should be lower, now."

The Treasury will shortly unveil a plan to bring America's financial system into the 21st century. The elements of the plan are designed to:

- Continue to protect the deposits of America's workers and savers;
- Assure the safety, soundness, and competitiveness of our financial institutions;
- Create a regulatory system that is strong, simple, and streamlined; and
- Move toward a deposit insurance fund that is well capitalized with industry funds.

Expanding World Trade

The President called for an expansion of world trade, to create new opportunities for U.S. exports, which have grown by 23 percent over the past two years to nearly \$400 billion. His priorities include:

- Strengthening and expanding the world trading system through the swift and successful completion of the Uruguay Round of multilateral trade negotiations.
 - These negotiations aim to open markets worldwide, lower government subsidies and trade barriers that distort agricultural markets, and establish rules of fair play in areas vital to U.S. competitiveness -- such as services, agriculture, and high technology.
 - The lower trade barriers that would result from a successful Uruguay Round could increase world output by approximately \$5 trillion over the next ten years, and U.S. output by \$1 trillion.
- A U.S.- Mexico Free Trade Agreement (FTA), first endorsed by President Bush and Mexico's President Carlos Salinas de Gortari in June 1990.

- A comprehensive FTA would aim to eliminate barriers to trade in goods and services and investment between the United States and Mexico, as well as provide for the protection of intellectual property rights.
 - It would free trade totalling \$59 billion between the two countries.
 - The FTA might also include Canada, thus creating the world's largest market, with 360 million consumers and \$6 trillion in total output.
- Implementing the Enterprise for the Americas Initiative, launched by President Bush last June.
- The President's initiative aims to spur economic growth and create jobs among the nations of the Western Hemisphere by removing barriers to trade and investment, and by reducing debt burdens.
 - The initiative envisions the eventual development of a hemispheric zone of free trade.
 - The United States has begun the process of opening markets to trade and investment with over a dozen countries in the region.
 - The President will propose legislation to enable full implementation of the investment and debt reduction portions of the initiative.
- Export Promotion. The Administration will be taking quality and export programs to cities around the country, to make certain that more U.S. firms know the export potential of top quality goods and services.

C. Giving Power and Opportunity to the Individual

The President announced an action plan to "put more power and opportunity in the hands of the individual."

Creating Job Opportunities

The President called for new incentives to create jobs in our inner cities by encouraging investment through enterprise zones.

Increasing Home Ownership

The President also called for increasing tenant ownership and control of public housing to help build the bonds of community in neighborhoods that need help.

Fighting Discrimination

The President stated that "civil rights are also crucial to protecting equal opportunity." He called on all Americans to speak out against racism, bigotry, and hate.

The President indicated that "we will continue our vigorous enforcement of existing statutes," and promised to press the Congress again "to strengthen the laws against employment discrimination without resorting to the use of unfair preferences."

Protecting People From Crime and Combatting Drug Abuse

The President described freedom from crime as a basic civil right and said that we must eradicate the fear that stalks our cities.

- He announced that the Attorney General will soon convene a Crime Summit of our nation's law enforcement officials.
- He called for prompt action on tough crime control legislation. The President will propose legislation that will include:
 - A meaningful Federal death penalty for the most heinous crimes with procedures to ensure its fair and colorblind application;
 - Habeas corpus reform to reduce unnecessarily repetitive appeals that clog the courts and delay justice;
 - Exclusionary rule reform to ensure that evidence gathered by law enforcement officials in a good faith belief that they are acting lawfully can be used to help courts establish the truth;
 - Provisions to strengthen Federal laws concerning the safety of women by modifying rules on the

admissibility of evidence in cases of sex crimes, enhancing penalties for the distribution of illegal drugs to pregnant women, increasing penalties for recidivist sex offenders, and offering greater protection for victims below the age of sixteen; and

- New authority to enhance international cooperation among law enforcement officials to combat international criminal activity, including international terrorism.

- The President noted that recent data shows we are making progress in reducing drug abuse, but that much remains to be done. The Administration will soon release the third edition of the National Drug Control Strategy.

This comprehensive strategy includes increased resources for drug prevention and education, treatment, law enforcement, and international initiatives.

Enhancing Good Health Through Prevention

The President stated that good health is every American's right and responsibility. He announced that he will propose an aggressive program of new prevention initiatives to promote a healthier America and to help control costs.

The initiatives are designed to make Americans of all ages healthier.

- Infant health will be improved through an initiative that targets cities with exceptionally high infant mortality rates;
- Children will benefit from large increases in immunization resources;
- Adults will benefit from new efforts to promote physical activity and reduce injury, reduce tobacco use, and implementation of a new program to detect breast and cervical cancer; and
- Elderly women will benefit from mammography services newly available to Medicare beneficiaries.

Giving People More Choice in Government

The President urged "reviving the ideal of the citizen politician who comes not to stay, but to serve."

- He endorsed term limitations in order to reduce the influence of special interests.
- He also endorsed election reform -- total elimination of Political Action Committees -- as necessary to put more power in the hands of individuals.

D. Moving Government Closer to the People

The President said that "where power cannot be put directly in the hands of the individual, it should be moved closer to the people -- away from Washington."

The President called for a more dynamic program life cycle.

- Some programs should increase;
- Some should decrease;
- Some should be terminated; and
- Some should be consolidated and turned over to the States.

The President's Budget includes a list of potential programs for turnover totalling more than \$20 billion. Working with the Governors and the Congress, the President proposed selecting at least \$15 billion in such programs and turning them over to the States in a single consolidated grant, fully funded, for flexible management by the States. This initiative will:

- Allow the Federal Government to reduce overhead;
- Allow States to manage more flexibly and efficiently;
- Move power and decision-making closer to the people; and
- Encourage the innovative power of "States as Laboratories."

III. THE WAR IN THE GULF

A. The Heroism of Our Servicemen and Servicewomen

The President said that, in this defining hour for America and the world, "there is no one more devoted, more committed to the hard work of freedom than every soldier and sailor, every Marine, airman and Coastguardsman -- every man and woman now serving in the Persian Gulf." He stated that our commitment to them must match their commitment to their country.

B. We Are on Course

The President said that while we worked hard to avoid war, Saddam Hussein repeatedly rejected the path of diplomacy and peace. But we will prevail; we are on course. "Iraq's capacity to sustain war is being destroyed...Time will not be Saddam's salvation.

C. Objectives in the Gulf

The President reaffirmed our objectives:

- Drive Iraq from Kuwait. Iraq must comply with all relevant United Nations resolutions.
- Restore Kuwait's legitimate government. Kuwait will once again be free.
- Ensure stability and security in the Gulf region. It is our hope that Iraq will live as a peaceful and cooperative member of the family of nations.

The President stated that most Americans know instinctively why we are in the Gulf -- "we had to stop Saddam now, not later." The President noted the undeniable value of thoughtful dissent. The right to speak out "is one of the reasons we've been united in purpose and principle for 200 years."

D. Strategic Benefits of High Technology

The President observed that our progress in the Gulf is the result of using American technology and economic

strength to minimize the risk to human life. Our men and women have the best and deserve the best.

The President directed that the Strategic Defense Initiative (SDI) program be refocused on providing protection from limited ballistic missile strikes -- from whatever their source.

E. The Unity of the International Community

The President observed that for the first time in the post-war era, the international community is united. It has an opportunity to fulfill the long-held promise of a new world order -- where brutality goes unrewarded, and aggression meets collective resistance.

The President praised the courage and success of the pilots of the coalition countries and the leadership provided by the United Nations, an organization that is now confirming its founders' vision.

The President also commended our friends and allies who have provided the bulk of the financial costs of Desert Shield, and expressed confidence that they will similarly financially support Desert Storm.

F. U.S. Determination is Great

The President stated that Saddam will not benefit from targeting innocent civilians, from environmental terrorism, or by abusing POWs. We will succeed, and in the process send a powerful message to any dictator or despot who would follow Saddam's lead.

G. The Special Role of U.S. Leadership

The President stated that "the United States bears a major share of leadership" in the Gulf War effort. He noted that the burden of leadership is a "strength that has made America the beacon of freedom in a searching world."

STATE OF THE UNION THEMES AND PRIORITIES
The President's Domestic Agenda

1. Encouraging Economic Growth & Increased Competitiveness in World Markets
 - . *Controlling federal spending by enforcing the budget agreement*
 - . *Promoting personal savings, investment and capital formation*
 - . *Providing financial security*
 - . *Expanding world trade*

2. Investing in the Future
 - . *Strengthening education*
 - . *Strengthening transportation infrastructure*
 - . *Preserving and protecting the environment*
 - . *Enhancing research and development*
 - . *Reducing energy vulnerability*

3. Giving Power and Opportunity to the Individual
 - . *Creating job opportunities*
 - . *Increasing home ownership*
 - . *Fighting discrimination*
 - . *Protecting people from crime and combatting drug abuse*
 - . *Enhancing good health through prevention*
 - . *Giving people more choice in government*

National Drug Control Strategy

Executive Summary

February 1991

National Drug Control Strategy

Executive Summary

In accordance with the Anti-Drug Abuse Act of 1988, the President presented the third National Drug Control Strategy to the Congress on January 31, 1991.

The fundamental principle of the National Strategy remains firm: to reduce drug use through a mix of supply and demand policies and programs. Like its predecessors, this Strategy recognizes the key roles of Federal, State, and local governments, the private sector, and communities and individuals across the Nation. The Strategy calls for applying pressure across all fronts of the drug war simultaneously, recognizing that prevention is the only answer in the long run, but that in the short run increased interdiction, international, and law enforcement efforts are necessary, as well as treatment for those currently using drugs.

It declares that as a Nation we must:

- Establish meaningful and effective programs to prevent people from using drugs in the first place.
- Provide effective treatment for those who need it and can benefit from it.
- Hold users accountable for their actions and thereby deter others from using drugs.
- Target and dismantle drug trafficking organizations.
- Prosecute drug dealers and traffickers.
- Punish those convicted of drug crimes.
- Disrupt the flow of drugs, related chemicals, and drug money.
- Engage other nations in efforts to reduce the growth, production, and distribution of drugs.

Executive Summary

- Support basic and applied research in behavior, medicine, and technology.
- Improve our intelligence capabilities in order to attack drug trafficking organizations better.

The National Drug Control Strategy established nine detailed goals and objectives. These goals were first set in the 1989 Strategy as targets for 1991. As the following chart shows, these objectives have been met.

NATIONAL DRUG CONTROL STRATEGY NATIONAL OBJECTIVES		
	GOAL	ACTUAL
CURRENT OVERALL DRUG USE	-10%	-11% ³
CURRENT ADOLESCENT DRUG USE	-10%	-13% ⁴
OCCASIONAL COCAINE USE	-10%	-29% ¹
FREQUENT COCAINE USE	50% reduction in rate of increase	-23% ⁴ actual decline
CURRENT ADOLESCENT COCAINE USE	-20%	-49% ²
DRUG-RELATED MEDICAL EMERGENCIES	-10%	-18% ⁵
DRUG AVAILABILITY	-10%	data not yet available
DOMESTIC MARIJUANA PRODUCTION	-10%	data not yet available
STUDENT ATTITUDES TOWARD DRUG USE	-10%	-28% ⁶

¹Significant at the .01 level. ²Significant at the .06 level. ³Significant at the .15 level.
⁴Significant at the .3 level. ⁵No sampling variance. ⁶Average of three separate measures;
 significant at the .01 level.

For Fiscal Year 1992, the Administration is seeking \$11.7 billion in drug-related funding — a \$5.3 billion (82 percent) increase since the beginning of the Administration and a \$1.1 billion (11 percent) increase over Fiscal Year 1991. Additional detail on the National Drug Control Budget is available in the National Drug Control Strategy Budget Summary.

The 1991 Strategy follows the same format as previous Strategies. Seven sections (The Criminal Justice System; Drug Treatment; Education, Community Action and the Workplace; International Initiatives; Border Interdiction and Security; A Research Agenda; and Intelligence and Information Management) present a thorough discussion of issues, policies, and programs related to our national drug control activities. Broad reviews of Federal drug program management issues, budget proposals, High Intensity Drug Trafficking Areas, and recommended model State legislation are included as appendices.

Highlights From the February 1991 National Drug Control Strategy

The Criminal Justice System

Expanded Joint Task Forces

- \$402 million in total funding for Organized Crime Drug Enforcement Task Forces (OCDETFs) and \$55 million for Drug Enforcement Administration (DEA) State and local task forces (increases of 20 percent and 25 percent compared to FY 1991 respectively).
- Over 400 new Federal agents and attorneys added to the OCDETF program.

Continued High Priority to Domestic Marijuana Eradication Programs

- Nearly \$90 million for Federal agency efforts to eliminate marijuana on Federal lands.
- \$15 million in DEA funding, training, and investigative support to local government efforts.

Executive Summary

Additional DEA and FBI Agents

- 134 more DEA agents and 44 more FBI agents than this year, exclusive of those added through OCDETFs.

Expanded Federal Prison Capacity

- Funding for over 2,500 drug-related new beds in the Federal prison system in Fiscal Year 1992.
- 50,000 total beds (drug and nondrug) under design, construction, or in the planning stage in the Federal prison system through 1996.

Expanded Resources for Federal Money Laundering Investigations

- An increase of 102 positions (85 special agent positions) and \$8.8 million for the Internal Revenue Service's OCDETF program and an additional \$1.6 million to expand the intelligence information systems of the Financial Crimes Enforcement Network.

Proposed Legislation

- *Drug Testing* - condition receipt of Federal criminal justice funds upon States adopting drug testing programs in their criminal justice systems.
- *Deporting Aliens* - streamline exclusion of deportation procedures by eliminating some administrative avenues by appeal while fully maintaining the judicial appeals process.
- *Death Penalty* - make the death penalty available in cases involving three additional categories of drug offenders: major drug kingpins; drug kingpins who attempt to kill in order to obstruct justice; and Federal drug felons whose offense results in death.

Drug Treatment

Expanded Treatment System Capacity

- \$100 million increase in Federal support for treatment capacity, enabling 200,000 more people to receive treatment.
- Explore use of "treatment voucher" experiments, which allow addicts to be treated at private facilities.

- Treatment Campuses to offer a variety of treatment approaches, enhanced treatment capacity, improved treatment quality, and the opportunity to evaluate and compare the efficiency of different treatment methods.
- Approximately \$119 million for treatment programs directed at priority populations such as adolescents, pregnant/postpartum women and their children, and drug users risking or suffering from HIV/AIDS.
- \$21 million increase in funding for treating Federal arrestees, prisoners, probationers, and those on post-incarceration supervised release (a 36 percent increase over 1991).

Improved Quality of Treatment

- Development and testing of promising treatment strategies.
- Evaluation of current treatment methods to see what works.
- Continued research on the effects of drugs on infants and pregnant women.
- Assistance to States in setting and meeting standards of treatment quality and improving treatment for the priority populations noted above.

Proposed Legislation

- *Maintenance of Effort* - ensure that States receiving funds from the Alcohol, Drug Abuse, and Mental Health Services (ADMS) block grant program do not reduce their own drug-related funding below the average amount of such expenditures for the preceding two years.
- *State Treatment and Prevention Plan* - condition the receipt of Federal treatment funds on a State's development and implementation of a coordinated, statewide treatment and prevention plan.

Education, Community Action, and the Workplace

Community Drug Prevention

- \$114 million in Community Partnership Grants to assist communities in developing comprehensive prevention strategies to address drug and alcohol problems — a 14 percent increase over 1991.

Executive Summary

- \$165 million for HUD's Public Housing Drug Elimination Grant program — a 10 percent increase over 1991.

Protection for Children

- Expanded efforts to develop approaches that provide havens for children of addicts.
- Training for criminal justice officials and social workers, child care workers, and foster parents who deal with addicts and their children.

Drug-Free Schools

- Nearly \$500 million to improve drug education in classrooms.

Drug-Free Workplace

- Continued cooperation with the private sector to develop drug-free workplace programs, including information dissemination and research to help employees and employers understand better the impact of drug use in the workplace.
- Continued efforts to achieve a fully implemented drug program — including a drug testing plan — in every Federal agency.

Proposed Legislation

- *Lab Accreditation* - seek high-quality drug testing programs by ensuring that there are high standards of confidentiality and accuracy.

International Initiatives

Expanded International Efforts

- \$125 million increase in military, law enforcement, and economic assistance to Colombia, Peru, and Bolivia.
- Continued diplomatic initiatives to increase hemispheric trade, improve regional and global mechanisms for money laundering and precursor chemical control, and launch joint demand reduction efforts overseas.

Increased Assistance to Mexico

- Continued support of Mexican efforts against drug production and trafficking, particularly along the U.S. Southwest Border.

Potential Source and Transit Countries

- Assistance to potential transit countries in developing their own intelligence capabilities and their ability to act on shared intelligence.
- Encouragement to drug producer and transit countries to strengthen their laws, legal institutions, and programs to apprehend and bring drug traffickers and drug money launderers to justice.

Strengthened Financial Crimes Enforcement

- Continued priority targeting of money laundering and other drug-related financial crimes through the Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) and the multi-agency Drug-Related Financial Crimes Policy Group.
- Improved intelligence on financial activities of drug traffickers, investigation of suspected money launderers, achieving effective regulation at the Federal and State levels, and promoting international cooperation.

Border Interdiction and Security

Enhanced Interdiction Activities

- Improved automated data processing programs at Customs, INS, and the Coast Guard.
- Application of innovative technologies from Federal laboratories and private industry to various interdiction problems including detection of concealed drugs, control of movements across our borders, and enhanced data collection and information processing.
- Additional sanctions for pilots who violate flight planning, entry notification, or border clearance rules, and additional legislation making it a criminal offense to refuse orders of Federal authorities to land an aircraft or bring-to a vessel.

Executive Summary

- Continued vigorous enforcement of laws and pursuit of international cooperation to halt illegal diversion of precursor chemicals, weapons, and explosives to drug traffickers.
- Strengthened law enforcement activities along our Southwest Border.

A Research Agenda

Science and Technology

- Creation of a Counternarcotics Technology Assessment Center within the ONDCP to establish drug-related research and development priorities and to plan for the acquisition and use of advanced drug law enforcement technologies by Federal agencies.
- Upgraded ability of Federal law enforcement agencies to store, retrieve, and manipulate information to understand drug trafficking networks better and to attack them more effectively.

Improved Data Collection and Evaluation

- Improved information systems that measure our national objectives; expanded treatment system data; and intensified treatment and prevention evaluation.
- Quick response and target surveys to provide up-to-date and responsive information for policy use.

Biomedical and Behavioral Research

- Enhance NIDA's strategic planning process to address the research needs identified in previous Strategies.
- Further identify the neural mechanisms by which cocaine operates, and develop medications that can block cocaine euphoria and relieve cocaine cravings.
- Find effective means of persuading drug users, especially intravenous drug users, to enter treatment.
- Support research to define quality treatment and desirable outcomes for clients, identify determinants of quality treatment, and develop accountability standards for treatment delivery.

Intelligence and Information Management

Law Enforcement Drug Intelligence Council

- Establishment of a Law Enforcement Drug Intelligence Council to coordinate development of drug intelligence collection and analysis requirements. The Administration will also seek ways to accomplish National Drug Intelligence Center missions.

High Intensity Drug Trafficking Areas

Five Areas Designated as HIDTAs

- Continued support to the five areas designated as High Intensity Drug Trafficking Areas (HIDTAs) in the 1990 Strategy: New York City, Miami, Houston, Los Angeles, and the Southwest Border.
- \$50 million will support the ongoing Federal program in Fiscal Year 1992.
- In addition to the appropriation for HIDTA activities described above, \$1.5 billion for other drug-related programs in the HIDTA areas in Fiscal Year 1992, up from \$1.3 billion in 1991.

**HIGHLIGHTS FROM
THE PRESIDENT'S FISCAL YEAR 1992 BUDGET
RELATED TO THE NATIONAL EDUCATION GOALS**

The following section is adapted from the Budget of the United States Government: Fiscal Year 1992 which is issued by the Office of Management and Budget.

The President's Fiscal Year (FY) 1992 budget reflects the Administration's ongoing commitment to provide resources for priority areas in education as identified in the Joint Statement of the President and the Governors from the Education Summit (Appendix B) and that support the national education goals. Even under current budget constraints, the President's budget includes significant increases to help prepare children for school, to enhance research and demonstration of "what works," and to improve mathematics and science education.

As announced in his State of the Union Address on January 29, 1991, President Bush also proposes:

- A new Education Excellence Act (see initiatives under specific goals) which is designed to assist states and localities in restructuring efforts; and
- To select at least \$15 billion in programs and turn them over to the states in a single consolidated grant for flexible management by the states.

The items below reflect budget proposals in key education-related programs in the Department of Education and the Departments of Agriculture, Health and Human Services, Labor, and other Federal departments and agencies.

GOAL 1 - SCHOOL READINESS

- Head Start. The budget requests a total of \$2.05 billion for Head Start in the Department of Health and Human Services, \$100 million above 1991. Under the Bush Administration, funding for Head Start has risen from \$1.24 billion to \$2.05 billion, an increase of 66 percent. This will allow 630,000 poor and disabled youngsters to participate.
- Special Supplemental Food Program for Women, Infants, and Children (WIC). The budget requests a total of \$2.57 billion for the WIC program in the U.S. Department of Agriculture, a 9.5 percent increase (\$223 million) over 1991. This will allow virtually all eligible infants and pregnant women to be served as well as provide additional funds for one- and two-year olds.
- Child Care and Development Block Grants. The budget requests \$745 million for the first Federal grant program to require that parents be given the option of receiving a certificate which can be used to select the child care of their choice. States will use 25 percent of the grant to increase the availability and quality of before- and after-school and early childhood development programs.

- **Infant Mortality.** The budget requests a \$676 million increase (9 percent over 1991) to help reduce infant mortality, prematurity, and low birth-weight. This includes a new \$171 million initiative to expand and improve early and regular prenatal care in ten cities with exceptionally high infant mortality rates.
- **Immunizations.** The budget proposes to increase categorical grants by \$40 million, an 18 percent increase over the 1991 enacted level.
- **Preschool Services to Children with Disabilities.** The budget requests \$296 million for preschool services to children with disabilities to provide services for an estimated 360,000 three- to five-year-old children. An additional \$129 million is requested to support state systems to identify and arrange services for handicapped infants and their families.
- Additional requests to help prepare children for school include:
 - almost \$10 billion for new and expanded refundable tax credits to low-income working families with children;
 - \$300 million for new child care grants for families at risk of welfare dependency;
 - \$124 million in the Department of Health and Human Services for research and demonstrations to increase the efficiency and effectiveness of social and support services for children at risk; and
 - \$145 million for biomedical research through the National Institute on Child Health and Human Development to expand knowledge and improve treatment of diseases afflicting children, including pediatric AIDS, Sudden Infant Death Syndrome, and childhood accidents and injuries.

GOAL 2 - SCHOOL COMPLETION

- **Dropout Demonstrations.** The budget requests \$29 million in the Department of Education to continue a set of dropout demonstration projects designed to provide information on strategies that are most successful in preventing children at risk from dropping out of school and in encouraging those who have left to return.
- **Job Corps.** The budget requests \$887 million for the Job Corps program in the Department of Labor which annually provides basic education and vocational skills training for about 65,000 youth at risk.
- **Youth Education and Job Training Program.** Approximately \$1.3 billion is requested for the Department of Labor's new year-round youth education and job training program which will offer comprehensive services and incentives to assist severely disadvantaged youth and provide incentives to communities to better coordinate programs.

- Youth Opportunities Unlimited (YOU). An additional \$25 million is requested for a new Youth Opportunities Unlimited (YOU) demonstration program which will also target severely disadvantaged youth.

GOAL 3 - STUDENT ACHIEVEMENT AND CITIZENSHIP

- Educational Excellence Act. The President's Fiscal Year 1992 budget requests \$690 million for a new Educational Excellence Act to assist states in working toward the national education goals.
 - Education Certificate Program Support Fund. This \$200 million initiative will provide incentive grants to local school districts with qualified certificate programs that enhance parental choice. Funds will be available to districts with Federal compensatory education programs for the disadvantaged that also have operational certificate programs. Qualified programs will, at a minimum, provide for public and private school choice. Districts that receive funds will be able to use them for a range of educational services.
 - Education Choice Initiatives. Additional choice initiatives include \$30 for demonstration projects; legislation to permit state's to direct up to 50 percent of the Department of Education's block grant funds to support choice initiatives; and a program to support magnet schools. In addition, the budget provides continuing support for the Department of Education's new Center for Choice in Education.
 - Flexibility/Accountability Initiative. An initiative designed to further the President's and the Governors' commitment to seek increased flexibility in Federal funding in exchange for enhanced accountability.
 - Alternative Certification Initiative. An initiative to reward states with alternative methods for certifying and training teachers and school administrators.
 - Rewarding Excellent Teachers and Training School Administrators. Additional initiatives to recognize and reward teachers and to train school administrators.

An additional initiative is listed under Goal 4.

- Teacher Training Partnerships. The budget includes \$20 million for a new program to establish partnerships between school districts and universities to provide school-based teacher training. Programs in the Department of Education, the National Science Foundation, the Department of Energy, and the National Endowment for the Humanities also support the training of new teachers and assist in upgrading skills of current teachers.

- Compensatory Education. The budget requests \$6.4 billion, an increase of \$149 million, for current programs to improve the skills of over five million educationally disadvantaged children. Emphasis will be placed on improving the performance of the lowest achieving children.
- Children with Disabilities. The budget requests \$2.7 billion, an increase of \$114 million over 1991, to assist four million children with disabilities.
- Assessment and Statistics. The budget includes \$80 million to support the development of new techniques for student assessment, the expansion of the National Assessment of Educational Progress (NAEP), and U.S. participation in international assessments.

GOAL 4 - MATHEMATICS AND SCIENCE ACHIEVEMENT

The budget includes a \$661 million -- a 28 percent increase over 1991 funding -- for precollege mathematics and science education programs. Overall, \$1.9 billion is requested for all levels of mathematics and science education, a 13 percent increase over 1991, across the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Interior; and the Environmental Protection Agency, National Aeronautics and Space Administration, and National Science Foundation. Highlights include:

Pre-college

- Performance-based Mathematics and Science Education Initiative Grants. The Educational Excellence Act includes \$40 million in the Department of Education for new grants to school districts to stimulate improved student performance in mathematics and science. Districts showing significant increases in student performance in mathematics and science would qualify for a grant and could use the funds for any purpose that will effectively promote continued improvements in mathematics and science learning.
- Teacher Preparation. The budget requests \$359 million to support workshops, courses, summer research appointments, partnerships with national research laboratories, equipment loans, and other programs.
- Curriculum Reform, Dissemination, and Research and Development. The budget requests \$137 million for research to develop and disseminate new curricula and standards, and new educational technologies to enhance student learning. Funds will support: partnerships between publishers and schools systems; academic curriculum development teams; improvements in the use of computers and laser videodiscs in the classroom; and a diffusion network to disseminate information about exemplary programs.

- **Reform Incentives.** The budget requests \$58 million to support and provide incentives for education reform, including state adoption of effective teacher preparation and enhancement, curriculum and research, assessment, standards, and student incentive programs.
- **Student Incentives and Opportunities.** To stimulate curiosity among elementary and secondary students about mathematics and science, \$48 million is included in the budget for research experiences at colleges and universities, research facilities, science fairs, direct student financial assistance, and other programs.

Undergraduate and Graduate

- **Curriculum Development.** The budget requests \$124 million to support activities to help undergraduate curricula and laboratories keep pace with changes in scientific research.
- **Faculty Development and Enhancement.** The budget requests \$42 million to support research experiences for undergraduate faculty at leading research universities and national laboratories, workshops, conferences, and courses.
- **Student Opportunities and Support.** In addition to the \$20 billion in student financial aid generated by the broad-based programs of the Higher Education Act, the budget provides \$230 million for activities focused on students in science and engineering fields.
- **Graduate Training.** The budget includes \$803 million for graduate education.

GOAL 5 - LITERACY AND LIFELONG LEARNING

- **Adult Literacy.** The budget provides \$286 million for Department of Education literacy activities, including \$251 million for Adult Education Act programs. The Educational Excellence Act will include initiatives designed to improve adult literacy.
- **Job Training Partnership Act (JTPA).** The budget includes \$1.1 billion for a new, more effectively targeted JTPA program that will provide basic skills and occupational training, job placement, and support services to more than 400,000 disadvantaged adults.
- **Vocational Education.** The budget includes \$1 billion for the support of vocational education, with emphasis on the integration of academic and job-related skills at the secondary level and improved program accountability.

- **Pell Grants.** The budget requests \$5.8 billion, an increase of \$401 million or a 7 percent increase over 1991. The Administration's proposals for reauthorization of the Higher Education Act would raise the maximum Pell award to \$3,700, an increase of \$1,300 or 54 percent over the 1991 level. The average would be raised to \$1,909, an increase of \$425 or 29 percent over the 1991 level.
- **Presidential Achievement Scholarships.** The budget requests \$170 million for supplementary awards for Pell Grant recipients based on superior high school and college performance. These awards would, for the first time, relate recognition of merit to the Pell grant program.
- **Support Services to Assist Low-income Students.** The budget includes \$395 million, an increase of 18 percent over 1991, for support services to help prepare low-income and minority elementary and secondary students for higher education and to help such students stay in higher education.
- **Guaranteed Student Loans.** The Administration is proposing legislative improvements to restore integrity to the guaranteed student loan program which would reduce administrative costs and reduce government risk. If analysis now underway demonstrates its feasibility and cost effectiveness, the Administration may later propose replacing the guaranteed loan structure with a Federal direct loan program.

GOAL 6 - SAFE, DISCIPLINED AND DRUG-FREE SCHOOLS

- **Drug Free Schools and Communities Act.** The budget requests \$632 million for the Drug-Free Schools and Communities Act.
- **Emergency Grants Program.** Included in the above request is \$50 million for Emergency Drug Grants in the Department of Education, a \$25 million increase over 1991. This initiative was a proposal in the President's original Education Excellence Act.
- **Formula Grants for States and Communities.** The budget includes \$512 for formula grants in the Department of Health and Human Services. This represents an 83 percent increase since President Bush came into office.
- **Community Partnership and High Risk Youth Grants.** The budget seeks an additional \$15 million for Community Partnership Grants and \$4 million for High Risk Youth Grants.
- **Models to Assist Children of Addicts.** The budget includes \$20 million to expand efforts to develop models for approaches that provide a safe haven for children of addicts and \$16 million to support demonstration projects to develop strategies to prevent abandonment of infants and to provide care for those that are abandoned or exposed to drugs in utero.

- Research and Evaluation of "What Works." The budget includes \$166 to conduct research and evaluation of "what works" in drug prevention.
- Indian Drug Education. The budget requests \$4 million for Indian drug education and \$44 million for drug treatment programs in the Indian Health Service.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 13, 1991

FACT SHEET

THE SURFACE TRANSPORTATION ASSISTANCE ACT OF 1991

President Bush today announced transmittal to Congress of the Administration's Surface Transportation Assistance Act of 1991. The bill reflects the President's determination to strengthen significantly the nation's surface transportation infrastructure by increasing the federal investment in transportation and building a stronger partnership with the states.

The Administration's bill proposes a \$105.4 billion investment over the next five years in highways, mass transit and highway safety programs. The proposal represents a new vision for surface transportation to meet the needs of an increasingly mobile society.

GOALS OF THE BILL

The bill is an important part of what the President described in his State of the Union address as "a forward-looking plan of action" to provide "long-term investments for the next American century." It implements basic goals outlined by Transportation Secretary Samuel Skinner and the Administration's National Transportation Policy, released in March 1990. The bill would:

1. Increase infrastructure investment. A strong surface transportation system is critical to ensuring the mobility of our nation and the competitiveness of our economy. The bill proposes to increase spending on highways from \$14.6 billion in FY 1991 to \$20.3 billion in FY 1996 -- a 39 percent increase over the next five years. Mass transit capital funding will increase by 25 percent to \$2.9 billion. The bill also contains new incentives for private sector investment in toll roads.
2. Restructure the federal highway system. The 43,000 mile Interstate Highway System has united America and stimulated our nation's growth. Now that the system is over 99 percent complete, the President is proposing a new 150,000 mile National Highway System. This system will include the present Interstate System and other roads of national significance. In addition, the proposal consolidates

several present funding categories into the new Urban and Rural Program. The present Bridge Program will be retained with substantially increased funding. This new structure will improve program efficiency and better focus federal funds on our nation's most important highways.

3. Provide greater flexibility to states and local governments. The proposal strengthens the federal, state and local partnership. States and local governments will have far greater discretion in selecting projects for funding and will participate in designating the new National Highway System. They will, for the first time, have broad flexibility to use funds for either highways or mass transit. New requirements for modern management systems and performance-based accountability at the state and local level will ensure cost-effective management of our transportation resources.
4. Assure a safe and efficient system. For the transportation system to serve the needs of America, it must be safe and efficient. The President's proposal meets both needs. The proposal increases funding for highway safety by 34 percent over the next five years, and provides incentives for states to adopt tough anti-drunk driving measures and promote increased seat belt use. The proposal will also call for the elimination of duplicative and costly state regulations governing the rates and services of interstate motor carriers.

The President's bill is divided into three main parts: the Federal-aid Highway Program, the Mass Transit Program and the Highway Safety Program. These three programs are described below.

THE MAJOR PROGRAMS

I. THE FEDERAL-AID HIGHWAY PROGRAM

The bill proposes to invest \$87.7 billion in highways over the next five years. It restructures the federal highway system into three main components:

- o The new National Highway System will encompass some 150,000 miles, including the existing Interstate System and other principal arterial routes. Funding for the National Highway System (NHS) will increase from \$7.7 billion in 1992 to \$11.2 billion in 1996.

The NHS will reflect the major demographic and travel changes that have occurred since the Interstate routes were designated. It will be an interconnected system of

principal arterial routes serving major population centers, rural areas, ports, airports and international border crossings. Designation of the routes will be made through consultation with state and local government officials. The federal matching share will be 75 percent, except for repairing or improving the operation of Interstate highways, which will be at 90 percent.

- o The new Urban and Rural Program will consolidate several existing programs and provide funding for approximately 700,000 miles of non-local roads. Funding for the program will be increased from \$3.9 billion in 1992 to \$5.7 billion in 1996. States will have greater flexibility in selecting projects for funding within this program and may use federal funds for either highway or mass transit capital projects. The federal matching share will be 60 percent.
- o The Bridge Program will provide funding for the rehabilitation and replacement of existing bridges. Funding will increase by 50 percent, going from \$1.8 billion in 1992 to \$2.8 billion in 1996. The federal matching share will be 75 percent.

In addition, the proposal will remove the restriction on the use of federal funds for the construction and improvement of toll roads and will encourage private participation in the construction and management of toll roads. The federal share for toll projects will be up to 35 percent. To reduce traffic congestion and improve air quality, the Secretary of Transportation may permit, on an experimental basis, large cities with serious air quality problems to impose rush hour fees on drivers.

The bill also contains proposals to encourage new technologies including:

- state of the art toll collection systems, which can electronically "read" a car and register a toll charge without requiring the car to stop; and

- intelligent vehicle highway systems, often referred to as "smart cars" and "smart highways," which integrate the vehicle, the driver, and the highway through electronic warning and vehicle/traffic control systems.

II. THE MASS TRANSIT PROGRAM

The mass transit program consists of two major components: a formula program that provides grants to transit systems and a discretionary program that assists with major construction projects. The discretionary program will include the most cost

effective new construction projects, funding for innovative approaches to solving transportation problems and activities addressing the needs of users with disabilities.

The entire mass transit program will be funded from the Mass Transit Account of the Highway Trust Fund. This will more equitably distribute user fee revenues and will provide state and local decision-makers with a more predictable and stable federal funding source.

The bill proposes a shift in federal support, from operating subsidies to more capital spending. The bill also encourages maintenance of existing transit fleets.

Consistent with the Administration's commitment to research and new technology, the bill provides for increased and flexible funding for research and proposes a new and expanded partnership with the transit community to foster innovative solutions to transit problems.

The proposed five-year funding for mass transit programs totals \$16.3 billion. The federal matching share is 60 percent for the formula grant program, 50 percent for the discretionary program and 75 percent for planning grants.

III. HIGHWAY SAFETY PROGRAMS

The bill places an increased emphasis on safety. Funding for highway safety programs financed by the Federal Highway Administration (FHWA) and the National Highway Traffic Safety Administration (NHTSA) will be increased from \$355 million in 1991 to \$436 million in 1992 and to \$476 million in 1996. Five-year funding for highway safety programs will total \$2.3 billion.

These programs consist primarily of grants to the states in support of safety initiatives. All NHTSA programs will be funded from the Highway Account of the Highway Trust Fund. NHTSA's current highway safety grant program will continue, with the federal share at 60 percent. Safety bonuses from existing NHTSA and FHWA programs will be provided to states that satisfy certain criteria relating to their highway safety programs, especially an aggressive effort to remove drunk drivers from our highways.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 20, 1991

FACT SHEET:

THE NATIONAL ENERGY STRATEGY

President Bush today proposed a comprehensive and balanced strategy for an energy future that is secure, efficient, and environmentally sound. The National Energy Strategy is designed to diversify U.S. sources of energy supplies and offer more efficiency and flexibility in the way energy is consumed.

The National Energy Strategy is the product of twenty months of public recommendations and Administration consideration. In developing this strategy, the Department of Energy conducted eighteen public hearings and received thousands of written comments.

With the benefit of this input, the Administration analyzed the full array of energy options and has developed a strategy that will support continued economic growth, increase energy efficiency, protect the environment, and reduce America's vulnerability to energy supply disruptions.

The Strategy is consistent with the Administration's policy of reliance on market forces. Over the next two decades, the Strategy will make the U.S. more energy efficient and enhance our competitiveness without resorting to heavy-handed regulations, taxes, or import fees that can hurt consumers and cost Americans jobs.

The Strategy acknowledges that the U.S. is part of an energy interdependent world. It is not in our interest to adopt measures that may reduce imports, but inflict severe economic or environmental damage. Therefore, the National Energy Strategy balances economic, environmental and energy security objectives.

Over the next twenty years, this balanced approach to production and conservation will power a larger U.S. economy while using less energy. At the same time, the U.S. will produce more of the energy it uses. The National Energy Strategy by the year 2010 will:

- o reduce domestic oil demand by 3.4 million barrels per day, below projected levels.
- o increase domestic oil production by 3.8 million barrels per day above projected levels.
- o increase the electricity produced from renewable sources, such as solar, hydropower, and geothermal by 16 percent.
- o raise the use of alternative transportation fuels, such as compressed natural gas, ethanol and methanol, thereby reducing the need for approximately 2.0 million barrels of oil per day.
- o reduce growth in electricity demand by over 10 percent, by unlocking market forces through elimination of costly regulation, thereby saving consumers approximately \$27 billion in electricity costs in the year 2010.

The Strategy will also benefit the environment. Proposals to increase the use of clean coal technology, natural gas, and nuclear energy to generate electricity, as well as the development of new energy efficient technologies will:

- o hold U.S. emissions of greenhouse gases by the year 2000 at or below 1990 levels.
- o improve air quality by reducing emissions of pollutants that contribute to acid rain and smog.
- o mitigate solid waste problems by reducing coal ash waste 25 million tons per year, and by lowering coal cleaning wastes by 50 million tons per year.

The Strategy incorporates and complements a number of Bush Administration initiatives. These include (1) the 1990 revisions to the Clean Air Act; (2) natural gas well-head decontrol legislation; (3) incentives provided to domestic renewable and fossil energy producers in fiscal year 1991 budget agreement; (4) the energy research and development initiatives announced in the President's FY 92 budget; (5) the Administration's domestic energy supply and demand measures adopted in response to the Iraqi oil disruption; and (6) the Administration's science and mathematics education initiatives.

To meet the challenges ahead, the National Energy Strategy calls on Federal, State, and local governments to work together to encourage energy conservation and new energy production through reduced regulation and streamlined licencing procedures, particularly in the natural gas, oil and gas pipeline and hydropower areas. At the Federal level, the Administration

intends to lead by improving the energy efficiency of federal buildings, federal housing and accelerating the purchase of alternative fuel vehicles for the federal fleet.

INCREASING ENERGY AND ECONOMIC EFFICIENCY

Transportation Efficiency

Highlights

The National Energy Strategy will increase transportation efficiency by:

- o requiring centrally-fueled fleets to purchase vehicles capable of using alternative fuels, such as compressed natural gas, ethanol and methanol.
- o increasing Federal purchases of alternative fuel vehicles.
- o increasing the Corporate Average Fuel Economy credit that automakers currently receive for producing alternative fuel vehicles.
- o promoting State and local government and private-sector programs that offer a "bounty" for scrapping older, high pollution, gas guzzling cars.
- o increasing use of public transit, vanpooling and ridesharing by raising the limit on tax-free commuter subsidies that employers can give employees.
- o proposing to invest a Federal share of up to \$150 million from FY 92 to FY 96 in a new research program with the automobile industry to accelerate the development of electric vehicles.
- o accelerating R&D in new energy efficient technologies, including high performance aircraft engines, vehicle propulsion systems, MAGLEV and high-speed rail and by widely implementing Intelligent Vehicle/Highway systems.

These measures are projected to save the equivalent of 3.0 million barrels of oil per day by 2010 without the harmful effects of higher taxes, oil import fees, or unjustifiable CAFE levels. The Administration has commissioned an independent study by the National Academy of Sciences on feasible fuel economy levels. The number of passenger miles driven is estimated to increase by 60 percent by 2010; however, under the Strategy the volume of gasoline purchased by consumers is projected to fall by 13 percent.

Electricity Generation and Efficiency

Highlights

The National Energy Strategy will raise electricity efficiency by removing barriers to greater competition that currently raise the cost of electricity and by encouraging energy efficient investments by utilities and consumers:

- o amending the Public Utility Holding Company Act (PUHCA) to allow power suppliers to build, own and operate power facilities in more than one area.
- o supporting state and utility efforts to invest in energy efficiency as an alternative to power plant additions (Integrated Resource Planning).
- o reforming the Public Utility Regulatory Policies Act (PURPA) to modify size and fuel use restrictions for small power producers.
- o providing tax-free treatment of utility discounts on consumers' electricity bills for efficiency investments.
- o expanding access to electricity transmission for utility and non-utility wholesale buyers and sellers.
- o reducing Federal subsidies for the debt of Federal Power Marketing Administrations.

These measures are projected to reduce electricity demand growth by over 10 percent in 2010 and save consumers \$27 billion in electricity costs in the year 2010.

Residential and Commercial Building Efficiency

Highlights

The National Energy Strategy will raise efficiency levels for residential and commercial buildings by:

- o accelerating R&D for building technologies by increasing Federal funding to \$55 million in FY 92, a 22 percent increase.
- o encouraging providers of home mortgages to share energy efficiency ratings with prospective home buyers.
- o setting cost-effective energy efficiency standards for appliances and equipment as provided under current law.
- o expanding energy efficiency labeling programs to include

certain other equipment including light bulbs.

- o develop and encourage the use of cost-effective building efficiency standards.

These measures will reduce building energy demand. The amount of floor space in malls, office buildings, and other commercial building is projected to grow by 57 percent, but the energy needed to heat, cool, and light that space will grow by less than half that amount. In the year 2010, the U.S. is forecast to have 24 percent more occupied housing than today, but will use only 10 percent more energy to service that housing.

Industrial Energy Efficiency

Highlights

The National Energy Strategy will raise industrial energy efficiency by:

- o increasing research and development for industrial waste reduction and recycling.
- o encouraging the use of industrial energy audits at the state and local level.
- o modifying existing regulation where needed to ensure that the use of waste minimization technologies is not discouraged.

By the year 2010, industrial output is projected to grow 80 percent; yet if the Strategy is implemented, the United States is projected to use only 27 percent more energy to power our factories, plants, mills, and similar facilities. In addition, the negative environmental impacts of industry will decline.

SECURING FUTURE ENERGY SUPPLIES

Securing Petroleum Supplies

Highlights

The National Energy Strategy will reduce our vulnerability to oil supply disruptions by:

- o encouraging oil production in other countries outside the Persian Gulf.
- o expanding worldwide strategic petroleum stocks available to offset future oil supply disruptions, including our

Strategic Petroleum Reserve.

- o expanding joint Federal/private investment in advanced oil recovery technology by increasing Federal funding in FY 92 by 24 percent to \$52 million.
- o providing environmentally responsible access to areas of the coastal plain of ANWR and resolving technical and regulatory barriers to greater Alaska North Slope oil development.
- o allowing environmentally responsible access to Outer Continental Shelf areas, consistent with the President's decision last year.
- o deregulating oil pipelines in competitive markets.
- o increasing production of California heavy oil and allowing access to export markets.
- o evaluating the refining sector's ability to meet future demand for a variety of liquid fuels.

These measures will increase domestic oil production by up to 3.8 million barrels per day in 2010, and raise economically recoverable resources by 25 to 70 billion barrels.

Securing Natural Gas Supplies

Highlights

The National Energy Strategy will promote domestic and international natural gas production by:

- o streamlining gas pipeline construction reviews and developing more efficient environmental review procedures.
- o deregulating pipeline sales rates in competitive markets and reforming gas pipeline rate designs.
- o supporting environmentally responsible exploration and development in certain offshore areas, consistent with the President's OCS decision last year.
- o improving third party access to gas pipeline transportation services.
- o eliminating certain import/export regulations on natural gas.
- o expanding use of natural gas in alternative fuel vehicles.

These measures are projected to save up to 600,000 barrels of oil

per day by 1995, and increase natural gas consumption by almost 1 trillion cubic feet in 2000. Residential consumers are projected to save \$200 million in 2000 and \$850 million in 2010 in reduced costs.

Securing Future Coal Supplies

Highlights

The National Energy Strategy will promote the use and export of clean coal resources by:

- o accelerating use of clean coal technology through Federal and State regulatory incentives.
- o clarifying the applicability of the Clean Air Act to refurbished power plants.
- o creating favorable export markets for U.S. coal and coal-burning technologies.
- o removing barriers to constructing coal slurry pipelines.
- o pursuing research and development on environmental protection during mining.

These measures will allow the U.S. coal industry to capture a major share of the growing international coal and coal technology markets, while improving our ability to more cleanly and efficiently utilize the large U.S. supplies of low cost coal.

Securing Nuclear Power

Highlights

The National Energy Strategy will promote the ability of nuclear power to meet electricity needs by:

- o reforming and streamlining the nuclear plant licensing process, as well as the process for siting and licensing of waste facilities.
- o developing standardized designs for "next generation" power plants, so that the licensing process is not delayed and financial risks are reduced.
- o accelerating research and development of "next generation," passively safe design nuclear reactors.

These measures will enhance the ability of nuclear technology to meet electricity needs by reducing costs and increasing safety and reliability. Nuclear power production could increase by 10

percent over levels otherwise projected for the year 2010.

Securing Renewable Resources

Highlights

The National Energy Strategy will promote the development and use of renewable resources by:

- o extending the current investment tax credit for renewable energy technologies through 1992.
- o streamlining hydropower licensing processes at existing dams and eliminating unwarranted Federal regulation of small hydropower projects.
- o amending PURPA to encourage renewable power production by small power producers.
- o supporting conversion of municipal solid waste to energy as part of a comprehensive waste management strategy.
- o developing cost-competitive liquid fuels from non-food crops with new research and development support.

These measures will increase electricity generation from renewables by 16 percent in 2010. In addition, they would reverse the losses of hydropower generation capacity and increase fuel and technology choices for transportation.

Securing Fusion Technology

The National Energy Strategy will intensify international collaboration in fusion research and focus investments in magnetic and inertial confinement reactor concepts.

Through these efforts a demonstration plant could be developed by 2025 and an operating commercial plant could cost-effectively supply power by 2040.

Enhancing Research and Development for Energy Security

The National Energy Strategy includes a major commitment to advanced energy technology. The FY 92 budget includes \$903 million, or 34 percent above 1991 levels, for increased investments in support of National Energy Strategy research and development initiatives.

To ensure that research and development efforts pursue useful goals and result in ultimate commercialization of technologies, these initiatives will utilize industry cost-sharing and will be carried out as joint government-industry programs. In addition,

a national awards program will be created, offering prizes for energy-related innovations that meet specific technological challenges.

Major research initiatives include: advanced transportation fuels from biomass, vehicle propulsion technologies, electric vehicle technology, aeronautical technologies, high speed rail and magnetic levitation, intelligent vehicle/highway systems, telecommuting, air traffic control, advanced oil recovery technologies, industrial technologies, and advanced light water nuclear reactors concepts.

By 2030 these research and development initiatives could save between 5 million and 8 million barrels per day of oil equivalent.

ENERGY AND THE QUALITY OF AIR, LAND AND WATER

Highlights

The National Energy Strategy will enhance environmental quality by:

- o increasing the use of natural gas, renewable energy sources, and alternative fuels.
- o improving energy impact assessments in federal regulatory proceedings.
- o developing model programs for energy facilities siting.
- o minimizing waste from energy production, transformation, and use.

These measures, in conjunction with the Clean Air Act Amendments, are projected to reduce sulphur dioxide emissions by 40 percent, nitrogen oxides by 30 percent, and volatile organic compounds emissions by 25 percent from projected levels by 2030. In addition, they will improve the economics and efficiency of environmental compliance, which currently costs over \$100 billion per year and is rising.

ENERGY AND THE GLOBAL ENVIRONMENT

The National Energy Strategy and previous Bush administration actions, coupled with ongoing Federal research aimed at reducing scientific uncertainty on the potential for global climate change, will reduce greenhouse gas emissions and demonstrate U.S. international leadership on this issue.

In 2000, U.S. greenhouse gas emissions are projected to be at or below their 1990 levels, despite steady increases in U.S.

economic growth.

FORTIFYING FOUNDATIONS: Science and Engineering Research, Technology Transfer, Science and Math Education

The National Energy Strategy will continue the administration's commitment to science and engineering research, technology transfer, and science and math education by:

- o increasing the Federal investment in the nation's basic science research portfolio to over \$12 billion in FY 92.
- o re-aligning Federal research and development priorities to better serve National Energy Strategy goals.
- o ensuring the viability of world class U.S. facilities and pursuing international agreements to support high-cost facilities.
- o increasing industry participation in research and development and commercialization.
- o protecting intellectual property rights.
- o promoting technology exports.
- o promoting the Administration's commitment to math/science education through, for example, strengthened curriculum; Federal technical assistance and training for teachers; and broadened public science literacy programs.

LEGISLATIVE PACKAGE

A legislative package to implement National Energy Strategy measures that require statutory change will be transmitted to Congress shortly. As an addition to that legislative package, the Administration will propose bringing the Federal Energy Regulatory Commission (FERC) into the Department of Energy.

THE WHITE HOUSE

Office of the Press Secretary

Embargoed for Release
Until 11:05 a.m. EST
Wednesday, February 27, 1991

February 27, 1991

FACT SHEET

EXPANDING CHOICE AND OPPORTUNITY
FOR INDIVIDUALS, FAMILIES, AND COMMUNITIES

In his State of the Union Address, the President said: "The strength of democracy is not in bureaucracy. It is in the people and their communities....We must return to families, communities, counties, cities, states and institutions of every kind the power to chart their own destiny, and the freedom and opportunity provided by strong economic growth."

The Administration is committed to strengthening the power and opportunity of individuals and families, to breaking down barriers to independence and self-reliance wherever they exist, and to providing hope to distressed communities.

This means giving people access to jobs and the ability to make choices that will better their lives and the lives of their families. People with access to housing, jobs, and quality education have a stake in their community, and a greater incentive to lead productive lives. More important, people with economic opportunity have hope for the future -- an important and powerful weapon against poverty and despair.

The Administration seeks to use numerous administrative, regulatory, and budgetary means to expand economic opportunity for low-income individuals. In addition to these continuing efforts, the President today announced that he will seek Congressional action to promote choice and opportunity on several fronts:

1. educational choice;
2. educational flexibility;
3. homeownership for low-income persons;
4. enterprise zones;
5. anti-discrimination laws;
6. community opportunity areas;
7. the social security earnings test; and
8. anti-crime efforts.

Legislation, where required, will be transmitted to Congress in the next several weeks to implement these proposals.

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GIVING PARENTS AND STUDENTS CHOICE IN EDUCATION:

Choice programs provide parents the opportunity to select the most appropriate school for their children -- based on informed judgments about which school offers the best education. Choice leads to healthy competition among schools by focusing on proven educational quality as the way to attract students. Clearly, parents should have the opportunity to send their children to schools of their choice. Choice can lift the performance and quality of all schools.

The President will propose a new Educational Excellence Act which contains strategic initiatives to improve the learning achievement of all Americans and to restructure the nation's educational system. Initiatives in the Educational Excellence Act will:

- o Stimulate fundamental reform and restructure our education system through promoting educational choice and alternative certification for teachers and principals.
- o Assist educators in their mission to improve student performance by: rewarding schools that demonstrate improved achievement among students; rewarding excellent teachers; and promoting innovation in training school administrators.
- o Provide incentives to school districts to design and implement innovative approaches to mathematics and science education; enhance the endowments of Historically Black Colleges and Universities; and contribute to improving literacy.

PROVIDING EDUCATIONAL FLEXIBILITY IN RETURN FOR ACCOUNTABILITY:

Federal Departments and agencies administer hundreds of separate programs that provide or support education services; each has its own statutory and regulatory requirements. Program requirements can impede the ability of local schools and districts to provide the best possible education. Flexibility in administering Federal education programs will allow Governors, school administrators, teachers, service providers, parents, and others in the community to work together to develop effective education programs that meet the needs of all students, particularly those students who are educationally disadvantaged.

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- o The Educational Excellence Act of 1991 would promote local control and innovation in education by providing increased flexibility in the use of Federal funding in exchange for enhanced accountability for results. The Administration's bill will be guided by the following principles:
 - Flexibility should be linked to accountability for improvements in educational outcomes.
 - Flexibility should result in delivering services to current target populations in a more effective manner.
 - Flexibility should retain key protections in current laws (e.g., protection of the disabled).

PROVIDING HOMEOWNERSHIP OPPORTUNITIES:

Low-income Americans have a greater stake in their communities when they have the opportunity to own their own homes. The HOPE (Homeownership and Opportunity for People Everywhere) initiative is a new grant program to increase homeownership opportunities. By offering residents greater control and access to property, the HOPE program will instill pride of ownership and enhance incentives for maintenance and improvement. While HOPE was enacted into law last year, Congress provided no funding for the program in Fiscal Year 1991.

- o The President has requested \$500 million in Fiscal Year 1991 supplemental funding to start the HOPE program immediately. The President's Budget also requests \$1 billion in 1992 for the new HOME program -- a housing block grant program providing States and localities greater flexibility in meeting the housing needs of their low-income residents, with incentives for use of housing vouchers.
- o HOPE Grants will be made on a competitive basis to resident management corporations, resident councils, cooperative associations, non-profit organizations, cities and States, and public and Indian housing authorities. Funding will help participants design and execute their plans for resident management and buyouts of public and assisted housing.
- o The HOPE initiative also targets \$258 million in 1992 for a new "Shelter Plus Care" program to help the homeless. The Shelter Plus Care program will link housing with the full range of services needed by the homeless. The program will combine shelter with the support services -- job training,

- more -

health care, and drug treatment -- that help people achieve dignified and independent lives.

CREATING JOBS IN ENTERPRISE ZONES:

Enterprise zones will attack poverty by promoting investment in economically distressed neighborhoods. Enterprise zones will attract new seed capital for small business start-ups, create new incentives for entrepreneurial risk-taking, and reduce high effective tax rates on those moving to work from welfare.

- o The Enterprise Zone and Jobs-Creation Act of 1991 will target tax incentives and regulatory relief to some of our nation's most economically depressed areas.
- o The Secretary of Housing and Urban Development would designate up to 50 (urban, rural, and Indian) enterprise zones over a four year period. Designation will be based on the level of distress, as well as on the nature and extent of State and local efforts to improve living conditions and to eliminate government burdens to economic activity. Designation will be for a maximum of 24 years.
- o The legislation will provide tax incentives to attract seed capital, stimulate employment, and increase the economic return from work for the working poor:
 - Workers will be eligible for a 5 percent refundable tax credit for the first \$10,500 of wages earned in an enterprise zone business. This will put up to \$525 more income in the pockets of low-income workers. The credit phases out between \$20,000 and \$25,000 of total annual wages.
 - To spur investment, capital gains taxes will be eliminated for gains on investment in tangible property (e.g., buildings and equipment) used in a business located in an enterprise zone for at least two years.
 - To encourage entrepreneurial risk-taking, individuals will be permitted to expense investments in the capital of corporations engaged in enterprise zone businesses. This essentially provides an immediate write-off for investments in enterprise zone businesses. Corporations must have less than \$5 million of total assets. Expensing will be permitted up to \$50,000 annually per investor, with a \$250,000 lifetime limit.

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- o The legislation would also give enterprise zone communities priority for free trade area status. Such status would, for example, allow a business in an enterprise zone to import materials duty-free if the materials are used to manufacture products for export to other countries.
- o Enterprise zones would reduce Federal tax revenues by \$1.8 billion over five years.

STRENGTHENING AND ENFORCING ANTI-DISCRIMINATION LAWS:

A vital element in the effort to protect the civil rights of all Americans is the vigorous enforcement of existing anti-discrimination laws. Over the past two years, the Bush Administration has moved aggressively to fight hate crimes and combat discrimination in housing, voting, employment, and education. A few examples:

- o Enactment of the Americans with Disabilities Act in July 1990 was one of the most important expansions of civil rights protections in a quarter of a century. The Administration is now pursuing swift implementation of the landmark law.
- o The Department of Housing and Urban Development (HUD) is aggressively enforcing the 1988 Fair Housing Amendments which prohibit housing discrimination on the basis of race, color, national origin, religion, sex, familial status, or disability. The Bush Administration has resolved nearly 12,000 of the almost 16,000 fair housing cases.
- o In 1989, the Justice Department prosecuted more than twice as many hate crimes cases as in any previous year. In 1990, the Justice Department had a 100 percent success rate in prosecuting hate crimes.
- o In 1990, the Department of Education received and resolved more civil rights complaints than in any previous year of its history -- and in record time.
- o The largest settlements in the history of the Department of Labor's Federal Contract Compliance cases have been achieved during the Bush Administration. A single case involving employment discrimination against women and minorities resulted in a payment of \$14 million. In another case, a back pay settlement of \$3.5 million will benefit approximately 1,000 women who were discriminated against in hiring.

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The Administration is committed to strengthening the strong employment discrimination laws that now exist. These improvements will remove consideration of factors such as sex, race, religion, or national origin from employment decisions. This can be done without encouraging the use of quotas or preferential treatment, without departing from the fundamental principles of fairness that apply throughout our legal system, and without creating a litigation bonanza that brings more benefits to lawyers than to victims.

- o A major objective of the Administration is to ensure that Federal law provides strong new remedies for harassment based on sex, race, color, religion, or national origin.
- o The Administration will propose to codify a cause of action for "disparate impact," involving employment practices that unintentionally exclude disproportionate numbers of certain groups from some jobs. The burden of proof will be shifted to the employer on the issue of "business necessity."
- o The time has come for Congress to bring itself under the same anti-discrimination requirements it prescribes for others.
- o Other improvements, including changes in certain provisions affecting statutes of limitations and encouragement for the use of alternative dispute resolution mechanisms, will also enhance the administration of our comprehensive civil rights laws.

REDUCING FEDERAL BUREAUCRACY AND ESTABLISHING OPPORTUNITY AREAS:

Programs providing social, welfare, health, education, and nutritional services are often delivered in fragmented ways. Allowing services to be integrated will better serve the recipients of these programs and promote self-sufficiency and opportunity.

- o The Community Opportunity Act of 1991 will enable local communities to develop "community opportunity systems" and allow them to restructure Federal programs to provide services and benefits in the way the community deems best to meet the needs of the individuals and families served.
- o The legislation would allow a Federal administrator designated by the President to recommend a budget-neutral waiver of most Federal statutory and regulatory requirements for any Federally funded program to be included in the

- more -

community's opportunity delivery system. The Federal administrator will make recommendations regarding the waiver requests to the relevant Federal agency heads.

- o Communities will be able to develop community opportunity systems in which:
 - services and benefits can be integrated, combined, and restructured at the community level;
 - the system is neighborhood- or community-based, with a specified target group of beneficiaries;
 - the individuals and families served can participate in the design of the system; and
 - the delivery system offers individuals and families in the target group of beneficiaries the maximum choice and control over the range, source, and objectives of the services and benefits to be provided.
- o Each community opportunity system will have clear and measurable goals and will be evaluated with regard to both the short- and long-term outcomes.

EXPANDING JOB OPPORTUNITIES FOR OLDER AMERICANS BY LIBERALIZING THE SOCIAL SECURITY EARNINGS TEST:

If social security recipients aged 65 to 69 wish to supplement their benefits with earnings, they may earn only up to \$9,720 this year before their social security benefits are reduced. Beyond \$9,720, each three dollars of earnings reduces their social security benefits by one dollar.

For retirees with sources of income other than earnings, such as private pensions and investment income, this limitation on allowable earnings may have little effect on their lives. Presently, the earnings test falls most heavily on elderly persons who do not have significant savings or income from pension plans, and can seriously constrain their choices of employment.

- o The President's Fiscal Year 1992 Budget proposes an increase in the amount of allowable earnings for social security recipients aged 65 to 69.
 - For 1992, allowable earnings would be increased \$800, or 8 percent, from \$10,200 to \$11,000.

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- For 1993, the increase would be \$200, from \$10,800 to \$11,000.
- For 1994, allowable earnings would continue to rise to the level projected under current law, \$11,400.

PROTECTING CITIZENS BY FIGHTING VIOLENT CRIME:

As President Bush has stated in the past, the right to be free from fear in our homes, streets, and neighborhoods is the first civil right of every American. Where streets are not safe and property is not secure, economic opportunity is impossible.

The President announced in his State of the Union Address that the Attorney General will soon convene a Crime Summit of our nation's law enforcement officials. A major objective of the Crime Summit is to strengthen the working relationship between the Administration and State and local law enforcement officials.

The Administration will again propose comprehensive violent crime control legislation to give law enforcement authorities the tools they need to apprehend, prosecute, and incarcerate violent criminals. The legislation will include:

- o A meaningful Federal death penalty for the most heinous crimes with procedures to ensure its fair and colorblind application.
- o Habeas corpus reform to reduce unnecessarily repetitive appeals that clog the courts and delay justice.
- o Exclusionary rule reform to ensure that the evidence gathered by law enforcement officials in a good faith belief that they are acting lawfully can be used to help courts establish the truth.
- o Provisions to strengthen Federal laws concerning the safety of women by modifying rules on the admissibility of evidence in cases of sex crimes, enhancing penalties for the distribution of illegal drugs to pregnant women, increasing penalties for recidivist sex offenders, and offering greater protection for victims below the age of sixteen.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 11, 1991

COMBATTING VIOLENT CRIME

FACT SHEET

The President today transmitted to Congress comprehensive legislation to combat violent crime. The provisions, when enacted, will enhance the ability of Federal, State and local law enforcement officials to ensure the safety of American communities, neighborhoods and citizens.

The Comprehensive Violent Crime Control Act of 1991 builds on many of the provisions from the President's violent crime control proposals of 1989 that, although passed by one or both Houses, were not enacted. It also contains new and complementary provisions dealing with terrorism, obstruction of justice, violence against women, victims' rights, and gangs and juvenile offenders.

Fundamental Principles

Four principles guided the development of the Comprehensive Violent Crime Control Act of 1991:

- A primary purpose of government is to protect citizens and their property. Americans deserve to live in a society in which they are safe and feel secure.
- Those who commit violent criminal offenses should, and must, be held accountable for their actions.
- Our criminal justice system should seek the swift and certain apprehension, prosecution, and incarceration of those who break the law.
- Success in accomplishing our criminal justice system goals requires a sustained, cooperative effort by a coalition of Federal, State and local law enforcement officials.

The legislation transmitted to Congress today is consistent with and fosters these principles.

COMPREHENSIVE VIOLENT CRIME CONTROL ACT OF 1991

I. The Death Penalty and Equal Justice

For the most heinous Federal crimes, the Nation needs a workable and enforceable death penalty. Although various Federal laws provide the death penalty for crimes of homicide, treason and espionage, most of these laws are unenforceable. They are ineffective because they fail to meet the constitutionally required standards and procedures enunciated by the Supreme Court.

This legislation addresses those deficiencies for existing capital offenses and authorizes imposing the death penalty for several additional aggravated federal crimes. The legislation also provides effective safeguards against racial discrimination and racial bias in the administration of capital punishment and other penalties.

A. Offenses for which the Death Penalty is Authorized After Consideration of Aggravating and Mitigating Factors.

Existing Federal crimes for which the death penalty may be imposed after enactment of proper procedures include: espionage, treason and, where death results, the destruction of aircraft and aircraft facilities, mailing dangerous articles, wrecking trains, bank robbery, aircraft piracy, and violence against Members of Congress and cabinet officers.

In addition to these existing crimes, this legislation authorizes the death penalty for certain existing but currently non-capital Federal crimes: the murder of certain foreign officials, kidnapping where a death results, murder for hire, murder in aid of racketeering, murder during a hostage taking, terrorist murders of American nationals abroad, the attempted assassination of the President, and murder in furtherance of genocide.

Drug crime offenders potentially eligible for the death penalty include:

- Leaders of the largest drug trafficking enterprises who are currently subject to a mandatory term of life imprisonment;

- "Drug Kingpins" who attempt to obstruct investigations or prosecutions by attempting to kill persons in the criminal justice system; and
- Those offenders who, while acting with the requisite intent required for capital murder, engage in a Federal drug felony and a person dies in the course of the offense or from the use of drugs involved in the offense.

The legislation also authorizes the death penalty for a number of other crimes including murder by a federal prison inmate serving a life sentence, murders in violation of Federal civil rights statutes, and certain obstruction of justice and new terrorism offenses where death results.

B. Factors That May be Considered in Determining Whether the Death Penalty is Justified.

In determining whether the death penalty should be imposed, the legislation requires considering aggravating factors some of which are specifically tailored to the crime in question. Other, more general, aggravating factors include: knowingly creating a grave risk of death to one or more persons in addition to the victim of the offense; committing the offense in an especially heinous, cruel or depraved manner involving torture or serious physical abuse to the victim; or committing the offense after substantial planning and premeditation.

The legislation also requires the consideration of several mitigating factors if the death penalty is sought.

C. Procedures to be Implemented in Imposing a Sentence of Death.

The bill requires holding a special hearing to determine whether a sentence of death is justified. If the prosecution believes that a sentence of death is justified, the prosecutor must provide defendant's counsel with notice of the aggravating factors the prosecution proposes to prove at the hearing. After the hearing, the jury makes a binding recommendation as to whether the sentence of death is justified.

The bill also includes improved procedures for Federal death penalty litigation modeled on the recommendations of the Ad Hoc Committee of the Judicial Conference on Federal

Habeas Corpus in Capital Cases. These procedures include the appointment of counsel meeting specified standards of competency.

D. Equal Justice

The Equal Justice provisions include:

- Requiring administration of the death penalty and other penalties without regard to the race of the defendant or victim, and prohibiting racial quotas and other statistical tests for imposing the death penalty or other penalties;
- Guarding against racial prejudice or bias at trial by providing for the examination of potential jurors for racial bias, a change venue to avoid racial bias, and prohibiting appeals to racial bias in statements before the jury; and
- Requiring, in Federal cases, jury instructions and certifications guarding against consideration of race in capital sentencing decisions, and making the capital sentencing option consistently available for racially motivated murders in violation of the Federal civil rights laws.

II. Habeas Corpus Reform

Each year over 10,000 habeas corpus petitions are filed in the Federal courts. Many of these petitions are repetitive, raise no new issue from previous habeas corpus petitions, and are only intended for delay.

The President proposed:

- Establishing a general one-year time limitation on Federal habeas corpus applications by State prisoners;
- Requiring deference in Federal habeas corpus proceedings to the results of full and fair State court adjudications; and
- Authorizing special habeas corpus procedures to respond to problems of delay and abuse while ensuring increased fairness to defendants through broadened appointment of counsel.

III. Exclusionary Rule Reform

The President again proposed a general "good faith" exception to the exclusionary rule. This exception would permit the admission of evidence if the officers carrying out a search or seizure acted with an objectively reasonable belief that their conduct met Fourth Amendment requirements. The legislation would also clarify that, absent statutory authority, Federal courts may only exclude evidence on the basis of constitutional violations.

In addition, this legislation creates a limited exception to the exclusionary rule that would bar the suppression of firearms seized by federal officers where the firearms are to be used in a federal prosecution for a crime of violence or serious drug offense, or a federal prosecution of an offender who is disqualified from firearms possession because of a prior felony conviction or on other grounds. This exception is contingent on the establishment of alternative safeguards and sanctions to ensure compliance with the Fourth Amendment prohibition against unreasonable searches and seizures by Federal law enforcement officials. Standards and procedures would also be required for settling claims for damages for Fourth Amendment violations under the Federal Tort Claims Act.

IV. Enhanced Penalties for Firearms Violations

Violent offenders must be held fully accountable for their actions. The amendments to Federal law the President proposed addressing the criminal use of firearms include:

- Doubling the mandatory penalty from five to ten years for using a semi-automatic firearm while committing a violent crime or drug felony;
- Providing a mandatory five-year prison term for possession of firearms by felons who are disqualified from firearms possession and who have a previous conviction for a violent felony or serious drug offense;
- Allowing pre-trial preventive detention of defendants in cases involving certain serious Federal firearms and explosive offenses;
- Authorizing criminal penalties and mandatory minimum sentences for theft of a firearm; and

- Doubling the current penalty for a knowing and materially false statement in connection with acquiring a firearm from a licensed dealer.

The legislation also generally prohibits the importation, manufacture, transfer, or sale of gun magazines that allow firing over 15 rounds without reloading.

V. Gangs and Juvenile Offenders

To address the increasing problem of violent activities by juveniles and gangs, the President proposed:

- Broadening the authorization for reporting, retaining, and disclosing juvenile records for criminal justice purposes;
- Increasing options for prosecuting serious juvenile offenders and gang leaders as adults;
- Broadening the scope of the Armed Career Criminal Act to include as predicate offenses acts of juvenile delinquency that, if committed by an adult, would meet the Act's definition of a "serious drug offense";
- Increasing the penalty for Travel Act crimes involving violence; and
- Increasing the penalty for conspiracy to commit murder for hire.

VI. Terrorism

To combat terrorism more effectively, the President's violent crime legislation includes:

- An enforceable federal death penalty for the crimes most likely to be committed by terrorists in cases where death results, such as fatal bombings, hijackings, hostage takings and assassinations;
- Aviation terrorism provisions implementing an international treaty prohibiting and punishing acts of violence at international airports such as the 1985 attacks on the Rome and Vienna airports;

- Maritime terrorism provisions implementing an international treaty prohibiting and punishing hijackings, dangerous acts of violence, and threats in relation to ships and maritime platforms which was prompted by the Achille Lauro hijacking;
- Effective procedures, including provisions to deal with classified information, for removing aliens involved in terrorist activities from the United States;
- New offenses and increased penalties targeted on terrorism, including implementation of the international convention against torture, a new offense prohibiting and punishing the use of weapons of mass destruction against American citizens or United States property anywhere in the world, a new offense prohibiting and punishing killings and attempted killings in firearms attacks on federal facilities, a new offense for providing material support to terrorists, adding terrorist offenses to the RICO statute, authorizing forfeiture of the instrumentalities and proceeds of terrorist activities, increasing penalties for offenses involving falsification of international travel and identification documents, and directing the United States Sentencing Commission to increase penalties for offenses that involve or promote international terrorism; and
- Provisions to strengthen antiterrorism enforcement activities, including authorizing admission to the United States of a limited number of aliens who assist in antiterrorism investigations, broadening access to telephone and credit records in counterintelligence investigations, strengthening the provisions for court-ordered electronic surveillance and other interceptions of communications to facilitate their use in investigations of terrorist activities, and increasing the time available for investigation of terrorist acts committed outside the United States by extending the statutes of limitations.

VII. Sexual Violence and Child Abuse

To address sexual violence and child abuse the President's proposal:

- Broadens the admissibility of evidence of the defendant's commission of similar crimes in sexual assault and child molestation cases;
- Provides enhanced penalties for the distribution of controlled substances to pregnant women;
- Broadens the definition of "sexual act" for Federal sexual abuse offenses committed against victims below the age of 16;
- Enhances penalties for recidivist sex offenders;
- Requires HIV testing in Federal cases involving a risk of HIV transmission;
- Provides enhanced penalties for federal sex offenders who risk HIV infection of their victims; and
- Provides that victims of violent crimes and sex crimes may address the court concerning the defendant's sentence.

VIII. Drug Testing in the Criminal Justice System

To decrease drug use and increase the accountability of the Federal and state criminal justice systems the President proposed:

- Requiring drug testing of Federal offenders on post-conviction release. Federal offenders would be required to refrain from drug use as a mandatory condition of post-conviction release; and
- Requiring a drug testing program for state criminal justice systems as a condition for receipt of Federal drug grants.

FACT SHEET ON ADMINISTRATION
CIVIL RIGHTS BILL

- o The Administration is committed to strengthening the strong employment discrimination laws that now exist. These improvements will operate to obliterate consideration of factors such as race, religion, sex, or national origin from employment decisions.
- o This can be done without encouraging the use of quotas or preferential treatment, without departing from the fundamental principles of fairness that apply throughout our legal system, and without creating a litigation bonanza that brings more benefits to lawyers than to victims.
- o A major objective of the Administration is to ensure that Federal law provides strong new remedies for harassment based on race, sex, religion, or national origin. The Administration proposes to create a new monetary remedy, with a \$150,000 cap, for these forms of discrimination.
- o In addition, the Administration proposes to extend 42 U.S.C. 1981 to outlaw racial discrimination in the performance of contracts, overruling Patterson v. McLean Credit Union, 109 S. Ct. 2363 (1989).
- o The Administration also proposes legislation overturning the Supreme Court's decision in Lorance v. AT&T Technologies, Inc., 109 S. Ct. 2261 (1989), which unfairly limits the time for challenging discriminatory seniority systems.
- o The administration also proposes to codify the "disparate impact" cause of action for employment practices that unintentionally exclude disproportionate numbers of certain groups from some jobs. This codifies Griggs v. Duke Power Co., 401 U.S. 424 (1971). The Administration will propose to place the burden of proof on the defendant to justify practices having a disparate impact under the rule of "business necessity." This overrules the contrary decision in Wards Cove Packing Co., Inc. v. Atonio, 109 S. Ct. 2115, 2126 (1989).
- o In order to help curtail unnecessary litigation, the use of alternative dispute resolution mechanisms will be encouraged.
- o The time has come for Congress to bring itself under the same antidiscrimination requirements it prescribes for others. This will promote both fair treatment for congressional employees and a greater appreciation by Congress of the consequences of new legislative initiatives.

- o Other improvements, including changes in certain provisions affecting the statute of limitations and expert witness fees, will also enhance the administration of Title VII of the 1964 Civil Rights Act.

- o The Administration recognizes that equal opportunity can never be a reality unless there are decent schools, safe streets, and revitalized local economies. Therefore, in addition to this bill it seeks Congressional action to promote choice and opportunity on several fronts: educational choice and flexibility; home-ownership opportunity; enterprise zones and community opportunity areas; and heightened anti-crime efforts.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

March 19, 1991

EXTENSION OF FAST TRACK AUTHORITY

FACT SHEET

FAST TRACK PROCEDURES

Historical Background to the Fast Track

- o For the better part of this century, the Congress and the Executive have recognized that the negotiation and implementation of trade agreements require special cooperation.
- o In the aftermath of the record-high rates of the Smoot-Hawley Tariff Act of 1930 and the Depression they helped fuel, both the Congress and the Executive branch recognized that only by working closely together could the two branches effectively bring down barriers to our foreign trade and open international markets for U.S. products and services.
- o This new partnership was reflected in the Reciprocal Trade Agreements Act of 1934, which gave the President authority not only to conclude tariff-cutting agreements but also to implement them without the need for subsequent legislation.
- o As countries began to rely less on tariff protection and more on non-tariff trade barriers, the scope of trade negotiations broadened, and the "fast-track" procedures were created by the Congress as the necessary complement to this broader trade agenda.
- o Fast track procedures for approval of trade agreements were included by the Congress in trade legislation in 1974, 1979, and again in the 1988 Trade Act.

Fast Track is Essential to Successful Trade Negotiations

- o While assuring the Congress meaningful participation throughout the negotiation process, fast track provides two guarantees essential to the successful negotiation of trade agreements: (1) a vote on implementing legislation within a fixed period of time, and (2) no amendments to that legislation.

- o These procedures reflect the understanding that trade agreements, in which results in one area are often linked to results in others, are particularly vulnerable to multiple amendments that, while possibly small in themselves, could unravel entire agreements.
- o Whether the balance of benefits contained in any trade agreement is in the overall interest of the United States can only be determined by looking at the whole package.
- o Through the fast track, the Congress gave the President the same bargaining power possessed by his counterparts: the ability to ensure that the agreement reached internationally would be the agreement voted on at home.
- o Without fast track, the President cannot assure our negotiating partners that the deal they strike is the deal that will be voted on by the Congress.
- o Without that assurance, foreign governments are reluctant to negotiate with the United States and will not make the tough concessions necessary to reach agreements the United States would be willing to sign. No trading partner will give its bottom line knowing that the bargain could be reopened.
- o Using fast track, the United States has negotiated and implemented three remarkable agreements that were each approved by an overwhelming majority in both Houses of the Congress. These agreements -- the results of the Tokyo Round in 1979, the Free Trade Agreement with Israel in 1985, and the Free Trade Agreement with Canada in 1988 -- have reduced barriers to trade and contributed to growth in the United States and worldwide.
- o The United States has much to gain from trade agreements that open markets and provide rules for free and fair trade. Maintaining the fast track will preserve our ability to continue our efforts to liberalize trade and open markets through the General Agreement on Tariffs and Trade, through other multilateral agreements and through bilateral agreements.

The Congress is an Essential Part of the Fast Track Process

- o Fast track procedures preserve the role of the Congress during the negotiation, approval, and implementation of trade agreements.
- o To ensure congressional and private sector input, the fast track statute contains extensive notification and consultation requirements. At each step along the way, from

initiation through implementation, the Congress is an active partner.

- o To use the fast track for any agreement, bilateral or multilateral, the President must notify the Congress 90 calendar days before signature. By the time the President gives his 90-day notification, our many private sector advisory committees must report their views on the agreement both to the Congress and to the President. For bilateral agreements, the Congress must be given advance notice of the negotiations; during the following 60 legislative working days, either the Senate Finance or House Ways and Means Committee can vote to deny fast track treatment.
- o Once an agreement is reached, the Congress and the Administration work in close consultation to formulate implementing legislation. The process has involved the full participation of all committees of jurisdiction, not only those committees traditionally consulted in setting trade negotiating objectives. If the agreement and its implementing legislation are still not acceptable, they can be rejected by a majority vote of either House.
- o We are today engaged in bilateral and multilateral trade initiatives that hold unprecedented promise for the advancement of U.S. economic objectives. With such initiatives in train, it is clearly in the national interest to continue a partnership that has proved its worth for almost 60 years.

Use of Fast Track if Extended

- o In incorporating the fast track in the 1988 Trade Act, the Congress expressly contemplated that an extension might be necessary and appropriate in order for the President to pursue effectively the trade policy goals set out in the law.
- o If extended, the fast track would be available until June 1, 1993, and would be used to implement trade initiatives such as completing the Uruguay Round, negotiating a North America Free Trade Agreement (NAFTA) with Mexico and Canada, and pursuing the trade objectives of the Enterprise for the Americas Initiative.
- o Supporting fast track will allow these important initiatives to go forward without in any way detracting from the ability of the Congress to assess each agreement on its merits when presented for approval.

A Vote Against Fast Track Denies Fast Track for all Agreements

- o Current fast track authority would have expired on June 1 if the President had not requested an extension by March 1. The requested extension is granted automatically unless either house passes a statutorily prescribed disapproval resolution before June 1.
- o The language of the disapproval resolution, which is set out in the statute, makes clear that disapproval eliminates all fast track authority, multilateral and bilateral.
- o The disapproval resolution cannot be amended to eliminate fast track for some agreements but not others because the resolution itself cannot be amended. It is not possible, for example, to vote against the fast track for the Uruguay Round agreements but preserve it for the NAFTA.
- o If a disapproval resolution is passed by either House, the fast track is gone for all purposes, and the President's ability to successfully negotiate any trade agreement requiring congressional approval, bilateral or multilateral, is severely crippled if not eliminated entirely.
- o Simply put, a vote against fast track is a vote against trade.

Continuing Fast Track is Essential to Securing Economic Gains

- o As the world's largest trader, the United States has an enormous stake in the future of the global trading system. Exports have become a vital source of strength to the U.S. economy. In 1990, the nearly 8.5 percent growth in U.S. exports accounted for 88 percent of U.S. economic growth.
- o In order to sustain the expansion of exports and consequent growth, we must continue our efforts to open world markets. We must maintain our active leadership role. Without an extension of fast track, those efforts are futile.
- o Maintaining fast track procedures -- and the partnership between the Congress and the executive branch that fast track represents -- will keep on course our joint efforts to liberalize trade and open markets through the GATT, through other multilateral agreements, and through bilateral agreements. No country stands more to gain from those efforts than the United States.
- o As we approach the beginning of a new century, we should not hesitate to pursue the opportunities for expanded economic growth and prosperity presented by successful trade negotiations.

- o In order to turn those opportunities into realities, the Congress and the Executive must continue to work together in the manner envisioned by the fast track.

THE IMPORTANCE AND BENEFITS OF THE URUGUAY ROUND

Uruguay Round is the Most Ambitious of Trade Negotiations to Date

- o The world trading system is now vastly more complex than it was when the GATT was written in 1947. Over one-third of world trade, more than \$1 trillion, is inadequately covered by international trade rules.
- o The Uruguay Round negotiations -- in which 108 countries participate -- are an ambitious effort to strengthen and expand the global trading system as well as to further lower trade barriers. Launched in 1986 in Punta del Este, Uruguay, these negotiations are the eighth round of multilateral trade negotiations conducted under the auspices of GATT.
- o The United States led the call for the far-reaching agenda of issues in the Uruguay Round. The Congress established objectives for the Uruguay Round in the Omnibus Trade and Competitiveness Act, passed in August of 1988.
- o The negotiating agenda runs the gamut of U.S. interests, both in opening world markets and in establishing internal rules of fair play in areas vital to U.S. competitiveness -- services, investment, agriculture, and intellectual property. The negotiations fall into four broad categories:
 - market access (tariffs and non-tariff measures, natural resource-based products, tropical products, and textiles);
 - the "new" areas of services, trade-related intellectual property rights (TRIPs), and trade-related investment measures (TRIMs);
 - agriculture; and
 - GATT rules (dispute settlement, safeguards, GATT Articles including balance of payments reform, and the non-tariff measure codes, including subsidies and antidumping).
- o Moreover, unlike previous GATT negotiating rounds, developing countries are active participants in every aspect of the negotiations.

The Administration is Committed to Ensuring that the Uruguay Round Results in Agreements that Truly Meet U.S. Objectives

- o This resolve was demonstrated at Brussels in December 1990. The U.S. delegation and other important delegations determined that it was preferable to end the ministerial meeting without result rather than to lower ambitions and accept minimal Uruguay Round agreements.
- o The negotiations formally resumed in all areas on February 26, 1991, when a framework to negotiate agricultural reform was reached. The exact pace of negotiations will depend on how quickly we are able to reach an acceptable solution on agriculture.
- o The Administration is not prepared to accept an inadequate agreement for the sake of an agreement; but we are prepared to continue to negotiate to obtain a good result.

A Successful Uruguay Round Would Bring Substantial Benefits to the U.S. and World Economies

- o Exports have become a vital source of strength to the U.S. economy. Since the Round was launched in 1986, export expansion has been responsible for 40 percent of total growth in U.S. GNP. In 1990, export growth accounted for 88 percent of U.S. GNP growth.
- o An open multilateral trading system is the best guarantee that U.S. export opportunities continue to expand into the next century. The Uruguay Round is the most important initiative to expand these opportunities.
- o Specifically, a successful Uruguay Round would provide substantial benefits to the U.S. economy, including:
 - Lower tariff and non-tariff barriers to manufactured products and other goods, which could increase world output by \$5 trillion and U.S. output by over \$1 trillion over the next 10 years, meaning an additional \$16, 000 for every American family of four;
 - Rules to protect the intellectual property of U.S. entrepreneurs, who lose \$60 billion annually through theft and counterfeiting of their ideas;
 - New markets for U.S. services firms, which export \$115 billion annually and generate 90 percent of new U.S. jobs;

- An agreement opening world markets to investment, which helps generate \$240 billion, or two-thirds of total U.S. exports in goods;
 - Fair competition and open markets in agriculture, creating new opportunities for American farmers, who lead the world with more than \$40 billion in annual exports;
 - The full participation of developing countries in the global trading system, which could increase U.S. exports by \$200 billion over the next 10 years; and
 - Strengthened rules on dispute settlement, antidumping, subsidies and trade remedy provisions, which should provide predictability and certainty in access to foreign markets and ensure fair trade at home.
- o Conversely, failure to extend fast track authority will end the Uruguay Round negotiations, damaging prospects for world economic growth and cooperation.
 - o A collapse of the Round brought about by removal of U.S. fast track authority would increase worldwide pressures to raise trade and investment barriers. A sufficiently sharp movement away from open markets could contribute to a global recession, as it did in the 1930s.
 - o Although the ultimate success of the Uruguay Round cannot be guaranteed, the United States should continue negotiations because a successful Round is overwhelmingly in our long-term economic interests.

IMPORTANCE OF A NORTH AMERICAN FREE TRADE AGREEMENT

A NAFTA Would Create One of the World's Largest Free Trade Areas

- o A NAFTA would create an enormous market, encompassing some 360 million consumers and total output of \$6 trillion.
- o The progressive elimination of barriers to the flow of goods, services, and investment and strengthened protection of intellectual property rights would benefit a broad spectrum of businesses, workers, farmers, and consumers.
- o Creation of a NAFTA would be a catalyst for economic growth and development in the United States, Mexico and Canada through increased trade, investment, and jobs.

The Importance of North American Trade

- o Canada and Mexico are America's first and third largest trading partners, respectively. In turn, the United States accounts for over two-thirds of their total trade. In 1990, three-way trade came to about \$237 billion.
- o Since 1980, U.S. exports to Mexico and Canada have doubled, rising from \$55.3 billion to \$111.4 billion. Our exports to our neighbors have grown substantially faster than those to the rest of the world.

Removal of Barriers Would Create New Trade and Investment Opportunities

- o Since Mexico joined the GATT in 1986 and started its unilateral policy of lowering trade barriers, U.S. exports have more than doubled, growing from \$12.4 billion to \$28.4 billion.
 - U.S. agricultural exports to Mexico totalled \$2.5 billion in 1990, our third largest market.
 - Consumer goods exports from the United States to Mexico have tripled since 1986, rising from \$1 billion to \$3 billion.
 - U.S. exports of capital goods have grown from \$5 billion in 1986 to about \$9.5 billion last year.
- o We can do better. Mexico has greater barriers to U.S. exports than we impose on Mexican shipments to the United States. For example:
 - Mexican tariffs average 10 percent, compared to the average tariff of 4 percent we impose on Mexican exports to us.
 - Mexico still maintains a restrictive import licensing regime, one that affects 40 percent of U.S. agricultural exports to Mexico.
- o In addition, while Mexico has liberalized its investment regime, it is still closed to many U.S. investments, both in manufacturing and in services, and performance requirements distort export opportunities for U.S. products.
- o Mexico has already pledged to improve its protection for intellectual property rights, and we expect action on those pledges in the near future. A NAFTA will make those reforms secure.

A NAFTA Offers Benefits to U.S. Producers, Workers and Consumers

- o Economic analyses show that a NAFTA will have a positive impact on the U.S. economy and U.S. employment.
- o U.S. producers and workers will benefit from a NAFTA through increased sales opportunities, improved operating efficiencies, and strengthened competitiveness vis-a-vis Asia and Europe.
- o U.S. consumers will enjoy increased access to lower cost, higher quality products.

A NAFTA Strengthens the Broader North American Relationship

- o A NAFTA would help cement the extensive historical, familial, cultural, and language links the United States has with both Mexico and Canada.
- o More prosperous neighbors are better neighbors and better customers for U.S. goods and services.
- o We have a broad agenda with both Mexico and Canada that goes well beyond trade, economic, and investment links. By boosting economic prosperity in all three nations, a NAFTA will help us make progress on issues such as the environment, drugs, and immigration.

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TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

THE FINANCIAL INSTITUTIONS SAFETY AND CONSUMER CHOICE ACT OF 1991

MARCH 20, 1991

FACT SHEET

The Need for Reform

It is time to modernize our financial system to make banks safer and more competitive:

- o We must modernize our banking system, updating outmoded laws that date back to the 1930s.
- o Banks must be sound to protect depositors and taxpayers.
- o A strong, internationally competitive banking system is essential to a strong, growing economy.

The Banking System is Under Stress

- o Technology has revolutionized the way financial institutions do business, but our banks are hampered by out-of-date rules.
- o Weak banks shrink lending when the economy slows, hurting businesses and costing jobs.
- o Our banks are falling behind international competitors: Not one of the 25 largest banks in the world is American, compared to seven of 25, including the top three, just 20 years ago.

NB-1187

The Benefits of Reform

A modern, safe and internationally competitive banking industry will protect depositors and taxpayers, serve consumers, benefit workers and businesses, and strengthen our nation.

Protect depositors and taxpayers:

Depositor confidence and taxpayer protection will result from:

- A safe, competitive, well-capitalized banking system;
- limitations on taxpayer exposure to losses from bank failures;
- and a strong, well-capitalized insurance fund.

Serve consumers:

An efficient, integrated financial services system will mean:

- Consumers will have access to a wider range of services at the least possible cost.
- Consumers also will enjoy the convenience of nationwide access to services.

Benefit workers and businesses:

A healthy banking system with strong, competitive banks will ensure:

- Jobs are preserved because loans are not called at the first sign of economic downturn.
- Small businesses that lack access to securities markets can count on banks in bad times as well as good.

Strengthen the nation:

A world-class financial services system provides a foundation for a world-class economy:

- International economic leadership in the 21st century will require an internationally competitive financial services system.

The Principles Governing Reform

First, we will preserve deposit insurance for small savers while protecting taxpayers by reducing the overextended deposit insurance system. Deposit insurance, originally intended to protect small depositors who could not protect themselves, has been expanded so that large, sophisticated investors receive unneeded protection. This reform will restore market discipline over risky activities that have increased the possibility of taxpayer exposure to losses in the banking system.

Second, we will make banks stronger and safer by strengthening the role of capital -- not by raising capital standards, but with a plan to attract capital to the banking industry. This will include rewarding well-capitalized banks with new activities that will attract still further capital, and taking prompt corrective action to address under-capitalized banks.

Third, we will make banks more competitive by modernizing outdated laws. Technological advances and other innovations in financial markets have put banks at a competitive disadvantage -- at home and abroad -- that has weakened the system and hurt the economy. Changes will allow banks to engage in a broader range of financial services and to operate nationwide.

Fourth, we will strengthen the banking system by making the regulatory structure more efficient. Currently, overlapping regulatory responsibilities lead to confusion and uneven results.

KEY ELEMENTS OF THE LEGISLATION

I. DEPOSIT INSURANCE COVERAGE

- o Preserves deposit insurance coverage for small savers.
 - \$100,000 per person per institution
 - Plus, \$100,000 for retirement savings per person per institution
 - Two year phase-in period.
 - Example: A husband and wife will be able to have as much as \$400,000 in insured deposits in any one institution (\$200,000 each). While this reduces the amount of deposit insurance available at any one bank, if the couple needs more than \$400,000 coverage, they can still go to another bank to get an additional \$400,000 insured coverage.
- o No change in current treatment of corporate accounts.
- o Eliminates coverage for "brokered deposits".
- o Reduces deposit insurance for professionally managed pension plans.
 - Eliminates coverage for bank investment contracts (BICs).
 - Eliminates "pass-through" coverage for deposits of most professionally managed pension plans.
 - Exceptions:
 - oo Continues deposit insurance coverage for state and local government pension plans
 - oo Continues deposit insurance coverage for escrow and similar types of accounts
 - oo Continues coverage for self-directed pension plans (such as IRAs and small company Keoghs).

- o FDIC to perform 18 month study of feasibility, costs and benefits of implementing system-wide limitation of coverage for every depositor; Fed to undertake survey to gather data on ownership of deposits and report in one year.
- o Pilot program for private reinsurance coverage.

II. TOO BIG TO FAIL

- o Eliminates current policy of routinely protecting all insured and uninsured depositors in every case.
- o FDIC permitted to cover uninsured depositors only if that would be the least costly approach to resolving a failed institution.
- o Maintains ability to intervene in cases where there is a threat to our financial system (same power afforded to governments of every other industrialized nation).
- o Treasury and the Fed could order coverage of uninsured deposits in rare cases of systemic risk, in consultation with OMB and FDIC.
- o Three year phase-in period.

III. RISK BASED ASSESSMENTS

- o Requires establishment of a risk-based system for setting insurance premiums.
- o Effective two years after enactment.
- o Risk categories must use ratio of capital to risk weighted assets as fundamental measure.

IV. RESTRICTIONS ON FEDERALLY INSURED STATE BANK ACTIVITIES

- o Maintains dual banking system, but limits taxpayer exposure.
- o Limits the states' ability to authorize risky activities for federally insured state banks.
- o Federally insured state-chartered banks and their subsidiaries will not be able to undertake principal activities which are not permissible for federally insured national banks, unless they meet their capital requirements and obtain permission from the FDIC.
- o Taxpayers should not be on the hook for risky state-chartered bank activities that are covered by federal deposit insurance.

V. IMPROVED SUPERVISION

- o Banks that fall below minimum capital standards are subject to prompt corrective action - including, for example, dividend cuts - aimed at preventing failure.
- o Generally, requires annual on site examinations for banks.
 - Smaller banks (less than \$1 billion in assets) that maintain required capital need only have exams once every 18 months.
- o Capital standards must reflect interest rate risk.

VI. CREDIT UNIONS

- o Recognizes independence of credit unions.
- o National Credit Union Administration (NCUA) remains as insurer and regulator.
- o Protects taxpayer by eliminating double counting of insurance fund assets over 12 year period.

- o Revises the Board of Directors of NCUA to include the Director of the Office of Depository Institutions Supervision as a Board member.

VII. FINANCIAL SERVICES MODERNIZATION

- o Permits new financial services to be conducted only in separately capitalized financial affiliates and only for well-capitalized banks.
- o Only banks have access to deposit insurance fund coverage.
- o Requires appropriate firewalls to ensure that new activities are not conducted under the federal deposit insurance safety net.
- o Creates "Financial Services Holding Company" (FSHC) structure which will permit a single company to own affiliates engaging in banking, securities, and insurance.
- o Allows commercial firms to own FSHCs (if FSHC's banks are well-capitalized) through a "Diversified Holding Company" (DHC).
- o Firewalls
 - Tighter limits on lending inside FSHCs (23a & 23b). Banks cannot put deposit insurance funds at risk in non-bank financial services.
 - Broad regulatory authority to prevent unfair competition, conflicts of interest, and unfair banking practices. Banks cannot use deposit insurance funds to gain an unfair competitive advantage in other financial services activities.
 - Strict disclosure laws to ensure that customers do not confuse insured products with uninsured products.
 - Regulatory authority to limit disclosure of non-public customer information.

- No lending by a bank, or its FSHC, to any affiliated commercial company.
- o Imposes capital restoration requirements on FSHCs that fail to maintain specified levels of capital in banks they own. They must either build up the capital of the bank to the required level, sell the bank, divest themselves of non-bank financial activities, or become subject to holding company capital requirements and much greater regulation.
- o Similar prompt corrective action applies to commercial firms that own FSHCs that fail to maintain specified capital levels in banks they own.
- o Provides for functional regulation of new activities allowed in subsidiaries.
- o Requires insured depository institutions and affiliates to prominently disclose in writing to each of their customers that any securities or insurance products offered, recommended, or sold by the institutions or affiliates are not deposits and therefore are not covered by federal deposit insurance.
- o Insurance
 - Banks and insurance companies can affiliate on a full two-way street.
 - Insurance affiliates of banks continue to sell insurance in any state, but banks themselves can only sell insurance in states where state-chartered banks can sell insurance.
 - National banks can sell insurance wherever state banks are allowed to sell insurance, but interstate authority to sell insurance in towns of 5,000 or less would be eliminated.
- o Securities
 - Banks and securities companies could affiliate on a full two-way street.
 - Certain securities activities are moved out of banks into subsidiaries or affiliates.

o Real Estate

- No real estate development by state or national banks. Real estate development and brokerage cannot be financial activities in new FSHC. Existing real estate brokerage activities of state-chartered banks are left undisturbed.

VIII. NATIONWIDE BANKING

- o Authorizes full nationwide banking for bank holding companies following a three year phase-in period.
- o Authorizes interstate branching for national banks in any state in which the financial services holding company in the same state could acquire a bank.
- o Removes barriers to interstate branching by state banks.

IX. STATE REGULATION

- o Generally, preempts state anti-affiliation provision, but continues policy of having states determine limitations on direct bank marketing of real estate and insurance products.
- o Preserves procedures for enforcing the Community Reinvestment Act (CRA).
- o States may tax interstate branches to the same extent they tax interstate banks.

X. REGULATORY RESTRUCTURING

- o Simplifies and consolidates current four-regulator model (the Federal Reserve, the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation and Office of Thrift Supervision) into two regulators, with the same regulator responsible for a bank holding company and its principal subsidiary bank.

- o Creates a new federal banking agency -- the Office of Depository Institution Supervision -- as a bureau of the Treasury which replaces the Office of the Comptroller of the Currency and the Office of Thrift Supervision.
- o State-chartered banks (including savings banks) will be regulated by the Federal Reserve.
- o National banks will be regulated by a new federal banking agency -- the Office of Depository Institution Supervision.
- o Thrifts and their holding companies will be regulated by the Office of Depository Institution Supervision.
- o There is no reduction of FDIC examination authority as the insurer.

XI. RECAPITALIZATION OF BANK INSURANCE FUND (BIF)

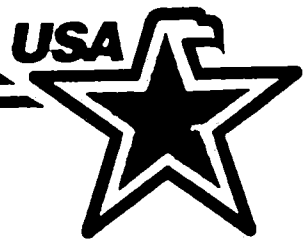
- o Includes necessary legislative language to implement FDIC proposal for industry financed recapitalization of BIF.
- o FDIC will be authorized to borrow up to a maximum of \$25 billion from the Federal Reserve banks.
- o FDIC will pay interest on any such borrowings at a rate equal to the Treasury rate for borrowings of comparable maturity.
- o Any borrowing under this new authority will be secured by the FDIC's dedication of insurance premiums in amounts sufficient to service and retire the debt in accordance with its terms.
- o Annual premiums paid by the BIF insured institutions will be capped at an aggregate of 30 basis points.
- o FDIC's existing authority to borrow from the Treasury and the Federal Financing Bank will not be affected.

XII. PROVISIONS FOR SMALLER INSTITUTIONS

- o Increases the exemption in the Home Mortgage Disclosure Act for small depository institutions from \$10 million to \$50 million and eliminates duplicative reporting.
- o Treasury, and the appropriate federal banking agencies to review whether it is feasible to reduce the number of reporting requirements for institutions with assets less than \$50 million.

XIII. FOREIGN BANKS IN THE U.S.

- o Foreign banks are provided national treatment under Treasury's proposed reforms.



SCOPE OF THE EXPORT CONFERENCES

- o In May 1990, President Bush announced an initiative to highlight his support for U.S. exporters, and he asked Commerce Secretary Robert A. Mosbacher to chair the Trade Promotion Coordinating Committee (TPCC), composed of 18 U.S. government agencies, to integrate and streamline federal trade promotion activities.
- o The heart of this national export initiative is a series of conferences and follow-up events to be held throughout the United States during 1991.
- o The conferences, "Exports - Generating Jobs for Americans," will illustrate how the federal government can be a powerful resource for U.S. exporters.
 - Each program is designed to show U.S. companies how the local Commerce office and the various U.S. government programs work together and when and how to use them.
- o The conferences stress three essential ingredients for success in rapidly changing world markets:
 - quality products and services
 - accurate and timely information on market opportunities
 - adequate financing to produce and ship the product.
- o Each conference will consist of:
 - panel presentations focusing on the three key ingredients for successful exporting.
 - a luncheon keynote address by Secretary Mosbacher
 - a case study discussion by local Commerce trade specialists on expanding exports by using the resources available through state, local and federal governments
 - one-on-one export counseling sessions and elective workshops to allow participants to learn more about specific aspects of exporting of their choice
 - continuous demonstrations of the National Trade Data Bank and the Commerce Department's Economic Bulletin Board.
- o Expert speakers from business and government at all levels, including the Export-Import Bank of the U.S., the Overseas Private Investment Corporation, the Small Business Administration, the Trade and Development Program, and the Agency for International Development, will provide conference participants with a wide array of tools to build a stronger export engine for the economy.



CONFERENCE SCHEDULE

"Exports--Generating Jobs for Americans"

<u>Date</u>	<u>Location</u>
April 10	Chicago, IL
April 11	Omaha, NE
April 12	Milwaukee, WI
April 30	Atlanta, GA
May 1	Tampa/St. Petersburg, FL
May 17	San Jose, CA
May 20	San Diego, CA
May 21	Phoenix, AZ
May 22	Kansas City, MO
May 24	Boston, MA
June 17	Anchorage, AK
June 18	Seattle, WA
June 19	Portland, OR

* A VIP reception will be held the evening before each conference

TPCC Office- Phone: (202) 377-4501
Fax: (202) 377-1999

BUDGET OF THE UNITED STATES GOVERNMENT

DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES



FISCAL YEAR 1992

II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

A SOMBER MOMENT—BUT WITH HOPE FOR A NEW ORDER

Last year's budget was published in an historical context that bordered on the euphoric. Its introduction noted:

State-centered, command-and-control systems seem to be decomposing.... Liberated celebrants have cheered the opening of the Berlin wall and the decline of communist dictators. So too have liberated Panamanians celebrated the fall of the dictator in near-by Panama....

This is not small stuff. It is another giant leap of the human spirit yearning to breathe free.

The introduction, then, went on to lament:

Yet this great historical shift has been almost trivialized in its translation into public debate about the budget. The issue has been framed as: "How big is the 'peace dividend'?"—and, in effect, "How can I get mine?"

This year's budget goes to press at a more somber moment, when the fragility of peace has again been made painfully evident. In August, a militaristic dictator brutally invaded a peaceful neighbor. He refused to conform to international norms established by the United Nations. He destabilized a region that is vital to the global economy—a region which, for too long, has been the victim of conflict.

As a result, suffering has increased within the region and throughout the world. Innocent people have been hurt. Economies have weakened. Allied military action has been undertaken as a last resort to enforce the resolutions of the United Nations. The early action has gone well. But precious lives have been lost. The poignant human costs of protecting freedom and the civilized rule of law have again been made clear.

Yet, although the moment is somber, there is cause for hope.

The liberation of Kuwait has begun. But of more far-reaching significance is this: With U.S. leadership, the global response to the

Iraqi invasion has the potential to set a favorable precedent for the post-Cold-War era—what the President has termed a New World Order.

At home, the Iraqi invasion of Kuwait has caused obvious economic difficulties. Oil prices were driven up for several months. Long-term interest rates reflected a risk premium. In the face of uncertainty, consumers and investors have understandably held back. The resulting economic slow-down has taken its toll. And the problem of the fiscal deficit has thus been compounded by the effects of the crisis in the Gulf.

Yet in this somber domestic picture, too, there is cause for hope. The move toward satisfactory resolution of the Gulf crisis is unequivocally positive for the domestic economy. And the residual fiscal crisis, though regrettable, has the potential to foster—even to accelerate—domestic reform. Within the framework of the 1990 Budget Agreement, constructive reforms can be framed. Though less grand than a New World Order, steps toward a new domestic order can continue to be advanced—at least at the margin of practicable change.

It is in this spirit that the new budget is presented.

This introduction:

- reviews the deficit outlook;
- outlines a reform agenda; and
- discusses the need for a new conception of "program life cycles"—within the framework of the 1990 Budget Act.

THE DEFICIT OUTLOOK—WORSE BEFORE BETTER

The new budget is for fiscal years 1992 and beyond. For each of these years, the consolidated deficit estimate promises to be better

than the year before. The projected deficit goes down by \$37 billion from 1991 to 1992. It reaches balance by 1996. (See Table II-1.) As a percent of GNP, it declines from 5.7 percent (near the recent high of 6.3 percent in 1983) to roughly 1 percent in the mid-1990s. The longer-term trend is favorable by several different measures of "the deficit." (See Chart II-1.) But the inescapable reality of the near term is: the deficit outlook is not good.

The consolidated deficit for the current fiscal year, 1991, is estimated at \$318 billion. This

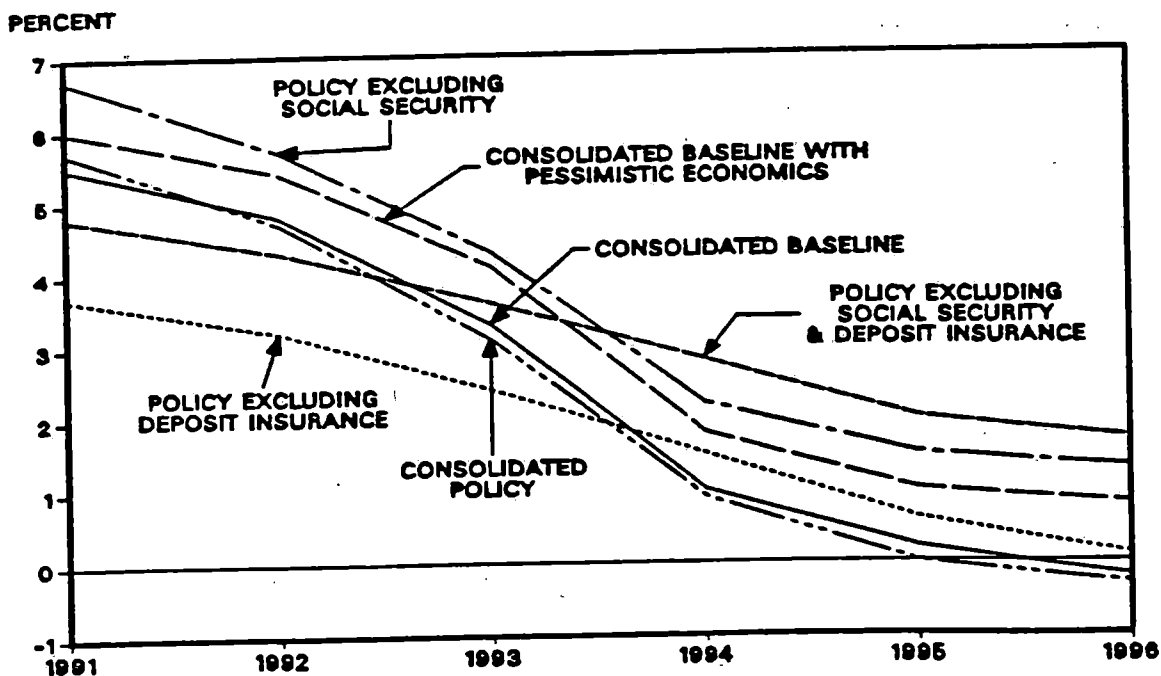
includes \$30 billion in budget authority and \$8 billion in outlays (net of foreign contributions) as a placeholder for the incremental costs of Operation Desert Shield. This does not fully cover the additional costs of actual combat, however. With substantial foreign contributions, the adverse financial effects on the United States should be mitigated. But neither full costs nor total contributions can be reliably estimated as the budget goes to press.

Even without the full net costs of Desert Shield (which includes Desert Storm), this

Table II-1. DEFICIT ESTIMATES, 1991-1996
(In billions of dollars)

	1991	1992	1993	1994	1995	1996
Consolidated Baseline	-310.3	-284.9	-212.3	-67.5	-12.1	14.1
Consolidated Baseline with pessimistic economics	-336.1	-326.0	-262.1	-126.3	-75.3	-61.4
Consolidated Policy	-318.1	-280.9	-201.5	-61.8	-2.9	19.9
Policy excluding Social Security	-378.6	-343.3	-274.9	-151.1	-106.8	-101.9
Policy excluding Deposit Insurance	-206.6	-192.8	-157.3	-99.9	-45.3	-10.0
Policy excluding Social Security and Deposit Insurance	-267.1	-255.2	-230.7	-189.2	-149.1	-131.8

Chart II-1. DEFICITS AS A PERCENT OF GNP



II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

1991 deficit estimate represents a substantial deterioration relative to the 1990 deficit of \$220 billion. It is worse than was estimated last summer, by both the Administration and the Congressional Budget Office, during the Budget Summit negotiations. And it is far worse than the baseline deficit estimated a year ago.

The two largest elements of this deterioration for 1991—each far greater than all others combined—are:

- an increase of \$105.5 billion in estimated outlays for thrift and bank insurance (part of which is due to a change in accounting treatment); and
- a decrease of \$87 billion in estimated receipts (principally due to a weaker economy).

The longest period of peacetime economic growth has been interrupted. Revised economic assumptions now reflect two consecutive quarters of negative real growth—the fourth quarter of calendar year 1990 and the first quarter of calendar year 1991. (See Table III-1)

This temporary economic downturn was not assumed last year by the Administration or by most outside economists. Indeed, it was not the result of ordinary causes. It did not start as a turn of the "business cycle." Inventories were relatively low. And it was not a correction for "overheating."

Among the principal causes of the weaker economy were a combination of the following:

- *monetary policy*, which for an extended period (roughly two years) remained on the tighter side of its target range—not seeking to halt real growth, but slowing growth out of concern for inflation and dollar weakness;
- the "*credit crunch*"—as the banking system (both banks and regulators) struggled to react to the S&L experience, new capital requirements, problems in the real estate market, and fears of a more general slowdown; and,
- perhaps most significantly, the multiple adverse economic and psychological effects of the *crisis in the Gulf* (as noted above).

The return to healthy economic growth—and the associated improvement in the deficit—assumes, and probably requires:

- improvement in all three areas—the Gulf, the financial system, and monetary policy;
- adoption of the growth-oriented policies noted in the President's Message and discussed further below; and
- full implementation of the 1990 Budget Agreement—which reduces the previous baseline deficit by \$72.9 billion for 1992 and \$138.1 billion for 1995.

As always, there is a risk that these are excessively hopeful assumptions. But with the new Budget Agreement, the risk is arguably lower than in previous years.

Prior to enactment of the Agreement's procedural reforms, there were incentives for the Administration to err in the direction of rosy projections. There were related incentives for the Congress first to criticize these projections (visibly) and then to adopt the same projections (invisibly). Now, these perverse incentives have been reduced.

For this and other reasons, the Administration's projections are closer to mainstream thinking. The calendar year 1991 real growth forecast is almost identical to the current consensus forecast of the "Blue Chip" economic experts, and is actually below that of the Congressional Budget Office (CBO). The long-term growth forecast, although higher than that of CBO, is nonetheless below America's post-World-War-II average. Thus, the deficit outlook presented here may be judged to be more credible than in the past.

Unfortunately, however, this does not necessarily mean that it is correct. Even in the best of times, macroeconomics is a highly fallible "science." (Macroeconomists are often closer to each other than to reality.) And as this budget goes to press, there are crucial unknowns: the timing and character of events necessary to resolve the crisis in the Gulf. These are fundamentally relevant uncertainties. Much will turn on them.

So Chapter III, "Economic Assumptions and Sensitivities," bears special attention. It discusses the extent to which the deficit outlook

should be modified if one wishes to use different economic assumptions.

REFORMIST STEPS—TOWARD A NEW DOMESTIC ORDER

Whatever one's economic assumptions, America nonetheless can—and must—continue its historic mission: protecting freedom, accelerating innovation, assuring fairness, increasing growth and opportunity, while limiting the expansion of intrusive and inefficient government. The President's 1992 budget limits the growth of Federal spending to 2.6 percent—less than the inflation rate. Within this limit, it nonetheless helps advance the process of American renewal. The budget proposes reform measures in each of the following domestic areas:

(1) Education Reform

The United States spends more per student on education than almost every other country on earth. Yet, the average performance of American elementary and secondary school students on internationally administered tests is disgracefully low. The performance is below that of America's major trading partners. It falls consistently *near the bottom*. The current system unnecessarily holds young people back, holds workers back, and holds the Nation back. Clearly, more of the same cannot be acceptable.

In coordination with the Nation's Governors, the President has initiated an ambitious national reform effort. Consistent with that reform effort, the budget gives special emphasis to increased investment in child care (including almost \$10 billion in tax credits and \$732 million for the new child care block grant), Head Start (\$2.1 billion), compensatory education (\$6.4 billion), mathematics and science education (\$1.9 billion), and the measurement of results.

To accelerate the more basic reforms that are necessary, the budget provides \$690 million for a new Educational Excellence Act. And, perhaps most importantly, it encourages increased parental choice through: demonstration grants, greater flexibility for States, an information clearinghouse, and a new incentive fund for States and localities that

adopt choice-oriented certificate programs. Greater choice would help foster a more market-like system and hold schools more accountable for performance. It is only with performance-based choice that more fundamental reform is likely to be achieved. (See Chapters IV.A. and V.A.)

(2) Research and Development

America's long-term position internationally and the potential for improvement in life at home depend fundamentally upon investment in a strong R&D base. Unfortunately, short-term claims and pressures often tend to drive out long-term investment. R&D is especially vulnerable in both the public and private sectors. Since the 1960s, investment in civilian R&D, particularly, has experienced a troublesome decline as a percent of GNP. To counter these tendencies, the President's budgets have sought to protect and increase R&D investment—without having the government cross the line into the problematic area of "industrial policy."

This budget proposes to make the R&D tax credit permanent in order to encourage more private R&D; while it also increases the direct Federal investment to \$76 billion for 1992—up \$8.4 billion to the highest level ever. Basic research would increase to \$13 billion, with pathbreaking efforts that range from high-energy physics to what promises to be one of the most important and far-reaching research projects in human history: the Human Genome Project. In applied civilian R&D, exciting investments range from materials processing, to biotechnology, to high-speed rail transport and electric battery technology, to high performance computing. This investment in R&D unquestionably has the potential—in time—to bring radical improvement in the quality of human life across-the-board. (See Table II-2 and Chapter IV.C.)

(3) Financial Sector Reform

The S&L crisis was a central focus of reform last year. This year, public attention has begun to shift to the risks associated with banks. While the analogy with S&Ls is not appropriate, there unquestionably are risks. From a budgetary perspective, they are reflected in the baseline projection for the Bank Insurance Fund. In the absence of remedial

Table II-2. ENHANCING RESEARCH AND DEVELOPMENT AND EXPANDING THE HUMAN FRONTIER—HIGHLIGHTS
(Dollar amounts in millions)

	Budget Authority			
	1991 Enacted	1992 Proposed	Dollar change	Percent change
Basic Research				
Doubling the NSF budget	2,316	2,722	+406	+18
Increasing Basic Biomedical Research at NIH	4,634	4,968	+334	+7
Human Genome Project	135	169	+35	+26
Agricultural Research Initiative	73	125	+52	+71
Superconducting Super Collider	243	534	+291	+120
Applied Research				
High Performance Computing and Communications	489	638	+149	+30
Energy R&D	676	903	+227	+34
Advanced Manufacturing and Materials	1,316	1,310	-6	—
HIV/AIDS	1,152	1,210	+58	+5
Moving Fusion Energy from Science to Engineering	275	337	+62	+23
Aeronautics R&D	482	543	+61	+13
Expanding R&D at the National Institute of Standards and Technology	215	248	+33	+15
Maintaining National Security: Defense R&D	37,783	43,247	+5,464	+14
Expanding the Geographic Frontier: Space Exploration				
Space Transportation Infrastructure	4,801	5,517	+716	+15
Space Science	1,774	2,141	+367	+21
Mission to Planet Earth (Global Change)	954	1,186	+232	+24
Mission From Planet Earth	2,199	2,470	+271	+12
Expanding the Human Frontier through Biotechnology	3,788	4,107	+319	+8

legislative action, the Fund balance would turn negative in 1992. (See Chapter VIII.A.)

But the issues involved are far broader than merely the accounting status of the Bank Insurance Fund. Financial markets have become global. So has competition in financial services. Technological advances have changed both the character of services and of service-providers. Yet, the legal and regulatory framework attempting to govern the American financial service sector has not adapted. It is outdated—as will be many American competitors if the framework is not modernized.

With this problem in clear view, the President is proposing a comprehensive reform of both deposit insurance and the legal-regulatory framework governing the financial services sector. (See associated Treasury study.)

(4) Incentives for Saving and Investment

In the past decade, significant tax bills have been enacted at the rate of almost one per year—including historic tax reform. On bal-

ance, the tax system has been radically improved. As a general matter, both the tax system and the taxpayer deserve a rest. Still, there is one area that continues to merit further reform: the need to strengthen incentives for saving and long-term investment.

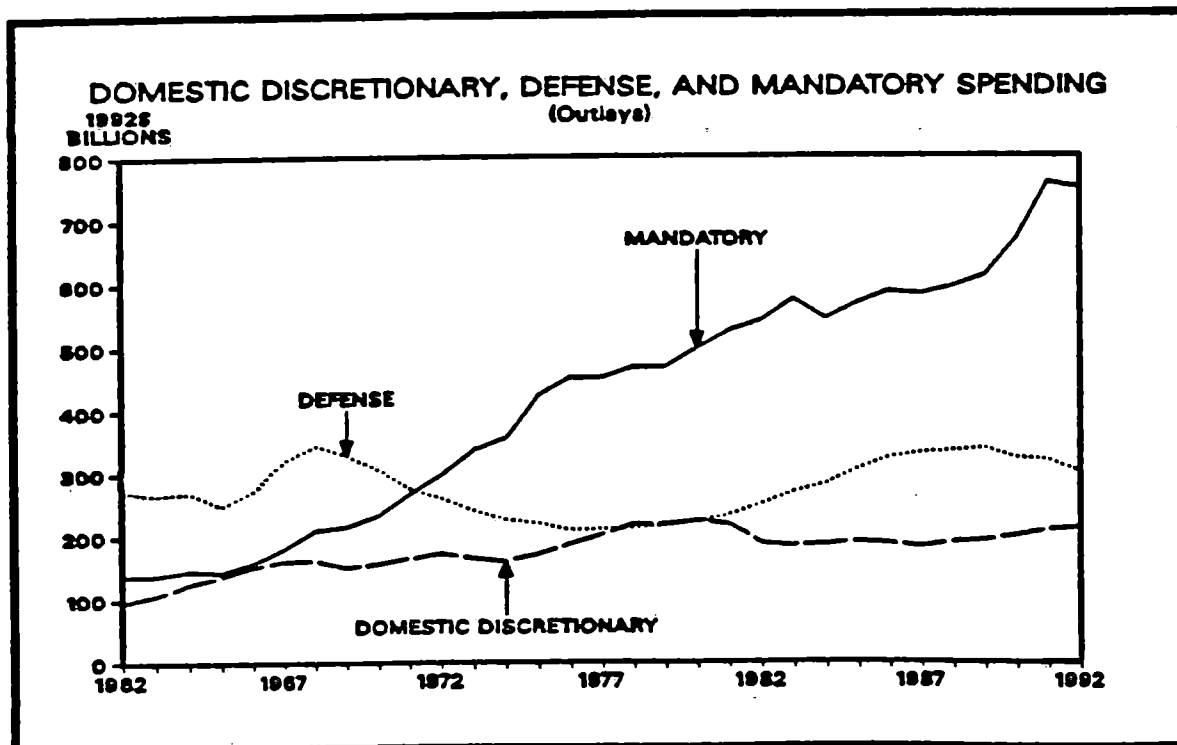
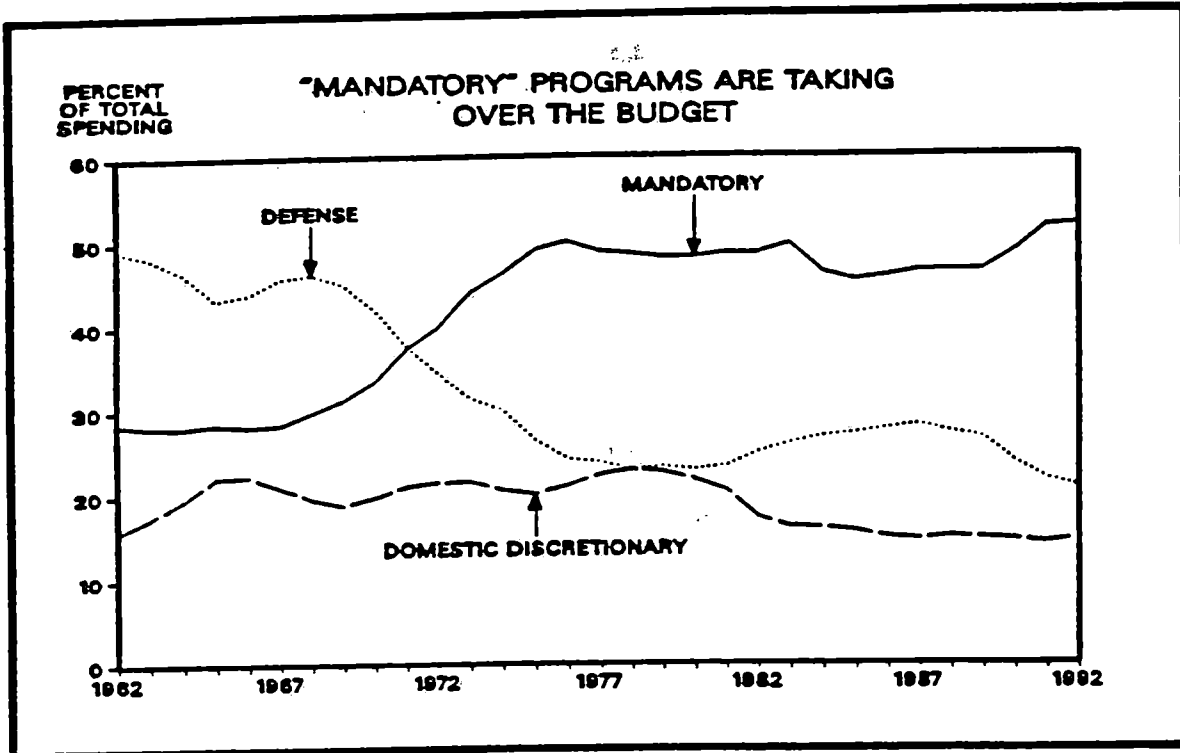
Accordingly, the President's budget proposes incentives to encourage: family savings, homeownership, longer-term investment, and investment in Enterprise Zones. (See Chapter X and the related discussion of pay-as-you-go requirements in Chapter XIV.)

(5) "Entitlement" Reform

In looking at the changing composition of the Federal budget since the 1960s, two trends stand out:

- First, the budget is being taken over by so-called "mandatory" or "entitlement" programs. These are largely transfer payments, which are not now subject to annual appropriation. They have grown from 28 percent of the budget in President Ken-

Chart II-2.



II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

ney's administration to nearly 52 percent today. (See Chart II-2).

- Second, within the "mandatory" total, funding for the non-poor has increased far more than for the poor. (See Chart II-3.)

No serious effort to address the deficit can ignore the 52 percent of the budget comprised by "mandatory" programs. That is why the 1990 Budget Act included measures to reduce the growth of "mandatories" by \$100 billion over five years. But that is still not enough.

Accordingly, this budget proposes to reduce "mandatories" by another \$47 billion over five years. (See Table II-9.) In addition, the budget reflects an important new emphasis for reform: increasing fairness in the distribution of benefits, reducing subsidies for those who do not need them.

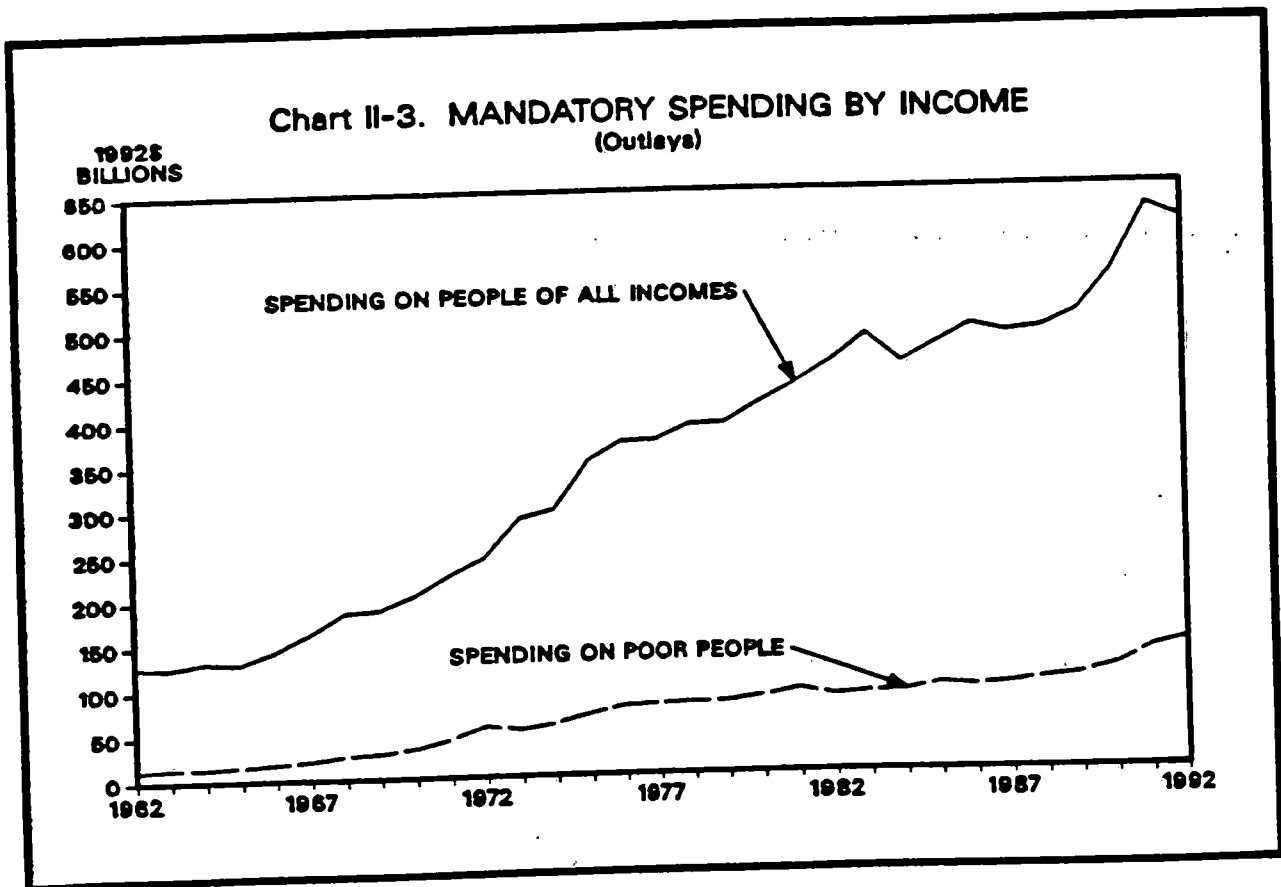
In particular the budget proposes to: reduce the subsidy of Medicare "Part B" premiums for individuals with annual incomes over \$125,000; restructure higher education assistance to serve the needy better; reallocate school lunch subsidies to increase benefits for

those with greater need; standardize benefits to increase payments to survivors of lower-ranking military personnel; and limit farm subsidies for individuals with non-farm income over \$125,000. (See Chapter V.C.)

(6) Health System Reform

Although the American health system leads the world in research and in many specialized areas, its general performance is not yet satisfactory. Its costs continue to grow faster than both inflation and the economy. Total national expenditures on health now claim 13.5 percent of GNP. Federal health spending is over 15 percent of the budget. This enormous and rising claim on resources comes at the expense of what might otherwise be the expansion of services for those who do not have fair or adequate access to the health system. And notwithstanding the huge expenditures, indicators such as infant mortality and preventable death and disease remain unnecessarily high.

The American health system is a hybrid—partly government-managed, partly private, partly in-between; partly a model of excellence,



and partly a disgrace. The challenge of reform is complex. Comprehensive reform plans abound. But none is a certain remedy, and some threaten to cause as many problems as they would cure. None is likely to be implemented quickly.

For the coming year, the Administration will continue to advance reform in manageable steps—implementing last year's expansion of access to Medicaid and the reform of Medicare's physician payment system, while also accelerating reform in two new areas:

- *Malpractice reform.* The budget proposes new Federal financial incentives for States to adopt model malpractice reform measures. This can help reduce both the direct costs of malpractice insurance and the indirect costs of "defensive medicine"—while expanding the availability of medical services and increasing attention to appropriate standards of care.
- *Investment in Prevention.* The budget proposes to fund a concerted effort—through both education and increased investment in preventive services—to stop avoidable health problems before they start. In doing so, it gives special emphasis to programs affecting children—and to prenatal care, infant nutrition, cancer screening, injury control, smoking cessation and other matters of personal responsibility. (See Tables II-3 and II-4, and see Chapter IV.B.)

(7) Drug Abuse Reduction

One of the most troubling breakdowns of personal responsibility is reflected in drug abuse. In the 1970s and 1980s, the problem grew to near-epidemic proportions. The President advanced the first National Drug Control Strategy in September 1989. Several recent studies have shown encouraging results. Cocaine use seems to have declined significantly from levels in the mid-1980s. But the drug abuse problem is far from solved.

Accordingly, the budget continues to increase the resources allocated to the National Drug Control Strategy. For 1992, the Federal share increases by \$1.1 billion to \$11.7 billion (80 percent higher than when the President took office). The increase in these resources is dis-

tributed to all elements of the Strategy. (See Chapter V.B.)

(8) Housing Reform

American public policy reflects a long-standing commitment to the importance of investment in housing. But the results have been mixed—and clearly unsatisfactory for many of the poorest Americans. Part of the problem has been conceptual: too great an emphasis on direct governmental ownership and management; too little emphasis on opportunities for poor people to benefit from choice and homeownership.

The budget reflects a reformist shift in concepts: It proposes to fund fully (\$2.1 billion in 1992) the new HOPE program—creating opportunities for tenant management and ownership. It requests a 38 percent increase in vouchers for low income people—to increase their power in the marketplace. And, on the tax side: it would permit the use of Individual Retirement Accounts by young families and first-time homebuyers; and it would offer special incentives for investment in Enterprise Zones—a refundable tax credit for wages, expensing of investor purchases of new corporate stock, and a zero capital gains rate for investment in tangible property within Enterprise Zones. (See Chapter V.A.)

(9) Transportation Infrastructure Investment

The Nation's transportation systems are fundamental to both economic productivity and the quality of life. And the stresses upon these systems continue to mount. While attending to important limits on the Federal role and responsibility, the 1992 budget makes a major contribution to expansion and improvement of the transportation infrastructure:

- Annual obligations of the Highway Trust Fund would be increased to \$16 billion in 1992 and to more than \$20 billion by 1996. In seeking to reauthorize the Federal highway program, the Administration would simplify and strengthen the existing program—establishing a new National Highway System, giving States greater flexibility with a new block grant program, and allowing more innovative financing with private participation. In addition, the

II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

**Table II-3. SPENDING ON SELECTED PROGRAMS SERVING CHILDREN
INCREASES 9.5 PERCENT IN 1992**

(In millions of dollars)

	1990	1991	1992 Proposed
Nutrition:			
WIC	2,126	2,350	2,573
Child Nutrition	4,887	5,577	6,066
Other Nutrition	7,985	9,138	9,825
Health:			
Targeted Infant Mortality	—	¹ 34	139
Medicaid	8,200	10,300	12,000
Community/Migrant Health	227	238	238
Immunizations	187	218	258
Maternal/Child Health	554	¹ 554	554
Other Health	222	264	266
Education and Social Services:			
Head Start	1,552	1,952	2,052
Handicapped Education	2,055	2,467	2,730
Compensatory Education	5,368	6,225	6,424
Educational Excellence Act (proposed)	—	—	490
Precollege Math and Science Education	333	515	661
Child Care Block Grant	—	732	732
Foster Care	1,375	2,611	2,186
Social Security	8,375	9,048	9,716
Supplemental Security Income	1,261	3,531	2,497
Aid to Families with Dependent Children and Child Support	12,165	14,008	15,162
Other Education and Social Services	2,453	2,642	2,352
Refundable Tax Credits	6,287	6,941	9,973
Total Children's Funding	65,612	79,345	86,851

¹ Reflects HHS' plans to reprogram \$34 million from MCH Block Grant to Targeted Infant Mortality in 1991. Overall resources supporting this initiative will total \$57 million in 1991 and \$171 million in 1992, including funds from other public health grants.

**Table II-4. THE BUDGET PROVIDES INCREASES FOR PROGRAMS
FOCUSED ON PREVENTION AND THE NEXT GENERATION**

(Obligations in millions of dollars)

	1991 Enacted	1992 Proposed	Percent Increase
Childhood immunization	218	258	+18.3
Infant Mortality Initiative	7,335	8,011	+9.2
(Targeted Infant Mortality Initiative—non-add)	57	171	+300.0
Breast and Cervical Cancer Prevention	269	410	+52.4
Smoking Cessation	90	97	+7.8
Physical Fitness and Diet	122	139	+13.9
Accident and Injury Prevention	1,683	1,907	+13.3
Access to Preventive Health Care	5,410	6,026	+11.4
Family Planning	399	420	+5.3
Lead Poisoning Prevention	8	41	+412.5
Substance Abuse Prevention	1,442	1,515	+5.1

**Table II-5. SELECTIONS FROM THE REFORM AGENDA—
WITHIN THE FLEXIBLE FREEZE FRAMEWORK¹**

Area	Highlights
(1) Education Reform:	<ul style="list-style-type: none"> • Long-term national goals—with Governors • Special funding emphasis on early childhood (\$87 billion) • Parental choice—new incentive fund (\$200 million) • Educational Excellence Act (\$690 million) • Higher education funding reform • Math/Science improvement program (\$1.9 billion)
(2) Research and Development:	<ul style="list-style-type: none"> • Record level for R&D (\$76 billion) • Record level for basic research (\$13 billion) • Human Genome Project • Increased emphasis on applied civilian R&D (e.g., materials processing, biotechnology, high-performance computing)
(3) Financial Sector Reform:	<ul style="list-style-type: none"> • Deposit insurance reform • Recapitalization of Bank Insurance Fund • Comprehensive reform of legal and regulatory structure to modernize financial services sector
(4) Incentives for Saving and Investment:	<ul style="list-style-type: none"> • Enterprise Zones • Family Savings Account • IRA withdrawal for first-home buyers • Capital gains modification for longer-term investment
(5) Entitlement Reform:	<ul style="list-style-type: none"> • \$47 billion savings over 5 years • Increased fairness/reduced subsidies for wealthy
(6) Health System Reform:	<ul style="list-style-type: none"> • Physician payment reform • Malpractice reform • Increased investment in prevention (prenatal care, infant nutrition, cancer screening, education for personal responsibility, child care)
(7) Drug Abuse Reduction:	<ul style="list-style-type: none"> • National Drug Control Strategy • \$1.1 billion increase—to record \$11.7 billion (Federal share)
(8) Housing Reform:	<ul style="list-style-type: none"> • Full funding for HOPE (\$2.1 billion in 1992) • 38 percent increase in vouchers • IRA withdrawal for first-home buyers • Enterprise Zones (refundable wage credit, expensing for new stock, zero capital gains rate)
(9) Transportation Infrastructure Investment:	<ul style="list-style-type: none"> • New highway program (new National Highway System and new block grant) • Major increase in Highway Trust Fund obligations (over \$20 billion by 1996) • NASPLAN modernization • Space transportation systems (Shuttle, ASRM, ALS, NASP)
(10) Government Management Reform:	<ul style="list-style-type: none"> • Budget process reform • Regulatory reform • Accounting systems reform • High-Risk Area targeting • Terminations: 238 programs and 3,591 projects
(11) "States as Laboratories":	<ul style="list-style-type: none"> • Demonstrations and waivers • Evaluation of natural experiments • \$15 billion program turn-over to States (fully funded)

¹ Proposed total governmental spending for 1992 is 2.6 percent greater than 1991 (i.e., growth is less than the inflation rate).

budget proposes funding for major technological advances in high-speed rail and "smart cars/smart highways," which could help relieve the stress on the current system. (See Chapter IV.D.)

- The budget would continue to modernize the national airspace system ("NAS-PLAN")—increasing funding for Federal Aviation Administration facilities, equipment, and systems by 29 percent, to \$2.7 billion.
- Within the budget for space exploration and development, there is funding for the space shuttle, a new advanced solid rocket motor (ASRM), a new advanced launch system (ALS), and a national aerospace plane (NASP). As the use of space becomes increasingly relevant, these essential elements of the space transportation system should be better understood—and funded—as a vital part of America's infrastructure investment. (See Chapter IV.C.)

(10) Governmental Management Reform

Any 1.4 trillion-dollar-per-year enterprise (e.g., the Federal Government) is bound to show signs of failure in one place or another. But the public is demanding, and respect for governmental performance remains understandably low. There is much room for management improvement.

Discontent with government is often visible (and deemed to be newsworthy). The less glamorous issues of management improvement typically are not. Nonetheless, management reform continues to be advanced:

- *Budget process reform.* The Administration is implementing the important and valuable reforms of the 1990 Budget Agreement—enforceable spending caps, "pay-as-you-go," and credit reform. Beyond these, the Administration continues to seek the line-item veto, joint (not concurrent) budget resolutions, biennial budgeting, and a balanced budget Constitutional amendment. (See Chapter IX.D.)
- *Regulatory reform.* The principles of regulatory reform continue to be advanced through the President's Competitiveness Council and the Office of Information and Regulatory Affairs—and through broader

application of Risk Management Budgeting. (See Chapter IX.C.)

- *Accounting reform and oversight.* The budget continues to expand its analysis and presentation of "Hidden Liabilities." (See Chapter VIII.) The Administration is implementing the new Chief Financial Officers legislation—improving accounting standards, financial reporting systems, and audits. The budget explicitly identifies High-Risk Areas of vulnerability to fraud, waste, and abuse. And, as appropriate, the Administration is engaging special teams in the effort to reduce these vulnerabilities. (See Chapter IX.A.)
- *Reducing waste and improving returns on investment.* This is not only a problem of accountancy and oversight, as suggested above. It is also a problem requiring greater program evaluation and a willingness to terminate outdated or ineffective programs and projects. (See Chapter IX.B.) The problem, however, goes beyond conventional matters of accounting and evaluation—as discussed further below.

PROGRAM LIFE-CYCLES—AND STATES AS LABORATORIES

Clearly, the government has a need and a responsibility to improve the return on investment of Federal dollars. And improved accounting, analysis, and evaluation have an important role to play in this effort. But beyond these rather technical issues, there are larger structural issues that also require attention.

Fortunately, the 1990 Budget Act creates a framework that can encourage a more basic reform perspective.

The discussion of Entitlement Reform (above) has highlighted the budgetary "take-over" by mandatory programs—and the tendency of such programs increasingly to benefit the non-poor. The pay-as-you-go reforms may serve not only to restrain the further expansion of "mandatories." They should also encourage greater anti-poverty efficiency in the design of such programs.

With respect to discretionary programs, the effect of budget process reforms may be an even more direct increase in attention to pro-

gram efficiency, effectiveness, and return on investment. This should be a natural outgrowth of the existence of fixed, enforceable caps on discretionary spending. With unequivocal limits on available resources, competition on the merits should increase.

As one begins to think about returns on investment, it is perhaps interesting to consider how much Federal spending might be considered "investment" at all. This question involves highly arguable definitional issues.

If one puts defense aside, and looks at how much nondefense spending is oriented toward longer-term investment (returns accruing over a period greater than five years), one finds that expenditures for short-term benefits clearly dominate. Long-term investments have been declining as a percent of GNP. (See Chart II-4.) This is, in part, a reflection of the budgetary "takeover" by transfer payments to individuals ("mandatories").

But even if one focuses only on domestic discretionary programs (*i.e.*, excluding mandatories), one finds that longer-term in-

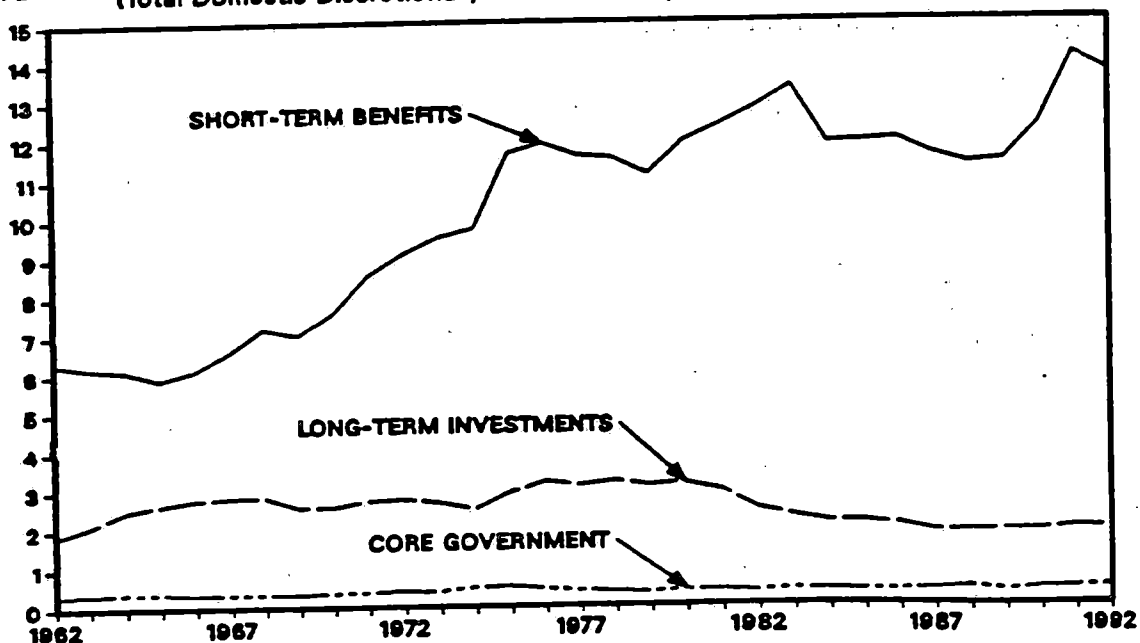
vestments have been decreasing as a share of domestic discretionary spending. (See Chart II-5.) The President's budget seeks to correct this trend by increasing investment in R&D, prevention, early childhood, and transportation infrastructure—areas with higher return.

The expectation of a possible shift toward investment in programs with higher return may, of course, prove to be no more than a request and a hope. The existing domestic discretionary program structure has, to date, proven to be rather rigid. Reform will require a new flexibility and a new dynamic.

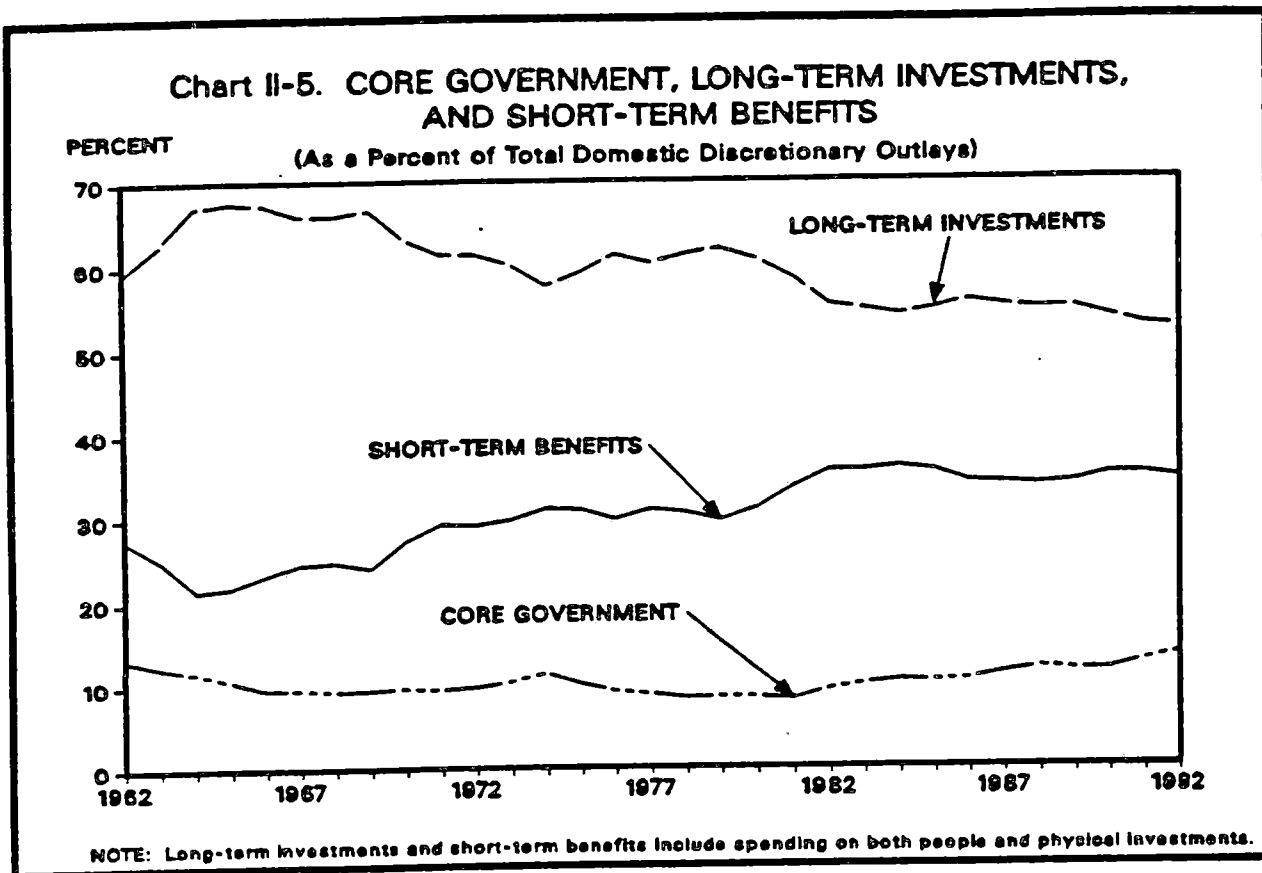
In the past, domestic discretionary programs often came into existence to address one alleged "urgent priority" or another. The urgency may have derived from a transitory emergency, a desire for "demonstration," or a perceived need for Federal leadership in areas where States and localities were slow to recognize or accept responsibility. As an abstract matter, this rationale may have been legitimate.

Chart II-4. CORE GOVERNMENT, LONG-TERM INVESTMENTS, AND SHORT-TERM BENEFITS

PERCENT (Total Domestic Discretionary and Mandatory Outlays as a Percent of GNP)



NOTE: Long-term investments and short-term benefits include spending on both people and physical investments.



Once in existence, however, programs have tended to become fixtures in the budget. There is, in practice, little evidence of a program life-cycle—other than a move toward immortality.

In a world of fixed spending caps, there will be no room for emerging priorities if the programs-of-old remain immortal. To allow adaptation to shifting priorities, there will have to be a more dynamic concept of program life-cycles:

- Some programs and projects will have to die. This should be the case, for example, when a program (whether demonstration or not) has proven a failure, or when the urgency of a past priority has been overtaken by events. It should also be the case when a demonstration has proven a success and is, therefore, available for replication and funding through other sources. In applying these principles, this budget proposes the outright termination of 238 specific domestic discretionary programs and 3,591 specific projects. These terminations would save \$4.6 billion in

budget authority in 1992. (See Chapter IX.B.)

- Some programs should decline. This should be the case when their relative priority is judged to have decreased. This budget proposes declines of \$8.3 billion in budget authority from an additional 109 domestic discretionary programs. These programs were funded at a total of \$27.4 billion in 1991. Reasons for proposed reductions are presented in Chapter IX.B.
- Some programs should increase. The reductions and terminations noted above help finance program increases in areas judged to merit higher priority or improved return on investment. 250 domestic discretionary programs are specifically recommended for increases totaling \$17.8 billion. (See Table B-6 in Chapter IX.B and the associated detail in Chapter XIII.)
- Some programs should be consolidated and turned over to the States—funded in more flexible form. Programs appropriate for such turnover may be selected from two

broad categories: those whose purposes are judged by States to be of continuing value, but whose relative funding priority at the Federal level is declining; and those which seem, in any case, to be appropriate for flexible management by the States.

The President has established a target of \$15 billion in program turnovers for the States. A list of possible turnover candidates totaling over \$20 billion is at Table II-9. The actual selection of programs for turnover would have to be authorized by the Congress—in consultation with the Administration and the Governors. (After the actual selection is determined, the current distribution of such programs by State would be calculated. The Administration would then propose to replace these programs with a single consolidated block grant to the States. The formula for this new block grant would approximate the same distribution to the individual States as they would receive under the present program structure—seeking to assure that no State would be harmed by the move to a new, consolidated block grant.)

The value of this turn-over approach is as follows. It allows the Federal Government to reduce overhead. It allows States to manage a pool of financial resources more flexibly. It moves power and decisionmaking closer to the people. And it reinforces another reformist theme of this Administration: appreciation and encouragement of "States as Laboratories."

This last point is especially important. The American Federal system has within it an enormous power for innovation: the natural variation and experimentation among the States. For too long, this potential has been under-appreciated at the Federal level. Nonetheless, the reality is that some of the most interesting examples of innovation are being set by the States—in areas ranging from educational choice, to enterprise zones, to health cost control,

welfare reform, and transportation finance. (See Chapter VI.)

The Administration seeks to reenforce this natural power of the States—and to help build upon it.

In sum, the opportunities for constructive reform are many. (See Table II-5.) Incentives for choice, innovation, and improved performance can be advanced in education. Investment in path-breaking R&D can be increased. The financial service sector can be modernized. Tax incentives for saving and long-term investment can be strengthened. The budgetary "takeover" by "mandatory" programs can be slowed; and the benefits of entitlements can be better targeted for the needy. The problems of the health system can be alleviated, to some degree, by physician payment reform, malpractice reform, and an emphasis on prevention. The National Drug Control Strategy can be carried forward aggressively to its next stage. The approach to housing can be improved by greater emphasis on choice, homeownership, and Enterprise Zones. Stresses on the transportation infrastructure can be relieved. And the government itself can be managed better—through budget process reform, accounting reform, program evaluation, regulatory reform, and reenforcement of the innovative power of "States as laboratories."

These reforms can all be accommodated within the "flexible freeze" (with total spending growing at less than the inflation rate) and within the limits of the 1990 Budget Act.

If these reform measures are adopted—and assuming satisfactory resolution of the Gulf crisis in the not-too-distant future—the economy can not only return to economic growth. It can move on toward a new record for economic expansion as America advances to the 21st century.

RICHARD DARMAN
DIRECTOR,
OFFICE OF MANAGEMENT AND BUDGET

II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

Table II-6. SPENDING, REVENUE, AND DEFICIT, 1991-1996
(Dollar amounts in billions)¹

	1991		1992		1993		1994		1995		1996	
	Dollars	Dollars	% Change	Dollars	% Change	Dollars	% Change	Dollars	% Change	Dollars	% Change	
Spending:												
Discretionary:												
Defense	307.8	300.4	-2.4	293.3	-2.4	287.6	-1.9	289.2	0.5	293.8	1.6	
International	18.7	19.6	4.7	20.4	4.2	21.5	5.1	21.8	1.3	22.0	0.9	
Domestic	199.8	212.0	6.1	223.2	5.3	228.9	2.6	231.7	1.2	238.5	2.9	
Subtotal, discretionary	526.3	532.1	1.1	536.9	0.9	538.0	0.2	542.7	0.9	554.2	2.1	
Mandatory	686.2	707.5	3.1	705.3	-0.3	673.5	-4.5	713.8	6.0	775.6	8.7	
Interest	197.0	206.3	4.7	212.0	2.8	215.5	1.6	213.8	-0.8	211.0	-1.3	
Total spending	1,409.6	1,445.9	2.6	1,454.2	0.6	1,427.1	-1.9	1,470.3	3.0	1,540.8	4.8	
Total revenues	1,091.4	1,165.0	6.7	1,252.7	7.5	1,365.3	9.0	1,467.3	7.5	1,560.7	6.4	
Consolidated deficit	318.1	280.9	-	201.5	-	61.8	-	2.9	-	-19.9	-	
Memorandum												
Deposit insurance (included above):												
Resolution Trust Corporation	84.6	76.1	-	34.3	-	-47.6	-	-45.7	-	-32.0	-	
Bank Insurance Fund	15.9	9.7	-	8.0	-	6.8	-	0.9	-	0.6	-	
FSLIC Resolution Fund	11.1	3.3	-	2.8	-	2.2	-	2.7	-	1.5	-	
Savings Association Insurance Fund and Other	-*	-1.0	-	-0.8	-	0.4	-	-0.3	-	°	-	
Subtotal, Deposit insurance	111.5	88.1	-	44.2	-	-38.1	-	-42.3	-	-29.9	-	
Desert Shield (placeholder, included above)	8.2	4.6	-	0.8	-	0.4	-	-	-	-	-	
Social Security (included above):												
Operating surplus	40.3	38.7	-	45.3	-	56.6	-	65.5	-	77.2	-	
Interest	20.2	23.7	-	28.0	-	32.8	-	38.3	-	44.6	-	
Total	60.4	62.4	-	73.3	-	89.3	-	103.9	-	121.8	-	

¹Percent change measures change from previous year.

° \$50 million or less.

Table II-7. RECEIPTS MEASURES, 1991-1996
(In millions of dollars)

	1991	1992	1993	1994	1995	1996
Enhance long-term investment ¹	400	3,000	1,700	900	1,800	1,700
Extend HI coverage to State and local employees ²	—	1,125	1,537	1,545	1,548	1,544
Improve retail compliance with alcohol special occupational taxes ²	—	43	43	9	9	9
Increase IRS enforcement funding	—	35	133	176	180	184
Extend tax deadlines for Desert Shield (placeholder) participants	—	21	6	—	—	—
Extend railroad UI reimbursable status ²	-10	2	10	8	-1	-1
Increase HUD land sales fee	—	•	•	•	•	•
Extend abandoned mine reclamation fees	—	—	—	—	—	260
Extend R&E credit	—	-500	-1,000	-1,300	-1,600	-1,800
Extend R&E allocation rules	—	-346	-264	—	—	—
Establish family savings accounts	—	-300	-800	-1,300	-1,800	-2,300
Extend health insurance deduction for self-employed	—	-120	-239	—	—	—
Extend low-income housing credit	—	-59	-215	-305	-337	-337
Extend targeted jobs credit	—	-56	-100	-64	-29	-20
Establish enterprise zones	—	-50	-160	-310	-520	-750
Waive excise tax for certain early withdrawals from IRAs	—	-50	-70	-100	-110	-110
Extend business energy credits	—	-30	-17	4	2	1
Double and restore adoption deduction	—	—	-3	-3	-3	-3
Extend highway trust fund taxes ³	—	—	—	—	—	-2,722
Total effect on receipts	352	2,715	561	-740	-861	-4,345
Total effect on receipts with enhance long-term investment at zero	-48	-285	-1,139	-1,640	-2,661	-6,045

¹ \$500,000 or less.

² The proposal to enhance long-term investment is shown as estimated by the Treasury Department's Office of Tax Analysis (OTA). Because the methodological differences among OTA, Congressional estimators, and outside experts have not yet been resolved, totals are presented with the Administration's estimate and with a zero (neutral) entry for the proposal.

³ Net of income tax offsets.

Table II-8. DEFICIT IMPACT OF ADMINISTRATION PAY-AS-YOU-GO PROPOSALS
(In billions of dollars)

	1991	1992	1993	1994	1995	1991-95
Deficit impact of Administration pay-as-you-go proposals:						
Direct spending (see Table II-8)	-0.1	-6.3	-9.3	-9.0	-11.0	-35.8
Receipts:						
Extenders (selected)	•	1.1	1.8	1.7	2.0	6.6
Long-term investment incentive ¹	-0.4	-3.0	-1.7	-0.9	-1.8	-7.8
All other	•	-0.8	-0.6	0.2	0.9	-0.3
Total, receipts	-0.4	-2.7	-0.4	0.9	1.0	-1.5
Total, receipts with long-term investment incentive at zero	•	0.3	1.3	1.8	2.8	6.3
Total, net deficit impact	-0.5	-9.0	-9.8	-8.1	-9.9	-37.3
Total, net deficit impact with long-term investment incentive at zero	-0.1	-8.0	-8.1	-7.2	-8.1	-29.5

¹ \$50 million or less.

² The proposal to enhance long-term investment is shown as estimated by the Treasury Department's Office of Tax Analysis (OTA). Because the methodological differences among OTA, Congressional estimators, and outside experts have not yet been resolved, totals are presented with the Administration's estimates and with a zero (neutral) entry for this proposal.

II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

Table II-9. PROPOSED POLICY CHANGES IN MANDATORY PROGRAMS
(Outlays; in millions of dollars)

	1992	1993	1994	1995	1996
Department of Agriculture					
Commodity Credit Corporation: reduce subsidies to those with off-farm income over \$125,000	-36	-90	-90	-90	-90
Crop Insurance: increase farmer responsibility for premium payments	-77	-167	-164	-152	-146
Food Safety and Inspection Service: seek reimbursement from industries for certain overtime activities	-50	-50	-50	-50	-50
Food Stamps: effect of increased child support enforcement .	—	-10	-20	-30	-34
Miscellaneous User Fees: increase fees for recreation and grain inspection and establish fees for agricultural marketing	-29	-32	-32	-33	-34
Rural Electrification Administration: continue shift from direct to guaranteed loans	-13	-38	-59	-74	-67
Department of Education					
Guaranteed Student Loans: net impact of reducing the number of loans that default by: improving eligibility screening of schools; enhancing procedures for default collection; requiring risk sharing and increasing loan limitations	-102	-173	-229	-282	-289
Department of Energy					
Elk Hills Naval Petroleum Reserve: lease production rights	-1,191	139	120	113	95
Power Marketing Administrations: revise the level and schedule of the PMAs' debt repayments to the Federal Government	-377	-382	-406	-417	-402
Strategic Petroleum Reserve: delay required purchase of petroleum until 1992 and 1993 ¹	36	86	—	—	—
Department of Health and Human Services					
Family Support: improve the child support enforcement system	-120	-129	-142	-163	-179
Foster Care: limit the Federal Government's payment of administrative costs to only those required to provide benefits to low-income children	-210	-290	-352	-405	-452
Medicaid: net impact of allowing States to expand medically-needy eligibility for pregnant women and children; strengthening medical child support enforcement; and the impact of Medicare proposals	25	75	75	90	95
Medicare:					
Clinical Labs:					
Apply 2% update for 1992 and 1993, only for those below payment caps	-20	-50	-70	-80	-90
Restore 20% co-insurance, identical to all other Part B services	-450	-800	-900	-1,020	-1,160
Subtotal, clinical labs	-470	-850	-970	-1,100	-1,250
Coordinated Care Initiative: Begin a Medicare coordinated care initiative whose costs would be largely offset by: applying home health limits by discipline and establishing a uniform disabled/ESRD secondary payor threshold	-130	25	40	70	195

¹ The SPR proposal saves \$123 million in outlays for 1991.

Table II-9. PROPOSED POLICY CHANGES IN MANDATORY PROGRAMS—
Continued
 (Outlays; in millions of dollars)

	1992	1993	1994	1995	1996
Durable Medical Equipment (DME):					
Adjust enteral/parenteral fee schedule	-10	-15	-15	-15	-15
Refine DME/oxygen payment methods, in part to reflect increased use of less-expensive oxygen delivery services	-35	-85	-105	-130	-135
Subtotal, medical equipment	-45	-100	-120	-145	-150
High-Income Beneficiaries: Reduce Federal Medicare subsidy for high-income beneficiaries (over \$125,000 AGI) ..	-41	-169	-245	-323	-426
Hospitals:					
Adjust indirect medical education add-on payment factor from 7.65% to 4.4% in 1992, phasing down to 3.2% in 1996	-1,045	-1,385	-1,705	-2,080	-2,500
Eliminate duplicate payments for hospital-based non-physician practitioners by adjusting hospital payment update factor	-10	-10	-10	-10	-10
Include payment for certain post-hospital services in Medicare hospital payment	-30	-40	-50	-50	-60
Limit graduate medical education per-resident payment, and encourage training of primary care physicians	-140	-160	-190	-230	-260
Place Medicare hospital update on a January 1 cycle	-670	-830	-1,320	-1,450	-1,540
Subtotal, hospitals	-1,895	-2,525	-3,275	-3,820	-4,370
Outpatient Departments (OPDs): Pay a uniform rate for outpatient services, whether performed in doctors' offices or OPDs	-50	-100	-125	-150	-175
Physicians:					
Eliminate double payment for physician collection of lab specimens	-10	-20	-20	-20	-25
Establish a single fee for anesthesia services	-80	-150	-170	-200	-230
Establish a single fee for assistants at surgery	-50	-80	-80	-100	-110
Revise 1991 Medicare volume performance standard to correct error	—	-90	-150	-190	-220
Revise Medicare economic index to reflect better data and new methodology	-30	—	—	—	—
Use efficient rate for radiology and diagnostic tests	—	-10	-15	-20	-20
Subtotal, physicians	-170	-350	-445	-530	-605
Other:					
Effect of Medicare proposals on HI premiums	17	20	25	30	33
Eliminate return-on-equity payments for proprietary skilled nursing facilities	-50	-70	-60	-60	-70
Establish a uniform payment policy for medicare covered drugs	-10	-30	-30	-40	-40
Recalculate payments for physical and respiratory therapy, based on newer data	-10	-10	-15	-15	-20
Subtotal, other	-53	-90	-79	-85	-97
Subtotal, Medicare	-2,854	-4,159	-5,219	-6,083	-6,878
Supplemental Security Income: collect SSI over-payments and charge States certain administrative fees	-96	-159	-250	-250	-240

II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

**Table II-9. PROPOSED POLICY CHANGES IN MANDATORY PROGRAMS—
Continued**
(Outlays; in millions of dollars)

	1992	1993	1994	1995	1996
Department of Housing and Urban Development					
Federal Housing Administration: reduce FHA multifamily insurance claims through: improved underwriting, monitoring, and servicing; removal of legislative restraints on defaulted property sales; and the proposed Low-Income Resident Economic Empowerment program	-564	-1,062	-1,024	-860	-1,269
Government National Mortgage Association: exempt GNMA from VA's formula for acquiring foreclosed property producing savings for VA-guaranteed loans acquired by GNMA	-45	-38	-25	-20	-19
Department of the Interior					
Arctic National Wildlife Refuge: lease oil and gas exploration rights	—	-1,901	-1	-1,201	-1
Department of Labor					
Trade Adjustment Assistance: repeal TAA benefits for workers unemployed due to competition from imports	-114	-193	-204	-200	-194
Department of Treasury					
Coinage Profit Fund: finance numismatic and bullion coin operations for the United States Mint	-94	—	—	—	—
Department of Veterans Affairs					
Veterans Compensation and Pension: standardize Dependency and Indemnity Compensation payments; increase pension eligibility requirements and extend several expiring provisions of OBRA	-17	-433	-391	-354	-320
Veterans Home Loans: raise fee and require down payment for multiple use of loan guaranty benefit; improve formula used to acquire foreclosed property and extend expiring OBRA fee increase	-308	-242	-202	-178	-160
Veterans Readjustment Benefits: target eligibility for vocational rehabilitation to veterans with higher rated disabilities and eliminate step-children from eligibility for training and education benefits	-12	-32	-31	-31	-31
Veterans Third Party Medical Recoveries: extend several expiring provisions of OBRA	—	—	-225	-255	-274
Environmental Protection Agency					
Pesticide Reregistration Fee: remove existing cap on amount that may be collected from any one registrant	-3	-3	-3	-3	-3
Other Agencies					
Corps of Engineers: expand existing user fees for day use of developed recreational sites	-20	-20	-20	-20	-20
Postal Service: require the Postal Service to pay a larger share of the costs for health benefits and cost-of-living adjustments for post-1971 retired postal employees and their survivors	-198	-198	-198	-198	-198
Railroad Retirement Board: reflects net impact of conforming rail security benefits with social security benefits and requiring the rail pension to finance 25% of the windfall benefits	145	142	141	139	137
Other	8	15	17	20	24
Total, outlay savings	-6,316	-9,344	-8,984	-10,987	-10,999

Table II-10. POTENTIAL BLOCK GRANT PROGRAMS
(In millions of dollars)

Department/Programs	Enacted		Proposed									
	1991		1992		1993		1994		1995		1996	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Education:												
Impact aid payments	781	815	620	695	620	651	620	624	620	620	620	620
Supplemental education opportunity grants	520	404	347	498	347	352	347	347	347	347	347	347
Chapter 2 block grant	449	533	449	465	449	445	449	449	449	449	449	449
Public library services programs	143	155	35	115	35	71	35	35	35	35	35	35
Environmental Protection Agency:												
Construction grants	2,083	2,345	1,900	2,195	1,200	2,082	600	1,883	—	1,482	—	1,025
Health and Human Services:												
State welfare administrative expenses for Medicaid, AFDC, and Food Stamps	5,178	5,167	5,878	5,867	6,453	6,440	7,062	7,048	7,701	7,686	8,366	8,349
Social services block grant	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Low-income home energy assistance program	1,610	1,669	1,025	991	875	796	625	552	475	393	375	287
Housing and Urban Development:												
Selected public and subsidized housing programs	5,512	3,185	4,789	3,805	4,837	4,484	4,897	4,685	4,961	5,036	5,026	4,968
Community development block grants	3,200	3,073	2,920	3,097	2,920	3,061	2,920	2,906	2,920	2,914	2,920	2,915
Justice:												
Byrne Memorial State and local law enforcement assistance program	490	342	490	421	490	475	490	481	490	484	490	491
Total	22,766	20,488	21,253	20,949	21,026	21,657	20,845	21,810	20,798	22,246	21,428	22,286

II. DIRECTOR'S INTRODUCTION AND OVERVIEW TABLES

Table II-11. PROPOSED OUTLAYS, BY AGENCY
(In billions of dollars)

Agency	1991 ¹			1992		
	Discretionary	Mandatory	Total	Discretionary	Mandatory	Total
Cabinet Agencies:						
Agriculture	11.6	43.9	55.4	12.5	43.2	55.7
Commerce	2.9	-0.1	2.8	2.9	-0.1	2.8
Defense—Civil	3.4	23.0	26.4	3.5	24.7	28.2
Defense—Military	288.3	-0.8	287.5	283.8	-0.7	283.0
Education	18.8	6.1	24.8	20.5	7.0	27.5
Energy	16.0	-2.4	13.5	17.4	-2.5	14.9
Health and Human Services	27.8	458.4	486.3	28.7	496.6	525.3
Housing and Urban Development	21.8	1.7	23.5	23.4	0.9	24.3
Interior	6.6	-0.2	6.4	6.7	-0.2	6.5
Justice	7.7	1.0	8.7	9.0	1.0	10.0
Labor	8.8	25.7	34.5	9.2	25.5	34.8
State	4.0	0.3	4.3	4.2	0.3	4.5
Transportation	30.5	0.2	30.8	31.6	0.3	31.9
Treasury	8.8	268.3	277.1	9.6	289.0	298.6
Veterans Affairs	13.9	17.5	31.3	14.7	18.1	32.8
Major Agencies:						
Deposit Insurance Accounts	0.1	111.4	111.5	—	88.1	88.1
Environmental Protection Agency	5.9	-0.1	5.8	6.1	-0.2	5.9
General Services Administration	0.9	-0.1	0.8	0.9	-0.1	0.7
National Aeronautics and Space Administration	13.5	—	13.5	14.7	—	14.7
Office of Personnel Management	0.2	35.0	35.2	0.2	36.8	37.0
Small Business Administration	0.5	—	0.5	0.5	-0.2	0.3
Other Agencies:						
Executive Office of the President	0.3	—	0.3	0.3	—	0.3
Funds Appropriated to the President	11.8	-0.5	11.3	12.7	-0.7	12.0
Judicial Branch	1.9	0.2	2.1	2.2	0.1	2.3
Legislative Branch	2.2	0.3	2.5	2.6	0.4	3.0
Other Independent Agencies	10.3	4.0	14.2	9.4	4.6	14.0
Allowances	8.2	—	8.2	4.7	—	4.7
Undistributed offsetting receipts	—	-109.4	-109.4	—	-118.0	-118.0
Total Outlays	526.3	883.3	1,409.6	532.1	913.8	1,445.9

¹Includes impact of supplementals and rescissions.

Table II-12. DISCRETIONARY PROPOSALS, BY APPROPRIATIONS SUBCOMMITTEES
(In millions of dollars)

Appropriations Subcommittee	1991 Enacted		1991 Proposed		1992 Proposed		1992 Proposed Less 1991 Enacted	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Domestic Discretionary								
Commerce, Justice, State and Judiciary	13,941	14,311	13,981	14,339	15,686	15,927	1,745	1,616
District of Columbia	568	575	568	575	536	536	-32	-39
Energy and Water	9,062	8,607	9,062	8,607	9,830	9,132	768	525
Interior	12,758	11,816	12,758	11,816	12,068	12,214	-690	398
Labor, HHS, and Education	55,972	54,074	56,197	54,269	56,003	57,352	31	3,278
Legislative Branch	2,158	2,165	2,158	2,165	2,664	2,597	506	432
Rural Development, Agriculture, and Related Agencies	8,845	8,901	8,856	8,914	10,204	9,674	1,360	773
Transportation	12,498	29,842	12,498	29,842	14,560	31,087	2,062	1,225
Treasury, Postal Service and General Government	11,872	10,772	11,872	10,772	10,807	11,241	-1,065	469
Veterans Affairs, HUD, and Independent Agencies	60,265	58,549	60,198	58,516	64,914	62,195	4,649	3,646
Allowances	—	—	—	—	97	97	97	97
Total Domestic Discretionary	187,939	199,612	188,147	199,814	197,370	212,032	9,431	12,419
Defense Discretionary								
Defense	268,994	281,393	265,681	280,611	270,866	275,474	1,872	-5,919
Energy and Water, Function 050	10,955	10,355	11,578	10,513	11,780	11,443	825	1,089
Military Construction	6,410	7,939	8,290	7,928	8,143	8,366	-267	427
Commerce, Justice, State and Judiciary	225	166	225	166	225	178	—	12
Veterans Affairs, HUD and Independent Agencies	335	336	335	336	337	339	3	2
Total Defense Discretionary	288,919	300,189	288,109	299,554	291,351	295,800	2,432	-4,389
Allowance for Desert Shield (placeholder)	—	—	14,000	8,200	—	4,611	—	4,611
Total Defense Discretionary with Allowance for Desert Shield (placeholder)	288,919	300,189	300,109	307,754	291,351	300,411	2,432	222
International Discretionary								
Commerce, Justice, State, and Judiciary	4,279	4,632	4,379	4,715	5,402	4,906	1,123	274
Foreign Operations	14,969	12,855	14,730	12,897	27,311	13,578	12,441	723
Labor, HHS and Education	8	9	6	9	9	9	1	—
Rural Development, Agriculture, and Related Agencies	981	1,097	1,011	1,120	1,301	1,120	320	23
Total International Discretionary	20,137	18,593	20,129	18,740	34,022	19,613	13,885	1,021
Total Discretionary	496,995	518,394	508,385	526,308	522,744	532,056	25,749	13,662



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

FOR IMMEDIATE RELEASE:

February 4, 1991

Summary of Selected Items
From the President's Fiscal Year 1992 Budget

Overview:

Summary of Receipts, Outlays, and Deficit ...
Selections From the Reform Agenda

Chapter Highlights:

Investing in Human Capital and
Reforming American Education

Focusing on Prevention
and the Next Generation

Enhancing Research and Development and
Expanding the Human Frontier

Improving the Transportation Infrastructure..

Preserving America's Heritage and Protecting
the Environment in A Growing Economy

Increasing Choice, Expanding Opportunity,
and Providing Hope to Distressed
Communities

Ending the Scourge of Drugs and Crime

Distributing Federal Benefits More Fairly ...

Protecting National Security

Advancing America's Interests Internationally.

Federal Credit Reform

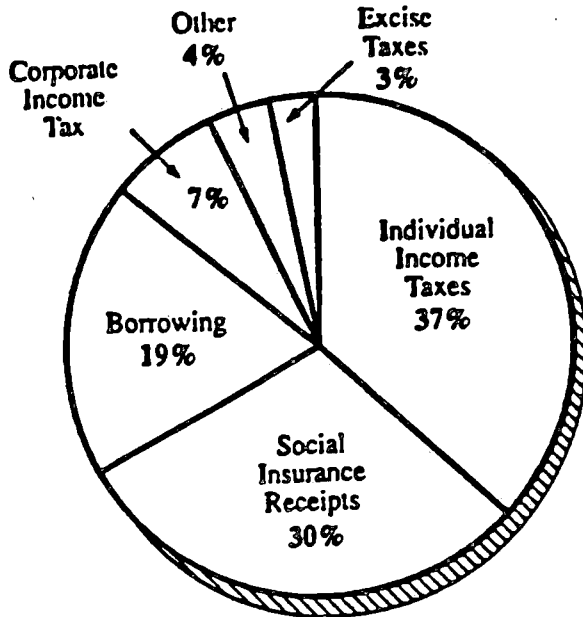
Strengthening Management and Accountability ..

Improving Returns on Investment

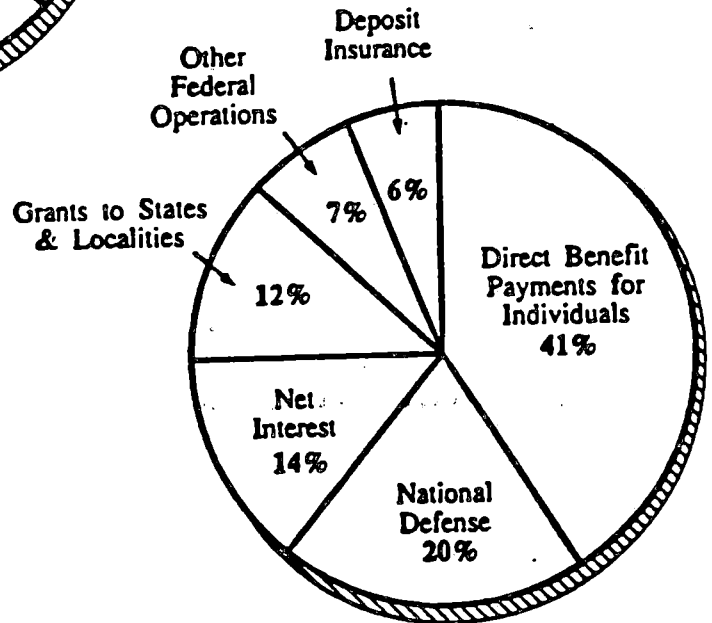
Proposed Outlays, By Agency

THE FEDERAL GOVERNMENT DOLLAR FISCAL YEAR 1992 ESTIMATE

Where It Comes From...



Where It Goes...



RECEIPTS, OUTLAYS, DEFICIT/SURPLUS UNDER THE PRESIDENT'S PROPOSED POLICY

(In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996
Receipts	1,031.3	1,091.4	1,165.0	1,252.7	1,365.3	1,467.3	1,560.7
Outlays	1,251.7	1,409.6	1,445.9	1,454.2	1,427.1	1,470.3	1,540.8
Surplus or Deficit (+/-)	-220.4	-318.1	-280.9	-201.5	-61.8	-2.9	+19.9

**Table 11-5. SELECTIONS FROM THE REFORM AGENDA—
WITHIN THE FLEXIBLE FREEZE FRAMEWORK¹**

Area	Highlights
(1) Education Reform:	<ul style="list-style-type: none"> • Long-term national goals—with Governors • Special funding emphasis on early childhood (\$87 billion) • Parental choice—new incentive fund (\$200 million) • Educational Excellence Act (\$690 million) • Higher education funding reform • Math/Science improvement program (\$1.9 billion)
(2) Research and Development:	<ul style="list-style-type: none"> • Record level for R&D (\$76 billion) • Record level for basic research (\$18 billion) • Human Genome Project • Increased emphasis on applied civilian R&D (e.g., materials processing, biotechnology, high-performance computing)
(3) Financial Sector Reform:	<ul style="list-style-type: none"> • Deposit insurance reform • Recapitalization of Bank Insurance Fund • Comprehensive reform of legal and regulatory structure to modernize financial services sector
(4) Incentives for Saving and Investment:	<ul style="list-style-type: none"> • Enterprise Zones • Family Savings Account • IRA withdrawal for first-home buyers • Capital gains modification for longer-term investment
(5) Entitlement Reform:	<ul style="list-style-type: none"> • \$47 billion savings over 5 years • Increased fairness/reduced subsidies for wealthy
(6) Health System Reform:	<ul style="list-style-type: none"> • Physician payment reform • Malpractice reform • Increased investment in prevention (prenatal care, infant nutrition, cancer screening, education for personal responsibility, child care)
(7) Drug Abuse Reduction:	<ul style="list-style-type: none"> • National Drug Control Strategy • \$1.1 billion increase—to record \$11.7 billion (Federal share)
(8) Housing Reform:	<ul style="list-style-type: none"> • Full funding for HOPE (\$2.1 billion in 1992) • 38 percent increase in vouchers • IRA withdrawal for first-home buyers • Enterprise Zones (refundable wage credit, expensing for new stock, zero capital gains rate)
(9) Transportation Infrastructure Investment:	<ul style="list-style-type: none"> • New highway program (new National Highway System and new block grant) • Major increase in Highway Trust Fund obligations (over \$20 billion by 1996) • NASPLAN modernization • Space transportation systems (Shuttle, ASRM, ALS, NASP)
(10) Government Management Reform:	<ul style="list-style-type: none"> • Budget process reform • Regulatory reform • Accounting systems reform • High-Risk Area targeting • Terminations: 238 programs and 2,591 projects
(11) "States as Laboratories":	<ul style="list-style-type: none"> • Demonstrations and waivers • Evaluation of natural experiments • \$16 billion program turn-over to States (fully funded)

¹ Proposed total governmental spending for 1992 is 2.6 percent greater than 1991 (i.e., growth is less than the inflation rate).

INVESTING IN HUMAN CAPITAL AND REFORMING AMERICAN EDUCATION
(Chapter IV. A.)

- o **Head Start:** The budget provides an increase of \$100 million, to \$2.05 billion for 1992, which will enable 633,000 youngsters to take advantage of this proven child development program. This funding is supplemented by \$732 million for the new Child Care and Development Block Grant.
- o **Education Department Funding:** The budget proposes a total of \$29.6 billion, an increase of \$2.5 billion (9.5 percent) over 1991. This funding level will permit increases for programs, such as compensatory education and special education, for students that have the greatest need for additional services.
- o **Educational Excellence and Choice:** \$690 million is included for a new Educational Excellence Act to support State and local efforts to reform and improve American education. The budget provides support for local efforts to enhance parental choice in education through the Education Certificate Program Support Fund (\$200 million) and funding for nationally significant choice demonstrations. Funding is also requested for rewards for schools that raise student achievement and for outstanding teachers; a new approach to training school administrators; an adult literacy initiative; endowments for historically black colleges and universities; and a performance-based math and science initiative. The Administration's proposals would provide greater flexibility in the use of Federal education resources in exchange for enhanced accountability for results.
- o **Math and Science Education:** Federal support for mathematics and science education will reach \$1.9 billion, a 13 percent increase above 1991. Federal efforts focus most intensively on improving precollege science and mathematics -- with total funding of \$661 million, a 28 percent increase.
- o **Pell Grants:** The \$5.8 billion for Pell grants (an increase of \$401 million) would be better targeted on the lowest income students to encourage and enable them to pursue postsecondary education. The budget also includes \$170 million for new supplementary awards for Pell grant recipients tied to academic achievement. These Presidential Achievement Scholarships would, for the first time, relate recognition of merit to the Pell grant program.
- o **Guaranteed Student Loans:** The \$5.9 billion Guaranteed Student Loan Program would be reformed to restore integrity and improve program efficiency, reduce default rates and provide incentives to improve program performance by students, institutions, lenders, and State and local governments.

**Table A-1. HIGHLIGHTS OF SPENDING ON EARLY CHILDHOOD,
EDUCATION, AND TRAINING**
(Budget authority in millions of dollars)

	Actual 1990	Enacted 1991	Proposed 1992
Preparing young children for school:			
Head Start	1,552	1,952	2,052
WIC	2,126	2,350	2,573
Targeted infant mortality	—	57	171
Immunizations	187	218	258
Reforming Elementary and secondary education:			
Proposed Educational Excellence Act	—	—	690
(Certificate program support fund—non-add)	—	—	200
Precollege math and science education	333	515	661
Increasing access to higher education:			
Pell grants	4,804	5,374	5,775
Presidential achievement scholarships	—	—	170
Guaranteed student loans	4,348	4,210	5,893
Improving workforce skills:			
Job Training Partnership Act adult initiative ¹	1,070	1,088	1,088
Adult education	193	241	251
Total	14,613	16,005	19,582

¹ Amounts for 1990 and 1991 are estimates of activity in those years comparable to the 1992 initiative.

FOCUSING ON PREVENTION AND THE NEXT GENERATION
(Chapter IV. B.)

- o **Background:** Federal investments in children have not kept pace with increases in other Federal spending. In 1992 dollars, Federal spending on adults rose by over 510% from 1960 to 1989, while spending on children rose by 330% during same time period.
- o **Children:** The budget includes proposals that would increase Federal funding for selected children's programs by 9.5%, from \$79.3 billion in 1991 to \$86.9 billion in 1992. Continuing this trend into the future, spending on selected mandatory programs related to children is projected to rise by 38% over FY 1992-1996.
- o **Immunizations:** The budget increases Federal support for Centers for Disease Control (CDC) categorical immunization grants by \$40 million, an 18.3 percent increase over 1991. Total Federal resources available for purchasing immunizations will increase by 10 percent to \$1.1 billion.
- o **Infant Mortality Prevention:** The budget increases Federal support for infant mortality prevention by \$676 million government-wide (9.2 percent over 1991). This includes \$171 million for prevention activities targeted to 10 cities with exceptionally high infant mortality rates, and a \$223 million increase for the WIC program. The initiative will support additional pre-natal care in existing health clinics in hard-hit areas and help local communities support new clinics where none exist now. To get an early start, the Department of Health and Human Services expects to devote \$57 million to this special effort from current appropriations. The \$223 million increase for WIC will enable 225,000 additional nutritionally at-risk pregnant women, infants, and children to get nutritional supplemental foodstuffs. As a result, total WIC enrollment will rise to 4.9 million participants per month.
- o **Breast and Cervical Cancer Screening:** The budget increases Federal support for breast and cervical cancer screening for low-income women and the uninsured by \$141 million, an increase of 52 percent over 1991.
- o **Smoking Cessation:** The budget increases support of smoking cessation by \$7 million over 1991. This will double funding for CDC's Office of Smoking and Health and will allow CDC to expand its smoking cessation education activities for specific target populations (e.g., teenagers).
- o **Injury Prevention:** The budget increases Federal support of injury prevention by \$224 million. This 13 percent increase over 1991 includes a \$218 million increase for Department of Transportation funding of highway, aviation, and maritime safety activities.

**Table II-3. SPENDING ON SELECTED PROGRAMS SERVING CHILDREN
INCREASES 9.5 PERCENT IN 1992**
(In millions of dollars)

	1990	1991	1992 Proposed
Nutrition:			
WIC	2,126	2,250	2,573
Child Nutrition	4,887	5,577	6,068
Other Nutrition	7,985	9,128	9,825
Health:			
Targeted Infant Mortality	—	124	139
Medicaid	8,300	10,300	12,000
Community/Migrant Health	227	238	238
Immunizations	187	218	258
Maternal/Child Health	854	854	854
Other Health	222	264	266
Education and Social Services:			
Head Start	1,552	1,952	2,052
Handicapped Education	2,055	2,467	2,730
Compensatory Education	5,368	6,225	6,424
Educational Excellence Act (proposed)	—	—	490
Precollege Math and Science Education	323	515	661
Child Care Block Grant	—	732	732
Foster Care	1,575	2,611	2,186
Social Security	8,375	9,048	9,716
Supplemental Security Income	1,261	2,531	2,497
Aid to Families with Dependent Children and Child Support	12,165	14,008	15,162
Other Education and Social Services	2,453	2,642	2,352
Refundable Tax Credits	6,287	6,941	9,973
Total Children's Funding	65,612	79,345	86,851

* Reflects HHS' plans to reprogram \$34 million from MCH Block Grant to Targeted Infant Mortality in 1991. Overall resources supporting this initiative will total \$57 million in 1991 and \$171 million in 1992, including funds from other public health grants.

**Table II-4. THE BUDGET PROVIDES INCREASES FOR PROGRAMS
FOCUSED ON PREVENTION AND THE NEXT GENERATION**
(Obligations in millions of dollars)

	1991 Enacted	1992 Proposed	Percent Increase
Childhood immunization	218	258	+18.3
Infant Mortality Initiative	7,235	8,011	+9.2
(Targeted Infant Mortality Initiative—non-add)	87	171	+300.0
Breast and Cervical Cancer Prevention	269	410	+52.4
Smoking Cessation	90	97	+7.8
Physical Fitness and Diet	122	139	+13.9
Accident and Injury Prevention	1,683	1,907	+13.3
Access to Preventive Health Care	5,410	6,028	+11.4
Family Planning	299	420	+38.3
Lead Poisoning Prevention	8	41	+412.5
Substance Abuse Prevention	1,442	1,515	+5.1

**ENHANCING RESEARCH AND DEVELOPMENT
AND EXPANDING THE HUMAN FRONTIER**

- o **R&D:** The budget proposes to invest about \$76 billion in 1992 for research and development, including R&D facilities. This is an increase of over \$8 billion, or 13 percent over 1991. The budget proposes over \$13 billion for basic research, \$1 billion or about 8 percent over 1991. Federal civilian R&D will increase by 10 percent while defense-related R&D will increase by 14 percent.
- o **Space:** The budget proposes \$16 billion for space activities, \$2 billion, or 15 percent, over 1991. The budget for the National Aeronautics and Space Administration (NASA) will increase by 13 percent to \$15.7 billion.
- o **Biotechnology:** The budget proposes over \$4 billion for biotechnology, \$319 million, or 8 percent, over 1991.
- o **NSF:** The budget proposes an 18 percent increase for the National Science Foundation (NSF), to a total of \$2.7 billion, continuing the commitment to double NSF's budget between 1987 and 1994.
- o **Individual Investigators:** The budget emphasizes support for individual investigators at universities, and proposes \$50 million for a new program to provide state-of-the-art research instrumentation to academic researchers. Funding for grants for basic research through NSF will increase by 16 percent, and a 9 percent increase for research project grants at the National Institutes of Health is proposed.
- o **High Performance Computing and Communications:** The budget proposes a total of \$638 million, an increase of \$149 million, or 30 percent, over 1991 for a new initiative in high performance computing and communications. This initiative involves 8 Federal agencies. The goal is to assist in the development of computing capability with about 1,000 times improvement over current systems by 1996.
- o **Energy R&D:** The budget proposes over \$900 million, an increase of \$227 million or 34 percent above 1991, for research investments in targeted, high-payoff technologies in support of the National Energy Strategy. The R&D initiatives would increase the efficiency of energy use, develop alternatives to petroleum and advance new electricity technologies.
- o **Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS):** The budget proposes an increase of 5 percent to \$1.2 billion for R&D on HIV/AIDS. The budget includes a total increase of \$558 million, or 15 percent,

for HIV/AIDS research, treatment, prevention and income support.

- o Superconducting Super Collider (SSC): The budget proposes an increase of \$291 million, to a total of \$534 million, to support continued work toward the transition from prototype superconducting magnets to production, and to begin the construction of facilities.
- o Mission to Planet Earth and the U.S. Global Change Research Program (USGCRP): The budget includes an increase of \$232 million, or 24 percent, to a total of \$1,186 million to support a broad range of research efforts, including NASA's Mission to Planet Earth/Earth Observing System (MTPE/EOS) and ground-based programs such as the World Ocean Circulation Experiment.
- o New Launch System: A new space launch system is proposed, jointly funded by the Department of Defense and NASA (\$175 million each in 1992), consistent with the recommendations of the Advisory Committee on the Future of the U.S. Space Program.
- o Mathematics and Science Education: The budget includes an increase of \$225 million, or 13 percent, to \$1,941 million, for a major initiative in mathematics and science education. This initiative will help address problems that limit the pool and performance of math and science learners. Of the total increase, \$146 million, a 28 percent increase, is targeted toward the precollege level.
- o Human Genome Project: R&D for this project will increase by \$35 million, or 26 percent, to a total of \$169 million in the Departments of Energy and Health and Human Services (National Institutes of Health).
- o Research and Experimentation (R&D) Tax Credit: The budget proposes that this credit be made permanent and be reformulated to increase its effective rate.

**Table II-2. ENHANCING RESEARCH AND DEVELOPMENT AND
EXPANDING THE HUMAN FRONTIER—HIGHLIGHTS**
(Dollar amounts in millions)

	Budget Authority			
	1991 Enacted	1992 Proposed	Dollar change	Percent change
Basic Research				
Doubling the NSF budget	2,316	2,722	+406	+18
Increasing Basic Biomedical Research at NIH	4,634	4,968	+334	+7
Human Genome Project	125	169	+35	+28
Agricultural Research Initiative	78	125	+52	+71
Superconducting Super Collider	243	534	+291	+120
Applied Research				
High Performance Computing and Communications	489	638	+149	+30
Energy R&D	676	903	+227	+34
Advanced Manufacturing and Materials	1,316	1,310	-6	-
HIV/AIDS	1,152	1,210	+58	+5
Moving Fusion Energy from Science to Engineering	375	337	-38	-10
Aeronautics R&D	482	543	+61	+13
Expanding R&D at the National Institute of Standards and Technology	215	248	+33	+15
Maintaining National Security: Defense R&D	37,783	43,247	+5,464	+14
Expanding the Geographic Frontier: Space Exploration				
Space Transportation Infrastructure	4,801	5,517	+716	+15
Space Science	1,774	2,141	+367	+21
Mission to Planet Earth (Global Change)	864	1,186	+322	+34
Mission From Planet Earth	2,199	2,470	+271	+13
Expanding the Human Frontier through Biotechnology	2,788	4,107	+1,319	+48

IMPROVING THE TRANSPORTATION INFRASTRUCTURE
(Chapter IV. D.)

- o **Highways:** Between 1991 and 1996, highway budget authority will increase from \$14.6 billion to over \$20 billion. This represents an increase of more than 39%. In total, the five-year authorization will provide almost \$86.8 billion for highway construction and rehabilitation.
- o **National Highway System:** The Administration's new highway program will propose the creation of a "National Highway System" which concentrates Federal resources on the rehabilitation and improvement of highways which are most critical to interstate travel and commerce. The system will consist of about 150,000 miles of highways and will incorporate the existing Interstate Highway System, but will also reflect the major demographic and travel changes that have occurred since the Interstate was designated. In 1992, funding for the system will total \$7.7 billion, growing to \$11.1 billion by 1996.
- o **Urban/Rural Program:** For other highways, the budget proposes the establishment of a highway block grant program which will consolidate many narrow categorical highway grant programs into a larger and more flexible program, termed the "Urban/Rural Program." This program will give States unprecedented discretion in the use of their Federal funds.
- o **Bridges:** The budget contains increased funding to rehabilitate bridges (\$1.8 billion in 1992, growing to \$2.8 billion in 1996). Resources will be focused on priority bridge repairs, wherever located on the National Highway System.
- o **Other Highway Initiatives:** The proposed program will allow the expanded use of Federal funds to construct toll roads and contains an increase of \$30 million, for a total of \$50 million, for research into high technology such as "smart cars." Such technology has the potential to increase safety and help control traffic congestion.
- o **Aviation:** The budget continues the Administration's commitment to modernize the aviation system by: 1) Keeping the equipment modernization program on track with funding of \$2.7 billion, a \$.6 billion (29%) increase over 1991; 2) providing 450 additional air traffic controllers as well as other staff increases for total FAA operation funding of \$4.5 billion, a \$.4 billion (10%) increase over 1991; and 3) funding airport grants at \$1.9 billion, a level that when combined with airport passenger fees, will help address airport congestion.
- o **Mass Transit:** The budget increases investment in transit capital from about \$2.4 billion in 1991 to \$2.9 billion in 1992. Furthermore, the States will be given increased flexibility to choose how to use their Federal transportation assistance on either transit or highways.

PRESERVING AMERICA'S HERITAGE AND PROTECTING THE ENVIRONMENT
IN A GROWING ECONOMY
(Chapter IV. E.)

- o **National Parks, Forests and Public Lands:** The America the Beautiful program for 1992 will increase by 40 percent to nearly \$1 billion. This includes \$350 million to acquire new lands for parks, wildlife refuges, national forests, and the BLM; with \$30 million to be provided to the states as matching grants for open space protection and outdoor recreation. The budget funds a 33 percent increase to conserve and restore wetlands, protect endangered species, and enhance recreation; and a new \$10 million Targeted Parks Program to protect the Nation's "crown jewel" national parks.
- o **Civil War Battlefields:** The budget proposes a new \$15 million program to protect important civil war battlefield sites, including Gettysburg, Antietam, and Harpers Ferry.
- o **Tree Planting:** The budget proposes \$140 million (a 100% increase over FY 1991) to implement the President's ultimate goal to plant one billion trees each year.
- o **Legacy '99:** The budget provides \$820 million to restore facilities in existing parks and recreation areas. Also included is the first third of a \$625 million, 3 year Forest Service program to construct new recreation facilities, trails, campsites and other amenities, especially on lands adjacent to urban areas.
- o **Coastal Protection:** The budget includes a major new Coastal America initiative. Specifically, the initiative includes: \$23 million to implement an action-oriented coastal protection and restoration program; \$300 million in EPA sewage treatment grants to five coastal cities (Boston, New York, Los Angeles, San Diego and Seattle) to accelerate the completion of their plants; \$100 million for a border facility to treat Tijuana's raw sewage discharges into the U.S.; \$1.9 billion in total for sewage treatment; and a 17% increase to improve the oil spill response capability of the Coast Guard.
- o **Wetlands:** Wetlands will receive high priority in 1992, including \$500 million to add 600,000 acres of wetlands to the Environmental Wetlands Conservation Acreage Reserve Program; and a \$230 million increase for purchases of critical wetlands habitat and wetlands research.
- o **EPA Operating Budget:** The budget proposes an increase of \$164 million, or 7% over FY 1991, for EPA's operating budget. In total, EPA's regulatory, enforcement and research activities will have increased by 40 percent in funding and 20 percent in staffing since the President took

office. The budget includes increases of \$120 million and 340 staff years to carry out the new Clean Air Act; and \$20 million for an innovative multi-media initiative for the Great Lakes.

- o **Federal Facilities Cleanup:** The program to clean up Federal facilities is significantly expanded for the third year in a row. Increases are included for the Department of Energy, for which resources have risen from \$1.8 billion in 1989 to a proposed \$4.4 billion for 1992; and the Department of Defense for which an increase of \$700 million or 34 percent over 1991 levels is proposed. In total, the budget includes \$7.15 billion, an increase of 31% over FY 1991 appropriated levels, to clean up Federal facilities.
- o **Climate Change Research:** The 1992 Global Climate Change budget includes \$1.2 billion, a 25 percent increase, to help improve scientific and economic understanding of global climate change. Two special reports will supplement the Budget: one which details the action the U.S. has taken to date to reduce gases affecting global climate and one which details the U.S. Global Climate Change Research Program.

Table E-1. THE BUDGET INCLUDES \$2.4 BILLION IN NEW FUNDING FOR ENVIRONMENTAL PROTECTION INITIATIVES

(Budget authority; dollar amounts in millions)

Summary of Major Initiatives	Actual		1991 Enacted	1992 Proposed	Percent Change, 1991-92
	1989	1990			
America the Beautiful	363	411	589	785	+33
Reforestation	—	—	70	140	+100
Legacy '99	517	563	819	823	+1
Protecting America's Wetlands ¹	201	283	299	489	+64
EPA Operating Budget	1,752	1,938	2,313	2,477	+7
Superfund	1,410	1,530	1,616	1,750	+8
Federal Facility Cleanup:					
Department of Energy	1,762	2,354	*3,687	4,352	+18
Department of Defense	1,155	1,282	1,923	2,582	+34
Other Agencies	107	147	172	211	+23
Global Change Research	—	659	954	1,186	+24
Natural Resources Research	680	710	844	900	+7
Total	7,947	9,877	13,287	15,695	+18

¹Total has been adjusted to eliminate double counting of DOI Wetlands already included in America the Beautiful and wetlands, Coastal American and global change research included in EPA's operating budget.

*Includes a proposed \$340 million 1991 supplemental for Environmental Restoration and Waste Management.

**INCREASING CHOICE, EXPANDING OPPORTUNITY,
AND PROVIDING HOPE TO DISTRESSED COMMUNITIES**
(Chapter V. A.)

- o **Child Care and Health Insurance Tax Credits:** A newly expanded Earned Income Tax Credit, and a new Health Insurance Credit will make child care and health insurance more affordable for low-income families with children while assuring maximum freedom of choice over the use of the benefits. For 1992, these credits will provide \$10 billion in support to working families with children, and \$69 billion over the next five years. These credits were created as part of the budget agreement last fall.
- o **Child Care Block Grant:** The new Child Care and Development Block Grant, the first grant program of its kind to require that assistance be offered through certificates to ensure parental choice, will be funded at \$732 million.
- o **Educational Choice:** The budget includes funding for the President's upcoming Educational Excellence Act legislative proposal which will include:
 - \$200 million for a Certificate Program Support Fund to provide school districts with an incentive to allow parents to choose the public or private schools their children will attend.
 - New authority to fund Magnet Schools of Excellence in order to extend this proven choice approach to schools regardless of racial composition or the presence of a school desegregation plan. Support for magnet schools for desegregation will be maintained as well.
 - Amendments to facilitate and increase use of Local Agency Grants and Education Block Grants under Chapters 1 and 2 of the Elementary and Secondary Education Act for educational choice programs.
 - \$30 million to fund nationally significant choice demonstrations.
- o **Housing Choice:** For 1992, \$2.4 billion is requested to provide an additional 78,860 housing vouchers to low-income renters. This 41 percent funding increase over tenant-based housing subsidies appropriated for 1991 reflects the Administration's policy of assuring subsidized tenants maximum choice over where to live and how much to pay for housing.
- o **Homeownership:** Opportunity for low-income families to become homeowners will be expanded through HOPE (Homeownership and Opportunity for People Everywhere). For 1991, a fully-offset supplemental request for \$287 million

is proposed for HOPE; for 1992, the request is \$2.15 billion.

To preserve those subsidized rental properties that may be converted to other uses, \$718 million is requested. The goals are to protect low-income renters, provide opportunities for low-income tenants to become homeowners, and compensate owners fairly to retain their properties as low-income rental units.

To reduce defaults and improve housing conditions for low-income renters in financially distressed, FHA-insured rental properties, a \$668 million Low-Income Resident Empowerment Program is proposed for 1992. This program will assist those landlords who are willing to provide their low-income tenants an equity interest in their units.

- o Increased Flexibility: To allow grantees to use funds more effectively: certain categorical housing programs will be replaced with more flexible HOME grants; several small categorical programs for the homeless will be consolidated; legislation will be proposed to permit waivers of some Federal education program requirements for innovative programs which can demonstrate progress toward stated educational goals.
- o Using IRAs for First Home Purchases: First-time home-buyers would be permitted to withdraw up to \$10,000 from tax-deferred IRAs without penalty for a down payment.
- o Enterprise Zones: To help revitalize economically distressed communities, the budget includes proposals for Federal tax incentives in up to 50 enterprise zones. A 5 percent refundable tax credit for low-income workers, favorable tax treatment for purchase of newly issued corporate stock in enterprise zones, and a zero capital gains rate for investments in zone businesses are proposed.
- o Job Training: Reforms to the \$4.0 billion Job Training Partnership Act (JTPA) are proposed to target job training efforts on extremely disadvantaged adults and youth. Included is a new Youth Opportunities Unlimited (YOU) program in up to 40 high-poverty areas. Reforms of the Federal-State Employment Service also are intended to target resources on more disadvantaged workers.
- o Reform of Davis-Bacon: Recently issued Labor Department regulations would improve opportunities on Federal construction projects for workers still learning their journeyman skills and create another rung on the ladder to economic success for less-skilled workers. The threshold for application of the Davis-Bacon Act wage level provisions

for Federal construction projects would be raised to \$250,000 from the present \$2,000., a ceiling which has not been raised since it was imposed in 1935.

- o Social Security Earnings Test: A modest liberalization is proposed for the Social Security earnings test, which reduces retirement benefits to aged recipients after their earnings reach a specified amount in any year. For 1992, the amount of earnings recipients are allowed before their benefits are affected would be increased 8 percent, to \$11,000.

Table A-2. MAJOR INCREASES IN HUD PROGRAMS EXPANDING CHOICE AND OPPORTUNITY
(Dollar amounts in millions)

	1991		Proposed 1992		Dollar Change		Percent Change	
	Budget Authority	Outlays	Budget Authority	Outlays	Budget Authority	Outlays	Budget Authority	Outlays
Vouchers and Certificates ¹	6,517	4,454	8,277	4,930	+1,760	+475	+27	+11
Incremental Only	1,713	1,330	2,415	1,440	+703	+110	+41	+8
HOPE Initiative Total	*287	11	2,147	142	+1,860	+130	+648	+1,141
HOPE Grants	*155	—	855	41	+700	+41	+452	n/a
Shelter Plus Care	*122	11	258	51	+136	+40	+111	+364
Preservation	—	—	718	36	+718	+36	n/a	n/a
Other HOPE	*10	—	315	13	+305	+13	+3,050	n/a
Enterprise Zone	—	—	*50	*50	*+50	*+50	n/a	n/a
HOME Grants	*500	10	1,000	105	+500	+95	+100	+950
Low-Income Resident Economic Empowerment Program	—	—	668	77	+668	+77	n/a	n/a

¹Includes renewal funding for vouchers and certificates.

*Reflects proposed budget-neutral supplemental.

*Reflects estimated revenue loss (tax expenditures).

n/a = Not applicable.

ENDING THE SOURCE OF DRUGS AND CRIME
(Chapter V. B.)

- **Drug Funding:** The budget proposes an increase of \$1.2 billion (11% above 1991) for the war on drugs. The total Federal budget to fight illicit drug use is over 80% higher than when the President took office. Drug treatment and prevention programs would grow by 8% or \$260 million over 1991.
- **Drug Treatment:** A new grant program is proposed to expand the capacity to treat drug users (+\$99 million); and increased funds are provided to expand services for veterans' drug treatment (+\$39 million).
- **Drug Prevention:** The budget provides increased funding for the Education Department's Drug Free Schools Program (+\$25 million); an increase for HUD's Drug Elimination grants to help provide a drug free environment in public housing projects (+\$15 million); and an increase for demand reduction research (+\$31 million).
- **Supply Interdiction:** Under the proposed budget, supply reduction programs would grow by 12% or \$874 million over 1991.
- **Drug Law Enforcement:** The budget proposes an increase of \$67 million (+20 percent) for the Organized Crime Drug Enforcement Task Forces; an increase of \$54 million for the Drug Enforcement Administration to concentrate on drug trafficking organizations; and an increase of \$350 million for the drug-related portion of the Federal Bureau of Prisons.
- **International Law Enforcement:** The budget includes increases to fully fund the President's Andean Strategy and provide conditioned military and economic assistance (+\$150 million).
- **Anti-Crime Funding:** Fighting crime retains its high priority with a proposed \$2 billion increase over 1991. Included in the 1992 budget are: initiatives that would add \$328 million to the FBI to target both violent and white collar crime; an increase of \$104 million for the U.S. Attorneys to ensure that criminals are tried and held accountable for their offenses; an increase of \$505 million for the Judiciary to assure speedy and equitable trials; and an increase of \$467 million for the Federal Bureau of Prisons to add 3,600 new prison beds by 1996 to help assure that convicted offenders are incarcerated for their crimes.

Table B-1. FEDERAL SPENDING TO FIGHT THE WAR ON DRUGS
(Budget authority; dollar amounts in billions)

	Actual			1992 Request	Percent change, 1991-92
	1981	1989	1991		
Prevention	0.1	0.7	1.4	1.5	+5
Treatment	0.4	0.9	1.5	1.7	+10
Research	0.1	0.2	0.4	0.5	+12
Interdiction	0.3	1.4	2.0	2.1	+4
International	0.1	0.3	0.6	0.8	+20
Intelligence	—	0.1	0.1	0.1	+6
Criminal Justice	0.4	2.8	4.4	5.0	+14
Total	1.5	6.4	10.5	11.7	+11

Table B-5. FEDERAL SPENDING WOULD INCREASE BY \$2.1 BILLION TO FIGHT CRIME
(Budget authority; dollar amounts in millions)

	Actual		1992 Request	1991-92	
	1989	1991		Dollar change	Percent change
Federal Bureau of Investigation	1,439	1,693	2,021	+328	+19
Bureau of Prisons	1,542	1,738	2,205	+467	+27
U.S. Attorneys	460	675	779	+104	+15
Immigration and Naturalization Service	822	887	1,008	+121	+14
Drug Enforcement Administration	534	694	748	+54	+8
U.S. Marshals	205	290	347	+57	+20
Organized Crime Task Forces	—	335	402	+67	+20
Judiciary	1,476	2,046	2,551	+505	+25
Other	2,944	4,431	4,781	+350	+8
Total	9,422	12,789	14,842	+2,053	+16

DISTRIBUTING FEDERAL BENEFITS MORE FAIRLY
(Chapter V. C.)

The explosive growth of individual benefit programs since the 1960s has occurred without any cross-cutting or comprehensive review of the fairness or equity in the distribution of federal benefits. The budget identifies programs where large subsidies are provided to upper income individuals and better targets resources to those most in need.

- o **Medicare:** Wealthy Medicare beneficiaries receive an average subsidy of \$2,445. The budget proposes to reduce the average subsidy to \$1,690 in 1992 by adjusting premiums in the taxpayer-subsidized Part B portion of the program for the highest income beneficiaries. Individuals with adjusted gross incomes (AGI) over \$125,000 (couples, over \$150,000) who elect to participate in this voluntary component of Medicare would have their premium subsidy reduced from 75 percent to 25 percent of total Part B program costs.
- o **Agricultural Subsidies:** Significant farm commodity program payments are provided to individuals with non-farm AGIs over \$125,000. The budget proposes an income test that would make these high income individuals ineligible for subsidies in order to target farm program payments to those who depend on farm income to ensure their farm's viability and support their families.
- o **Student Aid:** Students from low income families are the most likely to default on loans and may avoid post-secondary education altogether for fear of incurring excessive debt. The budget re-allocates student aid to provide more Pell Grant assistance to students from the lowest income families. Students from somewhat higher and middle income families would be able to borrow larger amounts (\$875 to \$6,000 more per year) under the heavily subsidized Guaranteed Student Loan program. Pell Grant funding in total would rise by \$400 million over 1991, to \$5.8 billion; Guaranteed Student Loan volume, by \$721 million, to \$11.7 billion.
- o **School Lunch:** School Lunch meal subsidies now are provided to all participating students, regardless of their family income. The budget-neutral proposal would reallocate a portion of the subsidy to the most needy. It would increase the subsidy for children from families with incomes between 130 and 185 percent of poverty by as much as \$45 a year. This increase would be funded by a decrease of up to \$11 a year in the subsidy for children from families with incomes above 185 percent of poverty. Under this proposal, School Lunch is funded at the current law level of \$4.3 billion, a \$244 million increase over 1991.

- o Other Proposals: Other proposals designed to increase the fairness with which Federal benefits are distributed include the following: (1) replacement of the untargeted Health Professions Loan program with an improved Health Professions Student Loan program to better serve disadvantaged students; (2) standardization of Veterans Administration Dependency and Indemnity Compensation program benefits to increase payments for survivors of lower-rank military personnel and (3) eligibility reforms to insure that basic Social Security benefits are available to rail industry families.

PROTECTING NATIONAL SECURITY
(Chapter VII. A.)

- **National Defense:** The 1992 budget request for national defense is \$290.8 billion in budget authority and \$295.2 billion in outlays, consistent with the Budget Agreement signed last fall. Within these amounts, funding for the military programs of the Department of Defense (051) is \$278.3 billion in budget authority and \$283.0 billion in outlays. The 1992 budget authority level is 12% below 1990 in real terms (after inflation) and 24% below 1985.
- **Atomic Energy Defense and Other Defense Programs:** Funding for defense-related programs of the Department of Energy and other agencies is \$12.5 billion in budget authority and \$12.2 billion in outlays.
- **Savings in the Budget Agreement:** Requested 1992 levels for National Defense are \$21.7 billion in budget authority and \$14 billion in outlays below the planned 1992 levels in last year's budget. The 1991-1995 levels are \$130 billion in budget authority and \$97 billion in outlays below last year's plan.
- **Desert Shield and Desert Storm:** Amounts requested in the budget do not reflect the total 1991 incremental costs of Operation Desert Shield, which includes Desert Storm. When costs can be more reliably determined, a supplemental request will be submitted formally. In the interim, Desert Shield placeholder amounts are included in Government-wide allowances. These amounts assume substantial foreign contributions.
- **Strategic Force Modernization:** The budget provides for continued modernization of Strategic nuclear forces including procurement of four B-2 Stealth bombers, 115 Advanced Cruise Missiles, and 28 Trident D-5 Missiles.
- **SDI:** The Administration is proposing a reorientation of the Strategic Defense Initiative (SDI) to emphasize global protection against limited strikes. In 1992, \$4.6 billion is requested for SDI. Funding in 1992-1997 is about 20% less than in earlier plans.
- **Force Reduction:** The budget assumes continued modernization but reduction in size of general purpose forces. Military personnel levels are projected to decline by about 20% below 1990 levels by the mid-decade and force structure (in terms of divisions, ships and air wings) by about 25%.
- **Terminations:** The budget proposes several program terminations, with savings of about \$10 billion from previous plans. Terminations include the A-12 aircraft and the F-14D remanufacturing program. Production ends in 1991 for the Peacekeeper missile and the Trident submarine. Program rescissions in 1991 total \$3.4 billion reflecting proposed program terminations in 1992 and elimination of low priority programs.
- **Management Initiatives:** The budget assumes savings of \$.7 billion in 1992 as a result of functional consolidations and streamlining of activities such as supply depots, inventory control points, research and development laboratories, maintenance facilities, and finance and accounting operations.

ADVANCING AMERICA'S INTERESTS INTERNATIONALLY
(Chapter VII. B.)

- o **International Affairs Funding:** The budget requests \$34 billion in budget authority and \$19.6 billion in outlays for International Affairs (function 150), consistent with amounts provided in the Budget Agreement signed last fall. The International Affairs (150) budget category includes funding for Security Assistance, development and humanitarian assistance, the conduct of foreign affairs, foreign information and exchange activities and international financial programs.
- o **IMF Quota Increase:** Although budget authority for foreign assistance increases by \$13.9 billion over 1991, \$12.2 billion of this is the increase in the U.S. quota in the International Monetary Fund. Such quota increases occur periodically and do not involve outlays.
- o **Security Assistance:** \$8 billion is requested for FY '92 with emphasis on support of countries in the Persian Gulf region, especially, Egypt, Turkey and Israel. In addition, more than \$400 million in security aid, 47% over 1991, is proposed for narcotics programs in Andean countries.
- o **Development Assistance:** The budget proposes a major increase for the Enterprise for the Americas Initiative. This program will promote economic growth and create jobs in Latin America and the Caribbean by removing barriers to trade and investment, and by reducing debt burdens.
- o **Eastern Europe:** The budget also requests \$400 million in development assistance to Eastern Europe, up 8% over 1991, to help the new democratic governments of that region to shift their economies to free market operations.
- o **United Nations:** Under conduct of foreign affairs, payments to United Nations programs increase \$417 million above 1991 to \$1.3 billion. Most of the increase is to pay arrearages accumulated because of past appropriations shortfalls on payments required by treaties.

FEDERAL CREDIT REFORMS
(Chapter VIII. A.)

- o **Total Federal Credit:** The face amount of Federal and federally assisted credit and insurance reached \$6.2 trillion in 1990 -- up 8% from 1989 and 11% from ten years ago. About half of all non-Federal borrowing is assisted by Federal credit programs, Government-sponsored enterprises (GSEs), or Federal deposit insurance. The present value of future budget costs for these programs is in the range of \$100-200 billion.
- o **Effect of the Budget Agreement:** Much was accomplished in the Budget Agreement signed last fall to recognize and reduce these potential costs. The Agreement required that budget authority be available to pay the subsidy costs of direct loans and loan guarantees when credit is extended.
- o **GSL's:** The budget proposes comprehensive reforms for the guaranteed student loan (GSL) program that are expected to reduce defaults and costs, while more effectively helping students.
- o **FHA:** The FHA multi-family mortgage program will be reviewed, and steps will be taken to identify and eliminate physical and financial problems in low income rental properties.
- o **VA Mortgage Guarantees:** Proposals are made to reduce defaults and costs for the VA mortgage guarantee program.
- o **Farm Credit System:** Reforms are proposed to strengthen the Farm Credit System (FCS), to continue improvements in FmHA credit programs, and to enable Federal crop insurance to better serve its purpose.
- o **Pensions:** Proposals are made to deal with underfunded pensions and to advance PBGC claims in bankruptcy.

STRENGTHENING MANAGEMENT AND ACCOUNTABILITY
(Chapter IX. A.)

- o **Investments in Financial Systems:** The Budget requests \$603 million for financial systems upgrades, \$162 million (37%) more than enacted in 1991. Correcting financial system inadequacies is essential in order to prevent future financial disasters, such as those at HUD. This investment can also help correct the high volumes of loan defaults at credit agencies generally.
- o **Audited Financial Statements:** The Budget specifically includes \$104 million to initiate audited financial statements to disclose better the Government's financial condition and implement the Chief Financial Officers Act of 1990.
- o **High Risk Management Areas:** High risk areas are those designated by OMB as requiring personal attention by agency heads. Agencies are making progress in reducing vulnerability -- since 1989, 11 areas have been sufficiently corrected so as to no longer warrant designation as high risk and 12 new areas have been added. The budget identifies sixteen high risk areas for priority attention in Calendar Year 1991, including: Department of Energy environmental clean-up; the Department of Education's Guaranteed Student Loan Program; the Department of Housing and Urban Development's financial management; and the Bureau of Indian Affairs' administrative and financial management.
- o **Credit Management and Debt Collection:** To collect more of over \$100 billion in delinquent debt owed the Federal Government, the budget proposes to: add over 1,700 staff (in 1991 and 1992) to the Internal Revenue Service; add \$44 million to improve debt collection and prevent future defaults in education, veterans, and small business programs; and add a \$35 million pilot program to improve internal controls and accounting in the Farmers Home Administration.
- o **Defense Management Reform:** The budget adds 25 defense management initiatives to the 34 reflected in the 1991 Budget, with savings totalling about \$72 billion over the 1991-1997 period. These 1991 and 1992 management initiatives will reduce civilian personnel by 28,000 and military personnel by 45,000; consolidation of supply depots and depot maintenance activities will save over \$7 billion; and service-specific initiatives will capitalize on management structure streamlining and save over \$5 billion.
- o **Information Resources Management:** The budget includes increased investments in nine of the Federal Government's significant information technology projects in such areas as tax collection and patents. Two particular priorities are

the Department of Defense's Corporate Information Management project and the Federal Bureau of Investigation's Integrated Automated Fingerprint Identification System.

- o **Procurement Reform:** The budget includes several initiatives to reform procurement practices, including: requirements that government consultants disclose all other employers or clients; proposed penalties barring misuse of sensitive procurement information; and proposals to encourage greater reliance on the commercial marketplace when purchasing goods and services.

- o **Selected Improvements in Service Delivery:** The budget includes investments to improve service delivery in critical areas directly affecting Americans. These include: an increase of \$375 million, or 9%, to a total of \$4.5 billion, for operating the Social Security Administration; a \$1.3 billion, or 16%, increase for the Federal Aviation Administration, to a total of \$9.3 billion; and an increase of \$622 million, or 10%, to a total of \$6.7 billion, for the Internal Revenue Service.

IMPROVING RETURNS ON INVESTMENT
(Chapters IX.B., C. and D.)

- o **Program Evaluation:** The budget proposes an increased investment in program evaluation. Over 20 program evaluations -- involving 14 departments and agencies -- are proposed, in areas ranging from defense mobilization to Head Start.
- o **Budget Process Reform:** The budget proposes a joint budget resolution requiring the President's signature; enhanced rescission authority requiring an up-or-down vote in Congress on Presidential rescission proposals; the Presidential line-item veto for provisions in legislation reflecting narrow or special interests; and a balanced budget amendment to the Constitution, with safeguards against achieving the balance through higher taxes.
- o **Risk Management Budgeting:** The budget contains a new initiative -- Risk Management Budgeting -- the objective of which is to lower both risks to public health and safety and costs by allocating efficiently scarce resources. The concept of Risk Management Budgeting will be tested in 11 pilot programs, some involving budget outlays and some involving regulations.
- o **Terminations and Reductions:** To meet the discretionary spending limits set under the budget agreement -- and still fund priorities such as education, prevention, research and development, transportation infrastructure, environmental protection, drug prevention and treatment, and law enforcement -- some programs must be reduced, and others must be terminated. Terminations are proposed for 207 projects which do not meet published statutory or regulatory criteria, reducing 1992 budget authority needs by \$.6 billion. The budget would terminate 64 defense programs (saving \$6.7 billion) and more than 3,000 other low priority domestic discretionary projects and some entire programs (saving \$4.4 billion). In addition, 7 defense and 261 domestic programs (saving \$1.9 and \$8.3 billion, respectively) would be funded below 1991 levels.

Table II-11. PROPOSED OUTLAYS, BY AGENCY
(In billions of dollars)

Agency	1991 ¹			1992		
	Discretionary	Mandatory	Total	Discretionary	Mandatory	Total
Cabinet Agencies:						
Agriculture	11.8	43.9	55.4	12.5	43.2	55.7
Commerce	2.9	-0.1	2.8	2.9	-0.1	2.8
Defense—Civil	3.4	23.0	26.4	2.5	24.7	23.2
Defense—Military	283.2	-0.8	287.5	283.8	-0.7	283.0
Education	18.8	6.1	24.8	20.5	7.0	27.5
Energy	16.0	-2.4	13.5	17.4	-2.5	14.9
Health and Human Services	27.8	458.4	486.2	28.7	496.8	525.5
Housing and Urban Development	21.8	1.7	23.5	23.4	0.9	24.3
Interior	6.8	-0.2	6.4	6.7	-0.2	6.5
Justice	7.7	1.0	8.7	9.0	1.0	10.0
Labor	8.8	25.7	34.5	9.2	25.5	34.8
State	4.0	0.3	4.3	4.2	0.3	4.5
Transportation	20.5	0.2	20.8	21.6	0.2	21.9
Treasury	8.8	268.3	277.1	9.6	269.0	298.6
Veterans Affairs	13.9	17.5	31.3	14.7	18.1	32.8
Major Agencies:						
Deposit Insurance Accounts	0.1	111.4	111.5	—	88.1	88.1
Environmental Protection Agency	5.9	-0.1	5.8	6.1	-0.2	5.9
General Services Administration	0.9	-0.1	0.8	0.9	-0.1	0.7
National Aeronautics and Space Administration	13.5	—	13.5	14.7	—	14.7
Office of Personnel Management	0.2	25.0	25.2	0.2	26.8	27.0
Small Business Administration	0.5	—	0.5	0.5	-0.2	0.3
Other Agencies:						
Executive Office of the President	0.3	—	0.3	0.3	—	0.3
Funds Appropriated to the President	11.8	-0.5	11.3	12.7	-0.7	12.0
Judicial Branch	1.9	0.2	2.1	2.2	0.1	2.3
Legislative Branch	2.2	0.3	2.5	2.6	0.4	3.0
Other Independent Agencies	10.3	4.0	14.2	9.4	4.8	14.0
Allowances	8.2	—	8.2	4.7	—	4.7
Undistributed offsetting receipts	—	-109.4	-109.4	—	-118.0	-118.0
Total Outlays	526.2	883.2	1,409.6	532.1	913.8	1,445.9

¹Includes impact of supplementals and rescissions.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

April 9, 1991

THE PRESIDENT'S ECONOMIC GROWTH AGENDA

FACT SHEET

The President believes that a strong, growing, and dynamic economy enhances job creation and opportunity for all Americans. The Administration is pursuing an economic growth agenda built around four principles:

- Encouraging Savings and Investment
- Opening New Opportunities in International Markets
- Promoting an Educated and Dynamic Workforce
- Reducing the Burden of Government Regulation

I. ENCOURAGING SAVINGS AND INVESTMENT

The President is committed to creating conditions that foster long-term, market-driven economic growth. The Administration is taking important steps to lower the cost of capital and to encourage entrepreneurship, savings, investment, and innovation. The President is pursuing policies that will lower the barriers to the formation of productive capital and ensure that our physical, human, and technological infrastructure remains the finest in the world.

A. Reducing the Cost of Capital

Controlling Government Borrowing

The President is committed to controlling Federal government spending. Last year's budget agreement will decrease the Federal government's borrowing requirements by nearly \$500 billion over the next five years. The agreement's spending caps set limits for discretionary spending while a pay-as-you-go system will force new mandatory spending to be offset by revenue increases or reductions in other programs.

Increasing Private Savings and Investment in the Economy

The President has repeatedly called for a reduction in the capital gains tax rate and has asked Federal Reserve Chairman Alan Greenspan to lead a technical study of the economic effects of the capital gains reduction.

The Administration's Fiscal Year 1992 Budget also includes proposals for Family Savings Accounts which will create needed incentives to save and penalty-free IRA withdrawals for first-time home buyers.

Encouraging an Innovative and Sound Financial System

The Administration's financial industry reform package will help ensure the continued strength of our Nation's financial system. Comprehensive banking reform will modernize our outdated banking laws, protect taxpayers and depositors, help alleviate tight credit conditions, and make our financial institutions more competitive at home and abroad.

B. Investing in Infrastructure and Research and Development

Revitalizing our Transportation Infrastructure

The Administration is proposing a significant increase in Federal highway spending, from \$14.6 billion in 1991 budget authority to \$20.3 billion in 1996. On a cumulative basis, almost \$88 billion will be provided for highway construction and rehabilitation over the next five years. The Administration is also proposing a 17 percent increase in budget authority for our Nation's aviation systems.

Expanding Research and Development

The President's FY 1992 budget includes \$76 billion for research and development, an \$8.4 billion (13 percent) increase over 1991 levels. To encourage private sector R&D, the President supports the permanent extension of the Research and Experimentation Tax Credit.

Implementing the National Energy Strategy

The President transmitted his National Energy Strategy to the Congress in February. The Strategy is a comprehensive and balanced plan for a secure,

efficient, and environmentally sound energy future. Over the next two decades, the Strategy will remove unnecessary barriers to market forces so that ample supplies of affordable energy can continue to foster economic growth.

II. OPENING NEW OPPORTUNITIES IN INTERNATIONAL MARKETS

Throughout the postwar period, the United States has led the world toward a system of free trade and open markets. The benefits of global economic integration and expanded international trade have been enormous, at home and abroad. The President and his Administration are aggressively working with the Congress to remove the remaining barriers to international trade and investment in our own hemisphere and throughout the world. Today, America is in the midst of an export boom. Merchandise exports have risen 55 percent in the last 4 years -- twice as fast as imports. Continuation of fast track authority for congressional approval of trade agreements is crucial to the President's trade strategy.

A. Successfully Concluding the Uruguay Round Negotiations

The President's top trade priority remains the Uruguay Round negotiations of the General Agreement on Tariffs and Trade. Success in the Uruguay Round will open agricultural markets, lower or eliminate tariffs on many products, strengthen the GATT system, and extend it to cover important new areas -- such as services, investment and intellectual property -- critical to U.S. economic vitality. A strong multilateral trading system is essential to America's economic future, since it assures our businesses access to growth markets in Europe and Asia.

B. North American Free Trade Agreement

The President has committed with Mexican President Salinas and Canadian Prime Minister Mulroney to negotiate a North American Free Trade Agreement (NAFTA). Creation of a NAFTA, with a market of some 360 million consumers and total output of \$6 trillion, would be a catalyst for economic growth and development throughout the three countries.

The U.S.-Canada Free Trade Agreement has contributed to growth in both economies in its first two years.

Bilateral trade increased approximately nine percent from 1988 to 1989 and 4.2 percent from 1989 to 1990 despite a slowdown in both economies.

C. Advancing the Enterprise for the Americas Initiative

The Enterprise for the Americas Initiative promises to fuel growth and prosperity throughout this hemisphere by removing barriers to trade and investment. This Initiative also aims to provide official debt reduction to countries engaged in significant economic reforms and thereby to build on the Administration's ongoing support for commercial debt reduction. Restoring Economic growth in Latin America will boost U.S. trade, since the region is a natural market for American goods, services, and investment.

D. Challenging Unfair Trade Barriers

The Administration is pursuing numerous bilateral initiatives aimed at persuading foreign governments to open their markets and remove unfair barriers to American goods, services, and investment. In addition, the Administration is involved in ongoing bilateral negotiations with Japan to identify and eliminate structural factors that may impede balance of payments adjustment and efficient patterns of world trade. Our policy is to address trade concerns by opening foreign markets, not by closing our own.

E. Promoting the Nation's Exports

The President is committed to building on these market-opening initiatives by expanding the nation's exports, a major source of growth in recent years. The Trade Promotion Coordinating Committee has for the first time brought together the resources of eighteen Federal agencies to provide one-stop shopping to U.S. businesses seeking help in exporting. As part of this effort, the Department of Commerce is sponsoring a series of seminars across the country to help prospective exporters expand overseas sales.

III. PROMOTING AN EDUCATED AND DYNAMIC WORKFORCE

The President believes that long-term economic growth requires skilled and adaptable workers as well as modern capital and new technology. The Administration is taking important steps to ensure that American workers are well-educated and highly-skilled and that U.S. labor markets remain the world's most dynamic and flexible.

A. Restructuring the Education System

The President is committed to educational excellence for all Americans. He has advocated choice in education, increased flexibility in education-related funding in exchange for greater accountability, alternative certification for teachers and principals, rewards for outstanding teachers and for schools that improve their students' achievements, and innovative approaches to mathematics and science education. In partnership with the Nation's governors, the Administration is working to determine how best to measure and monitor progress toward the national education goals. The President will soon propose a new Educational Excellence Act with additional initiatives.

B. Maintaining Flexible Labor Markets

The President has taken a number of steps to preserve the dynamism which is the hallmark of U.S. labor markets. He has continued to oppose mandated employer benefits which will reduce the options available to employees and slow down job growth in the economy. The President supports flexible benefit packages, negotiated between employers and employees.

The President opposes recent efforts to undermine more than fifty years of balance in labor/management relations. He objects to current Striker Replacement Legislation that would prohibit employers' ability to continue operations during labor disputes through the use of permanent replacement workers. Cooperation, not confrontation, is the key to international competitiveness.

The Immigration Act of 1990, the first major reform of legal immigration in a quarter-century, will substantially increase the overall level of immigration, particularly of skilled workers. These new workers will contribute to U.S. economic growth.

C. Improving our Job Training Efforts

The President proposed amendments to the Job Training Partnership Act (JTPA) which would have targeted job training efforts toward severely disadvantaged adult and youth workers. In an effort to reach youth in poverty stricken inner-city neighborhoods and rural communities, a new Youth Opportunities Unlimited (YOU) Program was proposed for certain high-poverty areas. In addition, the Job Opportunities and Basic Skills Program (JOBS) allows the states flexibility in providing Aid to Families with Dependent Children (AFDC) recipients help in acquiring needed job skills. The Administration currently is preparing a JTPA bill to transmit to the 102nd Congress.

IV. REDUCING THE BURDEN OF GOVERNMENT REGULATION

The remarkable flexibility of the U.S. economy, which stems from its reliance on free markets, is a major national asset. Government regulations generally reduce economic flexibility and thus should have a very limited role. Where regulation is necessary, regulatory programs should pass strict cost-benefit tests and should seek to harness the power of market forces to serve the public interest, not to distort or diminish those forces.

A. Council on Competitiveness Deregulation Task Force

The Vice President's Council on Competitiveness has formed a task force to study deregulation's effect on the U.S. economy. This task force will examine the Federal government's role in the marketplace by studying the history and costs and benefits of regulations on a wide variety of industries: transportation, communications, energy and financial services.

B. Biotechnology

The Vice President's Council on Competitiveness recently released the Report on National Biotechnology Policy outlining the Administration's commitment to free market development of biotechnology products. The Report makes 15 recommendations within three broad policy areas: investing in science and technology; risk-based regulation; and a free market environment providing

capital and financial resources and protecting intellectual property rights.

C. Joint Production Ventures

The Economic Policy Council has developed a proposal which would encourage manufacturing consortia and joint ventures among industrial competitors. Currently, antitrust laws inhibit such ventures due to uncertainties regarding the risk of prosecution and private lawsuits. The current proposals would require the Justice Department and courts to consider global competition when deliberating antitrust issues.

D. Drug Approval Process Working Group

The working group has been assembled to review the FDA's drug approval process and propose operational or structural changes. This is an effort to create a more time-conscious and efficient process, especially with respect to experimental drugs, without increasing risk. Further, the group will review the condition of the U.S. pharmaceutical industry and suggest options for maintaining its health and competitive position.

E. Telecommunications

Estimates reveal deregulation in the telecommunications industry may save the U.S. economy \$45 billion per year. Despite its aggressively dynamic nature the structure, conduct and performance of this industry is still largely determined by legal and regulatory decisions and restraints. Telecommunications is critical to our nation's economic future. Unnecessary barriers and regulation must be eliminated and our regulatory policies must be balanced and market based.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

April 9, 1991

REMARKS BY THE PRESIDENT
TO THE AMERICAN BUSINESS CONFERENCE

The Department of Commerce
Washington, D.C.

2:07 P.M. EDT

THE PRESIDENT: Thank you very, very much. And, Bob, thank you, sir, for that introduction and for letting this distinguished group use this meeting room today. It's always a pleasure to be back here.

Let me also salute the ABC's leader, Jim Jones. What a job he's doing. But I remember his effectiveness in the leadership role in the Congress and I'm glad that those energies that he has are being used and shared by all of you. We have many distinguished visitors with us today, and I won't single them out. I was told that Bill Seidman and Richard Breedon were here. But as I look around, unless they're basking way back in anonymity somewhere, they may not have made it.

But in any event, I'm delighted to see this group. Great to talk to the American Business Conference. We did a little homework on this. And I've been here four times in recent years. And then, of course, we're privileged to have two of your own with us in the administration, Bob Mosbacher and Arthur Levitt.

And it's an honor and a pleasure to, as Bob says, talk to a group that stands for success -- a group that admits only medium-sized companies that thrive in the marketplace.

But I've got to tell you, I feel a little funny being here. After all, I'm the CEO now of an outfit that's lost money for 33 of the last 35 years. (Laughter.)

But in keeping with today's theme -- Charting Economic Growth in the '90s -- I'd like to talk about our administration's plan for generating more American success stories like your own.

Our recent success in the Gulf has renewed America's belief -- Americans' belief in themselves. In just the past couple of months, consumer confidence has soared. And the stock market, of course, has been climbing toward that 3,000 mark. Most economists predict that the recession soon will give way to a new cycle of growth. And, incidentally, our -- we agree with that assessment, inside.

But we can't rest on our laurels. There's an entire world of competition out there. The administration's economic growth package is designed to let people like you do what you do best -- create jobs, create new opportunities, create wealth.

Let's start with an issue that we all have to address in the next month. And I think Bob just talked about it -- Jim has been participating in a meeting with me in the Cabinet Room at the White House about it -- I'm talking about the issue of free and fair trade.

As you know, I have asked Congress to extend the Fast-Track trade authority.

Fast-Track, in my view, is another term for good faith. It guarantees that Congress will accept or reject the very same

MORE

agreements that our negotiators and their counterparts have worked out. And this doesn't weaken the Congress' power to review agreements; it simply prevents eleventh-hour changes that would force negotiators from all countries to start over -- to start from scratch.

Our trading partners consider Fast-Track a vital test of our reliability. And if we do not retain the Fast-Track process, we jeopardize three critical foreign trade initiatives: the Uruguay Round of trade talks, the North American Free Trade Agreement, and the Enterprise for the Americas Initiative.

Americans understand the benefits of free trade. In the last four years, exports from the United States have increased 55 percent, more than twice the rate of import growth. And export business has grown more rapidly than the rest of our economy.

This trade boom has helped everyone involved. A North American Free Trade Agreement would place us in the largest integrated market on earth: 360 million people, \$6 trillion of annual output. It would also give our neighbors access to the technologies and products that they need to improve their standards of living; further clean their environments; and create a true community of nations on our continent.

We also believe strongly in promoting trade. I have asked Bob Mosbacher to lead a government-wide effort to help small- and medium-sized companies sell their goods and services abroad. I know you support free trade, which is why I want to help you in persuading Congress to extend the Fast-Track process. Without it, we will surrender our chance to shape the emerging world economy. Without it, we risk setting off the kind of protectionist warfare that helped produce the Great Depression. And with it, American workers and businesses will be able to demonstrate their strength in a new and vibrant world market.

Let me say that we are approaching this Fast-Track process on the Hill in a totally nonpartisan manner. The Democratic leaders, several of the key Democratic leaders, are as enthusiastic about this Fast-Track authority granting as I am. And we're approaching it strictly because we believe that it is best for the United States of America. And I also know that it's good for our trading partners as well.

This brings me, then, to a second part of our growth package: creating an educated, innovative work force.

Our budget emphasizes the importance of building an America that is ready to take its place in an emerging world economy.

It stresses the absolute necessity of an educated nation. We want to reinvent the American school, to create a nation of students, to make sure that education offers opportunity to everyone.

Our education strategy starts with some very obvious truths: that schools succeed when teachers teach. When parents support the schools. When schools accept help from people with skills -- local businesses, community colleges -- that huge pool of untapped talent, our retirees. When communities fight harder to rip down barriers that prevent effective teaching, barriers such as crimes and drugs and community indifference.

And we also want to encourage entrepreneurship in education. We will support research into the best teaching methods and techniques. We want to help workers improve their knowledge and skills. Your Vital Link program offers a great way to achieve this goal. And we want to ensure that the American people are the best educated, best motivated in the entire world.

Our economic proposals also sweep away obstacles to free enterprise. What we're trying to do, we're trying to unleash the power of American imagination.

MORE

Your organization understands, I'd say better than most, that runaway government spending steals opportunity from private citizens. Last year's budget agreement -- controversial though it was -- placed real and stringent caps on congressional spending. If Congress wants to spend money now, more money on certain programs, it'll have to make the hard choices. It'll have to raise taxes or take the money from other programs.

This year, for the first time in years, federal spending will actually increase less rapidly than the inflation. And I can promise you that if Congress sends me these spending bills that break this budget, I will send them back, with a veto message. (Applause.)

But there's lots more to do. We in government must do more. As vice president, I headed the Task Force on Regulatory Relief. And as President, I remain committed to weeding out regulations that prevent people from creating jobs and opportunities. (Applause.) I see some know what over-regulation means. (Laughter.) But we're going to continue to do this and we must.

Last year regulations -- here's why -- last year regulations cost the economy at least \$185 billion or \$1,700 for every taxpayer. The government generated more than 5.3 billion hours of paperwork last year. And that's enough to keep 2 million people busy doing nothing but filling out forms.

Our Council on Competitiveness, as chaired by Vice President Quayle, attacks the scourge of unnecessary regulation. We want to let people turn their attention to the more important and rewarding work of building a prosperous future.

We've followed the same approach in looking at our tax code. We want a tax system that rewards enterprise. I have repeatedly asked the United States Congress to cut our high capital gains tax.

And I can't think of any issue that's been more badly misrepresented than this one. Our critics say that a capital gains cut helps only the rich. And in my view, they are dead wrong.

Here are the facts on it. More than a quarter of all families who file capital gains have annual incomes of less than \$20,000 a year. More than three-quarters of all families who declared make less than members of Congress. A capital gains cut isn't a sop to the rich. It rewards people who turn good ideas into goods and services -- goods and services that people need.

When taxes on entrepreneurship are high, investors have no incentive to risk money on untried businesses and entrepreneurs. Before Congress cut the capital gains rate in 1978, the pool for start-up businesses had virtually dried up. And after the cut, we experienced an investment boom. Between 1978 and 1986, the number of initial public offerings increased nearly 1600 percent from 45 to 719. The amount of investment seed money increased nearly a hundredfold, from \$250 million to \$22.5 billion. Capital gains payments to the federal government quadrupled. This is what happens when you reduce the cost of capital.

We must encourage savings and discourage debt. And for the past four years we've taxed capital gains like any other form of income. And at the same time, we have encouraged people to take on debt. Not surprisingly, people have borrowed more and invested less. Home equity lines of credit offer a perfect example. These devices, which let homeowners borrow against their increased home values have nearly tripled in volume since tax reform.

No other major industrial power taxes capital gains at nearly the rate we do. Germany and Japan enjoy much higher savings and investment rates in part because they don't punish successful investment.

MORE

My point is simple: Taxes on growth are taxes on the American dream. We should clear away obstacles to the American dream. And similarly, we should foster innovation wherever we can.

Our budget advocates increased federal support for R & D, for research and development, in basic and applied science. It also encourages private-sector innovation by extending the Research and Experimentation Tax Credit. Our administration understands the power of knowledge, and we want the tax code to reward people who turn their big dreams into revolutionary new goods and services.

And finally, this administration believes in protecting workers' earnings and savings. Our banking reform proposals -- they try to modernize the laws that affect our banking system. Let's face it: 1930's regulations and restrictions don't cut it in the 1990s.

To pick just one example, under our current laws, a California bank can open a branch in Birmingham, England, but not in Birmingham, Alabama. Think of the banking system as an irrigation network for the economy. When it works properly, it nourishes the seeds of economic growth. And when it doesn't, companies like the ones represented here can wither and die.

Our reform package tries in a very comprehensive way to make our banking system more competitive, up to date, safe and sound.

We also believe in protecting retirees from undue hardship. Eight years ago, Congress adopted measures to guarantee the short-term solvency and long-term stability of the Social Security system. Congress should resist any temptation to undermine that stability by permitting raids on the trust fund balances. We need to honor our promises to the workers and retirees. I know we've got a fight on this one. But I believe we're going to prevail.

I know I have covered a lot of ground, a lot of different -- touching on a lot of different issues here, but I wanted to make a point: Our growth package addresses the challenges posed by a new, exciting, rapidly changing world. Our themes: We want to promote growth. We want to create jobs for all Americans. We want to unleash the power of American imagination. We want to ignite people's ambitions, rather than inciting their fears.

Many people call the 20th century "The American Century." Well, we shouldn't be content with that.

The stunning collapse of communism in 1989 was no accident. During the 1980s the communist world learned that no wall, no barrier can fend off powerful ideas. It saw our prosperity and our vitality. It saw that our way is better. The prosperity of the 1980s, which began with tax cuts and pro-growth policies in the United States, transformed the entire world.

Our challenge now is to shape the revolution that we started to make the 21st century the next American Century.

And so I ask your help in that quest. Together, with business working cooperatively with government, we cannot fail.

Thank you all very much for coming to Washington. And may God bless our great country.

END

2:26 P.M. EDT

THE WHITE HOUSE

Office of the Press Secretary

EMBARGOED FOR RELEASE
UNTIL 2:00 P.M. EDT
APRIL 18, 1991

AMERICA 2000: THE PRESIDENT'S EDUCATION STRATEGY

FACT SHEET

The President today outlined his strategy to move the Nation toward achieving the national education goals and educational excellence for all Americans. The President believes we must restructure and revitalize America's education system by the year 2000.

Emphasizing that this effort is a national challenge, the President asked all Americans to take part in "the crusade that counts most -- the crusade to prepare our children and ourselves for the exciting future that looms ahead."

AMERICA 2000 builds on four related themes:

- Creating better and more accountable schools for today's students;
- Creating a New Generation of American Schools for tomorrow's students;
- Transforming America into a Nation of Students; and
- Making our communities places where learning will happen.

**I. CREATING BETTER AND MORE ACCOUNTABLE SCHOOLS
FOR TODAY'S STUDENTS**

The President called on all Americans to help create better and more accountable schools based on world class standards and the principle of accountability. He encouraged all elements of our communities -- families, businesses, unions, places of worship, neighborhood organizations and other voluntary associations -- to work together with our schools to help the Nation achieve educational excellence.

A. World Class Standards in Five Core Subjects

The President believes the time has come to establish world class standards for what our children should know and be able to do in five core subjects: English, mathematics, science, history, and geography.

- Through the National Education Goals Panel, and working with interested parties throughout the Nation, the President and the Governors will develop a timetable for establishing national standards in these five subjects, and in September 1991, and each year thereafter, the panel will report to the Nation on progress toward the national education goals.
- The standards are intended to lift the entire education system and improve the learning achievement of all students. The President and the Governors oppose a national curriculum or federalizing our education system.

B. A System of Voluntary National Examinations

Through the efforts of the National Education Goals Panel, a system of voluntary examinations will be developed and made available for all fourth, eighth, and twelfth grade students in the five core subjects.

- These American Achievement Tests will challenge all students to strive to meet the world class standards and ensure that, when they leave school, students are prepared for further study and the workforce. The tests will measure higher order skills (i.e., they will not be strictly multiple choice tests).
- The President, working with the Nation's Governors, will seek Congressional authorization for State-level National Assessment of Educational Progress assessments and for optional use of these assessments at district and school levels.
- Students who distinguish themselves on the American Achievement Tests will receive a Presidential Citation for Educational Excellence in recognition of their outstanding achievement.
- The President will seek authorization for Presidential Achievement Scholarships to reward academic excellence among low income students pursuing postsecondary education opportunities. These financial awards will be based on superior high school and college performance.

C. Schools as the Site of Reform

The Administration will help strengthen the capacity of elementary and secondary schools to improve results and to innovate by increasing flexibility in decisionmaking at the State, district, and school levels and encouraging report cards on performance.

- In addition to an annual National Report Card, the President will encourage schools, school districts, and States to issue regular report cards on their education performance. These report cards will measure results and progress toward achieving the national education goals.
- As part of his AMERICA 2000 Excellence in Education Act of 1991, the President will again seek legislation that will allow greater flexibility in the use of Federal resources for education in exchange for enhanced accountability for results.
- To stimulate reform in mathematics and science education, the AMERICA 2000 Excellence in Education Act of 1991 will include \$40 million for new grants to school districts that show significant gains in student achievement. Awards will be used for continued improvements in these vital subjects.
- The AMERICA 2000 Excellence in Education Act of 1991 also will seek funds for a Merit Schools Program for States to award individual schools that demonstrate significant progress toward the national education goals. States may "bank" funds over several years to create even more incentives for successful schools.

D. Providing and Promoting School Choice

The President believes that educational choice for parents and students is critical to improving our schools.

- The President will promote State and local choice programs as part of his AMERICA 2000 Excellence in Education Act of 1991.
 - A \$200 million Education Certificate Program Support Fund will provide incentive grants to local school districts with qualified education certificate programs that enhance parental choice.
 - National school choice demonstration projects will be supported through a \$30 million initiative.
- The Administration also will seek ways to ensure that Federal education programs are more supportive of choice.

E. Teachers and Principals

America's teachers and principals are on the front lines of transforming our schools. As part of his AMERICA 2000 Excellence in Education Act of 1991, the President will propose several initiatives to promote outstanding leadership in our schools.

- Presidential Awards for Excellence in Education will recognize and reward outstanding teachers across America.
- The President will encourage States and communities to provide alternative routes of certification through one-time grants to States to support implementation of alternative certification.
- In order to improve the training of school principals and other school leaders, the President will propose establishing Governors' Academies in every State with Federal seed money to enhance principal training through instructional and mentoring programs.
- The President will seek to establish Governors' Academies for America's teachers with Federal seed money to offer advanced instruction focusing on the five core academic disciplines.

The President also encouraged States to consider differential pay and financial and other awards for those who excel in teaching, teach core subjects, teach in challenging settings, and serve as mentors for new teachers.

II. CREATING A NEW GENERATION OF AMERICAN SCHOOLS FOR TOMORROW'S STUDENTS

The President today challenged the best minds in America to design -- and help communities create -- the best schools in the world.

A. Research and Development

A series of Research and Development Teams, funded by contributions from the business community, will help design a New Generation of American Schools.

- America's business leaders will establish and mobilize private resources for the New American Schools Development Corporation, a new non-profit organization that will award contracts in 1992 to between three and seven Research and Development Teams. These teams may consist of

corporations, universities, think tanks, school innovators and others. The teams' products will be available to the American people.

- The mission of these teams is to help communities create schools that will reach the national education goals, including world class standards in the five core subjects for all students, as monitored by the American Achievement Tests and similar measures.
- The President will ask his Education Policy Advisory Committee, as well as the Department of Education, to examine the work of these Research and Development Teams and to report on their progress.

B. New American Schools

The President will ask Congress to provide \$550 million in one-time start-up funds to create at least 535 New American Schools that "break the mold" of existing school designs.

- These funds will provide up to \$1 million for each New American School to underwrite special staff training, instructional materials, or other support the school needs. The goal is to have at least one New American School operating in each Congressional district by September 1996.
- Once the schools are launched, the operating costs of the New American Schools will be no more than those of conventional schools.
- The President also will ask Congress for start-up funds to help design state-of-the-art technology appropriate for New American Schools.
- A New American School does not necessarily mean new bricks-and-mortar. Nor does a New American School have to rely on technology; the quality of learning is what matters.

C. AMERICA 2000 Communities

The President called on every community in the country to do four things:

- Adopt the six national education goals;
- Establish a community-wide strategy for achieving the goals;
- Develop a report card for measuring its progress; and
- Demonstrate its readiness to create and support a New American School.

Communities that accept this challenge will be designated, by the Governors of their States, as "AMERICA 2000 Communities."

- Governors, in conjunction with the Secretary of Education, will review community-developed plans with the assistance of a distinguished advisory panel and will determine which AMERICA 2000 Communities in each State will receive Federal financial support in starting New American Schools.
- The Governors and the Secretary will ensure that many such schools serve communities with high concentrations of children at risk.

D. Leadership at All Levels

Transforming American education and creating a New Generation of American Schools will require the commitment of America's leaders at all levels.

- The President welcomes the commitment by American business to contribute \$150-\$200 million to support the Research and Development effort.
- The President asked the Nation's Governors to lead the New American Schools effort in their States.
- The President challenged State legislatures to: support the creation and operation of New American Schools; embrace the world class standards and adopt the American Achievement Tests; and work toward school, district, and State-level report cards.
- The President encouraged civic leaders to help organize community plans all across the country to seek designation as an AMERICA 2000 Community, and to help plan and operate New American Schools. Business can encourage local schools to use the world class standards and American Achievement Tests, and encourage schools to issue report cards on their performance.
- The President called on educators to accept new roles and to take risks. Teachers, principals, and other educators are asked to work to develop a consensus on the world class standards and to determine what it would take to create a New American School in each community.

E. Families and Children Devoted to Learning

The President called on parents to urge use of world class standards, American Achievement Tests, and report cards by local schools. Parents must play a key

role in creating New American Schools in their own communities and must work with children in the home to improve children's performance in school.

III. TRANSFORMING AMERICA INTO "A NATION OF STUDENTS"

The President believes that learning is a life-long challenge. Approximately 85 percent of America's workers for the year 2000 are already in the workforce. Improving schools for today's and tomorrow's students is not sufficient to ensure a competitive America in the year 2000. The President called on Americans to move from "A Nation at Risk" to "A Nation of Students" by continuing to enhance the knowledge and skills of all Americans.

A. Strengthening the Nation's Education Effort for Yesterday's Students, Today's Workers

To advance the goal of improving literacy for all Americans:

- The President will push for greater accountability and choice in the Adult Education Act, and will advance these twin principles in new adult literacy activities proposed under the new AMERICA 2000 Excellence in Education Act of 1991.
- The Department of Education will provide regular, timely, and reliable information by expanding the National Adult Literacy Survey and collecting information about literacy efforts on a regular basis.

B. Establishing Standards for Job Skills and Knowledge

The President urged business and labor cooperatively to develop -- and then to use -- world class standards and core proficiencies for each industry. Federal resources will be sought to provide start-up assistance for this effort.

C. Creating Business and Community Skill Clinics

Today's workers will be assisted through Skill Clinics -- one-stop service centers located in businesses and communities across America where adults can get job skill diagnosis and referral services.

- The Administration will urge businesses to make Skill Clinics available to their employees and encourage AMERICA 2000 Communities to establish community Skill Clinics.

- Federal departments and agencies will be encouraged to establish such Skill Clinics and, working with the Office of Personnel Management, will be encouraged to undertake activities to upgrade their employees' skills.

D. Enhancing Job Training Opportunities

The Domestic Policy Council Job Training 2000 Working Group will review current Federal job training efforts and identify successful ways of motivating and enabling individuals to receive the comprehensive services, education, and skills necessary to achieve economic independence.

E. Mobilizing A "Nation of Students"

The President will work to transform "A Nation at Risk" into "A Nation of Students."

- The President called on the Secretary of Education and the Secretary of Labor to convene business and labor leaders, education and training experts, and Federal, State, and local government officials at a national conference on the education of adult Americans to launch a national effort to transform adult America into a "Nation of Students."

IV. MAKING OUR COMMUNITIES PLACES WHERE LEARNING WILL HAPPEN

The President called on communities to adopt the six national education goals as their own; set a community strategy to meet them; produce a report card to measure results; and agree to create and support a New American School.

The President believes that it is essential to reaffirm such enduring values as personal responsibility, individual action, and other core principles that must underpin life in a democratic society. The aim of the AMERICA 2000 Community campaign is to make our communities places where learning will happen.

A. Greater Parental Involvement

The President urged parents to become more involved in their children's education and in the work of the New American Schools.

- Parents and teachers should encourage children to study more, learn more, and strive to meet higher academic standards.
- The President encouraged parents to read aloud daily to their children, especially their younger children.

B. Enhanced Program Effectiveness for Children and Communities

The President is committed to making government work better to improve programs for America's children and communities.

- Working through the Domestic Policy Council Economic Empowerment Task Force and with the Nation's Governors and other officials, the Administration will undertake better coordination of existing Federal programs with corresponding State and local activities.
- As part of this effort, existing program eligibility requirements will be reviewed in order to streamline them and reduce Federal red tape. Wherever possible, States will be afforded maximum flexibility to design and implement integrated State, local, and Federal programming.



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

For further info: 202-395-5750

**PRESIDENTIAL MESSAGE OUTLINES ENVIRONMENTAL STRATEGY...
PRIORITIES FOR 1991-1992 ... WHITE HOUSE REPORT LOOKS
IN-DEPTH AT ENVIRONMENTAL ECONOMICS, TECHNOLOGY,
ENERGY, LAND MANAGEMENT, BIODIVERSITY, LEGAL ISSUES**

On Thursday, April 18, President George Bush sent a message to Congress on environmental quality, along with the twenty-first annual report of the Council on Environmental Quality (CEQ). The President's message stated, in part:

"... 1990 was a landmark year in the nation's efforts to enhance environmental quality...."

"Our work, however, is incomplete. Americans are sobered by the scope of the stewardship challenge and recognize that it requires ongoing vigilance and action.... Several forces work in our favor...."

"... our national environmental strategy must be comprehensive, long-range, efficient, and adaptable to changing information about risks and benefits."

Strategy: The package laid out the Bush Administration's National Strategy for Environmental Quality. The strategy rests on several principles already embodied in Administration initiatives and recently-enacted laws. Those principles are:

- o Harnessing the Power of the Marketplace,
- o Stewardship of Natural Resources,
- o Creative Partnerships,
- o Cooperative International Solutions,
- o Preventing Pollution, and
- o Vigorous Law Enforcement.

Priorities: The President's message also identifies priority initiatives for 1991-1992, including the following:

- o Amendments to the Clean Water Act and other environmental laws, seeking opportunities to incorporate innovative, market-oriented provisions.
- o Further progress, taking advantage of legislative and executive branch opportunities, toward the President's goal of "no-net-loss of wetlands."

- o Enactment of legislation to create a U.S. Department of the Environment without extraneous provisions that have delayed Congressional action on the proposal.
- o Programs to revitalize ecosystems such as the Great Lakes, the Chesapeake Bay, and the Florida Everglades.
- o Implementation of a balanced National Energy Strategy to increase energy efficiency, increase use of alternative fuels, and develop all U.S. energy resources in an environmentally responsible fashion.
- o Negotiation of international accords with a goal of completing them for the 1992 U.N. Conference on Environment and Development:
 - A comprehensive framework convention on global climate change. [The United States is committed to the world's largest program of research and development and a series of actions that will help hold U.S. greenhouse gas emissions at or below the 1987 level through the year 2000.]
 - An international convention to monitor, protect and enhance forests.
- o Further progress on integrated U.S. foreign economic and environmental assistance, using mechanisms such as the newly-established Global Environmental Facility, the Enterprise for the Americas initiative, and the East European Environmental Center.
- o Development of a partnership between business and government to develop worldwide opportunities for U.S. environmental technology exports.
- o Efforts by a blue-ribbon panel of environmental, conservation, business, academic, and foundation leaders--the President's Commission on Environmental Quality--to promote voluntary, innovative private sector initiatives.
- o A program of Presidential "challenge awards" for achievement in conservation and environmental affairs.

"Strategic" Issues: The 408-page CEQ report, *Environmental Quality*, aims to inform and stimulate the national debate on environmental issues. The annual document is used widely as a reference by journalists, policymakers, foreign leaders, businesses, nonprofit groups, and educators. Each year's report contains information about trends in environmental quality, an assessment of public and private programs, and recommendations for future policies.

This year's report includes special reports on "strategic" issues and ideas that range across many government agencies and many sectors of society:

Where We Stand (Chapter 1) sets out a comprehensive six-point national strategy for environmental quality in the 1990s, at home and abroad. It also recaps in almanac form the environmental accomplishments and initiatives of the federal government in the past two years.

Making the Environment Count (Chapter 2) studies the intersection of economics and the environment, and considers ways the environment can be accounted for in economic and political decisionmaking: pollution prevention, marketable pollution allowances, taxes, better accounting practices, natural resource auction reforms, and greater technical assistance, education, research and development.

Technology for Pollution Prevention (Chapter 3) explores the technical and managerial aspects of a promising trend in environmental policy--pollution prevention. The chapter suggests that significant progress is possible -- especially in the energy and chemical sectors -- using existing technology and a systematic management approach.

Linking Ecosystems and Biodiversity (Chapter 4) lays out the facts about declining U.S. biodiversity, and proposes national goals and policy tools for its conservation: regional ecosystem management, a national biological inventory, a national network of bioreserves, and attention to the global context (the U.S. is engaged in negotiations to develop an international accord on biodiversity).

The National Environmental Policy Act (Chapter 5) outlines how the NEPA process can integrate efficiently the requirements of environmental and other laws. This chapter also presents abstracts on selected NEPA court cases in 1990, along with the latest data on NEPA trends.

Environmental Data and Trends (Part II) presents 141 tables and figures with text that describes the state of the environment in the following categories: population, the economy, energy, air, water, land, agriculture, forestry, protected lands, cultural and living resources, wastes, and environmental hazards.

Accomplishments: The CEQ report also includes an alphabetized almanac of federal environmental accomplishments in 1989-1990, many of which flowed from Administration initiatives. Major accomplishments and initiatives included the following:

- o The Clean Air Act Amendments of 1990;
- o A global agreement to phase out production and use of ozone-layer-depleting substances;
- o The Oil Pollution Act of 1990;
- o The most environmentally-progressive Farm Bill in history, which authorized stronger wetlands protections and the President's tree planting initiative;
- o A moratorium of up to ten years on oil and natural gas leasing in large offshore areas pending further environmental and resource analysis;
- o Sharply increased budgets for many programs including national parks, wildlife refuges, recreation areas, wetlands, environmental law enforcement, and global climate research;
- o Enhanced protection for marine mammals, the African elephant, and other endangered species; and
- o International initiatives including aid to establish the East European Environmental Center, debt-for nature swaps under the Enterprise for the Americas initiative, creation of the Global Environmental Facility to assist developing nations, and efforts toward concluding international accords on global climate change, forests, and biodiversity by the summer of 1992.

* * * * *

FURTHER INQUIRIES ABOUT THE PRESIDENT'S MESSAGE AND/OR THE CEQ ANNUAL REPORT MAY BE MADE BY CALLING 202-395-5750.

TO THE CONGRESS OF THE UNITED STATES:

Of all the great social and technological changes of the 20th century, none may be more crucial to our well-being and that of future generations than the change that has occurred in the way we view our environment. Ours was the first generation to see the many colors of Earth from the vastness of space, and to recognize that our decisions will determine whether the next generation lives in a polluted world of lowered expectations or in a world that sustains humanity and a wondrous diversity of life.

Given these high stakes, I am pleased to report that 1990 was a landmark year in the Nation's efforts to enhance environmental quality.

- o We enacted the Clean Air Act Amendments of 1990, providing the United States with the world's most advanced, comprehensive, and market-oriented laws to address air pollution, including acid precipitation, urban air quality, toxic air pollutants, and global ozone layer depletion.
- o We adopted an international agreement and enacted laws to phase out chlorofluorocarbons (CFCs) and other substances that deplete the Earth's ozone layer, which protects us from the harmful effects of solar radiation.
- o We enacted the Oil Pollution Act of 1990 and adopted a major international agreement to strengthen laws related to oil pollution prevention, liability, and response.
- o We enacted the most environmentally progressive farm bill ever. It will help farmers protect water quality and wildlife habitat and it launches a part of our America the Beautiful initiative to begin a long-term national tree planting and improvement campaign aimed at both rural and urban areas.
- o In partnership with the Nation's Governors, we developed ambitious national educational goals, while the Congress and the executive branch strengthened environmental

education programs. These actions are an essential part of our efforts to revitalize American education and to improve the environment.

- o We made other commitments to environmental stewardship, including the expansion of national parks, wildlife refuges, marine sanctuaries, and recreation areas; accelerated cleanup of Federal facilities; enhanced protection of marine mammals, the African elephant, the Florida panther, and other threatened species; and the suspension for up to 10 years of oil and gas leasing in many areas off our coastlines pending further environmental and resource analysis.

The complete record is told in this report. I am proud that our Administration played a catalytic and constructive role in securing these achievements. Progress has come from working cooperatively with the Congress, State and local governments, environmental and conservation groups, corporations, educators, and scores of individuals, as well as other nations and international institutions.

Our achievements in 1990 add to a growing national record of environmental action that has improved the quality of American life. Compared to the conditions facing Americans earlier in my lifetime, our skies are clearer, our lakes and streams are cleaner, and our major technologies are less wasteful.

Our work, however, is incomplete. Americans are sobered by the scope of the stewardship challenge and recognize that it requires ongoing vigilance and action. We know, for example, that increased trade and economic development is needed to reduce poverty and improve the quality of life for all of the world's people. However, if we fail to make wise economic and environmental choices, those needed increases in economic activity are likely to result in new burdens on the Earth's ability to sustain life. Our challenge is both to provide greater opportunities for an expanding population and to protect the environment upon which we depend.

Several forces work in our favor. Our economy is fundamentally sound, which allows us to make environmental investments and serve as a model for others. Our technology is first-rate, as is our research establishment. Our citizens are eager to make a personal contribution.

In the days ahead, therefore, we must summon the full measure of our powers to achieve environmental results. In that effort we should be guided by what science tells us about the most serious threats to our health and environment, and also by our knowledge of what works and what does not.

In particular, we must learn to harness wherever possible the power of the marketplace in service to the environment. The goal of a healthy environment may not be provided by markets acting alone. However, government regulations are blunt tools that impose unforeseen human costs. Therefore, we need to consider all costs and benefits of government programs as they are developed and expand the use of market incentives that deliver results at the lowest possible cost to society. As a corollary, we need to strengthen the base of scientific and economic understanding that supports such decisions.

Our environmental efforts should also be guided by a holistic view. The environment is composed of a seamless web of relationships between living organisms and the air, water, and land that surround them. Accordingly, rather than continue to address environmental issues in isolation from each other or from other social goals, we must expand our efforts to understand and protect the functional integrity of the environment -- and our place in it.

We can also apply American ingenuity to the challenge of preventing pollution. There is no reason to think of pollution as an inevitable problem that occurs at the end of a pipe. Quite the contrary: as pollution becomes more costly, and

because we recognize the environment is an enclosed sphere, we are finding that pollution prevention can be less costly and better for the environment.

Our efforts to enhance the quality of the domestic environment must be accompanied by comparable efforts toward global environmental quality. In these times, Americans are aware that our political and economic security is affected by actions occurring abroad. Likewise, we know that environmental threats do not stop at a line on a map. In the months and years ahead, we need to broaden our dialogue with other nations and international institutions and together address environmental issues that know no boundaries.

At home, two further principles will guide our environmental policies. First, we will continue to harness the enthusiasm and expertise of citizen volunteers. Partnerships between the public and private sectors have always been a key to our success, and their value in environmental affairs is growing. Second, we will continue to enforce environmental laws firmly and fairly. Our record and our message in this regard are absolutely clear: polluters must pay.

Taken together, these principles -- and the new programs and initiatives that are putting them into action -- represent a turning point in American environmental affairs. No longer should we as a nation focus on isolated fragments of what is in fact a complex, interconnected set of problems. Nor should we accept rigid, shortsighted measures that stymie innovation, shift pollution from one location to another, or impose unnecessary costs. In the future, our national environmental strategy must be comprehensive, long-range, efficient, and adaptable to changing information about risks and benefits.

In the coming months, our Administration will pursue a number of new initiatives to advance these principles. For example, in December 1990, I established by Executive order the

President's Commission on Environmental Quality. This Commission will soon be at work building public-private partnerships to help achieve concrete results in the areas of pollution prevention, conservation, education, and international cooperation. A program of Presidential awards for achievement in conservation and environmental affairs will stimulate voluntary activity and recognize the outstanding efforts of individuals and organizations. Each of these projects is intended to underscore my belief that environmental stewardship must flow from action by all Americans, not just from government action.

In the legislative arena, our Administration will work with the 102nd Congress toward enactment of amendments to the Clean Water Act and other laws, seeking opportunities to incorporate innovative, market-oriented provisions. We will also seek to make progress toward the goal of no-net-loss of wetlands and to strengthen programs to revitalize the Great Lakes, the Chesapeake Bay, and other productive ecosystems. And we will work for a National Energy Strategy that provides a balance among the goals of increased energy efficiency, increased use of alternative fuels, and environmentally responsible development of all U.S. energy resources.

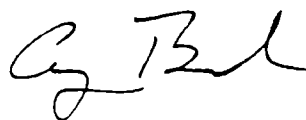
I have proposed that the Congress give the environment a permanent place at the Cabinet table by creating a Department of the Environment. Given the importance of environmental matters, both domestically and internationally, the Environmental Protection Agency is already accorded equal status with other major Federal departments in my Administration. However, I feel this policy should be established in law for the future. The Congress should reject extraneous provisions that would delay consideration of this proposal.

Looking abroad, the United States will continue to seek to conclude an international convention on global climate change in time for its signing at the 1992 United Nations Conference on Environment and Development in Brazil. In our view, such a convention must be comprehensive in scope, addressing all sources and sinks of greenhouse gases, adaptation as well as mitigation measures, and continued scientific and economic research and policy responses. The United States is committed to a series of domestic actions that have many benefits such as curbing air pollution, conserving energy, and restoring forest lands and that also help to curb greenhouse gas levels. These actions -- recently established in law or proposed by my Administration -- will hold U.S. net emissions of greenhouse gases at or below the 1987 level through the foreseeable future. An effective response to potential climate change also requires that all nations participate and meet obligations that are appropriate to their circumstances.

I have also proposed that a worldwide convention on forests be developed and ready for signing by world leaders at the U.N. conference in 1992. Forests provide diverse benefits, helping to clean our air and water, foster biological diversity, and sequester greenhouse gases. We should take steps now to protect and enhance them. In the coming year, I also hope we can move forward on U.S. proposals for integrated economic and environmental assistance in such regions as Latin America and the Caribbean, Eastern and Central Europe, and the Middle East.

The worldwide market potentially available for U.S. exports of environmental goods and services approaches \$60 billion annually, and it is growing. I have directed the Department of Commerce to assess that market, and I look forward to the creation of a partnership between business and government to develop the opportunities for environmental technology exports. This effort will help to create new jobs while enhancing the quality of life here at home and around the globe.

The causes and effects of environmental problems are diverse and complex. We should be humbled by the fact that the more we learn, the more questions arise. But unlike the situation a generation ago, we know today that ecological degradation can be halted and, indeed, reversed through rigorous analysis, constructive dialogue, and hard work. Let us work together in this generation to achieve a more productive harmony between humanity and the environment.

A handwritten signature in black ink, appearing to read "George Bush". The signature is fluid and cursive, with a large initial "G" and "B".

THE WHITE HOUSE,

April 1991.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

May 3, 1991

FACT SHEET

PROMOTING JOBS, HOMEOWNERSHIP, AND OPPORTUNITY

In his State of the Union Address, the President said: "The strength of democracy is not in bureaucracy. It is in the people and their communities....We must return to families, communities, counties, cities, states and institutions of every kind the power to chart their own destiny, and the freedom and opportunity provided by strong economic growth."

On February 27, 1991, the President announced a series of initiatives to expand choice and opportunity for individuals, families, and communities. Today, the President called for policies to promote jobs and homeownership for low-income people, and to return flexibility to local organizations to maximize opportunity for low-income people.

In St. Louis today, the President announced that his Enterprise Zone and Jobs-Creation Act of 1991 will be introduced in Congress next week by a bipartisan coalition and called on Congress to enact this important legislation swiftly. He also called upon Congress to appropriate \$855 million for the HOPE (Homeownership and Opportunity for People Everywhere) initiative in Fiscal Year 1992. The President announced that the Community Opportunity Act of 1991 would be transmitted to the Congress today. These three initiatives are vital components in the effort to revitalize America's communities and to increase jobs and homeownership for low-income people.

CREATING JOBS IN ENTERPRISE ZONES:

Enterprise zones will attack poverty by promoting investment in economically distressed neighborhoods. Enterprise zones will attract new seed capital for small business start-ups, create new incentives for entrepreneurial risk-taking, and reduce high effective tax rates on those moving from welfare to work.

- o The Enterprise Zone and Jobs-Creation Act of 1991 will target tax incentives and regulatory relief to some of our nation's most economically depressed areas.
- o The Secretary of Housing and Urban Development will designate up to 50 (urban, rural, and Indian) enterprise zones over a four year period. Competitive designation will be based on the level of distress, as well as on the nature and extent of State and local efforts to improve living conditions and to eliminate government burdens to economic activity. Designation will be for a maximum of 24 years.
- o This legislation will provide tax incentives to attract seed capital, stimulate employment, and increase the economic return from work for the working poor:
 - Workers will be eligible for a 5 percent refundable tax credit for the first \$10,500 of wages earned in an enterprise zone business. This will put up to \$525 more income in the pockets of low-income workers. The credit phases out between \$20,000 and \$25,000 of total annual wages.
 - To spur investment, capital gains taxes will be eliminated for gains on investment in tangible property (e.g., buildings and equipment) used in a business located in an enterprise zone for at least two years.
 - To encourage entrepreneurial risk-taking, individuals will be permitted to expense investments in the capital of corporations engaged in enterprise zone businesses. This essentially provides an immediate write-off for investments in enterprise zone businesses. Corporations must have \$5 million or less of total assets. Expensing will be permitted up to \$50,000 annually per investor, with a \$250,000 lifetime limit.
- o This legislation will also give enterprise zone communities priority for free trade area status. Such status would, for example, allow a business in an enterprise zone to import materials duty-free if the materials are used to manufacture products for export to other countries.
- o Enterprise zones will reduce Federal tax revenues by \$1.8 billion over five years.

REDUCING FEDERAL BUREAUCRACY AND ESTABLISHING OPPORTUNITY AREAS:

Programs providing social, child welfare, health and nutrition, education, and job training services are often delivered in fragmented ways. Allowing services to be integrated effectively will better serve the recipients of these programs, expand social and economic opportunities, and promote greater personal responsibility and individual and family self-sufficiency.

- o The Community Opportunity Act of 1991 will enable local communities to develop "community opportunity systems" and allow them to restructure Federal programs to provide services and benefits in the way the community deems best to meet the needs of the individuals and families served.
- o The legislation creates the framework for experimentation and innovation across a broad band of domestic social programs not allowed under current law. It moves Federal programs from being an impediment to being a catalyst in the work of States and localities as laboratories of change.
- o The legislation will allow a Federal administrator designated by the President to recommend to the appropriate Federal agency heads a waiver of most Federal statutory and regulatory requirements applicable to each of the Federally funded programs included in the community's opportunity delivery system. Activities carried out under the waiver must be budget-neutral overall but can target available funds to areas of innovation.
- o Communities will be able to develop community opportunity systems in which:
 - services and benefits can be integrated, combined, and collocated at the community level;
 - the system is neighborhood- or community-based, with a specified target group of individuals and families and could adopt a consolidated and streamlined eligibility process;
 - the individuals and families served can participate in the design of the system;
 - the labeling and stigma associated with participation in many categorical programs can be eliminated; and

-- the delivery system offers individuals and families in the target group of beneficiaries the maximum choice and control over the types of the services and benefits to be provided, the providers of services, and the service environment.

o Each community opportunity system will have clear and measurable goals and will be evaluated with regard to both the short- and long-term impact on individuals and families.

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THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

May 13, 1991

FACT SHEET

IMPROVING HEALTH FOR INFANTS AND CHILDREN

Improving the health of infants and children is an important objective of the Bush Administration. The prevention, immunization and Healthy Start initiatives are a vital part of the Administration's policy of investing in the future of our nation's children.

I. FOCUSING ON PREVENTION

Prevention offers the greatest opportunities for realizing a healthier America. The Bush Administration is vigorously pursuing a prevention strategy to realize that goal. The Administration's approach to improving infant and child health is part of this effort. Ten thousand of the nearly 40,000 infant deaths in America each year are preventable. Our generation has a responsibility to ensure that young people get as good a start in life as society can offer.

The Administration's Fiscal Year 1992 Budget recognizes the value of investment in prevention and in children. The Budget includes increased funding for:

	<u>increase</u>
o the supplemental nutrition program for Women, Infants, and Children (WIC);	9.52%
o breast and cervical cancer prevention;	52.4%
o smoking cessation;	7.8%
o physical fitness and nutrition programs;	13.9%
o injury prevention;	13.3%
o access to health care;	11.4%

- o lead poisoning prevention; 412.5¢
- o substance abuse prevention; 5.1¢

The Administration is also increasing evaluations of prevention and children's programs to ensure that Federal investments get the highest possible payoff.

Childhood Immunizations

Childhood immunizations are a vital prevention measure. Every year since the 1981-1982 school year, 95 percent or more of elementary students entering school are immunized against each of the vaccine-preventable diseases. However, much more needs to be done to protect pre-school children from vaccine preventable diseases; low immunization levels among pre-school children have led to measles outbreaks. In this regard:

- o For Fiscal Year 1992, the President has requested an additional \$40 million for the Centers for Disease Control's immunization program for a total of \$258 million -- an increase of 19 percent over 1991. Federal funding for immunizations has more than doubled since 1988.
- o Of this increase, \$35 million will be targeted to increasing immunizations of preschool children in low-income minority populations.
- o Three pilot demonstration projects -- in Chicago, Jersey City, and New York City -- are presently being funded to test "one stop shopping" for the children of low-income families needing immunizations.

II. IMPROVING INFANT HEALTH

The Administration's three-part strategy to improve infant health and to attack the persistent tragedy of infant mortality in the United States includes:

1. Increasing prenatal care and nutrition services for low-income pregnant women, focusing on treatment for damaging behavior such as smoking, alcohol and drug abuse.
2. Targeting services and programs to at least 10 communities with exceptionally high infant mortality rates.
3. Making the public, and especially would-be parents, aware of the sad fact that the behavior of parents often contributes to poor infant health.

Background

The U.S. has significantly reduced the infant mortality rate -- cutting the rate in half since 1970 to an estimate of 9.1 deaths per 1,000 live births in 1990. But the percent of low birthweight babies (babies who are more likely to die or face a lifetime of serious health problems) has remained essentially constant. Tragically, black infants are more than twice as likely to die as white infants. American Indian infants are 60 percent and Puerto Rican infants are 40 percent more likely to die than white infants.

One of the largest causes of infant health problems is individual behavior. For example, smoking during pregnancy leads to 10 percent of infant deaths and 25 percent of low birthweight babies; yet, over 20 percent of women continue to smoke during pregnancy. Infant health problems are particularly acute in communities overwhelmed by the near collapse of two-parent families, by shortages of available services, and by the use of crack cocaine and other illegal drugs in epidemic proportions.

The Administration's Initiative to Reduce Infant Mortality

1. A broad-based effort to expand service use.

Early access to prenatal care is critical to improving infant health, yet nearly 25 percent of mothers receive no prenatal care during the first trimester of pregnancy. Over 6 percent of women receive no care at all or wait until the third trimester to receive care.

As recently as 1988, some States set eligibility levels for pregnant women as low as 15 percent of poverty. The President proposed increasing that level, and signed legislation that would make all pregnant women and infants in families with incomes below 133 percent of the poverty standard eligible for Medicaid, an expansion that makes Medicaid available to more than two million women when they become pregnant. The initiative seeks to realize the potential for early prenatal care and also put in place targeted treatment programs.

The health initiative seeks to increase the frequency with which high-risk women seek prenatal care and develop new targeted treatment programs through the following measures:

- o improving participation in Medicaid among eligible pregnant women by 5 percent per year (60,000 women/infant pairs);
- o increasing the number of high-risk women who receive prompt, adequate prenatal care in community and migrant health centers;

- o increasing the number of pregnant women and infants who obtain adequate nutrition and healthcare referrals through the Women, Infants, and Children (WIC) supplemental nutrition program; and
- o integrating smoking and drug abuse cessation programs into public prenatal care and nutrition programs.

2. Target areas worst-hit by high infant mortality rates.

While the infant mortality rate in the United States has dropped in recent years, disparities between geographic regions of the country remain great -- ranging from a rate of 6.9 deaths of children less than one year old per 1,000 live births in Anaheim-Santa Ana, California to 23.2 such deaths in Washington, D.C. As part of the effort to reduce overall infant mortality, significant effort and resources must be committed to those areas where infant mortality rates are highest.

- o The Administration's Healthy Start initiative will target at least 10 communities with exceptionally high infant mortality rates. As announced in the April 17 Federal Register, the Federal government will fund programs that encourage high-risk women to seek more frequent prenatal care, establish new targeted treatment programs, and develop special initiatives that address non-financial barriers to prenatal care. The Administration has requested \$171 million in Fiscal Year 1992 to fund this program.
- o Programs in the targeted areas will be a testing-ground for new strategies that will serve as models for other communities throughout the country.

3. A national public education campaign.

In 1985, only 54 percent of women aged 18-44 knew that heavy drinking during pregnancy increases the chance of birth defects; only 52 percent were aware that smoking during pregnancy increases the chance of low birth weights. The health initiative will try to get the message out by:

- o cooperating with the National Advertising Council, employers and private insurers to stimulate free air-time for public service announcements;
- o targeting educational messages to schools, hospitals, community centers, business groups, and Healthy Mother-Healthy Baby networks in each state;

- o distributing maternal and child health handbooks to all pregnant women in publicly-funded programs;
- o providing information for expectant parents through a national toll-free hotline that is linked to local health care systems; and
- o developing a model program that encourages community awareness and involvement.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

May 15, 1991

HEALTH CARE LIABILITY REFORM

FACT SHEET

As part of the Administration's continuing efforts to improve the delivery of health care services throughout our nation, the President today transmitted to Congress the Health Care Liability Reform and Quality of Care Improvement Act of 1991. This new initiative will reduce the costs and increase the availability of quality health care by addressing the problems of medical malpractice. In part because of liability risks, too few physicians -- especially obstetricians and gynecologists -- are available to serve rural and low-income communities. The Administration's medical professional liability reforms will enable more physicians to serve these communities.

The Administration's proposal is built on three principles:

1. Medical malpractice reform should seek both improved quality and lower legal costs.
2. Legal reforms should reduce the incentives for physicians to practice unnecessary defensive medicine or to abandon practice in certain inner city and rural areas.
3. Incentives for states to act are preferable to Federal preemption of state law.

Background

Malpractice costs -- the direct costs of insurance, litigation, and settlements, and the indirect costs of defensive medicine -- play a significant role in the rapid growth of health care spending. The costs associated with medical liability have increased more rapidly than any other component of physician practice costs. During the mid-1980's, medical liability insurance was the fastest growing component of a physician's practice expense, rising at an average annual rate of 21.9 percent.

Nationally, between 70 and 80 percent of obstetricians have been sued, and other medical specialties have also been

significantly affected. In Miami, Florida, for example, it was recently reported that neurosurgeons with good records paid \$220,000 per year for liability insurance.

The rise in insurance premiums has forced many physicians to close certain practices, leaving some areas of the country without adequate medical services. The American Academy of Family Physicians reported that, at the end of 1985, 23.3 percent of its members had stopped practicing obstetrics because of professional liability concerns.

The fear of lawsuits has also imposed enormous costs on patients. Some doctors have begun practicing defensive medicine, in which they order vast batteries of costly, and often unnecessary, tests in order to protect themselves from the possibility of lawsuits. Researchers shy away from potentially promising products and techniques for fear of lawsuits. Moreover, the specter of litigation weakens the doctor-patient relationship, one that should be built on trust.

Legislative Proposal

The Health Care Liability Reform and Quality of Care Improvement Act of 1991 is designed to create incentives for states to implement tort and quality reforms and also address claims arising under the Federal Tort Claims Act.

To encourage states to implement tort law and quality of care reforms, a bonus pool of funds will be distributed to states that have implemented these reforms. The incentive mechanism would take effect in three years to give states time to respond. Many states have already enacted tort reforms and are well on the way to being able to comply with these reforms... The tort reforms a state would be required to have in place to be eligible for the incentive funds are:

- A \$250,000 cap on non-economic damages -- those damages beyond economic expenses (e.g., for pain and suffering); a waiver may be granted for good cause, for example, to a state whose constitution does not permit a cap;
- The elimination of joint and several liability for non-economic damages (joint and several liability makes all parties responsible for the entire amount owed to the plaintiff);
- The elimination of the collateral source rule to prohibit double recovery by the plaintiff when compensation has been received from other sources such as health insurance;

- Allowing judgments for future costs, such as future medical bills, to be paid in periodic payments rather than as a lump sum; and
- An alternative dispute resolution mechanism such as mediation or pretrial screening panels.

In order to receive incentive payments, states would also be required to institute reforms to improve the quality of health care. These steps include:

- Cooperation with federal efforts to learn the comparative effectiveness of different medical treatments;
- Improved performance in the oversight of physicians through state medical boards; and
- A requirement that physicians sanctioned by the medical boards participate in continuing medical education in areas where the board has found deficiencies.

States could pursue alternatives to those activities involving medical boards if the alternatives were equally effective.

The incentive to implement tort law and quality of care reforms would be increased payments to states and hospitals in the qualifying states on a proportional basis. The incentive pools would be created by withholding two percent from the amount payable to states for Medicaid administrative costs and one percent from the annual increase payable to hospitals for operating costs through Medicare's prospective payment system. In Medicaid, the pool would be divided among states that have implemented the necessary tort reforms and quality assurance mechanisms. In Medicare, the pool would be directed to increased payments to hospitals in complying states.

Administrative Actions

The Administration will also take several administrative actions to reduce medical malpractice problems. These include:

- Gathering and disseminating scientific findings about the effectiveness of varying types of treatment, including clinical practice guidelines;
- Shifting the approach of Medicare's Peer Review Organizations (PROs) from after-the-fact review of hospital records toward providing statistical data which will enable hospitals to compare their performance;

- Providing the public with comparisons of the operation of state boards that license health care providers, along with technical assistance for improvement;
- Evaluating current risk management practices in health care settings and establishing an interagency study group to review malpractice cases against the federal government for lessons applicable across the health care system; and
- Expanding within the Federal Employees Health Benefits Program the number of plans that offer an alternative dispute resolution process instead of litigation.

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