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LABOR

Divider Title: _____

SECRETARY OF LABOR
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT B. REICH 
DATE: DECEMBER 14, 1996
SUBJECT: THE LABOR DEPARTMENT'S ACHIEVEMENTS AND
CHALLENGES FOR THE FUTURE

Herewith a summary of the Department's accomplishments in your first term, and some possible second-term initiatives which follow naturally upon those accomplishments.

It should be noted that during the past four years, the Department reduced its employment from 18,000 to 16,000 -- without laying anyone off. The employees here have won three of the six Ford Foundation Awards for Innovation in Federal Government.

I'm also attaching a marvelous video -- which was shown to employees at our most recent "town meeting". It celebrates what they accomplished last year alone.

1. Retirement security

In the last four years:

- ✓ enacted the **Retirement Protection Act** to redress massive underfunding of "defined-benefit" pension plans, requiring employers to fully fund them. 20 million workers now have more secure pensions;
- ✓ enacted **pension simplification and portability** legislation to make it easier for small businesses to offer retirement plans and for workers to build their retirement savings;
- ✓ launched a nation-wide **pension education** program to urge workers to save for their retirement;
- ✓ stepped up **enforcement to recover 401(k) pension money** wrongfully diverted from pension plans, and conducted an "amnesty" payback period in which employers voluntarily restored such money;
- ✓ imposed a new requirement that shortens the amount of time within which employers must **deposit their workers' 401(k)** contributions (from 90 days to 15 days after start of month);
- ✓ **blocked pension reversion** legislation that would have allowed employers to raid overfunded pension plans.

In the next Congress, you might

- ✓ propose legislation requiring that all large pension plans be **fully audited** (such plans now contain \$950 billion in assets covering 22 million workers, and are not adequately protected);
- ✓ propose legislation that would adopt the remaining provisions of our retirement Savings and Security Act, including one which would require that **employers make at least a 1% of payroll contribution** on behalf of every worker;
- ✓ propose legislation protecting against **inadequate diversification** by 401(k) plans which now concentrate their assets in real estate or in the plan sponsor's own stock.

2. **Health-care security for working people**

In the past four years:

- ✓ stepped up enforcement against **fraudulent health-care schemes**;
- ✓ litigated against companies that **unilaterally terminated the health benefits they promised their employees**.

In the next term, you might

- ✓ propose legislation expanding **health insurance coverage for the temporarily unemployed**;
- ✓ increase enforcement against **health care fraud among multiple employer welfare arrangements (MEWAs)**.

3. **Readiness for the first job**

In the last four years:

- ✓ enacted the **School-to-Work Opportunities Act**, in which 150,000 companies and over a half million high school juniors and seniors are now involved;
- ✓ created the **National Skills Standards Board**, which is now developing skill standards for a wide range of industries and occupations.

In the next term, you might

- ✓ increase funding to give **high-school dropouts** minimally-adequate skills to get jobs, and to obtain their GED high school equivalency;
- ✓ expand the Work Opportunity Tax Credit to target people moving from welfare to work;
- ✓ utilize the current authority of JTPA Title IIA (adult training) for our **Welfare-to-Work \$3 billion Challenge proposal** (40 percent of JTPA IIA job-training already goes to welfare recipients).

4. Transition to the next job

In the last four years:

✓ enacted and implemented a **re-employment system** requiring that all people receiving unemployment insurance be screened immediately to determine whether they were permanently laid off, and, if so, provided with available job-training and job-search assistance;

✓ created **One-Stop Career Centers** in more than half the states, providing a full range of re-employment services behind the same door: unemployment insurance, job search, job counseling, and access to job training;

✓ established "**America's Job Bank**" on the Internet -- an on-line, full-service job search and job listing for dislocated workers -- which now lists more than a half million job openings and receives more than 7.5 million "hits" per month (making it one of the most popular places on the Internet);

✓ enacted the **Work Opportunities Tax Credit**, which expanded and reformed the old Targeted Jobs Tax Credit for hiring the disadvantaged.

In the next term, you might

✓ **consolidate all federal job-training programs into vouchers** paying up to \$2,600 in skill-grants, which dislocated workers can use at a local community college to upgrade their skills;

✓ alternatively, expand Pell Grants to include dislocated workers in non-degree programs;

✓ expand the use of one-stop career centers to include **welfare recipients** looking for work and poor teenagers seeking their first jobs;

✓ enable all workers with only a high school education to obtain at least **two years of post-secondary education** through a \$1,500 tax credit -- even if they can attend only part time (if the credit is non-refundable, expand Pell Grants to cover disadvantaged adults seeking higher education);

✓ enable workers of any age to qualify for up to **\$10,000 tax deduction** per year for their own or their families' post-secondary education and training;

✓ ensure that people who lose their jobs have minimally-adequate income support (so they don't have to go on welfare) by expanding unemployment insurance to more than the 35 percent of newly-unemployed workers now deemed eligible to receive it. This can be deficit-neutral through expanding the base of unemployment insurance and utilizing the .2 federal FUTA.

5. Safety on the job

In the last four years:

- ✓ offered employers a choice between establishing their own voluntary health and safety systems to discover and prevent safety hazards (in cooperation with their employees) or being subject to regular inspections and citations;
- ✓ changed the measure of success for OSHA inspectors from numbers of inspections and citations to reductions in deaths and injuries;
- ✓ blocked legislation and appropriations riders that would have reduced OSHA's authority.

In the next term, you might

- ✓ establish "ergonomics" guidelines and standards in industries and occupations where repetitive stress injuries are mounting;
- ✓ encourage or induce all employers to establish workplace health and safety systems;
- ✓ address problems associated with violence in the workplace, especially against women (particularly vulnerable in certain industries and occupations such as sales clerks in all-night convenience stores).

6. Core labor standards: Domestic

In the last four years:

- ✓ launched the "No Sweat" campaign against sweatshops informing consumers about which major retailers or manufacturers were contracting with domestic "sweatshops," paying below minimum wage and subjecting workers to unsafe working conditions;

- ✓ **barred such sweatshops for shipping their goods in interstate commerce (an additional inducement to getting major retailers and manufacturers involved in solving the problem);**

- ✓ **cracked down on abuses of farm workers.**

In your next term, you might

- ✓ **support legislation requiring that garments (produced either internationally or domestically) be labeled so that consumers can be assured they are not unwittingly purchasing items produced in sweatshops;**

- ✓ **expand the "No Sweat" initiative to other industries where we have found abusive labor practices, such as poultry processing.**

7. Core labor standards: International

In the last four years:

- ✓ **negotiated and implemented the North American Agreement on Labor Cooperation (the NAFTA labor side agreement), the first international agreement to link trade objectives with labor law enforcement;**

- ✓ **participated in efforts to eradicate child labor in the rug and soccer-ball manufacturing industries in South Asia -- two epicenters of child labor -- by encouraging the use of labels which assure consumers that these goods were not made by children;**

- ✓ **issued two precedent-setting reports documenting exploitation of children around the world.**

In the next term you might

- ✓ **put "core" labor standards (against slave labor, forced labor, the employment of very young children) on the agenda of the World Trade Organization, and seek to include them in other trade treaties, decisions over renewal of GSP, et al.;**

- ✓ **work with the International Labor Organization on a new convention on exploitative child labor.**

8. A living wage

In the first term:

- ✓ expanded the **Earned Income Tax Credit**
- ✓ enacted and implemented a raise in the **minimum wage** for roughly 10 million workers (restoring its purchasing power to the level it was in 1989);
- ✓ stepped up enforcement of the **minimum wage law** in low-wage industries like garment, agriculture, and janitorial services.

9. Work and family

In the last four years:

- ✓ enacted and implemented the **Family and Medical Leave Act** (producing user-friendly regulations in record time after enactment);
- ✓ launched the **Working Women Count!** Survey and Honor Roll which committed more than 1,000 businesses to improve women's pay and benefits, and make workplaces more family friendly.

In the next four years, you might

- ✓ propose legislation to **expand the FMLA**, to, at a minimum, provide twenty-four additional hours for workers to attend parent-teacher conferences and tend to routine family medical care;
- ✓ propose legislation to **allow workers to take payment for overtime in extra time off** rather than additional wages, as long as the legislation guarantees that workers, not employers, retain the power to choose.

10. Improved management-labor relations

In the last four years:

- ✓ conducted many regional conferences and a national **Conference on the Future of the American Workplace** to highlight the best labor-management cooperative practices;
- ✓ founded the **Commission on the Future of Worker-Management Relations** (also known the Dunlop Commission) which issued reports in late 1994 and early 1995;
- ✓ created the **Office of the American Workplace** to encourage cooperation between workers and managers;
- ✓ initiated an **executive order** barring federal agencies from doing businesses with employers that permanently replaced striking workers.

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HHS

Divider Title: _____



DEC - 6 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Donna E. Shalala

I appreciate this opportunity to lay out for you the accomplishments of the Department of Health and Human Services during your first term and indicate the priorities of my Department for the second term. Four years ago, you and I agreed that the American people deserve a government that works better and costs less. I remain committed to continuing the real progress we have made thus far.

ACCOMPLISHMENTS

During the last four years, we have made great strides to protect and improve the health and welfare of the American people. Guided by the goals of a healthier and more independent citizenry, this Department has made progress in a variety of ways: increased coverage and choice in the Medicare and Medicaid programs; record-high rates of infant immunizations, the lowest rates of infant mortality in U.S. history, and significantly lower levels of preventable childhood disease; more and better treatment options for individuals living with AIDS; breakthroughs in breast cancer research; more children enrolled in Head Start; increased child support collections; and more people earning a paycheck rather than collecting a welfare check. Meanwhile, we continued our drive to improve customer service, tighten management, cut red tape, and reduce waste, fraud and abuse in all our programs.

Specifically, we have made progress in the following areas:

A. Improving Health Care

- Approved 15 statewide Medicaid waivers, expanding coverage for 2.2 million Americans;
- Protected coverage for 25 million working Americans through enactment of the Kennedy-Kassebaum Law;
- Extended the solvency of the Medicare trust fund into the 21st century;
- Reduced the rate of growth in Medicaid spending from 9 percent in FY93 to 3 percent in FY96;

- Expanded choice in both Medicare and Medicaid while adding important prevention benefits, such as flu shots;
- Improved access to promising treatments by cutting the median approval time for new drug and biologic products by 35 percent since the early 1990's;
- Achieved breakthrough scientific advances including the identification of genes for common disorders such as Parkinson's disease and prostate cancer;
- Collected more than \$15 billion in savings from anti-fraud and abuse activities; and,
- Increased funding for the Ryan White CARE Act by 158 percent, tripled funding for AIDS Drug Assistance Programs, and approved nine new drugs for treating AIDS in record time.

B. Reforming Welfare

- Approved 79 welfare reform waivers for 43 states -- more than all previous Administrations combined -- to give states the flexibility they need to promote work and protect children. As a result of these policies and the improved economy, the Nation's welfare rolls have decreased by over 2 million;
- Enacted a comprehensive, bipartisan welfare reform law;
- Imposed tough new child support enforcement measures. As a result, the Federal-State partnership collected a record \$11.8 billion in child support in 1996, an increase of nearly 50 percent since 1992. In addition, paternity establishments increased by over 50 percent from 1992 to 1996;
- Increased child care funding and provided new grants to help states improve the health and safety of child care programs; and,
- Expanded efforts to prevent out-of-wedlock teenage pregnancies and ensure that communities engage in local efforts to prevent teenage pregnancy. After rising steadily from 1986 to 1991, the birth rate for teens aged 15-19 declined for the fourth straight year in 1995, according to our preliminary figures.

C. Investing in Children and Families

- Launched a major initiative to restrict tobacco access and marketing to children in an effort to prevent kids from using tobacco products.

- Reduced the rates of infant mortality, Sudden Infant Death Syndrome (SIDS), , and many common childhood diseases to all-time lows;
- Increased the rates of childhood immunization and early prenatal care to historic highs;
- Provided guidance for healthy lifestyles through dietary guidelines and the Surgeon General's Report on Physical Activity and Health;
- Expanded and improved Head Start by: increasing Head Start funding to serve 130,000 more children and their families, enhancing the quality of Head Start services, and launching a new initiative to serve infants and toddlers; and,
- In coordination with the Office of National Drug Control Policy, moved aggressively in prevention, treatment, research and public education about substance abuse -- with a particular focus on preventing substance abuse by young Americans.

D. Protecting Women's Health

- Assured women of a minimum of 48 hours in the hospital following vaginal delivery and 96 hours following cesarean delivery;
- Responded to the significant threat posed by breast cancer with increased efforts in research, prevention and treatment, including: the National Action Plan on Breast Cancer, new mammography quality standards, a new Office of Cancer Survivorship, and a dramatic increase in federal resources devoted to breast cancer research; and,
- Forged a partnership with the Department of Justice to combat domestic violence, through creating a toll-free HHS hot-line, establishing an advisory council on violence against women, and implementing the Violence Against Women Act.

E. Reinventing and Streamlining Government

- Reduced staffing by nearly 7,700 FTEs or 12 percent between 1993 and 1996, allowing HHS to achieve the President's streamlining goals nearly three years ahead of time; and,
- Eliminated an entire management level in the Department, flattening the organization; Delegated major new authorities to operating components.

SECOND TERM PRIORITIES

Although we have made great progress in the past four years, the Nation still faces tremendous health and human service challenges related to new technology, advances in biomedical research, demographic changes and transformations in the structure and delivery of health care and social services. In the second term, the Department plans to ensure that our public health and social services programs have the flexibility to address these changes and that they reflect the impact of health care reform and the transformation of welfare policies.

Specifically, we will continue to invest in the health and welfare of Americans by pursuing the following initiatives:

Ensure that Children Have Access to Health Insurance and Health Care Services: Today in the United States 10 million out of 70 million children are uninsured, and many more children are underinsured, with limited access to critical preventive and primary care services. We will continue to phase in coverage of 1 million children under current law. In order to expand health coverage for additional uninsured children, we will pursue a three-part strategy:

- Increase Medicaid enrollment among the 3 million children who are eligible for the program under current law but not yet enrolled;
- stimulate the expansion and replication of successful State efforts to increase health care coverage among their uninsured children through innovative public-private partnerships; and,
- Expand access to those community-based services which are positioned to serve high concentrations of uninsured children, e.g., school-based or school-linked health centers or Consolidated health Centers.

Improve Key Indices of Child Health: Building on our success to date, we will continue our progress in increasing early prenatal care for pregnant women, reducing infant mortality, and increasing childhood immunization rates.

Reduce Tobacco Use By Children: HHS will continue its efforts to develop and implement tobacco prevention and control programs that focus on reducing tobacco use among young children through the FDA regulations governing access and advertising and the implementation of the Synar regulations which require states to enforce their tobacco laws in order to receive federal funds.

Accelerate the Fight Against Drug Abuse: Since 1991, drug use among teenagers -- most notably marijuana use - has increased steadily. The Department plans to expand and enhance its ongoing comprehensive efforts to prevent substance abuse among young Americans, particularly marijuana use. We will continue to do ground-breaking research on treatment and prevention strategies and expand substance abuse efforts that include partnerships with families, communities, schools, religious organizations, businesses, and young people themselves.

Continue Our Progress in Fighting the War on AIDS: Our investment in basic research and AIDS research in particular has begun to pay significant dividends for people living with HIV/AIDS. New treatments, such as protease inhibitors, are offering a much-improved quality of life and the potential for extended life expectancy. We must continue this investment, especially in the areas of vaccine research and development, microbicide development, and prevention science. At the same time, we must continue to assure access to these new treatments through Medicaid, the Ryan White CARE Act, and other mechanisms.

Support Vital Medical Research: We will continue our investment in research to maintain our Nation's position of world leadership in the medical sciences. Scientific opportunities abound in areas such as AIDS, genetic medicine, the biology of brain disorders, basic pathogenesis research, the use of computers and advanced instrumentation, and therapeutic drug development.

Continue to Improve Women's Health: The Department will continue to focus increased resources and national attention on women's health issues, expanding our commitment to a comprehensive, science-based approach to address longstanding inequities in women's health. We will increase our efforts to improve women's lives, including fighting breast cancer and domestic violence; enhancing funding for women's health research and services; and focusing on reproductive health as well as addressing the needs of older women.

Help Move More People from Welfare to Work: HHS is firmly committed to the central goal of welfare reform: moving people from welfare to work. We will expand our investments in providing access to quality child care and stronger child support enforcement, to ensure that people can support themselves and their families. In addition, our highest priority is to work to ensure that, in the transition to the new welfare system, states have the flexibility they need in restoring health insurance to vulnerable groups such as legal immigrants, streamlining and simplifying their Medicaid eligibility rules and process, while protecting Medicaid coverage for all eligible individuals. We also will be working with other departments to address provisions in the law that reduced funding for food stamps for working families who have high shelter costs and hurt legal immigrants who fall on hard times through no fault of their own.

Maintain the Federal Guarantee of Medicaid for Low-Income Women, Children, and Frail Seniors: We must continue our efforts to preserve the Medicaid guarantee of coverage for families in poverty, those who are living with disabilities, and frail seniors in nursing homes. We will continue to support the efforts of individual states to expand coverage through the waiver process.

Ensure the Solvency on the Medicare Trust Fund While Making Improvements to that Vital Program: The Medicare program faces both a short-term and a long-term problem in terms of its financing. We need to stabilize the short-term financing of the Hospital Insurance (HI) Trust Fund so that it remains solvent into the middle of the next decade. At the same time, we must continue to restructure and improve the Medicare program so that it includes a greater emphasis on disease prevention among senior citizens and those who are living with disabilities.

Assist Small Business in Purchasing Health Insurance for Their Workers: The Kennedy-Kassebaum law provides new assistance to small businesses and their employees to purchase and maintain health care coverage. We should assist states in establishing voluntary health insurance purchasing cooperatives that will further reduce the cost of coverage to small firms.

Provide Health Care Coverage to Workers Between Jobs: As included in your balanced budget plan, we should provide states with funds to subsidize the purchase of insurance for up to six months for workers who are receiving unemployment compensation and who had previous employer-sponsored coverage while they were working. This is the logical next step to the Kennedy-Kassebaum law and would assist 3.1 million uninsured individuals a year including 700,000 children.

Assure the Quality of Care Delivered by Public and Private Health Plans: American consumers are understandably nervous about the rapidly changing health care marketplace. We will build on our successes of the first term by working with industry and consumers to establish better measures of quality and work to assure that quality in all types of health plans. The establishment of your new National Advisory Commission on Consumer Protection and Quality in the Health Care Industry will provide an ideal forum for the development of such policies.

Maintain a Policy of "Zero Tolerance" for Health Care Fraud and Abuse: The tremendous success of Operation Restore Trust and other efforts to assure program integrity in health care have led to record settlements in fraud cases. For the first time, Department program integrity efforts have contributed to a decline in Medicare growth. The Kennedy-Kassebaum law provides the Department with broad new authorities which we will use to reduce further the losses due to waste, fraud, and abuse.

Develop and Implement a Teen Pregnancy Prevention Strategy: Although we are encouraged by the recent decline in the teen birth rate, teen pregnancy remains a profound problem. Adhering to your call for a national campaign to reduce teen pregnancy and a provision in the new welfare law, HHS will establish and implement a national strategy to prevent teen pregnancy by Jan. 1, 1997, focusing on successful community efforts which incorporate five key principles: parental and adult involvement, abstinence, clear strategies for the future, community involvement and a sustained commitment.

Lead A "Girl Power!" Campaign: Studies show that girls tend to lose self-confidence and self-worth during the pivotal ages of 9 to 14. During that period, girls become less physically active, perform less well in school, and neglect their own interests and aspirations. To reverse these troubling trends, HHS has launched "Girl Power!", a multi-phase, national public education campaign to galvanize parents, schools, communities, religious organizations, health providers and other caring adults to make regular sustained efforts to reinforce girls' self confidence, by providing them with positive messages, meaningful opportunities, and accurate information on key health issues. We will continue our commitment to this important campaign by sending strong "no-use" messages about tobacco, alcohol, and illicit drugs; providing opportunities for girls to build skills and self-confidence in academics, arts, sports and other endeavors; addressing premature sexual activity; and focusing on physical activity, nutrition and mental health.

Launch a Collaborative Food Safety Initiative: In collaboration with the Department of Agriculture and the Environmental Protection Agency, we will enhance the safety of the food supply by detecting and responding to outbreaks of food borne disease more quickly. A new national early warning system will use the latest science to identify and track harmful food borne pathogens and speed critical information about them to public health officials throughout the country. We will also expand FDA's education and inspection of food processors, improve risk assessment for food pathogens, and provide better coordination of research efforts and responses to disease outbreaks.

Work to Create a "SafeAmerica": We have made a great deal of progress in making Americans safer in their homes, on the job, and in the course of their daily lives. We must increase this investment by working to reduce unintentional injuries, the cause of 150,000 deaths a year among children, youth, and young adults.

Expand and Improve Protections for Children: Tens of thousands of our Nation's children live without permanent homes and caring families. Incidence of child abuse and neglect nearly doubled in the United States between 1986 and 1993. HHS is committed to promoting what every child in America deserves -- loving parents and a healthy, stable home. Therefore, we will take steps, including providing technical assistance and financial incentives to states; creating initiatives to involve community leaders, parents, and the business and faith communities; and developing a public awareness campaign to increase adoptions and other permanent placements for waiting children in the foster care program.

* * *

This memorandum provides a brief outline of some of my priority initiatives and goals for the second term. I look forward to further discussions with you on these critical issues and to working to accomplish our objectives in the next four years.

In conclusion, Mr. President, we have made a tremendous start in improving the health and welfare of the American people. We have made important changes in Federal laws and worked with States and local governments to improve the ability of programs to meet the needs of the people they serve. Targeted investments in efforts to protect the health and safety of Americans in the course of their daily lives have enabled more Americans to live longer and more productive lives. We must maintain this course in the four years ahead so that we can truly prepare this Nation for the demands of the New Century.

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HUD

Divider Title: _____



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20410-0001

MEMORANDUM

FOR: The President
through Kitty Higgins, Cabinet Affairs

FROM: Henry G. Cisneros *Henry Cisneros*

DATE: December 10, 1996

SUBJ: ACCOMPLISHMENTS AND GOALS

Over the past four years, we worked hard to carry out your urban agenda and to advance your hopes for America's communities. We set out important and difficult goals: to give more power to communities, to transform public and affordable housing, to increase homeownership opportunities for all Americans, and to create a community-first, right-side-up agency.

To accomplish these goals required a commitment to nothing less than a complete reinvention of this Department. With your help and your blessing, we put forth a blueprint for HUD's reinvention. Our reinvention plan is in full swing, and in this term we made great strides toward the transformation of HUD and its programs. The work is not complete, however. The next four years will be crucial to the success of our reinvention efforts. We plan to continue our work to reinforce our successes, implement new policies, and generate new ideas about how best to fulfill our mission.

I am proud to present you with the Department of Housing and Urban Development's accomplishments during the first four years of this Administration, and to outline our goals as we move into the 21st Century.

HUD ACCOMPLISHMENTS, 1993-1996

Thanks to your economic decisions and your investment in building communities, we stopped the decades-long free fall of America's cities. Cities across the nation are coming back. City leaders today have realistic hopes and plans, solid prospects and successes. You positioned the federal government as an effective and reliable partner standing with them, and I am pleased to have played a role in developing this partnership. In four years, we made much progress on issues ranging from housing for mentally-ill homeless to the transformation of public housing, from empowerment zones to breakthroughs in the national homeownership rate.

I. HOMEOWNERSHIP RATES AT RECORD LEVELS

When this Administration took office, the national homeownership rate was stuck at 64.1 percent. High interest rates and unfriendly federal programs discouraged prospective homebuyers. President Clinton threw down a challenge: create eight million new homeowners and increase the American homeownership rate to 67.5 percent by year 2000.

Today, thanks to your economic policies and our initiatives, we are well on our way to reaching that goal. Mortgage rates averaged 7.9 percent since 1993, lower than in any Administration since the 1960s. Since January 1993, more than 4.5 million Americans became homeowners, and our homeownership rate climbed to 65.6 percent by the third quarter of 1996. That's the highest level since 1981, and the longest-running expansion in homeownership in 30 years. In the process, we transformed the Federal Housing Administration (FHA) into a results-oriented, financially accountable operation. The Vice President's National Performance Review recognized our achievements with ten Hammer Awards for significantly increasing government performance.

HUD Implemented a Partnership to Promote Homeownership

- ▶ You launched an unprecedented national public-private partnership to increase dramatically homeownership opportunity. The National Partners in Homeownership are now 62 key public and private sector organizations representing lenders, home builders, real estate professionals, nonprofit housing providers, and government agencies.
- ▶ HUD also encourages communities and states to create their own partnerships that work together toward common purposes. Already 79 local partnerships are in place, such as the Oakland Partners Toward Increasing Ownership in Our Neighborhood (OPTION). We hope to see 150 such local partnerships by June 1997.

HUD Ensured Homeownership Opportunities for All Americans

- ▶ HUD targeted homeownership education programs to women, blacks, Latinos, and recent immigrants, because statistics indicated many of these citizens faced less access to crucial information for buying homes. Our efforts are working; from first quarter 1993 to third quarter 1994, homeownership rates for African Americans rose from 42.1 percent to 44.5 percent; for Latino Americans from 40.3 percent to 43.5 percent; and for women from 48.3 percent to 50.6 percent.
- ▶ A new initiative called Democratizing Data put mortgage lending information on the Internet, allowing people to learn more about local lending practices and helping lenders track their performance in mortgage lending.
- ▶ The Office of Fair Housing and Equal Opportunity entered into Fair Lending Best Practices agreements with 100 mortgage lenders that are resulting in more mortgage loans to qualified minority borrowers and increased private sector outreach to potential homeowners who otherwise would not seek to purchase their own home.
- ▶ Since 1993, HUD approved the sale by public housing authorities of 4,700 units for homeownership -- 40 percent more than the previous four years.

HUD Made it Easier to Own a Home

- ▶ The Federal Housing Administration (FHA) cut closing costs by up to \$1,000 and speeded FHA mortgage insurance approvals from two months to two days.

- ▶ By eliminating unnecessary and overly strict requirements, the FHA gives mortgage lenders more flexibility in reaching out to borrowers.
- ▶ The Government National Mortgage Association (Ginnie Mae) cut fees for mortgage lending in targeted urban communities, saving homebuyers up to \$1 billion a year.
- ▶ HUD expanded the 203(k) Rehabilitation program, which enables borrowers to include the cost of home renovations in their insured mortgage.
- ▶ By working with Congress to extend the Home Equity Conversion Mortgage program for five years, more seniors than ever can use equity in their homes to meet financial needs without selling.

II. PUBLIC HOUSING TRANSFORMATION ON TRACK

When we began our work, we inherited some of the worst housing crises this nation has known. In some cities, public housing meant half-empty, crumbling high-rises in poverty-stricken, crime-ridden neighborhoods with zero economic opportunity. Previous Administrations essentially ignored the decay, tearing down only about 1,600 units a year while 80,000 units in poor condition continued to drain federal subsidies.

We set out to change that by launching a four-part plan to transform public housing:

- ▶ Tear down 100,000 of the worst public housing units by the year 2000, replacing them with 40,000 new units in safe communities and 61,000 housing vouchers that let public housing residents choose their own neighborhoods;
- ▶ Turn around troubled public housing authorities, by HUD takeover when necessary;
- ▶ Establish programs and incentives that encourage public housing residents to work and to achieve self-sufficiency;
- ▶ Crack down on gangs, drugs and violent crime that terrorize public housing residents.

Our goal is to help inner city residents learn and prepare for a productive role in America's future. Our plan already shows real, tangible success, as dilapidated high-rises give way to safe, sensible communities. By combining public housing construction with innovative financing mechanisms, we promote partnerships to build mixed-income neighborhoods.

HUD Revitalizing the Worst Public Housing Projects

- ▶ Already 24,000 of the worst public housing units are gone, and rebuilding efforts well underway.
- ▶ HUD aggressively implemented HOPE VI legislation, which provided \$2.6 billion to public housing authorities (PHAs) specifically to revitalize severely distressed housing units and build saner, safer public housing complexes.
- ▶ PHAs can now use federal modernization funds for demolition and rebuilding, thanks to HUD's work to reform and expand the modernization program.

Troubled PHAs More Accountable to HUD

- ▶ Aggressive action by HUD cut the number of troubled PHAs from 102 in 1993 to only 65 today, and HUD took control of those in the worst shape (e.g. Chicago, New Orleans, San Francisco).

HUD Provides Opportunity and Incentive to Public Housing Residents

- ▶ Campus of Learners creates on-site learning centers at public housing complexes designed to link residents to computers, jobs, and training to develop the skills and knowledge needed to succeed in the job market.
- ▶ The Bridges To Work demonstration program in five cities will link 3,000 low-income inner-city residents with suburban employers by providing job placement, transportation, and support services.
- ▶ We changed the rules to reward, rather than punish, work and responsibility. Rents will no longer penalize families who work, but can't yet afford a house of their own.

New Rules Breaking the Hold of Criminals and Gangs

- ▶ "One Strike and You're Out" guidelines issued by HUD help PHAs implement tougher screening and eviction procedures to keep drug dealers, gang members and violent criminals out of public housing; in Toledo, OH, these guidelines cut drug-related crime by 24 percent and non-drug-related crime by 67 percent in one year.
- ▶ HUD led an aggressive interagency law enforcement effort called "Operation Safe Home" to crack down on violent crime. Joined by the Department of Justice, the FBI, ATF, and local law enforcement agencies, Operation Safe Home can claim over 8,000 arrests and the confiscation of millions of dollars of drugs and assault weapons.
- ▶ Working closely with the Department of Justice, HUD instituted a new system to give 3,400 PHAs access to criminal records on file with the FBI's National Crime Information Center, so they can determine if applicants for public housing are convicted criminals.

III. EXPANDED HOUSING CHOICE FOR ALL AMERICANS

In order to increase homeownership rates and build stronger communities, we must guarantee that all Americans have equal opportunity to affordable, decent housing. This agency worked hard to protect the rights of Americans seeking housing.

HUD Accomplishments in Ensuring Fair Housing

- ▶ Created more than 40 housing mobility programs to help enable recipients of section 8 assistance to access moderately-priced housing in a broad range of neighborhoods and communities.
- ▶ Took a tough stand against people who deny the fair housing rights of others. Through HUD enforcement efforts, victims of housing discrimination will recover \$80 million in damages.
- ▶ Reduced discrimination in public housing. By the end of the term, we will have settled 17 major lawsuits and begun to implement remedial orders to broaden opportunity for residents and applicants for racially segregated and discriminatory public housing systems.
- ▶ Empowered jurisdictions participating in the HOME and CDBG programs to take responsibility for planning to overcome barriers to fair housing in their communities. Over 900 jurisdictions across the country have conducted an "Analysis of Impediments" to fair housing and are building local solutions to the problems they have identified.
- ▶ Created the Mainstream program to give low income persons with disabilities more housing options. The program provides housing certificates as an alternative to segregated elderly/disability housing or institutional arrangements.

IV. COMMUNITIES EMPOWERED TO CREATE ECONOMIC OPPORTUNITY

The previous Administration was big on ideas but short on action. We took the best of those ideas, added some of our own, and set out an urban revitalization strategy that empowers communities to implement locally-driven strategic plans. We are committed to the comeback of America's cities, after years of neglect and decline.

The centerpiece of our strategy is the Empowerment Zone/Enterprise Community program, which combines tax benefits, job training, and educational and support services to targeted communities. So far, 105 communities have been designated as Empowerment Zones or Enterprise Communities. Federal aid and tax breaks, based on local plans, have attracted new businesses and expanded existing companies in inner cities, creating thousands of jobs. Already in Detroit's Empowerment Zone, the revival of the automobile industry help generate \$2 billion in private investment and hundreds of new jobs.

HUD Initiatives Help Cities Use Resources More Effectively

- ▶ The Office of Community Planning and Development (CPD) streamlined the block grant process by condensing 12 required documents for four programs into one Consolidated Plan.
- ▶ CPD also implemented the Consolidated Plan/Community Connections initiative, which lets communities determine goals and performance objectives for use of the funds, creating a block grant program that reflects local priorities. Community Connections also includes a graphics component, so communities can identify need and trace application of resources on a computer-generated map. For this initiative, HUD won a 1996 Innovations in American Government award, presented by the Ford Foundation and Harvard University's the John F. Kennedy School of Government.

More Flexible Funding Helps Cities Invest in Renewal

- ▶ HUD streamlined the Economic Development Initiative - Section 108 loan guarantee process to help communities secure private funding for economic development projects. In four years, \$370 million in Economic Development Initiative grants to 112 distressed communities attracted \$2 billion in private investment, which will create up to 70,000 jobs.
- ▶ HUD implemented the HOME Investment Partnership program with a vengeance (opposed by the previous Administration). HOME block grants help cities create long-term solutions to provide decent, affordable housing. HUD will provide cities with \$1.4 billion this year for affordable housing initiatives.

V. MORE EFFECTIVE EFFORTS TO COMBAT HOMELESSNESS

In four years, we dramatically changed the Federal government's approach to addressing homelessness. Your Administration made a strong commitment to homeless programs, dramatically increasing homeless funding from \$571 million in FY 1993 to \$1.1 billion in FY 1995 -- the largest single investment ever in homeless services. To use that money most

effectively, we developed a more comprehensive, coordinated, cost-effective system designed to help homeless persons achieve residential stability and self-sufficiency.

In the past, HUD's homeless efforts comprised six separate programs with different applications and regulations, and without a coherent strategy. As a result, HUD often funded programs that operated in isolation from other resources in the community. We set out to change both the structure and the focus of HUD's homeless strategy. The Office of Community Planning and Development developed the "Continuum of Care" approach that operates on two levels: a coordinated community-based process to identify the needs of homeless people and build a system to address those needs; and ensuring that homeless individuals receive appropriate housing and services. Through its competitive McKinney Act programs, HUD strongly encourages localities to develop broad-based, public/private partnerships to identify local homeless needs and resources, and marshal public and private resources to meet clearly identified priorities.

In addition, by consolidating the application process for five McKinney Act programs into a single coordinated "Super-NOPA," HUD cut duplication and helped cities create plans to help homeless people find jobs and housing. Our approach, combined with your near doubling of homeless funding, gets results. HUD now assists 823 transitional and permanent housing providers in 345 communities, up from 215 providers in 129 cities during the previous Administration. Nearly every dollar allocated by HUD was matched by additional funds and services from community resources.

Better Funding and Targeting Increases Effectiveness of Homeless Programs

- ▶ HUD put more emphasis on helping the homeless mentally ill, who make up nearly a third of all homeless people.
- ▶ In 1995, HUD programs provided housing services -- rather than just emergency shelter - - to 290,000 homeless people, 14 times the number served in 1992. More importantly, the number of children served by our assistance programs grew from 6,500 in 1992 to 89,000 in 1995.
- ▶ We embraced your special commitment to people suffering from the AIDS virus by creating the Office of HIV/AIDS Housing. The Office manages the Housing Opportunities for People with AIDS (HOPWA) program, the only Federal housing program targeted at low-income people living with AIDS, serves as liaison to the White House and to interested parties. HUD also plays a more active role in protecting AIDS victims from housing discrimination.
- ▶ Programs specifically designed for people with disabilities will serve over 26,000 people this year, up from 2,800 in 1992. Disabilities include severe mental illness, substance abuse, HIV/AIDS, and physical disabilities.
- ▶ To improve and enhance services to homeless veterans, we established a Veteran's Resource Center and initiated a number of veterans' services. The Resource Center provides information to veterans about HUD's homeless assistance initiatives and works with the Department of Labor and the Department of Veterans Affairs to help homeless veterans obtain housing, training, and jobs.

VI. HUD DOING MUCH MORE, MUCH BETTER, WITH MUCH LESS

I am particularly pleased that this Department has been at the forefront of your reinvention efforts. We committed ourselves to transforming HUD from an inefficient, program-driven bureaucracy into a "Community-First" agency that empowers people and communities.

To fulfill that commitment, HUD changed the way it does business with communities. In the process, we created a smaller, more decentralized work force that puts more emphasis on local solutions and responds more effectively to local priorities.

Streamlining and Consolidation Make HUD More Responsive and Efficient

- ▶ Instead of relying on centralized decision-making in Washington, HUD delegated the majority of decision-making power to communities, and eliminated the entire regional level of management.
- ▶ HUD officials worked with Congress to consolidate programs and eliminate unnecessary functions, reducing the number of programs from 240 to 20 to improve operations.
- ▶ In four years, HUD downsized itself from 12,368 to 10,704 -- a 13.6 percent reduction. In contrast, the previous Administration only managed to cut less than one percent of HUD's workforce over four years.

HUD Implemented Much-Needed Management Reforms at FHA

- ▶ FHA launched an aggressive program to cut its inventory of both multifamily and single-family mortgages, earning taxpayers \$1.3 billion from mortgage sales.
- ▶ For multi-family housing projects, FHA managed to cut the approval process from over two years to four months.
- ▶ Policy changes and better oversight helped the FHA earn a clean opinion on all its financial statements from independent auditors in 1994 -- for the first time in 20 years.

HUD GOALS, 1997 - 2000

Thanks to your urban agenda and your economic policies, cities are coming back. This department will continue to focus on public/private partnerships that promote entrepreneurship and local initiatives. As you have said, we must also help cities learn to build their own partnerships with surrounding communities, in order to develop metropolitan-wide strategies that take advantage of regional strengths. With such partnerships, and with HUD's help, cities can attract the jobs and the investment they need to remake themselves.

In four years, despite difficult odds, we have succeeded in beginning HUD's transformation into an efficient, effective force for community empowerment. HUD is now better able to help more communities more constructively than ever before. But the process is not complete, and over the next four years our agency must stay on course to reinforce and extend our goals.

I. MEET GOALS OF NATIONAL HOMEOWNERSHIP STRATEGY

Our policies and initiatives helped break free a stagnant housing market and to transform the FHA into a more entrepreneurial, nimble, and responsive organization. We are well on our way to achieving our goal: a record 67.5 percent national homeownership rate. To meet that goal, HUD will continue to push its homeownership strategy.

Continue FHA Reforms and Streamlining to Promote Homeownership The FHA will enhance its reinvention success by designing innovative products and services, implementing proactive portfolio strategies that serve the public while protecting taxpayers, and improving FHA's performance measurement and accountability systems. In addition, the FHA will make it easier for buyers and lenders to use its products by opening one-stop Homeownership Centers, encouraging paperless loan processing, and expanding access to automated underwriting systems. HUD will again propose legislation needed to streamline FHA's overly complex down payment calculations and to authorize greater product flexibility.

Expand Homeownership Partnerships to Create Opportunity We propose to expand our partnerships with self-help homeownership organizations such as Habitat for Humanity to create homeownership opportunities for low-income Americans. Continued investments with Habitat and others for land acquisition and infrastructure development will help us build on volunteer efforts.

Expand Fair Lending Best Practices Partnerships Continue and expand the best practices initiative to encourage lenders and other partners to make housing loans available to more qualified minority and low-income borrowers.

Expand Support for Homeownership Zones In December 1996, HUD named the first round of Homeownership Zones. This initiative partners the private sector, community groups, and all levels of government to revitalize communities by providing flexible grants for large-scale redevelopment of blighted neighborhoods. Creating new homeownership

zones will help build hundreds of new homes and attract new urban homeowners and businesses. We plan to start a second round of grants competition in January 1997.

Continue Efforts to Create 25,000 Public Housing Homeowners This year, HUD embarked on a demonstration program to dramatically increase homeownership opportunities for public housing families. We will expand this effort nationally. By creating locally-designed homeownership programs for public housing families, HUD plans to help 25,000 public housing families become homeowners by the year 2000.

Eliminate Capital Gains Tax for Home Sales We support your proposal to eliminate the capital gains tax on the sale of homes, which will enable millions of working families trapped in more expensive houses to exchange them for less expensive, more appropriate homes.

II. CEMENT PUBLIC HOUSING TRANSFORMATION

Our plan to aggressively target the nation's worst public housing projects for demolition and reconstruction already means safer, healthier housing for low-income families. Your dedication to putting education and training within the reach of every American plays a huge role in helping build new communities. We must hold steady in our drive to transform public housing in communities of opportunity, and reinforce the tools we use to empower families and fight violent crime and drugs.

Enact "Quick-strike" Public Housing Reform Legislation For two years, we worked with Congress on proposals to profoundly change the nation's public housing system. Unfortunately, Congress failed to pass public housing reform legislation last year. We propose to reintroduce immediately a "quick-strike" public housing reform bill including provisions already accepted by both houses of Congress and the Administration, and press for quick passage.

Stay the Course To Demolishing 100,000 Units and Rebuilding Communities Already 24,000 of the worst public housing units are down, and replacement housing well underway. To meet our goals, we will continue to rely on the HOPE VI program to revitalize severely distressed public housing. Because the rapid pace of demolition may require some public housing residents to move, we need to implement programs and rental certificates to support the counseling and relocation of families whose dilapidated public housing units must be demolished.

Fully Implement Initiatives to Fight Drugs and Crime By continuing to implement "One Strike - You're Out" and the interagency Operation Safe Home initiatives, we will help PHAs win the fight to remove criminals from and improve conditions in public housing.

Continue Aggressive Oversight of Troubled PHAs We already proved that we are willing to take strong action to turn around troubled PHAs. We will continue to form "recovery partnerships" with large, troubled PHAs to address their problems. In those cases where HUD assumed management responsibilities for public housing authorities, we will redouble our efforts to implement reforms and put the PHAs into the hands of competent local boards.

Enforce Court Orders and Agreements to Eliminate Discrimination in Public Housing Through court orders and other agreements, housing authorities across the country are obligated to eliminate unequal conditions and provide desegregated housing opportunities to thousands of residents and applicants for public housing. We will continue our proactive role in partnering with jurisdictions and cities to meet these goals.

Link Public Housing Transformation With Welfare Reform As we both know, HUD cannot be a passive observer while states overhaul welfare policies. We will do everything possible to help public housing residents make the transition from welfare to self-sufficiency. To that end, we propose to expand the Bridges-to-Work initiative linking urban residents to suburban jobs to 75-100 metropolitan areas across the country. In addition, we will fight to expand Campus of Learners and Neighborhood Networks programs, which help set up community-based computer learning centers that offer education and training opportunities to local residents.

III. RESPOND TO HOMELESS, AFFORDABLE, AND FAIR HOUSING NEEDS

In the past four years, our Department addressed homeless, affordable, and fair housing issues more effectively than ever before. The continued critical shortage of affordable, accessible rental housing in many communities, combined with the abuse by some operators of HUD programs, means we must recommit ourselves to reform efforts and renew our search for solutions.

Maintain Adequate Section 8 Funding The most critical issue facing the Department in coming years is the threat to project- and tenant-based rental subsidies for nearly three million units. Next year, over 1.8 million Section 8 contracts will expire -- and that number will rise to 2.8 million by 2002. Failure to renew these contracts will hurt low-income families and could result in sharp rent increases, eviction, and homelessness.

Restore Tenant-Based Section 8 Rental Assistance This Administration strongly believes that tenant-based Section 8 rental assistance could be our strongest tool to address housing problems faced by low-income Americans. Housing vouchers can play a vital role in helping families transition from welfare to work, and to help homeless families transition from the streets to self-sufficiency. Between 1994 and the present, however, Congress eliminated virtually all new rental vouchers. We will work to reverse this policy direction.

Ensure HUD Program Recipients Affirmatively Further Fair Housing While housing authorities, assisted housing providers, local jurisdictions, participants in HUD lending programs, recipients of community development funds and others receiving federal funds have been under an obligation to "affirmatively further fair housing" since 1968, we will continue to refine, clarify, and encourage compliance with this obligation through targeted grant programs and other vehicles.

Make Housing Accessible to Persons with Disabilities Provide funding² and technical assistance to help persons with disabilities locate or remodel housing to provide the accessibility features needed by the individual.

Enhance Tools to Crack Down on Negligent Landlords After the last four years, landlords of assisted housing properties should know that HUD will no longer turn a blind eye to abuse. We will continue to improve living conditions in federally assisted housing by increasing resources for investigation and enforcement, and expanding the use of Special Workout Assistance Teams (SWAT) to crack down on negligent landlords. We will also seek changes in bankruptcy and tax laws to prevent bad landlords from taking refuge in bankruptcy courts and help HUD take over their properties.

Consolidate all McKinney Act Homeless Programs Our consolidation of the application process for six McKinney Act programs into one "Continuum of Care" super-NOFA was a success. To cut bureaucracy and increase effectiveness, we will again try to create a single Homeless Assistance Fund available to localities for comprehensive approaches to moving people from streets and shelters into transitional or permanent housing.

IV. BUILD ON THE FOUNDATION OF COMMUNITY EMPOWERMENT

From the beginning of this Administration, we focused on bold strategies to partner with communities by providing them with flexible tools to assess their economic development needs and to tailor local responses. We intend to build on our successful first-term initiatives and push hard for the President's community and economic development agenda. We will also work to foster cooperation within metropolitan areas, so that cities and suburbs work cooperatively rather than competing with each other.

Implement a Second Round of Empowerment Zones The first set of Empowerment Zones sparked urban revival and private sector investment in inner cities throughout the country. To build on that success, the second round must include more incentives for business location and expansion in inner cities, and also encourage residents of distressed neighborhoods to connect with training and job opportunities in the larger metropolitan area. Specific proposals include portable wage subsidies and regional economic development strategies.

Reinforce Efforts to Clean Up Urban "Brownfields" The President's Brownfields initiative directed HUD and the EPA to help clean up contaminated and abandoned properties that ruin urban areas. Pilot projects are underway; a \$200,000 Brownfields in Cleveland leveraged over \$4.2 million in private sector investments, created 200 jobs, and raised \$1 million in payroll taxes. Our two agencies will work together to revitalize polluted areas and create new jobs by offering tax incentives to spur private cleanup of brownfields sites, and by providing funding for cleanup and redevelopment activities.

Expand Job Training Through the Youthbuild Program Youthbuild combines on-site construction work with academic and job skills training for disadvantaged youth. It is popular with both business and with organized labor. We want to more than double funding for the Youthbuild program.

V. CONTINUE REFORMS TO FULFILL HUD'S TRANSFORMATION

In 1994, we published the "Reinvention Blueprint" which laid out our long-term plans to fundamentally overhaul, streamline, and downsize HUD. Our accomplishments in sticking to this plan speak for themselves. We still have much to do, but we intend to stick to our Blueprint until we achieve HUD's transformation into a "Community-First" agency that focuses on the work of listening to customers and designing "one HUD" ways to respond.

Overhaul FHA Multifamily Housing Portfolio For the past two years, we pushed proposals to address excessive costs and subsidies plaguing the FHA's inventory of 8,500 projects that have mortgage insurance and also receive project-based rental assistance -- at above-market rates. Congress authorized a portfolio reengineering demonstration project for expiring rental assistance contracts. We must work with Congress to expand this program, and also to make tax law changes so owners will be willing to restructure their debt.

Continue Downsizing to Appropriate Levels We cut 2,000 employees in four years -- without layoffs. We need to continue our efforts to reduce the Department's work force, to meet our budget goals. We can do it -- without layoffs -- by moving aggressively with new buyout authority and by continuing to consolidate programs and operations.

Move Operations Closer to the Customers The HUD Transformation Plan includes changes intended to improve our customer focus. To make ourselves "Community-First" means that field staff -- those on the front line for HUD's customers -- need maximum flexibility and authority to address local needs and solutions. We want to implement fully changes already tested in the field, such as establishing new Customer Service Representatives in field offices and implementing front office technology enhancements that help our field staff respond to customer concerns.

CONCLUSION

When we took over in 1993, HUD was a demoralized, bureaucratic thicket, more focused on process than results, and on old federal programs than new local initiatives. We set out to change all that, to transform HUD into an efficient, effective partner to help our nation's communities resolve difficult housing and community development needs. In four years, we proved that the Federal government still plays a necessary role in helping communities protect our most vulnerable and poorest citizens. Over the next four years, we will continue our effort to transform this Department from an uncaring bureaucracy into a true partner for change in our poorest communities.

I am proud to have been a member of your team as we fought to forge a new accord between the American people and their government. What we began in the first term, and will continue in the second, is to reinvent HUD into a more entrepreneurial, more responsive housing agency that works in partnership with communities. We can provide the tools and the management skills necessary to help coordinate and implement local strategies, developed by local leaders, to deal with local problems. In this way, HUD will help build the foundation for your Bridge to the 21st Century.

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THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

December 9, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Federica Peña *Federica Peña*

SUBJECT: Accomplishments During Your First Term and Challenges Ahead

Following is a summary of the Department of Transportation's major accomplishments during your first term and a summary of major issues for the next term. This memorandum is organized into three parts:

- A brief overview of America's transportation system
- The Department's major accomplishments over the last four years
- Challenges for the next term.

AMERICA'S TRANSPORTATION SYSTEM

The Nation's transportation system represents a huge national investment that has been put in place over the course of the Nation's history. Current economic progress heavily depends on transportation and our future progress requires that we continue to improve and maintain it.

The U.S. transportation system comprises an extensive physical network: more than 3.9 million miles of roads and more than 576,000 bridges, more than 5,000 public-use airports, 168,000 miles of railroad routes, more than 7,400 miles of rail transit track, 470,000 miles of pipeline, and more than 3,000 berths at Great Lakes and ocean ports. America's transportation network is the largest in the world.

Americans travel more than ever before. Annual passenger-miles per person, including commercial and personal travel, rose from about 11,400 in 1970 to 16,800 in 1994. The Nation's freight transportation systems carried goods worth more than \$6.3 trillion weighing 12.4 billion tons, yielding a total of 3.7 trillion ton-miles in 1993.

The Federal infrastructure investment programs have been a catalyst for economic development over most of this century. We cannot remain competitive as a nation in the global economy without an adequate transportation system. Therefore, the role of the Federal government is critical in balancing physical investments, like concrete, asphalt and steel, and public policies that provide for safety, the environment and support of people.

Transportation is critical to economic productivity, but it also poses risks -- to the lives and property of those using the system, to the environment, to neighborhoods. Our responsibility is to maximize the benefits of transportation and to minimize adverse consequences of the transportation system.

WHAT WE HAVE ACCOMPLISHED

The Nation's transportation system is important to the economy and early on we recognized that we must focus on how we can make the transportation system more efficient, safer, and more environmentally sound. One requirement is to focus on transportation as a unified system. That means we need to think not only about our distinct modal systems, but how they link together.

In order to set and keep that focus, I developed a DOT Strategic Plan in the first year of our Administration and have used it over the first term to manage the Department and its operations. Key accomplishments under that plan are outlined below.

Strategic Investment in Transportation Infrastructure

When you took office four years ago, you made a commitment to reduce the Federal budget deficit, and increase investment in our Nation's infrastructure. The Administration's success in dramatically reducing the Federal budget deficit is well known. Less well known, however, is our success in increasing Federal transportation infrastructure investment.

- **There has been a significant increase in Federal investment in transportation infrastructure -- highways, bridges, transit systems, airports, and intercity train service -** from an annual average of \$21.1 billion under the four transportation appropriations bills signed by President Bush to an annual average of \$25.7 billion during the Administration's first term, or nearly 25 percent. The economy has performed well over the past four years, and transportation infrastructure has been a key element of that performance, responsible for hundreds of thousands of new jobs, and for shaping an intermodal transportation system to drive a mobile and diversifying economy.
- **Under the Partnership for Transportation Investment initiative, we have supplemented our traditional grant programs with innovative financing, stretching our transportation investments further.** Our efforts, which have focused on public-private partnerships, have accelerated 74 projects in 35 States with a total value exceeding \$4.5 billion. As a result, projects like the Alameda Corridor in California and State Highway 190 in Texas cost the Federal government less and will bring benefits to the economy sooner. In the latter case, the Texas DOT loaned \$135 million in Federal-aid funds to the Texas Turnpike Authority, which was combined with over \$500 million in bond proceeds from the private sector. Construction on this project will be initiated over a decade earlier than originally planned and is expected to relieve existing congestion on other highways in the north Dallas area.

- **The National Highway System** was designated in legislation late in 1995. That delivered on the promise of ISTEA to focus Federal investment on highways of greatest national significance. Intermodal NHS connectors are being identified to improve the Nation's intermodal transportation system.
- **State Infrastructure Banks**, proposed by the Administration and approved by Congress in the NHS Act, are now being established in 10 pilot States. The banks, which can now be established in all States, will offer new financing tools for a variety of transportation improvements -- such as toll roads and intermodal terminals. At the Administration's request, in FY 1997 DOT was given authority to select additional states to participate in the SIBs. While projects are just being initiated under the new SIBs so experience is limited, some have suggested a potential for as much as a 4-to-1 leveraging factor from funds deposited in SIBs.
- Over the past four years, we completed 19 **full-funding grant agreements for transit projects** totaling over \$7 billion. When State and local match funds are considered, these projects will result in the investment of over \$12 billion in new mass transit infrastructure in cities from coast-to-coast, far more than the investment in any comparable four-year period. During the four years of the Bush Administration, FFGA commitments totaled less than a billion dollars for seven projects. During the Clinton Administration, some 25,662 new buses and 591 new rail transit cars have been purchased. More than 57 miles of new Light Rail Transit service -- and 72 new stations -- have opened in California, Texas, Missouri, and Colorado. More than 46 miles of new Rapid Rail have opened, along with 31 new stations, in four East Coast cities, and in San Francisco and Chicago.
- We strengthened the link between transit and communities through our **Livable Communities Initiative**. This initiative focuses not on construction of new transit facilities, but on making existing transit facilities community centers, for example, adding day care and other community services at transit stations. The goal is to make transit stations customer friendly, community oriented and well designed through active community involvement. We have awarded 21 separate grants totaling over \$37 million to demonstrate the benefits of community sensitive transit in places such as Corpus Christi, Texas and Oakland, California. Many of these projects are in Enterprise Community/Empowerment Zone areas. Here in the Washington area, we are funding improvements to Metro's Rosslyn, Virginia station to enhance the attractiveness and customer friendliness of the station for the benefit of its 22,700 daily passengers.
- Transportation infrastructure includes **FAA's air traffic control system modernization program**. At the start of the first term, the program was suffering from major delays, massive cost overruns, and severe management problems in the face of rapidly proliferating breakdowns of ancient equipment. We brought in a new management team and completely restructured the program. The modernization program is now back on track and costs are under control. This corrective action saved the taxpayers an estimated

\$1.6 billion and is bringing important safety systems on line now.

Strengthening American Industry

Transportation providers represent a large and important economic sector and source of American jobs. When you took office, the airline industry was operating deep in the red, having lost \$10 billion over three years. America West, Continental, and TWA were under Chapter 11 bankruptcy protection. The malaise of the airlines was spreading to the aerospace industry. The U.S. flag ocean shipping fleet had been declining due to lack of coherent policy under twelve years of Republican Administrations. Other transportation sectors struggled under burdensome regulatory restrictions. As a result of strong Administration action, we have been able to revitalize the entire transportation industry.

- In 1993, we proposed and secured congressional authorization for a National Commission to Ensure a Strong Competitive Airline Industry. The Administration responded to the Commission's recommendations with its **Aviation Initiative** to promote competition and revitalize our aviation and aerospace industry. Today no major carriers are operating in bankruptcy. The airline industry has enjoyed unparalleled success during the last 12 months, reporting three consecutive record-breaking quarters and a \$2 billion profit. With the Administration's encouragement, the airlines have arrived at progressive collective bargaining agreements with their workforces, including several major initiatives focused on employee ownership and gain-sharing. New orders for aircraft are spurring job growth in the aerospace industry.
- Our Administration has sought "**Open Skies**" agreements to encourage unrestricted international competition. In 1994, I issued the first international aviation policy statement in 18 years, defining the nation's commitment to liberalized passenger and cargo service throughout the world. Under this doctrine, the Administration has achieved 41 new or expanded progressive aviation agreements on six continents, including fully liberalized agreements ("**Open Skies**") with 11 European countries. Our policy has led the world in setting the standard for openness/ competition, and others are now following the U.S. As an example of how effective these agreements can be, as a result of the U.S.-Canada agreement reached in 1995, passenger traffic is up over 2 million, and the net economic gain for Canada and the United States is estimated at \$3.8 billion in the first 18 months since the agreement was signed.
- The Administration's **Maritime Security Program** was enacted this year, reinvigorating America's merchant marine and establishing a framework under which it can achieve international competitiveness. Before passage of the Maritime Security Program, the U.S.-flag fleet was disappearing as a participant on the international scene. With the Program, its existence is virtually assured for at least the next ten years. At the same time, the program provides integrated emergency sealift resources - equipment, systems, and facilities as well as ships - to the Department of Defense at very competitive costs.

- **Our National Shipbuilding Initiative** has reversed decades of decline in American shipbuilding. For over 30 years, no American-made commercial vessels were sold to overseas buyers, but, since 1993, American shipyards have signed contracts with a total value of \$908 million to produce and export 15 vessels from 1994 to 1998. U.S. shipyards are competing effectively for international orders and modernizing their operations with technical support from DOT and DOD.
- **My successful trade promotion missions** to nine Asian countries in November of 1995 and to Chile in April of 1996 and trade advocacy letters to key foreign government officials in support of the Administration's export policy have resulted in nearly \$2 billion in aircraft sales and multi-million dollar contracts in airport development, dredging equipment, and rail network consulting services.
- In 1995, our efforts to promote competition were successful in encouraging Congressional passage of legislation prohibiting the States from regulating intrastate trucking operations. As a result, consumers will save \$3 to \$8 billion per year due to an enhanced competition and better trucking services.
- **The railroad industry is operating at a high degree of profitability** and under the Administration's leadership, arrived at new industry wide collective bargaining contracts in the summer of 1996. This was the first time in decades that management and labor reached agreement without a strike and without Congressional intervention.
- **Small and disadvantaged businesses** have benefitted from the Administration's aggressive efforts to help them win transportation related projects in competitive bidding. Our **Bonding Assistance Program**, which was underutilized in the past, has grown from \$600,000 in 1993 to \$15.5 million in 1996. Small businesses across the country have grown as a result.

A Safer and More Secure America

Americans depend on government, and especially the Federal government, to ensure that personal travel and the movement of goods are as safe as they can possibly be. At the same time, transportation systems must be protected from illegal activity that threatens the security of travelers. Government's role is also key in ensuring a clean and healthy natural environment for our citizens.

America has one of the **safest** transportation systems in the world, and actions taken by the Administration have further enhanced transportation and security.

- We mandated **One Level of Safety** for airlines in December 1995 requiring all **commuter airlines** (those that operate scheduled airline passenger service with airplanes

having 10 seats or more) to operate under the same safety rules and to meet the same pilot training requirements that apply to larger airplanes. Airline passengers and employees on smaller aircraft will benefit from these stricter safety standards. This was the most comprehensive rulemaking in FAA history.

- The Coast Guard's drug interdiction activities have resulted in the seizure of over 138,000 pounds of marijuana and 83,000 pounds of cocaine over the last four years. The estimated street value of these drugs was \$9.8 billion. These and other efforts have deterred the transport of illegal drugs into the United States and reduced the threat of drugs to American young people.
- Socio-economic and political unrest in countries surrounding the United States and beyond often requires that the Coast Guard respond above and beyond normal operations, specifically when migrants flee en masse to the U.S.. In the summer of 1994, the Coast Guard interdicted and rescued over 56,000 Haitians and Cubans from unsafe vessels bringing them safely ashore or repatriating them to their home countries.
- A White House Commission under the leadership of Vice President Gore is reviewing aviation safety and security. The Commission is completing its work, and the FAA is now implementing the recommendations contained in the Commission security report. New security directives were issued to raise the levels of control on checked and carry-on baggage and cargo and to strengthen general security posture at airports. Also, \$300 million in additional funding was made available at the urging of the Administration and has been used for such items as K-9 team training, new high tech explosive detection devices to be installed at airports, and additional security personnel.
- To provide the public with more information about possible risks in international air travel, the FAA initiated assessments of foreign countries' capabilities to provide safety oversight of their air carriers that operate in the U.S. In fiscal year 1995, we conducted 12 initial assessments and nine reassessments and provided technical assistance to more than 66 countries to improve flight safety among their carriers. This effort was recognized with the Aerospace Industry Award for contributions to international safety.
- We initiated a broad range of actions targeted at the 41,000 deaths and 5 million personal injuries from highway crashes each year. As a result of combined efforts, safety belt usage reached an all-time high in December 1995 of 68 percent. From 1993 to the end of 1995, 27,500 lives were saved from safety belts and 1,600 from air bags. National programs reach out to new State and local partners, including health care professionals, to identify causes of crash injury in each local community and develop new strategies to educate the public and improve program delivery, with the goal of reducing deaths, injuries and medical care costs.
- Collisions between trains and highway users at grade crossings are at their lowest levels

ever. DOT funded the **Always Expect a Train** campaign to educate the public about grade crossing safety and we developed an action plan to reduce further the hazards associated with grade crossings. One result of the plan to date is that there are 12,000 (4.2 percent) fewer such crossings today than in 1993. Grade Crossing fatalities were down 30 percent for the first six months of 1996 relative to the same period in 1995.

- The Coast Guard's implementation of the **Oil Pollution Act of 1990 (OPA 90)** has been instrumental in improving the safety of waterborne transportation of oil. As a result of Coast Guard's efforts, the annual volume of oil spilled declined to less than half the volume spilled in the years leading up to OPA 90, and our oil spill response was much more effective. Under, OPA 90 we required vessels carrying oil in bulk to have a double hull, developed a database of deficiencies on vessels, educated the public and industry in order to prevent oil pollution, and expanded Coast Guard response capability. A **Certification of Financial Responsibility (COFR)** rule was issued in June 1994, ensuring that potential polluters can pay their liability limits.

Technology for the 21st Century

The transportation system's ability to meet the travel demands of the 21st century depend heavily on new technology to expand capacity and manage traffic. The department has put a high priority on promoting new technological applications in transportation.

- In January 1996, we launched *Operation TimeSaver*, an initiative using the **Intelligent Transportation System** technology (such as cameras and roadway sensors to relay congestion information to Traffic Management Centers, which can then advise drivers) developed by the Department under ISTEA and previewed in our successful cooperative effort to move traffic during the 1996 Atlanta Olympics. *TimeSaver* is designed so that, when it is in place, the daily travel time of Americans in congested metropolitan areas could be cut by 15 percent. Americans who now commute two hours a day would save almost 80 hours a year, the equivalent of a two-week vacation.
- In April 1996, you issued a Decision Directive which assured reliable civilian use of the **Global Positioning Systems (GPS)**. GPS is becoming the world standard for navigation and positioning in all modes of transportation. Using signals from GPS satellites and high-tech new digital data link capability, it is possible to track aircraft, vessels and vehicles throughout the transportation system. For example, new cockpit equipment developed by FAA provides pilots with the equivalent of radar-like coverage no matter where they are flying in the system -- worldwide, without the need for additional and costly ground-based radar. With GPS, the Department has brought free-flight down to 29,000 feet, which saves time and money for the airlines.

A Government that Works Better and Costs Less

You and the Vice President have committed yourselves and the Administration to improving the government's ability to provide services to the American people. The Department of Transportation has been a leader in meeting the Administration's reinvention goals.

- Since the end of FY 1992, DOT has reduced its workforce by over 11,000 employees, a net reduction of more than 10 percent, even as staffing was added in key safety areas such as air traffic control and aircraft inspection.
- At the urging of the Administration working closely with labor representatives, Congress authorized new FAA personnel and acquisition systems. The new personnel system will require fewer resources, provide increased flexibility, incorporate state-of-the-art best practices, protect employee rights, and support enhanced productivity. The new acquisition system cuts the cost and time it takes to field critical equipment and systems in the National Airspace System. It has already produced results: FAA awarded a billion dollar contract for air traffic computers based on off-the-shelf technology for the busiest airport terminals in 6 months, compared to the typical 18 months from Request for Proposals to contract award.
- The Coast Guard is carrying out a streamlining that will eliminate layers and better align its programs and command structure. Shifting headquarters staff to the field, decommissioning inefficient older ships and aircraft, and consolidating unneeded offices will not only improve performance but also save money while freeing hundreds of millions of dollars in property for other uses. The streamlining has been producing real savings -- \$376 million in the past four years, and will produce savings of over \$2.6 billion by 2002.
- Capping a gradual history of transportation economic deregulation, Congress, at the Administration's urging, finally sunset the Interstate Commerce Commission (ICC), eliminating many non-rail ICC functions and transferring rail regulation to a new, independent Surface Transportation Board within DOT. The Brookings Institution and experts elsewhere have estimated the annual consumer savings from deregulation reforms at \$40-100 billion.
- DOT has eliminated over 1,200 pages of Federal regulations and has revised or simplified another 2,100 pages. That totals nearly 50 percent of the Department's regulations
- DOT teams have received 47 Hammer Awards from the Vice President, among the highest number for civilian agencies.

CHALLENGES AHEAD

The next four years will be a pivotal time for the Federal transportation program. The Intermodal Surface Transportation Efficiency Act (ISTEA), the authorizing legislation for the entire surface transportation program, is set to expire on September 30, 1997. We are working with OMB to develop the Administration's proposal for reauthorization of our highway, transit, rail and related safety programs.

Aviation ticket taxes, which finance the air traffic control system and airport improvements, expire at the end of this month. The Administration will need to deal with a short term funding requirement while we transition the FAA to a true user-fee based organization on a sound financial footing.

We must continue our emphasis on transportation safety and security. The White House Commission on Aviation Safety and Security will finish its work in the coming months and we will work to implement the Commission's recommendations. Our highway safety programs will be reviewed as part of ISTEA reauthorization.

Throughout the next term, we will continue our efforts to enhance technology and to streamline the Department's organization.

Reauthorizing the Surface Transportation Programs

The reauthorization of ISTEA will set the structure and direction of highway, highway safety, transit, and rail programs. Key goals will include: continued infrastructure investment, ensuring that surface transportation is integrated and that these investments promote environmental enhancement, safety, and the welfare of all Americans. Following are the factors that we as an Administration need to consider in working towards reauthorization.

- **The Nation's infrastructure is critical to a healthy economy.** Transportation affects the cost of moving people and goods, and influences the price of our goods in this country and our competitiveness abroad. A recent study found that, for the period 1950 to 1989, for every \$1 million increase in the stock of the non-local highway network, a continuing average annual savings across all industries of at least \$240,000 was achieved. While somewhat lower savings could be expected today, when much of our investment is maintaining the stock we have previously built, we are ensuring the continuation of the annual productivity cost efficiencies already achieved. These efficiencies are a major element in our ability to compete with other economies that have lower wages.
- **Increased Federal investment in transportation will increase total investment** which likewise is a key ingredient of a healthy economy. Recent data clearly shows that Federal investment is a catalyst for increased total investment, through local match requirements, innovative financing and complementary investments from the private sector. With

Federal leadership, we can focus on key areas such as enhancing the flow of cross-border traffic as NAFTA continues to benefit U.S. exports and imports.

- **Focus on outcomes for people and communities** by reconfiguring safety grant programs, retaining the current Congestion Mitigation and Air Quality program, and consolidating transit programs. We need partnerships and flexibility in decision-making to ensure that our investments are leading to measurable improvements in safety, congestion and air quality. We will also focus on the ability of transportation projects and programs to contribute opportunities in the move from welfare to work.
- **The Federal investment programs have been a catalyst for economic development over most of this century.** We cannot remain competitive as a nation in the global economy without an adequate transportation system. Therefore, the role of the Federal government is critical in balancing physical investments, like concrete, asphalt and steel, and public policies that provide for safety, the environment and support of people.
- **Administration-proposed spending levels for ISTEA will be critical.** The rising cash balance in the Highway Trust Fund (\$25 billion in FY 1997) has been used as a reason to alter the budgetary treatment of ISTEA programs. In the House, Chairman Shuster is expected to continue his effort of last year (which passed the House) to take the Trust Fund off budget and is expected to seek the current tax revenues now allocated to deficit reduction. House Budget Committee Chairman Kasich is pushing a proposal of tax turnback. Either of these would present further complications for both the Administration and Congress in finding a mutually acceptable balanced budget solution.

Financing the Federal Aviation Program

Financing of the Federal Aviation Administration programs entails both a short-term extension of the current aviation ticket taxes that expire in December and transitioning to user-fee financing for an FAA that will operate in a more business-like manner. Both will involve major legislative initiatives and, if not successfully completed, will place a severe strain on Federal financial resources and complicate efforts to balance the budget.

- The current aviation ticket taxes will expire on December 31, 1996. If the taxes are not renewed, amounts in the Aviation Trust Fund will carry the FAA only until July 1997. While there is interest in the subject, there is no consensus on a permanent solution. We need to renew aviation taxes on a short term basis to provide the FAA with funding until a long term user fee structure is put in place.
- The National Civil Aviation Review Commission was established by the Federal Aviation Reauthorization Act of 1996 to assess long term funding (as well as safety). The Commission is to consist of 21 members with 13 selected by the Secretary of Transportation in consultation with the Secretary of the Treasury. The remaining eight

members are being selected by the Congressional leadership. It is important that the Administration's Commission members be named as soon as possible, so that we move expeditiously in developing consensus on a long term solution to the FAA's financing requirements.

Reducing Transportation Fatalities and Enhancing Transportation Security

We are committed to improving transportation safety, but that will be a challenge given trends in the factors that affect safety.

- Highway travel will continue to increase; the economy is expected to continue to improve and historically there has been a correlation between economic expansions and increases in fatalities. Trends over the past four years indicate that process is, at least, stalled, and new measures, including new control technologies, will be needed to resume progress toward lower fatality rates.
- The high-risk youngest segment of the driving population will increase, a simple outcome of demographic factors. Younger drivers tend to be involved in greater numbers of crashes. Greater attention will be needed to education and the interaction of drugs, drinking and driving.
- Air bags have saved over 1,600 lives to date, but children and small-statured drivers sitting in front of air bags can be at risk in low-speed crashes. We are evaluating alternatives to protect children and maximize the safety benefits of air bags.
- Even though aviation remains the safest form of transportation, recent crashes have brought intense public attention to aviation safety. We will have to continue to be vigilant and be proactive in our regulatory agenda if we are to meet our announced goal of "zero accidents." Early initiatives will include heightened surveillance of newly certificated air carriers, creation of an FAA national certification team, and increasing the number of aviation safety inspectors.
- Similar initiatives will be needed in response to concern over safety in railroads, pipelines, transit and other modes of transportation. In the rail area, for example, negotiated rulemakings are underway with industry, labor and others to cover a number of safety areas.
- We need to carry out the recommendations of the White House Commission on Aviation Safety and Security, and also create an effective physical and cyber security regime for our surface transportation modes.

Ensuring the Transportation System Continues to Support U.S. Economic Growth

Ours is an efficient transportation system, but demand on it will continue to increase. We will need to preserve the system's efficiency if we are to avoid increases in the transportation component of production costs -- and increases in the prices of American goods. That will require advances in technology and traffic management and new capacity where there is no alternative.

We must also anticipate the effects industry consolidation will have on transportation in the future. As mergers continue to develop in the railroad, aviation and ocean shipping industries, we will need to ensure that American travelers and shippers have the benefits of a competitive as well as an efficient transportation system. In addition to analyzing the benefits and costs of individual proposed mergers, the Department, in conjunction with the White House, needs to address whether current merger approval policy, process and outcomes ensure competitiveness.

How we address these challenges and others will shape the Federal role in transportation well into the 21st Century. As builders of your bridge to the new century, we must find a way to extend our record of accomplishment. We must also recognize your commitment to balance the budget. As we have done in the first term, our challenge is to find a way to increase investment in infrastructure and improve system performance while balancing the budget. The American people deserve no less and with your continued support, we will be able to live up to their expectations.

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ENERGY

Divider Title: _____



The Secretary of Energy

Washington, DC 20585

February 27, 1997

MEMORANDUM TO: BRUCE REED
ASSISTANT TO THE PRESIDENT
FOR POLICY DEVELOPMENT

FROM: CHARLES B. CURTIS *Charles B. Curtis*
ACTING SECRETARY

COPIES: SANDY BERGER
JACK GIBBONS
KITTY HIGGINS
KATIE MCGINTY
GENE SPERLING

SUBJECT: ADMINISTRATION PRIORITIES FOR THE 21ST CENTURY

In his State of the Union Address, President Clinton shared with the American people his road map for Administration action during his second term. You have asked the Department of Energy to outline its role in achieving the President's objectives. This memorandum has been prepared for that purpose.

The Department of Energy has identified four key Clinton Administration priorities to address some of the nation's most important needs during the next four years. They are:

1. Enhancing our energy security and developing and deploying clean energy;
2. Ensuring a safe and reliable nuclear weapons stockpile and reducing the global nuclear danger;
3. Cleaning up former nuclear weapons sites and finding a more effective and timely path forward for disposing of nuclear waste; and
4. Leveraging science and technology to advance fundamental knowledge and our country's economic competitiveness with a stronger partnership with the private sector.

We have attached short papers on each of these priorities. Each paper outlines a key priority, discusses how it amplifies President Clinton's State of the Union Address, identifies objectives to be accomplished during the next four years, and suggests courses of action for inter-agency coordination to implement the priority.

We have also attached papers on 11 of the 21 policy priorities for multi-agency action identified by the White House: Technology Literacy; Lifelong Learning; Empowerment Communities; Exports/Trade/ Open Economy; Science and New Technologies; Reinvention; Environment; Undivided, Peaceful Democratic Europe; Bridge to Asia-Pacific; Peace in Regions of Importance; and Meet New Security Challenges. These papers outline the Department's continuing role in implementing the President's priorities and discuss objectives to be accomplished during the President's second term.

Attachment

DEPARTMENT OF ENERGY PRIORITY:
1. ENHANCING OUR ENERGY SECURITY

PRIORITY: Enhancing our energy security and developing and deploying clean energy.

NEXUS TO PRESIDENTIAL PRIORITIES: In his State of the Union Address, President Clinton pledged to “protect our global environment and reduce greenhouse gases that challenge our health even as they change our climate.” The Department of Energy is playing a lead role in achieving this goal. In addition, the Department of Energy’s programs to foster energy diversity for economic security and international stability will enable achievement of President Clinton’s goal “to expand our exports, especially to Asia and Latin America.”

KEY SECOND TERM OBJECTIVES: The Department is responding to the President’s challenges and has established the following commitments that will be accomplished over the next four years:

- o Support the President’s Climate Change Action Plan to reduce carbon emissions by over 15 million metric tons and produce \$5 billion in energy savings, by partnering with over 2500 voluntary organizations to reduce greenhouse gases and take over 5 million tons of carbon out of the waste stream.
- o Help develop a ratifiable climate change agreement that effectively integrates research, development and deployment with climate change policy to help ensure effective, least cost solutions to reduce greenhouse gas emissions.
- o Reduce oil intensity in the transportation sector by raising the fuel economy of new light duty vehicles to 50 miles-per-gallon, without compromising safety, comfort or price. This is the first major Partnerships for a New Generation Vehicle milestone on the path to developing an 80 miles-per-gallon family car by 2004. Other transportation objectives in the next four years include: (a) increasing the number of alternative fuel vehicles in the federal fleet to 100,000 by the year 2000; (b) expanding to 100 the number of Clean Cities supporting voluntary activities to foster an increase nationwide in the use of alternative fuel vehicles; and (c) reducing by 20 percent the cost of converting biomass resources into liquid transportation fuels.
- o Improve the efficiency of all energy use and reduce associated pollution by: (a) working with the most energy-intensive industries to focus cooperative research and save over \$20 billion of industry energy costs; (b) achieving the capability through clean power systems for 60 percent or greater efficiency in power generation; (c) reducing government energy consumption by \$1 billion each year by 2005; and (d) working with building community leaders and customers to develop and implement a strategic vision and road map for the residential construction sector to improve energy utilization and efficiency by 30 percent and cut builder costs by 10 percent, consumer costs by 20 percent, and pollution by 30 percent in over 50 residential construction demonstration sites across the United States.

- o Continue to diversify our domestic and international energy supplies, stop the decline in domestic oil production and increase domestic energy production by: (a) ensuring the continued production of our nation's marginal oil wells, which today provide 20 percent of domestic oil production; (b) developing and transferring technologies with industry to continue to increase domestic fossil fuels production; (c) enhancing our energy security by ensuring the development of two pipeline routes for export of oil from the Caspian Sea, and (d) continuing to work through the Summit of the Americas framework to encourage restructuring of the legal and regulatory structures of the nations in the Western Hemisphere to support the direct foreign investment needed to dramatically increase the production of oil and develop sustainable energy systems in those countries.
- o Diversify the energy resources and improve the efficiency of our nation's electric infrastructure by: (a) restructuring the regulatory framework of the electric utility industry; (b) doubling the efficiency of the conversion of biomass resources into electric power production; (c) achieving solar technology advancements to produce electricity at 10 cents/Kwh; (d) lowering the cost of wind generated energy to 4 cents/Kwh; (e) building the U.S. renewable industry to \$1.5 billion in sales; (f) achieving 60 percent efficiency in natural gas systems that use fuel cells and advanced gas turbines by 2002; and (g) developing competitive coal power systems that achieve 42-45 percent efficiency while also achieving a 67 percent reduction in currently regulated emissions.

PROPOSED INTER-AGENCY ACTIONS: The Department of Energy proposes the following new inter-agency work to achieve the President's objectives:

- o Launch a new initiative of the National Economic Council to focus more directly on the energy needs of the nation. This would include implementing the recommendations forthcoming from the President's Committee of Advisors on Science and Technology for a long-term, sustainable national strategy for energy research and development. This could allow us to more effectively address domestic energy production, energy demand, and related environmental issues. On some energy matters which have particularly significant environmental relevance, it may be appropriate for the Council on Environmental Quality to co-chair the effort.
- o Establish a National Security Council Directorate to assist in the resolution of oil transportation issues involving the Caspian Sea and the Caucasus.

DEPARTMENT OF ENERGY PRIORITY:
2. REDUCING THE NUCLEAR DANGER

PRIORITY: Ensuring a safe and reliable nuclear stockpile and reducing the global nuclear danger

NEXUS TO PRESIDENTIAL PRIORITIES: In his State of the Union Address, President Clinton stated that "America must continue to be an unrelenting force for peace," and that the U.S. "must move strongly against new threats to our security." The Department of Energy's work in this area amplifies the fundamental Presidential priorities to promote peace in regions of importance and meet new security challenges.

KEY SECOND TERM OBJECTIVES: Leading the United States out of the Cold War and into a more stable future - - where danger from nuclear and other weapons of mass destruction is substantially reduced - - is the long term goal of the Clinton Administration and the Department of Energy. The Department will meet the following commitments over the next four years:

- o Maintain a U.S. nuclear deterrent without underground weapons testing through science-based stockpile stewardship and management, utilizing new experimental tools and computational capabilities. This will help achieve early ratification and implementation of the Comprehensive Test Ban Treaty.
- o Take steps to assure tritium production by as early as 2005.
- o Account for and safeguard hundreds of tons of weapons usable fissile materials in the Former Soviet Union by bringing 44 facilities into a safeguards regime by 2002, and by permanently putting in place a materials safeguard culture.
- o Bring to a conclusion the North Korean project to freeze and dismantle the nuclear weapons programs as quickly as possible, and work to identify alternative energy sources for closed nuclear reactors.
- o Prevent production of plutonium at two Russian reactor sites while ensuring continued power to the area.
- o Continue to improve safety of Soviet-designed reactors, and move from operational safety activities to broader cooperative technical and engineering activities.
- o Improve detection capabilities for nascent development of weapons of mass destruction and terrorist devices.
- o Permanently prevent reuse of U.S. and Russian excess weapons-usable fissile materials in weapons, by working with Russia to identify disposition strategies for Russian materials and by determining a U.S. disposition strategy by 1998.
- o Provide technical support for monitoring and verification of the Chemical Weapons

Convention, should it be ratified.

- Provide technical support in nuclear and biological verification and monitoring activities, in support of treaties and other international obligations.
- Maintain DOE's support of the United Nations Special Commission's monitoring activities in Iraq by providing equipment, technology, and experts to help reverse the proliferation of weapons of mass destruction, to reduce tensions in the Gulf region, and to remain in Iraq to prevent a reinstitution of the nuclear, chemical and biological programs. Since the Persian Gulf War, DOE has provided technical assistance in destroying Iraqi chemical, biological, and nuclear production facilities.

PROPOSED INTER-AGENCY ACTIONS: The Department of Energy houses the U.S. technical expertise for the majority of the national security objectives highlighted above. In these efforts, DOE works closely with the National Security Council, the Departments of Defense and State, the Intelligence Community and the Arms Control and Disarmament Agency.

In one area, the control of fissile materials, we propose that the Department of Energy take the lead inter-agency role, since most of the responsibility for these programs resides in DOE. DOE would focus on converting and shrinking the nuclear complex remaining in Russia and the Former Soviet Union.

DEPARTMENT OF ENERGY PRIORITY:
3. PROTECTING THE ENVIRONMENT FOR FUTURE GENERATIONS

PRIORITY: Cleaning up former nuclear weapons sites and finding a more effective and timely path forward for disposing of nuclear waste.

NEXUS TO PRESIDENTIAL PRIORITIES: In his State of the Union Address, President Clinton pledged to “restore contaminated urban land and buildings to productive use...[and] clean up 500 more [toxic waste sites] so that our children grow up next to parks not poison.” President Clinton also announced that he would “designate 10 American Heritage Rivers to help communities along side them revitalize their waterfronts and clean up pollution in the rivers.” The President stated that “we must protect our global environment, working to ban the worst toxic chemicals and to reduce greenhouse gases that challenge our health even as they change our climate.” Each of these priorities involve significant participation by the Department of Energy.

KEY SECOND TERM OBJECTIVES: The Department of Energy is supporting the President’s challenges by setting the following goals for the next four years:

- o Complete 500 cleanups of areas on DOE sites contaminated with hazardous and radioactive waste.
- o Accelerate cleanup at 23 urban radioactive waste sites, including large sites in Missouri, Ohio, New York, and New Jersey. By accelerating cleanup at these sites, the Department can restore the land to useful purposes, and enable people to build their communities without the hazardous residues of the Cold War.
- o Open the world’s first permanent nuclear waste repository in southern New Mexico, which will help relieve the 25-year backlog of plutonium-contaminated waste at dozens of nuclear weapons facilities across the country.
- o Complete construction of a new generation of waste treatment facilities, including the development of new technologies, to prepare nuclear waste for disposal.
- o Complete the basic scientific work necessary to determine the suitability of a site in Nevada as a national repository for commercial spent nuclear fuel and other high-level radioactive wastes. By Summer 1997, the Department will complete construction of a five-mile long exploratory tunnel in Yucca Mountain in Nevada, which represents the most significant progress on high-level nuclear waste disposal of any Administration in history.
- o Reduce the use of toxic chemicals at DOE facilities by 50%, and also reduce by 50% the generation of radioactive and hazardous waste at those facilities.
- o Support Congressional proposals that would designate the last remaining free-flowing section of the Columbia River -- an important salmon spawning ground -- as a “Wild and Scenic River.” In addition, the Department intends to continue funding the Salmon Corps,

which will employ young Native Americans in salmon habitat restoration. DOE also will cooperate with the Yakima Indian Nation on their project to raise fish at the Hanford site in Washington State. The Department will direct more than \$400M annually for fish and wildlife mitigation efforts by the Bonneville Power Administration.

- o Participate in the Inter-Agency Brownfields Working Group. DOE will pursue four specific actions over the next four years, including working with local communities to identify opportunities for the reuse and transfer of DOE property, and applying DOE cleanup technologies at several commercial and Defense Department sites.
- o Pursue a new initiative to promote the use of innovative cleanup technologies at DOE sites, rather than relying on older, less effective cleanup methods.
- o Support the President's Climate Change Action Plan to reduce carbon emissions by over 15 million metric tons. In addition, DOE will produce \$5 billion in annual energy savings, by partnering with 2000 voluntary organizations to reduce greenhouse gases and eliminate over 5 million tons of carbon from the waste stream.
- o Help develop a ratifiable climate change agreement that effectively integrates research, development and deployment with climate change policy to help ensure effective, least cost solutions to reduce greenhouse gas emissions.

PROPOSED INTER-AGENCY ACTIONS: The Department of Energy proposes that we pursue some of these objectives as follows:

- o Play a key role in an Administration working group to develop/refine Superfund reform proposals -- such as addressing future land use when selecting final cleanup remedies, community involvement, etc.
- o Support the White House in coordinating an Administration position on legislative proposals for interim storage of spent nuclear fuel.
- o Reconstitute the Federal Facilities Working Group, chaired by OMB, to address and resolve major environmental issues affecting multiple agencies, such as methods for promoting the testing and application of new cleanup technologies and increased use of performance-based contracting.
- o Work with CEQ, OMB, EPA to finalize standards for the permanent disposal of high-level waste.
- o Support Administration reform related to the Clean Air Act, climate change, and electricity restructuring.

DEPARTMENT OF ENERGY PRIORITY:
4. HARNESSING THE FORCES OF SCIENCE AND TECHNOLOGY

PRIORITY: Leveraging science and technology to advance fundamental knowledge and to strengthen our economic competitiveness with a stronger partnership with the private sector.

NEXUS TO PRESIDENTIAL PRIORITIES: In his State of the Union Address, President Clinton stated that “to prepare America for the 21st century, we must harness the powerful forces of science and technology to benefit all Americans.” Included in his science and technology priorities, the President cited several efforts that the Department of Energy is either leading, or actively participating in, including to: “bring the power of the information age into all our schools;” “build the second generation of the Internet so that our leading universities and national laboratories can communicate at speeds 1000 times faster than today to develop new medical treatments, new sources of energy, new ways of working together;” and “speed the remarkable advances in medical science [including] the human genome project [which] is now decoding the genetic mysteries of life.”

KEY SECOND TERM OBJECTIVES: The Department is responding to the President’s priorities and has made the following commitments over the next four years:

- With the Department of Education, explore ways to bring the reality and excitement of the sophisticated work of DOE’s national laboratories into our elementary and secondary schools, in order to interest a new generation of American scientists and engineers.
- With the Department of Education, explore ways to attract more U.S. students to our science and engineering-based graduate schools, where international students sometimes predominate.
- Continue a lead role in development of the Next Generation Internet, along with the Departments of Defense and Commerce, the National Science Foundation and NASA. By the year 2000, DOE’s goal is that 100 organizations (DOE Labs, universities and industry) will communicate 100 times faster than they can now. A second goal is that by the year 2000, ten organizations will communicate 1000 times faster than today.
- Develop supercomputing capabilities in DOE’s Accelerated Strategic Computing Initiative so that we can achieve 10 trillion operations per second by the year 2000, and 100 trillion by 2004. This will be 1,500 times faster than any supercomputer available as of December 1996. In addition to meeting U.S. national security needs, these computers will be used by American industry to improve oil and gas exploration. They will also be used to develop new medicines, new aircraft, better materials, and safer and more energy efficient cars and buildings.
- With the Department of Education, find ways to make DOE’s supercomputer capability more available to schools, colleges and universities, helping to achieve the President’s commitment of hooking up every classroom to the Internet by the year 2000, and giving

our children unprecedented educational tools that will be used in classrooms across the country.

- Continue work on the Human Genome Project, together with the National Institutes of Health. By 1998, DOE expects that it will be able to do "high throughput" sequencing -- that is, sequencing genes at 100 times the current pace. The sequence information will provide the basis for understanding human genetic susceptibility to radiation and other energy-related environmental factors.
- Advance research in biology programs to develop biofuels, use microbes in cleanup, understand the health effects of radiation and other energy-related environmental factors, and determine the ecological effects of climate change. Biology could become as powerful an enabling science in the next century as physics has been in the 20th. New advances could be used to produce energy, clean up nuclear waste, dramatically reduce the cost of consumer products and even explore the possibility of life on other planets.
- Complete design studies in FY98 to build the National Spallation Neutron Source. It will produce neutrons so that academic and industrial researchers can better understand the structure of materials and how to make improved ones. DOE plans to start construction at Oak Ridge, Tennessee in FY99 and to complete it by 2004. Access to this most powerful neutron source will help American companies improve their competitive position in the world market by providing insights, for example, into the design of more potent drugs, and the development of better plastics and other improved materials.
- Develop better methods for radiation therapy. The PEREGRINE Project is a civilian spinoff of DOE computer technology that accurately models how radiation affects materials. The PEREGRINE project will give doctors a much more effective, efficient and safe way of administering radiation therapy to cancer patients, by providing much better targeting of the radiation therapy. DOE is planning to include doctors, hospitals, professional societies, and other federal and state agencies in this effort, in order to make available an improved therapy for use in all U.S. hospitals by 2000.

PROPOSED INTER-AGENCY ACTIONS: The Department of Energy proposes the following new inter-agency mechanisms to achieve the President's objectives.

- Form a multi-agency effort with the Departments of Education, Defense and Commerce, the National Science Foundation and NASA to fulfill the President's goal of hooking all classrooms to the Internet by the year 2000.
- Work with Congress to obtain support for expanding a newly refocused education program that will concentrate on leveraging DOE's laboratories to improve American education. In the last Congress, line-item funding for these activities was terminated.

PRESIDENTIAL PRIORITY:

I. TECHNOLOGY LITERACY

"We must bring the power of the information age into all our schools. But we've only begun to spread the benefits of a technology revolution that should become the modern birthright of every citizen. We must build the second generation of the Internet so that our leading universities and national laboratories can communicate at speeds a thousand times faster than today to develop new medical treatments, new sources of energy, new ways of working together."

DEPARTMENT OF ENERGY ROLE: The Department of Energy and its national laboratories are playing a key role in developing the Next Generation Internet. For example, the National Energy Research Supercomputer Center at the Lawrence Berkeley National Lab in California, and the new Environmental Molecular Sciences Lab at Pacific Northwest National Lab in Washington State, are leading the way in developing "virtual laboratories," which make it possible for researchers and students in remote locations to use DOE Lab facilities as if they were there, rather than thousands of miles away.

KEY SECOND TERM OBJECTIVES: The Department is responding to the President's priorities and has established the following commitments that will be accomplished over the next four years:

- Continue a lead role in development of the Next Generation Internet, along with the Departments of Defense and Commerce, the National Science Foundation and NASA. By the year 2000, DOE's goal is that 100 organizations (DOE Labs, universities and industry) will communicate 100 times faster than they can now. A second goal is that by the year 2000, ten organizations will communicate 1000 times faster than today.
- Develop supercomputing capabilities in DOE's Accelerated Strategic Computing Initiative so that we can achieve 10 trillion operations per second by the year 2000, and 100 trillion by 2004. This will be 1,500 times faster than any supercomputer available as of December 1996. In addition to meeting U.S. national security needs, these computers will be used by American industry to improve oil and gas exploration. They will also be used to develop new medicines, new aircraft, better materials, and safer and more energy efficient cars and buildings.
- With the Department of Education, find ways to make DOE's supercomputer capability more available to schools, colleges and universities, helping to achieve the President's commitment of hooking every classroom to the Internet by the year 2000, and giving our children unprecedented educational tools that will be used in classrooms across the country.
- Continue work on DOE "Collaboratories," whereby DOE scientists and engineers across the country work together, accessing remote scientific facilities, as if they were in the same building. This concept combines video-conferencing, shared virtual work spaces, networked scientific facilities and management of large databases, thus increasing the

efficiency and effectiveness of our national research enterprise.

- Expand DOE's Energy Sciences Network (ESnet), which is the principal DOE scientific communications network, and is part of the Next Generation Internet. ESnet is a powerful communications system, linking supercomputers at certain DOE Labs with nearly 5000 users. During the next four years, DOE and its national labs will draw on their research in network technology and software applications to help develop and test new technologies for Next Generation Internet.
- Continue work, in conjunction with the National Science Foundation and the Departments of Defense and Commerce, to encourage partnership opportunities for universities, national laboratories and industry to cooperate on the Next Generation Internet.

PRESIDENTIAL PRIORITY:
II. LIFELONG LEARNING

"In the 21st century we must expand the frontiers of learning across a lifetime. All our people, whatever age, must have the chance to learn new skills."

DEPARTMENT OF ENERGY ROLE: The Department of Energy and its national laboratories play an important role in the American educational community and have the potential to contribute substantially to the Clinton Administration's lifelong learning efforts.

DOE is a leading federal funding source for state and local programs that encourage students to enter the fields of science and technology, helping to promote U.S. economic competitiveness in the long term. Examples include: (a) participation by Pacific Northwest National Laboratory in Washington State educational programs; (b) secondary school teacher collaborations with scientists at DOE's Fermilab in Illinois to develop innovative curricula; (c) programs with local Historically Black Colleges and Universities and the United Negro College Fund on summer environmental institutes for students and faculty at the Savannah River Site in South Carolina; (d) sponsorship of National Science Bowl teams by Argonne National Laboratory in Chicago; (e) the HiCREST initiative, which will bring scientists and students from Hispanic Serving Institutions into the mainstream of the Department's R&D programs; (f) DOE's NAACP scholarship program, which supports students who are majoring in the sciences and who ultimately could work at one of the national laboratories; (g) the Tribal Colleges Initiative, which enhances the math and science programs of several southwestern colleges to train Native American students as environmental technicians and encourages them to pursue a career in the environmental sciences; and (h) the California-based Partnership for Environmental Technology Education (PETE), which works with community colleges in every state to develop curricula for training environmental technicians, as well as to prepare students for careers in environmental sciences in 4-year institutions. (One PETE program trains at-risk youth in South Central Los Angeles.)

DOE also is involved in a variety of community-based educational initiatives to promote education for Americans of all ages. These programs include: (a) donation of excess computer equipment to local schools and community organizations; (b) programs with Northwest Indian tribes on salmon restoration issues in a joint DOE-AmeriCorps project at the Hanford site in Washington State; (c) support for the Hispanic Radio Network, to help develop its environment and science and technology programs; and (d) worker retraining programs for displaced DOE contractor employees.

KEY SECOND TERM OBJECTIVES: The Department of Energy is responding to the President's priorities and has established the following commitments that will be accomplished over the next four years:

- o With the Department of Education, explore ways to bring the reality and excitement of the sophisticated work of DOE's national laboratories into our elementary and secondary schools, in order to interest a new generation of American scientists and engineers.

- With the Department of Education, explore ways to attract more U.S. students to our science and engineering-based graduate schools, where international students sometimes predominate.
- Expand DOE programs that encourage high school and college students to enter technical fields.
- Expand DOE's support of fellowships to outstanding students in the nuclear sciences at the graduate level. In particular, investments will be made over the next four years in programs developing advanced technologies to enhance the safety of commercial power plants.
- Further develop DOE's FEDIX/MOLIS electronic database system for identifying and distributing excess computer and laboratory equipment, which is recognized as a model system to transfer surplus government equipment to colleges, universities and community centers.
- Work with the Departments of Labor and Education to coordinate programs that provide education and training opportunities to displaced contractor employees to assist their transition to new employment. DOE has established a program with a consortium of community colleges at Departmental sites that coordinates with local economic development activities to match educational programs with new private sector job opportunities.

PRESIDENTIAL PRIORITY:

III. EMPOWERMENT COMMUNITIES

"We should double the number of empowerment zones. We should restore contaminated urban land and buildings to productive use."

DEPARTMENT OF ENERGY ROLE: The Department of Energy and its national laboratories are well-situated to be effective vehicles for Clinton Administration policies designed to assist empowerment communities in developing new economic initiatives. As a consequence of the downsizing of the Department's national defense missions, Congress has given the Department funding and authority to engage in community transition activities that promote job and business creation. A program in the Tri-Cities Hanford area in Washington, for example, demonstrated that displaced workers could be organized into Enterprise Groups that could be marketed to employers or established as viable employee-owned companies. A similar pilot has been established at Oak Ridge National Laboratory in Tennessee and has brought together educators, public officials and employers. Contract provisions at a growing number of DOE sites -- such as the Hanford site in Washington State -- strongly encourage economic development initiatives and tie a portion of the fees to activities such as the investment of contractor resources to job creation in the community.

DOE's Center of Excellence for Sustainable Development provides assistance to empowerment communities in need of economic and environmental renewal, and is one of the first initiatives highlighted by the President's Council on Sustainable Development. The Center is partnering with the U.S. Conference of Mayors and the National Association of Counties to fund a peer-to-peer exchange program on sustainable development. Since it opened in March 1996, the Center has provided on-the-ground technical support to 13 empowerment communities.

Other DOE initiatives also directly benefit empowerment communities. One example is DOE's support of Atlanta's efforts to become a more "green" community. In conjunction with the Summer Olympic Games, DOE joined private industry to sponsor programs to showcase energy efficient and renewable energy technologies at public facilities and in private homes, protecting the environment and helping to save families money. The Atlanta Housing Authority, moreover, has joined with DOE to improve energy efficiency and reduce water consumption in 14,700 units of public and assisted housing in Atlanta -- and in its first project will design and install system renovations that will reduce utility costs by up to 30 percent in 3000 public housing units.

Further, DOE's Formerly Utilized Sites Remedial Action Program (FUSRAP) ensures the cleanup of smaller sites in urban areas and is working directly with communities to identify opportunities for property reuse. Twenty-three out of a total of 46 such properties have been cleaned up. During this process, attention has been focused on implementing EPA's "Brownfields" principles -- that is, identifying new beneficial uses, such as industrial or commercial activities, that communities can pursue at these sites.

KEY SECOND TERM OBJECTIVES: Over the next four years, the Department will respond to the President's challenges to both support communities in developing new economic initiatives

and restore urban areas to productive use through the following initiatives:

- o Provide a total of approximately \$1 million for Sustainable Development Grants to empowerment communities in Philadelphia/Camden, Los Angeles and other major cities to host workshops designed to develop sustainable development plans and address related implementation issues.
- o Support new economic initiatives by selling and leasing surplus facilities, equipment, and property to communities in the vicinity of DOE sites -- with a return of \$15 million a year to the U.S. Treasury.
- o Create over 11,000 new jobs in the communities surrounding DOE sites through cooperative initiatives with local communities that focus on attracting new businesses to these areas and reusing surplus DOE facilities.
- o Work directly with communities to identify opportunities for property reuse as a key element of the accelerated cleanup of five FUSRAP properties in New Jersey, New York, and Massachusetts.

PRESIDENTIAL PRIORITY:

IV. EXPORTS/TRADE/OPEN ECONOMY

"The American people must prosper in the global economy. I am proud to say that today, America is once again the most competitive nation and the number one exporter in the world. Now we must act to expand our exports, especially to Asia and Latin America, or be left behind as these emerging economies forge new ties with other nations. We need not shrink from the challenge of the global economy. After all, we have the best workers and the best products. In a truly open market, we can out-compete anyone, anywhere on Earth."

DEPARTMENT OF ENERGY ROLE: The burgeoning worldwide demand for energy provides a huge market opportunity for U.S. companies. At the same time, energy production and use is a major source of environmental degradation, both domestically and globally. DOE helps U.S. energy firms export clean energy technologies, thereby reducing global environmental problems and the risk of disruptions in global oil markets.

Following the direction of the President's National Export Strategy and the priorities set by the Commerce Department, DOE has actively worked to open markets for U.S. energy and environmental technologies, particularly in the big emerging markets. The Department has conducted several Secretarial and Deputy Secretarial-level trade missions and dozens of smaller missions to connect U.S. industry with government leaders and foreign business to overcome investment barriers, particularly legal and regulatory barriers to U.S. exports and to U.S. industry power projects. DOE promotes sustainable global energy development, working with foreign governments, to encourage those countries to enact the transparent policies, regulatory and legal frameworks, and market conditions to support commercial investment in their energy sectors.

DOE has effectively engaged multilateral institutions to promote innovative financing and private investment in energy projects, enhance environmental sustainability, support the free and efficient operation of energy markets, and remove barriers to trade and investment to U.S. firms. DOE also engages in a range of bilateral agreements concerning science and technology, energy and environmental initiatives, and the promotion of U.S. energy technologies. DOE bilateral initiatives in energy policy and regulatory reform have helped promote U.S. trade and investment in all major economic markets. Efforts in the Caspian Sea and Middle East regions are aimed at supporting the peace process, improving regional stability, and diversifying the world's supply of energy. Additionally, DOE is actively engaged in Vice-Presidential Binational Commissions with Russia, South Africa, and Ukraine, with China potentially to be added soon.

KEY SECOND TERM OBJECTIVES: The Department has established the following commitments that will be accomplished over the next four years:

- Help U.S. investors and developers secure \$1 billion of loans from multilateral donor institutions for the purpose of supplying renewable energy and energy efficient technologies to developing markets.
- Promote clean coal technology research and development projects before the International

Energy Agency (IEA) and the Asian Pacific Economic Council (APEC) and establish an industry advisory board with APEC to address the trade support needs of industry.

- In Russia, make improvements to at least 15 municipal district heating systems, totaling more than \$250 million, which will achieve a 20% reduction in energy consumption and a 50% reduction of subsidies for heat supply. Install wind hybrid power generation systems in 15 cities in the Northern Provinces of Russia, and complete a 10 megawatt geothermal plant. Maintain the viability of the Russian coal sector, which generates 26% of Russian power, via the introduction of clean coal technologies supplied by U.S. companies.
- In Ukraine, under the direction of the Gore-Kouchma Commission, make improvements to 5-10 municipal district heating systems, totaling at least \$200 million, which will achieve a 20% reduction in energy consumption and a 50% reduction of subsidies for heat supply. Work to enact legislation for a Production Sharing Agreement, which will clear the way for investments in Ukraine's oil, gas, transportation and petroleum end-use sectors in excess of \$2.2 billion, opening up markets for U.S. exports.
- Expand the Latin American renewable energy rural electrification program beyond Brazil into other South American countries. Facilitate \$1.9 billion in oil refining investment initiatives in Latin America to meet new product standards commitments. Expand coal use as part of Brazil energy mix and introduce the use of coal technologies in Columbia and Chile. These measures will generate business opportunities for U.S. companies.
- In China, implement the motor challenge program, which accounts for a 20% reduction of energy consumption in industrial motors; and the renewable energy program, which accounts for 50-100 megawatts of power generation in rural provinces. In the Phillippines, implement power purchase agreements with utilities to introduce renewable energy for power generation. Each of these initiatives will open up opportunities for U.S. energy firms.
- In South Africa, ensure that the UV Waterworks program is commercially viable and available for sale in rural villages. This U.S. program uses ultraviolet light to kill bacteria and viruses in water in outlying villages.
- Identify new project opportunities for U.S. private industry in the coal, natural gas, petroleum and electricity sectors for E. Europe (\$1 billion in cumulative project opportunities), Russia and the Former Soviet Union (\$2 billion), Africa (\$2 billion), China (\$10 billion), other Asian Pacific Rim countries (\$5 billion), India/South Asia (\$2 billion), and the Western Hemisphere (\$5 billion). DOE will work with the Commerce Department and other agencies to achieve maximum impact on behalf of U.S. companies.

PRESIDENTIAL PRIORITY:

V. SCIENCE AND NEW TECHNOLOGIES

“To prepare America for the 21st century, we must harness the powerful forces of science and technology to benefit all Americans. We must continue to explore the heavens, pressing on with the Mars probes and the international space station, both of which will have practical applications for our everyday living. We must speed the remarkable advances in medical science. The human genome project is now decoding the genetic mysteries of life.”

DEPARTMENT OF ENERGY ROLE: The Department of Energy ranks among the top five federal agencies in virtually all categories of science and technology. It is the lead supporter of physical sciences research and of large scientific facilities in the federal government. DOE started the human genome project because of its need to understand the effects of radiation and other energy-environmental factors on genetic mutations. Today, DOE and the National Institutes on Health coordinate the human genome project. DOE's technology also has helped make the exploration of planets possible, providing NASA with long-endurance power sources to power spacecraft and rovers to explore planets. DOE supports research in biology because it could become as powerful an enabling science in the next century as physics has been in the 20th -- to produce energy, clean up nuclear waste, dramatically reduce the cost of consumer products and even explore the possibility of life on other planets.

KEY SECOND TERM OBJECTIVES: The Department is responding to the President's priorities and has made the following commitments over the next four years:

- Play a lead role in implementation of the Administration's five science and technology priorities, as recently identified by the President's Committee of Advisors on Science and Technology (PCAST): (1) develop a long-term, sustainable national strategy for energy research and development; (2) improve our understanding and management of biological resources; (3) expand federal research and technology efforts to improve education and training; (4) conduct an independent review of federal technology partnership programs; and (5) expand federal research and improve management of the human genome project.
- With the Department of Education, explore ways to bring the reality and excitement of the sophisticated work of DOE's national laboratories into our elementary and secondary schools, in order to interest a new generation of American scientists and engineers.
- Continue work on the Human Genome Project, so that by 1998, DOE will be able to do "high throughput" sequencing -- that is, sequencing genes at 100 times the current pace. The sequence information will provide the basis for understanding human genetic susceptibility to radiation and other energy-related environmental factors.
- Advance research in biology programs to develop biofuels, to use microbes in waste cleanup, to understand the health effects of radiation and other energy-related environmental factors, and to determine the ecological effects of climate change.

- Complete design studies in FY98 to build the National Spallation Neutron Source. It will produce neutrons so that academic and industrial researchers can better understand the structure of materials and how to make improved ones. DOE plans to start construction at Oak Ridge, Tennessee in FY99 and to complete it by 2004. Access to this most powerful neutron source will help American companies improve their competitive position in the world market by providing insights, for example, into the design of more potent drugs, and the development of better plastics and other improved materials.
- Develop better methods for radiation therapy. The PEREGRINE Project is a civilian spinoff of DOE computer technology that accurately models how radiation affects materials. The PEREGRINE project will give doctors a much more effective, efficient and safe way of administering radiation therapy to cancer patients by providing much better targeting of the radiation therapy. DOE is planning to include doctors, hospitals, professional societies, and other federal and state agencies in this effort, in order to make available an improved therapy for use in all U.S. hospitals by 2000.
- Continue work to provide long-endurance power sources to support NASA space exploration programs.
- Continue a lead role in development of the Next Generation Internet, along with the Departments of Defense and Commerce, the National Science Foundation and NASA. By the year 2000, DOE's goal is that 100 organizations (DOE Labs, universities and industry) will communicate 100 times faster than they can now. A second goal is that by the year 2000, ten organizations will communicate 1000 times faster than today.
- Develop supercomputing capabilities with DOE's Accelerated Strategic Computing Initiative so that we can achieve 10 trillion operations per second by the year 2000, and 100 trillion by 2004. This supercomputer will be 1,500 times faster than any supercomputer available as of December 1996. In addition to meeting U.S. national security needs, these computers will be used by American industry to improve oil and gas exploration. They will also be used to develop new medicines, new aircraft, better materials, and safer and more energy efficient cars and buildings.
- Further promote DOE's federal technology partnership programs. Over the last five years, DOE established more than 2000 technology partnerships with industry, with a total (industry and federal) value of over \$3 billion. Due to Congressional budget cuts, progress in this area has slowed. DOE proposes to find new ways to advance these partnerships to further increase their effectiveness, and to restore bipartisan support.

PRESIDENTIAL PRIORITY:

VI. REINVENTION

"I will propose a detailed plan to balance the budget by 2002. It will balance the budget and build on the Vice President's efforts to make our government work better -- even as it costs less."

DEPARTMENT OF ENERGY ROLE: Over the past several years, the Department has radically changed the ways in which it conducts its business and saved billions of dollars. DOE has:

- Cut its budget by 22% in real terms between FY93 and FY97. That represents real change that was effected not only in response to Congressional appropriations, but also through the improved management and administration of all Departmental programs.
- Demonstrated good business sense in the oversight of DOE contractors through a shift to performance-based management contracting, and enhanced competition for contracts.
- Reduced the contractor workforce from 149,000 (FY 93) to 112,000 (FY 97), a 24 percent reduction, for a savings of about \$2.4 billion. DOE has better managed the federal workforce through the Strategic Alignment Initiative, with \$305 million already saved. Between May 1995 and January 1997, the Department reduced its federal workforce by nearly 2,000 positions (a 14 percent reduction).
- Kept on track to achieving a five-year savings of \$1.4 billion from reductions in the costs of doing business at the National Laboratories, and a five-year savings of \$1.2 billion from reducing administrative expenses in the Department's applied energy programs.

KEY SECOND TERM OBJECTIVES: DOE will continue to pursue workforce reductions, contract reform and privatization to ensure that the services it provides are improved, but are delivered at lower cost to the American taxpayer. During the next four years, DOE plans to:

- Privatize the Elk Hills Naval Petroleum Reserve by February 1998 and support the privatization of the United States Enrichment Corporation by the end of 1997.
- Attract as much as \$3 billion worth of private energy service company co-investment to reduce federal government operational costs by more than 20% by 2002.
- Reduce the contractor workforce by another 20,000 by FY 2002, and reduce the federal workforce by nearly another 2,000 by the end of FY 2000.

By the year 2000, the Department of Energy will look quite different then it did when the Clinton Administration assumed office. DOE's budget will have been cut by 28% in real terms between FY93 and FY 2000, for a savings of about \$6 billion. DOE's federal workforce will be about 4,000 smaller than in 1993, and its contract workforce about 58,000 smaller than in 1993.

PRESIDENTIAL PRIORITY:
VII. ENVIRONMENT

"We must protect our environment in every community. We should clean up 500 more [toxic waste sites] so that our children grow up next to parks, not poison. We must be as vigilant with our rivers as we are with our lands. This year I will designate 10 American Heritage Rivers to help communities alongside them revitalize their waterfronts and clean up pollution in the rivers. We must protect our global environment, working to ban the worst toxic chemicals and to reduce greenhouse gases that challenge our health even as they change our climate."

DEPARTMENT OF ENERGY ROLE: DOE is making substantial progress in a number of areas to strengthen the covenant with the American people to safeguard the environment. The Department operates the largest environmental cleanup program in the world. Through this program, the Department has: (1) completed cleanup of more than 800 contaminated areas -- 700 of these during the last four years, including dozens of urban radioactive waste sites; (2) developed dozens of new environmental cleanup technologies that are now being used by private industry; (3) completed construction and began operation of the two largest nuclear waste treatment facilities in the world; and (4) completed stabilization of virtually all urgent nuclear risks in the former nuclear weapons complex. DOE also is helping ensure that rivers remain vital to our nation's environmental and economic health. In support of the American Heritage Rivers initiative, DOE requires its facilities to work with local stakeholder groups in land use planning. DOE funds the Salmon Corps (a subset of Americorps) to employ young Native Americans in salmon habitat restoration, and directs more than \$400M annually for fish and wildlife mitigation efforts by the Bonneville Power Administration on rivers across the Northwest.

The Department is working with the EPA to promote a "Brownfields" initiative on the reuse of contaminated properties. Activities underway include applying DOE cleanup technologies at specific brownfield and military sites and working with local governments located near DOE sites to address property reuse options, options for marketing properties, and effective institutional controls. While this program is still in the formative stage, results of the effort are already evident -- successful leases and land transfers have occurred at several DOE sites, including the Oak Ridge Reservation in Tennessee, the Mound site in Ohio, and the Hanford site in Washington.

DOE also is playing a key role in enabling the U.S. to meet climate change targets set by international agreement. A key component of any climate mitigation strategy is the development and deployment of energy efficiency and renewable energy technologies which reduce CO₂ emissions and produce a positive return on investment for our economy. Wind power, biomass combustion and photovoltaics all have enormous potential to reduce CO₂ emissions in the electric utility sector. Accordingly, DOE invests in research and development programs to bring down the costs of wind power, biomass combustion and photovoltaics, and is helping U.S. industry market these technologies overseas. Moreover, the DOE Industries of the Future program is working in close partnership with the seven most energy-intensive industries - forest and paper products, steel, aluminum, metal casting, glass, chemicals and petroleum refining - to develop and implement technology "road maps" that will result in the development and extensive use of energy efficient and low carbon technologies.

KEY SECOND TERM OBJECTIVES: The Department has established the following commitments to accomplish over the next four years:

- o Complete 500 cleanups at areas on DOE sites contaminated with hazardous and radioactive waste.
- o Accelerate cleanup at 23 urban radioactive waste sites, including large sites in Missouri, Ohio, New York, and New Jersey, restoring the land to useful purposes.
- o Open the world's first permanent nuclear waste repository in southern New Mexico, which will help relieve the 25-year backlog of plutonium-contaminated waste at dozens of nuclear weapons facilities across the country.
- o Complete construction of a new generation of waste treatment facilities, including the development of new technologies, to prepare nuclear waste for disposal.
- o Complete the basic scientific work necessary to determine the suitability of a site in Nevada as a national repository for commercial spent nuclear fuel and other high-level radioactive wastes. By Summer 1997, the Department will complete construction of a five-mile long exploratory tunnel in Yucca Mountain in Nevada, and DOE will determine the site's viability for a repository in 1998.
- o Reduce the use of toxic chemicals by 50 percent at its facilities, and also reduce by 50 percent the generation of radioactive and hazardous waste.
- o Participate in the Inter-Agency Brownfields Working Group. DOE will pursue several specific actions over the next four years, including working with local communities to identify opportunities for the reuse and transfer of DOE property, and applying DOE cleanup technologies at several commercial and Defense Department sites.
- o Pursue a new initiative to promote the use of new cleanup technologies at DOE sites, rather than relying on older, less effective cleanup methods.
- o Support the President's Climate Change Action Plan to reduce carbon emissions by over 15 million metric tons, and produce \$5 billion in energy savings, by partnering with 2000 voluntary organizations to reduce greenhouse gases and remove 5 million tons of carbon out of the waste stream. DOE will help develop a ratifiable climate change agreement that effectively integrates research, development and deployment with climate change policy.
- o Pursue the use of photovoltaics for both central power generation and building-specific generation, with a goal of reducing costs to \$1/watt in 2010, and pursue the development and application of new technology to produce biomass fuels from waste at a wholesale cost of \$0.90/gallon by 2000 and from energy crops at \$0.67 by 2010.

PRESIDENTIAL PRIORITY:

VIII. UNDIVIDED, PEACEFUL, DEMOCRATIC EUROPE

"Our first task is to help to build for the very first time an undivided, democratic Europe. When Europe is stable, prosperous, and at peace, America is more secure."

DEPARTMENT OF ENERGY ROLE: A safe energy supply is a key underpinning of a stable, prosperous nation. The Department of Energy, through the International Nuclear Safety Program, supports the important national security goals of stabilizing the fragile democracies of Central and Eastern Europe and the former Soviet Union by helping to increase the operating safety of nuclear power reactors. The 1986 disaster at the Chornobyl nuclear power plant was certainly a contributing factor to the fall of the Soviet Union. The Soviet Union's inability to prevent and adequately respond to this accident demonstrated the ineffectiveness of the Soviet system. The public, outraged by the apparent lack of concern for human health and environmental safety, and the deception practiced by high-ranking officials, demanded change.

The Chornobyl-style reactors and related infrastructure facilities left behind by the Soviet government, continue to operate in eight countries: Russia, Ukraine, Armenia, Bulgaria, Slovakia, Hungary, Lithuania, and the Czech Republic. Many of these reactors, including one that still operates at the Chornobyl site, suffer from deficiencies in training, safety procedures, and oversight -- the same kinds of problems that allowed the Chornobyl accident to occur. Some problems have been exacerbated by the breakup of the Soviet Union -- equipment shortages are commonplace, and many nuclear professionals suffer from low or erratic pay. These conditions, if not corrected, present a significant risk. Another major nuclear accident at one of the Soviet-designed reactors would have a destabilizing effect on the economic well-being and the security of this politically sensitive area of Europe.

KEY SECOND TERM OBJECTIVES: Recognizing that continued operation of the reactors is economically necessary in the near term, DOE, in coordination with the Department of State, the Agency for International Development, and the Nuclear Regulatory Commission, will work to reduce the risks posed by the unsafe and aging nuclear facilities around the world. Key objectives over the next four years include:

- Improve operational safety at over 20 nuclear power plants in eight of the Former Soviet Union countries.
- Secure closure of the Chornobyl plant and provide long term solutions for the sarcophagus surrounding the destroyed Unit 4.
- Place the Former Soviet Union countries on an independent path toward increased nuclear safety by providing training, technical assistance, and transference of key nuclear safety technologies.
- Establish an indigenous approach to operational safety consistent with international norms.

PRESIDENTIAL PRIORITY:
IX. BRIDGE TO ASIA-PACIFIC

"America must look to the East no less to the West. Our security demands it: Americans fought three wars in Asia in this century. Our prosperity requires it: more than two million American jobs depend upon trade with Asia. There, too, we are helping to shape an Asian Pacific community of cooperation, not conflict. Let our progress there not mask the peril that remains. Together with South Korea we must advance peace talks with North Korea and bridge the Cold War's last divide. And I call on Congress to fund our share of the agreement under which North Korea must continue to freeze and then dismantle its nuclear weapons program. We must pursue a deeper dialogue with China for the sake of our interests and our ideals. An isolated China is not good for America."

DEPARTMENT OF ENERGY ROLE: DOE is building constructive relationships with important countries in the Asia-Pacific region. We encourage and facilitate cooperative dialogues with Asian nations, particularly China, on nuclear issues. We are working with Japan to develop a framework to understand Asian nuclear energy demands. Asia-Pacific electricity demand will grow more than 90% by 2010, representing a tremendous potential for U.S. energy investment. In addition, we are looking closely at alternatives to reactor-grade plutonium production, while preserving the Japanese need for energy independence.

One of the most divisive issues in North East Asia has been the North Korean nuclear program. Under the U.S.-North Korea Agreed Framework, DOE is the lead technical entity. In cooperation with North Korea and the International Atomic Energy Agency, DOE is responsible for canning and safeguarding 8000 spent fuel rods from North Korea's nuclear program. These rods contain enough plutonium to construct several nuclear weapons.

DOE is engaged with China on several fronts. Initiatives include technical engagement and cooperation with Chinese research institutes in energy efficiency, renewable energy, fossil energy, and global climate issues. DOE supports and participates in U.S.-Chinese discussions on nuclear cooperation and nonproliferation in order to obtain commitments for effective Chinese nuclear nonproliferation policies.

KEY SECOND TERM OBJECTIVES: The Department has established the following commitments, to be accomplished over the next four years:

- Working with the State Department, which leads the U.S. inter-agency effort, complete the canning of North Korean spent fuel rods by the end of 1998.
- Work to obtain Congressional support for North Korea fuel canning work and to ensure that the DOE budget continues to fund this activity.
- Prepare for the Vice President's upcoming trip to China in March and the U.S.-China Energy consultations in the spring of 1997. These meetings will focus on enhancing energy efficiency and sustainable energy production in China. In addition, DOE will

seek to increase U.S. trade and investment in the Chinese energy sector.

- Continue U.S.-China "Laboratory-to-Laboratory" exchanges between U.S. scientists from DOE National Laboratories and Chinese scientists from the Chinese Academy of Engineering Physics and the Institute for Applied Physics and Computational Mathematics. These scientists will continue discussion on arms control, nonproliferation, and verification technologies in a setting which carefully separates scientific dialogue and judgments from national policy.
- Establish a weapons usable fissile materials accounting and protection infrastructure in China that more closely meets international norms.
- Support the overall U.S. government goal of preventing Chinese exports of certain types of nuclear and dual-use technologies.
- Promote discussion of the economic and security dimensions of Asian energy needs among diplomatic, business, military and academic sectors. We must promote an understanding of Asian energy demands, and support a balance between energy and security needs and U.S. nonproliferation goals.

PRESIDENTIAL PRIORITY:

X. PROMOTING PEACE IN REGIONS OF INTEREST

"America must continue to be an unrelenting force for peace. From the Middle East to Haiti, from Northern Ireland to Africa, taking reasonable risks for peace keeps us from being drawn into far more costly conflicts later."

DEPARTMENT OF ENERGY ROLE: The Department of Energy's efforts to combat the spread of weapons of mass destruction (WMD) and to maintain control over nuclear materials worldwide helps reduce tension for all regions of the world. DOE provides extensive policy support for negotiation and implementation of treaties, such as the Nuclear Nonproliferation Treaty and the Comprehensive Test Ban Treaty, and other efforts leading toward establishment of regional nuclear-weapon-free zones. Using the Department's technologies for monitoring treaty compliance and providing early warning of WMD proliferation, DOE works to reduce dangers and fears in all regions, thereby promoting peace worldwide. DOE's nonproliferation and other efforts, however, go far beyond establishing a general environment of reduced threats from WMD, to address specific challenges in several regions.

DOE's Cooperative Monitoring Center (CMC), located at Sandia National Laboratories in New Mexico, is devoted to bringing together potential adversaries to discuss security concerns and to consider new technical approaches for monitoring agreements. Working closely with State Department and Arms Control and Disarmament Agency officials, much of the focus of the CMC has been on reducing tensions in the Middle East and Persian Gulf regions. Nations from South Asia, Northeast Asia, and other parts of the globe have participated in CMC workshops and simulations as well. Representatives of more than 35 nations have engaged in the numerous activities at the CMC -- a program that has become a reliable confidence-building resource, serving to reduce regional tensions around the world. The Center has hosted 16 international workshops since 1994, dealing with topics such as border and missile monitoring, security and the environment, verification technologies, and South Asia security.

DOE's efforts in the Asia-Pacific area have aimed specifically at reducing tensions in that region. DOE has led the effort to secure and safely store 8000 spent nuclear fuel rods in North Korea which had presented a significant nuclear proliferation threat. DOE also is working on several nonproliferation and materials control issues with the Chinese through "lab-to-lab" relationships, and has worked with the South Koreans on safeguards and verification concerns to enable South Korea to establish indigenous verification capabilities.

South Asia remains a region of special concern because of the tensions between India and Pakistan and their potential nuclear rivalry. DOE works in numerous ways to support U.S. peace efforts in that region. For example, our nuclear intelligence program helps us understand the status of the region's nuclear weapons development programs. This understanding has allowed DOE to support U.S. efforts to anticipate and defuse tensions, thereby preventing the escalation of nuclear competition between India and Pakistan. In addition, through the CMC and other mechanisms, DOE has sponsored ongoing dialogues among Indian, Pakistani, U.S., and other regional representatives. This produced an historic dialogue between Indian and Pakistani

technical experts on issues of cooperative monitoring and confidence building.

KEY SECOND TERM OBJECTIVES: The Department has established the following commitments to be accomplished over the next four years:

- Conduct workshops at the CMC focused on cooperative monitoring options for the Korean demilitarized zone and the role of technologies in furthering cooperation among Middle Eastern countries.
- Maintain DOE's support of the United Nations Special Commission's monitoring activities in Iraq by providing equipment, technology, and experts to help reverse the proliferation of WMD, to reduce tensions in the Gulf region, and to remain in Iraq to prevent a reinstitution of the nuclear, chemical and biological programs. Since the Persian Gulf War, DOE has provided technical assistance in destroying Iraqi chemical, biological, and nuclear production facilities.
- Maintain and strengthen Chinese and U.S. "lab-to-lab" ties in order to improve efforts to establish fissile material control and accounting practices and technologies.
- Advance confidence building measures to reduce the nuclear and other security tensions between India and Pakistan and other countries in the region.

PRESIDENTIAL PRIORITY:

XI. MEET NEW SECURITY CHALLENGES

"We must move strongly against new threats to our security. In the past four years, we led the way to a worldwide agreement to ban nuclear testing. With Russia, we dramatically cut nuclear arsenals. We are acting to prevent nuclear materials from falling into the wrong hands and to rid the world of land mines. We are working with other nations with renewed intensity to fight drug traffickers, and to stop terrorists before they act. Now we must rise to a new test of leadership - ratifying the Chemical Weapons Convention."

DEPARTMENT OF ENERGY ROLE: The challenges in combating the proliferation of Weapons of Mass Destruction (WMD) were clearly outlined by the President in his address to the U.N. General Assembly after signing the Comprehensive Test Ban Treaty (CTBT). Dispositioning excess weapons materials, maintaining the U.S. nuclear deterrent without underground testing, and working to reduce the risk that an outlaw state or organization could build and use a nuclear, chemical or biological weapon, are examples of new national security challenges.

The Chemical Weapons Treaty is the next in a series of steps to reduce the spread of weapons of mass destruction. DOE provided technical support in the negotiation of the Chemical Weapons Convention. Once ratified, DOE will continue to provide technical support, primarily in the areas of monitoring and verification. DOE's chemical and biological nonproliferation research and development program is utilizing the experience gained through many years of nuclear verification and monitoring activities. The next treaty to be ratified will be the zero-yield Comprehensive Test Ban Treaty. DOE's role in achieving ratification of this treaty will be significant.

DOE's unique expertise in designing, manufacturing and protecting the U.S. arsenal allows it to play a lead role in controlling the material, technology, and knowledge needed to build nuclear and other weapons of mass destruction. The Department's science-based stockpile stewardship and management program will enable it to maintain the expertise that will ensure the safety and reliability of the future stockpile without nuclear testing. This program is fundamental to the nation's ability to meet the terms of the CTBT, and it will continue to provide the core laboratory technologies critical to the support of nonproliferation efforts.

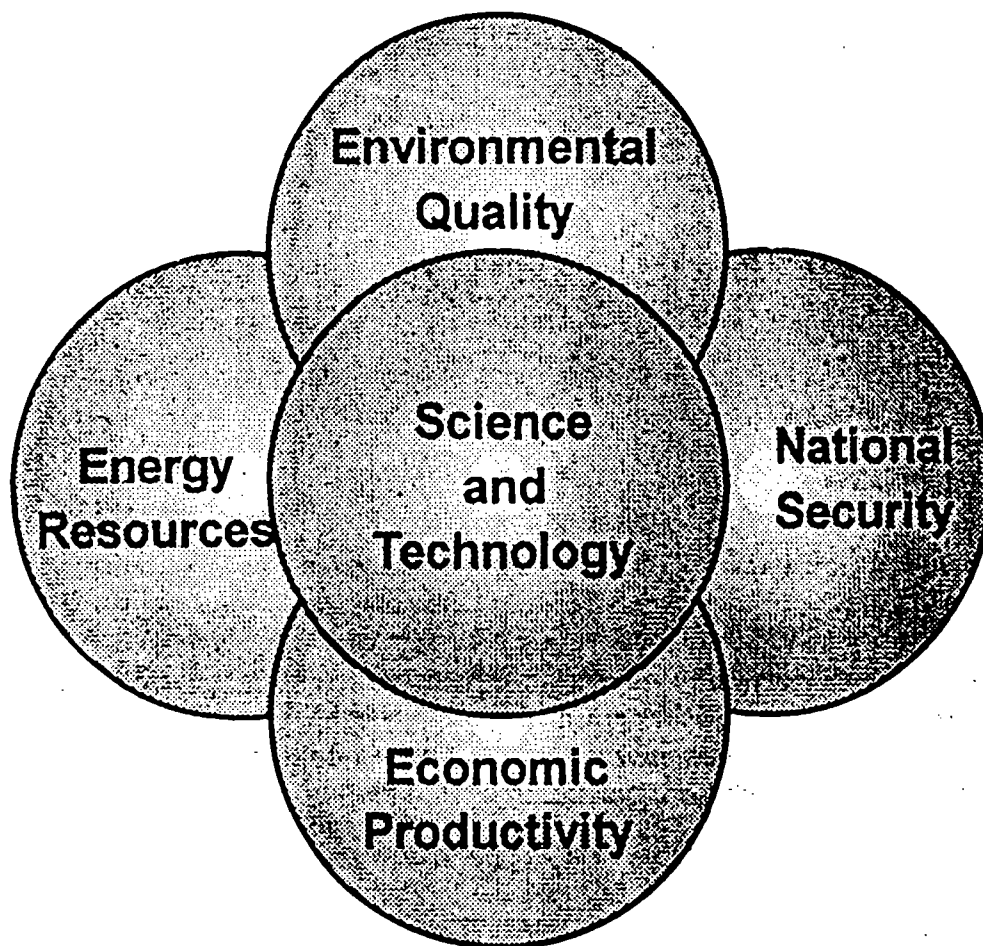
KEY SECOND TERM OBJECTIVES: The Department has a number of successful efforts underway to control specialized materials and technologies domestically and internationally. DOE has established the following security commitments to be accomplished over the next four years:

- Work to ensure that excess weapons-grade plutonium can no longer be reused in nuclear weapons. To accomplish this, DOE will determine domestic disposition technologies by 1998, and will engage in discussions with Russia on options for disposition of Russian materials.
- By 2002, put in place at 44 Former Soviet Union facilities, materials protection, control, and accounting (MPC&A) programs to provide enhanced protection and

security for weapons-usable nuclear materials. DOE will also strengthen indigenous MPC&A systems and develop more effective uniform regulatory programs.

- Provide technical support to the International Atomic Energy Agency Physical Protection Assistance Programs to ensure adequate physical protection of nuclear materials in countries that can not be reached directly and are not under bilateral agreements with the U.S.
- Prevent the "brain drain" from the Former Soviet Union (FSU) through the Initiatives for Proliferation Prevention program. This program draws 2700 scientists, engineers, and technicians from the FSU's nuclear and biological weapons programs into commercial ventures with 75 U.S. laboratories, corporations, and universities.
- Maintain funding in DOE's new Chemical and Biological Nonproliferation Program to complement the Department's significant effort in nuclear weapons nonproliferation and its chemical and biological sciences programs. This will better enable DOE to aid the U.S. intelligence community and support U.S. counter-terrorism and military operations efforts.
- Support the President's Commission on Critical Infrastructure Protection to address growing concerns about domestic terrorist threats in eight increasingly technology and information dependent infrastructures (telecommunications, electrical power systems, gas and oil, banking and finance, transportation, water supply systems, emergency services, and continuity of government).
- Provide technical support for monitoring and verification of the Chemical Weapons Convention, should it be ratified.
- Provide technical support in nuclear and biological verification and monitoring activities, in support of treaties and other international obligations.
- Maintain a U.S. nuclear deterrent thorough science-based stockpile stewardship and management, utilizing new experimental tools and computational capabilities in a smaller complex. This will help achieve early ratification and implementation of the Comprehensive Test Ban Treaty.

United States Department of Energy:
Four Years of Change and Advances and
the Challenges Ahead



United States Department of Energy: Four Years of Change and Advances and the Challenges Ahead

The Development of a New Department of Energy

The Department of Energy of 1993 reflected the history of an agency that had been focused primarily on national security. Its workforce was committed to maintaining a nuclear deterrent capability that did not take into account that the cold war had ended; its programs lacked focus on the challenges and opportunities presented in the global marketplace; there was a monumental legacy of nuclear waste and environmental degradation at the former nuclear weapons sites; and there was a culture of secrecy that acted as a cloak to evade accountability to the American public. The Department's missions lacked a cohesive organizational strategy and a clear post cold war mission. Its federal and contractor staff were bloated.

One of the greatest challenges of January of 1993 was determining exactly *how* the Department of Energy fit together, so that separate and distinctly managed missions in the post cold war era could be advanced as a single vision with related missions. The goal was to streamline the products and services that advanced our interests such as national security, science and technology and restoration of the environment to be delivered to the American taxpayers. It would also aid the development and introduction of new technologies that would advance solutions to dramatically increasing national and global energy requirements.

The answer was provided by the aggressive development of Department-wide strategic planning and the formulation of a vision that included plans to address issues hindering the world's secure energy needs for the future. The answer was correct because we brought together the best talent from across the entire Department, including the laboratories, field offices and program sites.

The newly aligned Department of Energy was formally introduced in April of 1994 with the release of its Strategic Plan, *Fueling a Competitive Economy*, that identified five business lines at the core of all of the Department's activities:

- **National Security**, to prevent the proliferation of nuclear weapons and materials, safely maintain the remaining warheads without underground testing, and downsize the nuclear stockpile to meet our international commitments.
- **Science and Technology**, to help industry compete effectively and meet the needs of long-term research, and to maintain global technical leadership;
- **Energy Resources**, to support development of cleaner, more efficient energy technologies, for a more sustainable future and a more productive economy;
- **Environmental Quality**, to address the cleanup of the nuclear weapons complex and

high-level nuclear waste from nuclear power plants; and

- **Economic Productivity**, to help U.S. job expansion by assisting industry to compete in the global marketplace and partner with industry in research and development.

These core businesses were graphically portrayed as five overlapping circles, with Science and Technology as the center and unifying force. For the first time, everyone could see the connection among the Department's missions, a unified vision for the future and a Department poised to provide services and products of value to its customers, the American taxpayers.

Next, followed the setting and publication of goals and milestones to accomplish the tasks of these core businesses, setting the stage for fundamental change and action--dramatic cost cutting, productivity improvements and the identification of the core competencies critical for the Department's success. The new administration of the Department of Energy also introduced a wide range of the basic and proven management practices of the private sector, challenging the longstanding and deep-seated bureaucratic resistance to change.

The first eighteen months also saw other concrete steps to change the way things were. In 1993 the Secretary's recommended, and the President affirmed, the decision to explore means *other* than underground testing to maintain the safety, reliability and performance of the nuclear arsenal.

It also saw the launch of the Secretary's "openness initiative" to pull back the curtains on aspects of the nuclear age that could safely be revealed with the end of the cold war. This initiative was accompanied by the most comprehensive delivery of formerly classified material in the history of the Department, including information on human radiation experiments that had been conducted by the government since the end of World War II. There was also an extraordinarily swift declaration of ownership by the Department of the moral responsibility for the government's actions.

These highly public events, brought considerable positive attention to the Department of Energy. They also marked the beginning of a four-year effort to institutionalize the Department's newly clarified priorities and business practices--for this Department, whose functions and missions appeared so disparate, was in fact a single corporate entity.

The Department of Energy Delivers

Based on the goals set forth in the Strategic Plan, the Department pursued an ambitious set of initiatives, including the *Strategic Alignment Initiative* to downsize the workforce and reengineer business processes to enable more to be accomplished with fewer resources; and *Contract Reform*, to overhaul the work of the contractors who manage the Department's numerous laboratories and facilities, as well as set the stage for performance-based management contracting and enhanced competition for contract continuation. Through these initiatives, the Department identified the potential of privatization as a powerful management tool and formed a *Privatization Working Group* under the direction of the Chief of Staff, Dan Reicher, to

examine its best application at the Department of Energy.

The results of these and other efforts described below, to work smarter and cheaper, are showing measurable results. Together, they will save American taxpayers \$ 10.5 billion over the next five years and through improved productivity, provide real benefits to real people. At the Department, they will also provide more rewarding jobs in a more rewarding workplace.

The Department established a *Task Force on Alternative Futures for the Department's National Laboratories*, chaired by Robert Galvin, Chairman Emeritus of the Motorola Corporation, to reduce their costs of doing business and help sustain their long record of scientific discovery and technological innovation; a *Task Force on Strategic Energy Research and Development*, Chaired by Daniel Yergin, Pulitzer-winning author and President of the Cambridge Energy Research Associates, to examine the Department's \$1.8 billion portfolio of applied energy programs; and an *Advisory Committee on External Regulation of Nuclear Facility Safety*, headed by the Department's Under Secretary, Tom Grumbly, to enhance the health and safety of our nuclear weapon's facilities, while contributing to the productivity, efficiency and cost performance of the Department's programmatic work.

Results to date include:

- *Using good business sense in overseeing our contractors--saving over \$ 4 billion over five years through a shift to performance-based management contracting and enhanced competition;*
- *Managing the federal workforce better, with less--making a down payment, already on the books, of \$305 million on a total \$1.7 billion savings promised through the Strategic Alignment Initiative, coming from a sharply reduced federal and contractor workforce, the closure of redundant offices, and the introduction of new ways of doing business;*
- *Prudently administering the nations greatest source of scientific and technological talent--identifying five-year savings of \$1.4 billion from reductions in the cost of doing business at the National Laboratories;*
- *Effectively directing the Department's Energy Research and Development activities--identifying five-year savings of \$ 1.2 billion from reducing overhead and administrative expenses in the Department's portfolio of applied energy programs; and*
- *Challenging the costs and process of oversight and safety regulation at the Department's nuclear weapons facilities--considering for the first time, the possibility of decreasing administrative costs and increasing savings from external regulation.*

Even these dramatic savings and improvements do not tell the whole story of change:

The Department continues to lead the way in Science and Technology with 4 of the 5 Nobel prizes in physics and chemistry in 1995 and 2 of the 3 Nobel Prizes in Physics in 1996 awarded

to scientists supported by the Department of Energy or its predecessor agencies. The Department also continues to support the rapidly growing field of nuclear medicine and other scientific research that leads to discoveries in basic science, such as the discovery of the top quark-- the last of a family of subatomic particles predicted by current scientific theory. Discoveries such as these provide the building blocks for future technological advances in all fields.

*The Department continues to ensure the safety and reliability of our nuclear stockpile without underground testing--*1996 saw the Comprehensive Test Ban Treaty signed by 126 nations at the United Nations, a major step in the global efforts at non-proliferation of nuclear weapons; and the continued safe dismantlement of 1000 nuclear weapons above the 4,000 dismantled since 1993, thereby further reducing nuclear danger and enhancing international peace.

The Department continues to develop cleaner, more efficient energy technologies such as the sulphur light, that produces four times the light for one-third the cost; and the development of the UV Waterworks, a technological advance that helps developing nations to quickly and inexpensively purify drinking water. In addition, the Department's laboratories won 32 of *R&D Magazine's* 1996 R&D 100 Awards bringing the total won to 415--more than all other government agencies combined and more than twice as many as the top industrial winner, General Electric.

The Department continues to address environmental impacts of its present and past work, including the completion of 744 environmental clean-ups at former weapons sites during the last four years; and the completion of approximately four miles of tunneling at Yucca Mountain, Nevada, to investigate the site's suitability for the geologic disposal of spent nuclear fuel and high-level radioactive waste. Significant actions to remediate the environmental impacts of the cold war legacy are reviewed with citizens and stakeholders from the local communities, whose input is necessary for any responsible solution to these pressing national concerns.

The Challenges Ahead

- *Demonstrate the Effectiveness of the Stockpile Stewardship Program*--The mission of the stockpile stewardship and management program is to enable the United States to meet its international nuclear test ban commitments and also ensure national security through a safe, secure and reliable nuclear stockpile. The Department of Energy must continue to support and develop new experimental facilities and computational capabilities that will assess and certify the safety and reliability of our nuclear deterrent without underground testing. Support for the National Ignition Facility, for example, is key to achieving these goals and will also add to fundamental understanding of physics issues encountered in nuclear explosions. It will also be the largest laser in the world and contribute to energy research and technologies in many other applications.
- *Protect Against the Threat of Nuclear Terrorism*--Growing concerns about the availability of special nuclear material and the ingredients for chemical and biological weapons have brought increased attention to the threat posed by a terrorist group or rogue nations employing weapons of mass destruction. The covert delivery of terrorist nuclear

and radiological materials strains the detection of the intelligence community. The Department of Energy must, with other law enforcement agencies, continue with its programs to counter nuclear and radiological smuggling and terrorism through stopping the illegal diversion of these materials at their source, during transit and in response to threatened or actual use of these materials.

- *Advance the Restructuring of the Electricity Industry*--Increased competition in the electricity industry will bring benefits to consumers and the economy. Deregulating the last large monopoly in the nation requires the balancing of many interests and the recognition of new technical realities. Draft legislation will be submitted to the Administration for inter-agency review by the start of the second term. It is the responsibility of the Department of Energy to provide a framework in which all involved parties are adequately informed and to fully inform the legislative process. The proposed legislation has many contentious aspects: federal mandate, stranded costs and benefits, renewable energy, and environment, which will require intense management by the Department.
- *Support Global Requirements for Sustainable Energy Sources and Promote Markets for US Technologies*--Over the next 30 to 40 years, developing nations will require 5 million megawatts of new generating capacity, in comparison to 3 million megawatts of present world capacity. This constitutes a \$ 5-10 trillion investment. There is a growing awareness that if we are to avoid dumping increasing amounts of pollutants into the atmosphere, we will need new, cleaner energy sources. Countries and companies that anticipate this trend and seize the opportunity will reap enormous benefits.
- *Technological Advances to Reduce Dependence on Foreign Oil*--According to the Energy Information Agency, the US will import nearly 60% of its oil within ten years, resulting in a \$100 billion dollar annual trade deficit. Complicating the equation -- two thirds of the world's oil exports will be controlled by the politically volatile middle east. The result of this could be lost jobs, and lost export markets for US. There is another scenario. Developing cars of the future, energy efficient technologies and renewable energy sources could, according to some forecasts, enable the US to tap into a global market of some \$800 billion, and avoid potentially devastating environmental consequences.
- *Develop Climate Change Policy in Cooperation with other Nations*--The issue of global climate change will play an increasing role in energy policy. The science of global climate change continues to evolve and the framework for international agreements is forming. At meetings in Geneva, the United States stated its backing of proposals that would be medium term in time range and binding. The Department must provide expert information and analysis - energy and economic. This analysis will provide the foundation for the U.S. negotiators at the Conference to the Parties to the Framework Convention on Climate Change in Kyoto, Japan in 1997. Simultaneously, the Department must maintain and build upon its success with the voluntary programs it has established to limit emissions of greenhouse gases to 1990 levels by the year 2000. Clean energy technologies, developed under the Department's leadership, will play a

significant role in the future helping the U.S. and other nations meet global climate change objectives.

- *Continue to Demonstrate the Value of Basic Science and Applied Technologies*--The nation's investment in scientific research has paid off as a major factor in supporting a healthy economy, global technological leadership and a secure national defense. The Department of Energy has been at the forefront of funding scientific research, particularly in energy technologies, national security and basic science. This investment by the Department is not always recognized by the public or the Congress, nor is the fact that science and technology is the center and unifying force of the Department of Energy. We must continue to seek better ways to articulate the Department's contributions to advancing the nation's science and technology, and the long and short-term results from making such investments.
- *Continue to Develop Partnerships With Industry and Academia in Research and Development*--Partnerships with industry and academia are the most effective way to develop new technologies across a broad scope of applications. In research and development, industry and academia are our partners as well as our customers. Streamlining the process for joint participation and timely sharing of information ensures higher mutual returns. Working with our partners also enables better leveraging of the available resources. Coordination of these investments allows for shorter lead times and great enough participation to exercise market pull. The nation benefits from the training of the next generation of scientists and the development and demonstration of new technologies that will enable us to meet energy, environmental and national security goals as well as better compete in international markets.
- *Continue to Clean Up the Environmental Legacy of the Cold War*--The hard won progress in cleaning up the former nuclear weapons sites has literally and metaphorically changed the nation's landscape. Through contract reform, focusing on the cleanup results rather than paperwork and by developing and using new technologies, we have improved the quality of life for all Americans, not only those directly impacted by our cleanup efforts. We must now build on this success which resulted in 744 cleanups, 24 new environmental technologies and dozens of new small business contracting opportunities. Succeeding in this endeavor will mean that public health and environmental risks will be reduced or eliminated, fiscal pressures will be lessened, and we will have the opportunity to be more competitive in the 21st century by having developed new cleanup, analytical and information technologies.
- *Continue to Protect the Health and Safety of DOE Workers and Communities Surrounding Our Sites* -- The operation and cleanup of the Department's facilities raise serious environmental and health hazards. We have made important progress in identifying and prioritizing these hazards and in streamlining and improving the regulatory environment in which we operate. The managers at our facilities have increased their emphasis on safety and health programs that add real value. Continued progress in these programs will depend on creative and effective labor-management-community partnerships.

- *Continue to Emphasize the Importance of Public Understanding and Trust in the Department's Activities*--It is the obligation of agencies of the government to conduct their business in a manner that encourages public trust and confidence. We have finally lifted the veil of the Department's secrecy, released information that there was no reason to keep from public view and accepted accountability for our past actions. Our customers are the American taxpayers, and it is they alone who determine the success of our missions. In order to effectively evaluate *how* we are doing, they must know *what* we are doing.

December 6, 1996