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AFL-CIO 10/4/93

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THE WHITE HOUSE

Office of the Press Secretary
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For Immediate Release October 4, 1993

REMARKS BY THE PRESIDENT
TO THE AFL-CIO 20TH CONVENTION

San Francisco Hilton
San Francisco, California

11:30 A.M. PDT

THE PRESIDENT: Thank you very much. President Kirkland, distinguished platform guests, and to the men and women of the American labor movement, let me tell you first I am glad to be here. I feel like I'm home and I hope you feel like you have a home in Washington. (Applause.)

For most of the 20th century the union movement in America has represented the effort to make sure that people who worked hard and played by the rules were treated fairly, had a chance to become middle class citizens, raise middle class kids, and give their children a chance to have a better life than they did. You have worked for that. You have done that.

For too long, in the face of deep and profound problems engulfing all the world's advanced nations, you have been subjected to a political climate in which you were asked to bear the blame for forces you did not create, many times when you were trying to make the situation better. I became President in part because I wanted a new partnership for the labor movement in America. (Applause.)

Before I get into the remarks that I came here to make about all of our challenges at home and the economic challenges facing us, I have to make a few remarks this morning about developments in the world in the last 48 hours.

The labor movement has been active, particularly in the last few years with the end of the Cold War, in the effort to promote democracy abroad, to guarantee the right of people freely to join their own unions, and to work for freedom within their own countries. In that context, most of you, I know, have strongly supported and looked with great favor on the movement towards democracy in Russia.

The United Stated continues to stand firm of it's support of President Yeltsin, because he is Russia's democratically-elected leader. (Applause.) We very much regret the loss of life in Moscow, but it is clear that the opposition forces started the conflict, and that President Yeltsin had no other alternative than to try to restore order. It appears as of this moment that that has been done. (Applause.) And I have no, I have as of this moment absolutely no reason to doubt the personal commitment that Boris Yeltsin to let the Russian people decide their own future, to secure a new Constitution with democratic values and democratic processes, to have a new legislative branch elected with democratic elections, and to subject himself, yet again, to a democratic vote of the people. THat is all that we can ask.

I think also, most of you know that in a military action yesterday, the United States sustained the loss of some young American soldiers in Somalia. I deeply regret the loss of their lives. THey are working to ensure that anarchy and starvation do not return to a nation in which over 300,000 people have lost their lives -- many of them children -- before the United Stated led the U.N. mission there, starting late last year. I want to offer my profound condolences to the families of the United States Army personnel who died there. They were acting in the best spirit of America.

As you know, the United States has long had plans to withdraw from Somalia and leave it to others in the United Nations to pursue the common objectives. I urged the United Nations and the Secretary General in my speech at the United Nations a few days ago to start a political process so that the country could be turned back over to Somalis who would not permit the kind of horrible bloodshed and devastation to reoccur. And I hope and pray that that will happen.

In the meanwhile, you may be sure that we will do whatever is necessary to protect our own forces in Somalia and to complete our mission there.

From the struggle against communism in Eastern Europe to the struggle against apartheid in South Africa, the union movement in America has always answered the challenges of our time. It must be a source of great pride to you to see these elections unfold, to see the remarkable movement toward a genuine multiracial society within a democratic framework in South Africa. (Applause.) It must, likewise, be a source of continuing frustration to you to see that even as the ideas and the values that you have espoused now for decades are being embraced around the world, here in our country and virtually every other wealthy country in the world, middle class workers are under assault from global economic forces that seem beyond the reach of virtually any government policy.

We now know that every wealthy country in the world is having trouble creating jobs. We now know that in the last several years, inequality of income got worse in every major country. We know that we had more growing inequality in America than anyplace else because we actually embraced it. I mean, the whole idea of trickle-down economics was to cut taxes on the wealthiest Americans, raise taxes on the middle class, let the deficit balloon, and hope that the investment from the wealthy would somehow expand opportunity to everybody else.

We know that didn't work, and it made the situation worse. It left us with a $4 trillion debt. It left us with a deficit of over $300 billion a year. It left us with a legacy of weakened opportunities for workers in the workplace, too little investment, a paralyzed budget, and no strategy to compete and win in the global economy, and more inequality in America than any of the other wealthy countries. But we also know that the same problems we have are now being found in Germany, in Japan, in all of Europe, in the other advanced nations.

So we have to face the honest fact that we are facing unprecedented challenges in our own midst to the very way of life that the labor movement has fought so hard to guarantee for others around the world for decades. And therefore, it is important that we think through these issues, that we take positions on them, that we agree and that we disagree in the spirit of honest searching for what the real nature of this world is we're living in and where we are going.

The most important thing to me today is that you know that this administration shares your values and your hopes and your dreams and the interest of your children, and that together -- (applause.) And that I believe together we can work our way through this very difficult and challenging time, recognizing that no one fully understands the dimensions of the age in which we live and exactly how we are going to recreate opportunity for all Americans who are willing to do what it takes to be worthy of it.

The labor movement, historically, has always been on the cutting edge of change, and the drive to empower workers and give them more dignity on the job and in their lives. Almost a half a century ago, at the end of World War II, labor helped to change America and the world. At home and abroad, labor helped to create a generation of prosperity and to create the broad middle class that we all cherish so much today.

Now we have to do it again. We're at a time of change that I am convinced is as dramatic as the dawning of the Industrial Age. We can no longer tell our sons and daughters -- we know this now -- that they will enter a job at the age of 18 or 21, enjoy secure paychecks and health benefits and retirement benefits for the rest of their working lives, and retire from the same job with the same company at the age of 65 or 62.

Our changing economy tells us now that the average 18-year-old will change work seven times in a lifetime even if they stay with the same company and certainly if they change; that when people loss their jobs now, they really aren't on unemployment, they're looking for reemployment; that most unemployment today is not like it used to be -- when people got unemployed for decades, it was because there was a temporary downturn in the economy. And when the economy turned up again, most people who were unemployed were hired back by their old employer. Today, most people who are unemployed eventually get hired back usually by a different employer for a different job. And unless we are very good at what we do for them, often at lower wages and less benefits.

So it is clear that what we need is not an unemployment system, but a reemployment system in recognition of the way the world works today. (Applause.)

We know, too, that most American working people are working harder than they ever have in their lives; that the average work week is longer today than is was 20 years ago; that real hourly wages adjusted for inflation peaked in 1973, and so most people are working harder for the same or lower real wages than they were making 20 years ago.

We know that in the '80s there was a dramatic restructuring of manufacturing; that being followed in the '90s with a dramatic restructuring of the service industries. We know that for the last 12 years, in every single year, the Fortune 500 companies lowered employment in the United States in six figures; and that in the years where we have gained jobs, they've come primarily from starting new businesses and from companies with between, say, 500 and 1,000 workers expanding -- as the whole nature of this economy changes.

We know that the cost of health care has increased so much that millions of American workers who kept their jobs never got a pay raise because all the increased money went to pay more for the same health care. We know that some of our most powerful industrial engines, especially in industries like autos and steel have shown breathtaking increases in productivity with deep changes in the work force supported by the labor movement, and still are having trouble competing in the world, in part, because their health costs may be a much as a dime on the dollar more than all of their competitors.

We know, as I said at the beginning, that all the wealthy countries in the world are now having trouble creating jobs. If you look at France, for example, in the late 1980s, they actually had an economy that grew more rapidly than Germany's, and yet their unemployment rate never went below 9.5 percent.

So what are we to do? It seems to me that we clearly have to make some changes in the way we look at the world and the way we approach the world. And in order to make those changes, we have to ask ourselves, what do we have to do to make the American people secure enough to make the changes? One of the things that has really bothered me in the late, latter stages era that we're moving out of is that so few people have been so little concerned about rampant insecurity among ordinary American middle-class citizens. It is impossible for people in their personal lives to make necessary changes if they are wildly insecure.

You think about that in your own life. You think about a personal challenge you faced, a challenge your family has faced -- the same thing is true in the work place. The same thing is true of a community. The same thing is true of a team. The same things is true of our country. We have to struggle to redefine a new balance between security and change in this country because if we're not secure, we won't change, and if we don't change, we'll get more insecure, because the circumstances of the world will continue to grind us down.

And that's what makes this such a difficult time, because we have to rethink so many things at once. I ran for President because I was tired of 20 years of declining living standards, of 12 years of trickle-down economics and antiworker policies, and rhetoric that blamed people who are working harder for the problems that others did not respond to. And because I believe that we needed a new partnership in America -- a new sense of community. Not just business and labor and government, but also people without regard to their color or their region or anything else. I thought we didn't have anybody to waste, and it looks to me like we were wasting a lot of people and that we needed to pull together. I thought the country was going in the wrong direction and we should turn it around. But I was then and am now under no illusions that we could do it overnight, or that I could do it, unless we did it together.

The beginning of the security necessary to change, I think, is in having a government that is plainly on the side of working Americans. (Applause.) I believe that any of your leaders who work with this administration will tell you that we are replacing a government that for years worked labor over with a government that works with labor. (Applause.) We have a Secretary of Labor in Bob Reich who understands that, at a time when money and management can travel across the globe in a microsecond, our prosperity depends more than anything else on the skills and the strengths of our working people. No one can take that away from us. And our people are still our most important asset, even more than they were 20 years ago. (Applause.)

We have nominated a chair of the National Labor Relations Board in Bill Gould, and a new member, Peggy Browning, who believe in collective bargaining. (Applause.) We have a Director of the Occupational Safety and Health Administration in Joseph Dear who comes from the labor movement and believes that workers should be protected in the workplace. (Applause.) We have two people in executive positions in the Labor Department in Joyce Miller and Jack Otero who were on your Executive Council. (Applause.) We have two people in the SEIU in executive positions in Karen Nussbaum and Jerry Polas who are leading us to make progress. (Applause.)

This administration rescinded President Reagan's order banning all reemployment of PATCO workers forever. (Applause.) And we rescinded President Bush's orders with regard to government-funded contracting and one-sided information given to workers in the workplace. (Applause.) And this week I will sign the Hatch Act Reform Act to give government employees political rights they have denied for too long. (Applause.)

One week ago yesterday, on a Sunday morning, I came in from my early morning run, and I turned to my right as I walked into the White House, and I saw a family standing there -- a father, a mother, and three daughters, one of whom was in a wheel chair. And the person who was with them who worked for me said, "Mr. President, this little girl has got terminal cancer and she was asked by the Make A Wish Foundation what she wanted to do and she said she wanted to come to the White House and visit you. So we're giving her a special tour." (Applause.)

So I went over and I shook hands with them and apologized for my condition, and told them I'd get cleaned up and come back and we'd take a picture. And a few minutes later I showed up, looking more like my job. (Laughter.) And I visited with this wonderful child, desperately ill, for a while. And then I talked to her sisters and then I talked to her mother. And I talked to her father. And as I turned around to go off, the father grabbed me by the arm and he said -- he said, "Let me tell you something. If you ever get to wondering whether it makes a difference who's the President," he said, "look at my child. She's probably not going to make it and the weeks I've spent with her have been the most precious time of my life. And if you hadn't been elected, we wouldn't have had a Family and Medical Leave law that made it possible to be with my child in this time." (Applause.)

Now, I believe, in short, that it ought to be possible to be a good parent and a good worker. I believe that it ought to be possible for people to make their own judgments about whether they want to be organized at work, or not, and how they're going to be -- (applause.) And I believe if we're really going to preserve the America workplace as a model of global productivity, we have to let people who know how to do their jobs better than other people do have more empowerment to do those jobs and to make those changes in the workplace.

That's why, as we work on the Vice President's reinventing government initiative, we work so closely with federal employees and their unions. When the Vice President spoke with business leaders and workers who had changed their companies, they all said the same thing -- you've got to have the workers; you have to have them do it, tell you how to do it, tell you how to make the companies more productive.

Now, that's why yesterday I signed an executive order -- on Friday -- creating a national partnership council. For the next several months the leaders of federal employee unions, including John Sturdivant, the President of the American Federation of Government Employees, who is here today, will work with the leaders of our administration to make our government more effective, cost less, and more importantly, to make the jobs of the rank and file federal employees more interesting, more stimulating, more customer-oriented, by doing things that they have been telling us they should be able to do, but the system has not permitted them to do in the past. I applaud John and the other people in the unions representing federal employees for what they have done. This is an unprecedented partnership that I think will benefit every American. (Applause.)

We want to make worker empowerment and labor management cooperation a way of life in this country, from the factory floor to the board room. We've created a commission on the future of labor and management relations, with leaders from labor, business and the academy, chaired by former Labor Secretary John Dunlap. And I've asked Secretary Reich to create a commission to study and improve relationships in government workplaces at every level -- at the state and county and local level, as well as at the federal level.

I believe this is something that a person like Bob Reich is uniquely situated to do. And it's the kind of thing that we ought to be promoting because we have to use this opportunity we have to try to take what has worked for workers and their businesses and spread it around the country.

For the last 12 years we've had a lot of finger-pointing and blame-placing, and we've got these stirring examples of success that we could be trying to replicate. That's what we ought to be doing -- taking what works. And it always is a workplace in which workers have more say. And we're going to do what we can to get that done. (Applause.)

Now, on the security issue, let me just mention some other things. In addition to the Family Leave Act, the budget bill which passed by such a landslide in the Congress -- (laughter) -- contained what may well be the most important piece of economic reform for working people in 20 years, by expanding the earned income tax credit so that you can say to people, if you work 40 hours a week and you have children in your home, you will not be poor. We are bringing new hope and new dignity into the lives of 15 million working families that make $27,000 a year or less. They'll no longer be taxed into poverty. There won't be a government program to try to lift them out of poverty. Their own efforts will lift them out of poverty because the tax system will be changed to reward them. And there will never again be an incentive for people to be on welfare instead of work because the tax system will say, if you're willing to go to work and work 40 hours a week, no matter how tough it is, we will lift you out of poverty.

That is the kind of pro-work, pro-family policy this country ought to have. (Applause.)

Something else that was in that bill that most Americans don't even know about yet that will benefit many, many of you in this room and the people you represent is a dramatic reform of the student loan system that will eliminate waste, lower the interest rates on student loans, make the repayment terms easier so that young people can repay their loans no matter how much they borrow as a percentage of their incomes, limited so they can repay it. Even though we'll have tougher repayment terms, they'll be able to do it. We'll collect they money, but people will be able to borrow money and pay it back at lower interest rates, at better repayment terms, and therefore, no one will ever be denied access to a college education because of the cost. (Applause.)

When you put that with our Goals 2000 program, the education reform program for the public schools, and the work that the Education Secretary Dick Riley is doing with Secretary Reich to redo the worker training programs in the country, you have a commitment to raise standard in education and open opportunities to our young people.

We need higher standards in our public schools. Al Shanker has long been a voice for that. He now has allies in the NEA and other places in the country who are saying let's have national standards and evaluate what our kids are learning and how our schools are doing.

I believe we need to give our young people more choices within the public school system and I have advocated letting states try a lot of things within districts. Let kids choose which schools they attend. Let school districts decide how they want to set up and organize schools. I think that a lot of changes need to be made in a lot of school districts. But let me say, that we don't want to throw out the baby with the bath water. There are also a lot of school districts that are doing a great job under difficult circumstances. There are a lot of schools within school districts that are performing well under difficult circumstances.

And if we've learned anything, we've learned that the best way to increase the quality of education is to find better principals, get better leaders among the teachers, let them have more say over how school is run, and evaluate them based on their results rather than telling them how to do every last jot and tiddle of their job every day.

We have learned these things. And if I might, since we're in California, say a special word -- therefore, I believe that having worked for 12 years for higher standards, more choices and greater changes in public education, I'm in a little bit of a position to say that if I were a citizen of the state of California, I would not vote for Proposition 174, The Private Voucher Initiative. (Applause.)

Now, and let me tell you why. Let me tell you why. First of all, keep in mind a lot of the schools out here are doing a good job. I can say -- you know, I never was part of the California education system. I have studied this system out here for more than a decade. They have undertaken a lot of very impressive reforms and many of their schools are doing a good job. I was interviewed last night by two people from a newspaper in Sacramento, and one of them just volunteered that he had two children in the public schools there and they were getting a terrific education.

This bill would start by taking $1.3 billion right of the top to send a check to people who already have their kids in private schools, and who didn't need any government money to do it, and taking it right of the top away from a school system that doesn't have enough money to educate the kids it's got in it in the first place. (Applause.)

Second thing it would do is to impose no real standards on the quality of the programs which could be funded: Who could set up a school, what standards they'd have to meet, what tests the kids would have to pass. Just take your voucher and who cares whether a private school is a legitimate school or not. That is a significant issue. And all you have to do is to work in this field for a few years to understand that that is a significant issue.

Wouldn't it be ironic that at the very moment we're finally trying to find a way to measure the performance and raise the standards of the public schools, we turn around and start sending tax money to private schools that didn't have to meet any standards at all. (Applause.) When we're trying to get one part of our business, we're going to make the other part worse.

And finally, let me just say, I have always supported the notion that American schools ought to have competition, and the fact that we have a vibrant tradition of pluralistic education and private schools and religious private schools was a good thing, not a bad thing for America. But all the years when I grew up, and all the times I saw that, and for a couple years of my life when I was a little boy, when I went to a Catholic school, when my folks moved from one place to another and we lived way out in the country and didn't know much about the schools in the new area where we were -- no one ever thought that the church would want any money from the taxpayers to run their schools. In fact, they said just the opposite, we don't want to be involved in that. That's what the First Amendment is all about.

So I think we have to really thing through -- I have spent 12 years before I became President overwhelmingly obsessed with reform of the public school system, wanting more choices in the system, wanting more accountability, wanting more flexibility about how schools were organized and established and operated. But I can tell you that this is not the way to get it done and the people will regret this if they pass it. I hope the people of California don't do that. (Applause.)

Now, you can educate people all you want -- and I wanted to say a little more about that. The Labor Secretary and I are working on trying to take all these 150 different government training programs and give local communities and states the power to consolidate them, working with you, and just fund the things that work on a state-by-state basis, and to set up a system of lifetime education and training.

I don't know how many of you saw the television program I did last night in California, but one man, looked to be in his early 50s, saying, we need a training program that gives my company some incentives to retrain me; not just people who are 25, but people who are 55. And we are trying to do that. We're trying to set up a lifetime education and training program that starts when young people are in high school, so if they want to work and learn in high school they can work and learn in high school. So that we can have the kind of school-to-work transition that many of our competitors have for all those kids that won't go to college and won't get four-year educations. We've got to do that.

But if you do all that, you still have to have someplace for people to work. We can educate and train people all we want, but we have to be able to create more jobs. How are we going to do that at a time when the government is not directly funding the defense jobs that have kept America's job base up for so long?

Well, the first thing we've got to do is make up our mind we're going to be serious about defense conversion. Last year when I was a candidate for President -- (applause) -- last year when I was a candidate for President, I went all over the country -- and I wasn't in the Congress and didn't have a vote -- pleading with the Congress to pass the defense conversion bill. They did it, and the previous administration absolutely refused to spend $500 million to help convert from a defense to a high-tech domestic economy. So we have released the money. And we're going to try to get up to $20 billion spent on defense conversion and reinvestment in the jobs of tomorrow over the next five years. It is very important. (Applause.)

We have got over 2,800 proposals in this country for technology reinvestment initiatives, to match with what will soon be about a billion dollars in government money that can create hundreds of thousands of jobs in America. People are brimming with ideas out there to create new jobs.

I was at McClellan Air Force Base yesterday, and the airbase is working with people in the local community and the local universities and with the federal defense labs -- they have made new electric cars; they have made new manufacturing component parts to try to come up with economical ways to do it and allow those parts to be made in America. And they are targeting things that are now made overseas and imported here. That's the sort of thing that we can use our high-tech defense base to do, and we should be doing it. It's going to make for more jobs for America.

They have developed a prototype car that gets 80 miles per gallon at 55 miles per hour on the highway, goes to 60 miles per hour in 12 seconds, has a maximum speed of 100 miles an hour. That's not bad. If we can just figure out how people can afford it we can put people to work making them. (Laughter.) But it's a good beginning.

We announced last week that ground-breaking project with the UAW and Ford, Chrysler and General Motors are working with the defense labs and all the government labs on a project to triple the average mileage of American autos within the next 10 years. If they do that, that will create untold numbers of new jobs here, and we'll be selling cars to people overseas who want that instead of the reverse.

And by the way, I want to compliment the UAW. You know, this year we have regained a lot of our market share in America. People are buying more American cars in America, and we should compliment them for it. (Applause.)

So we have to find ways to create these new jobs. Now, I want to talk a little about health care, but before I do, I want to mention something we disagree on in the context of the trade issue. And listen to this. Since 1986, a significant portion of America's net new jobs have come from trade growth. That's something we can all find from the figures. In California, where we now are, a lot of that has come from Asia, which is the fastest growing part of the world. Asia growing faster than any other part of the world; Latin America the second fastest growing part of the world. Everybody knows that is true.

That's why, when I went to Tokyo and met with the leaders of the G-7 -- the seven big industrial countries -- we made an agreement that we should dramatically reduce tariffs on manufactured products around the world in ways that all analysts agree would generate a lot of new manufacturing jobs here in America. There was virtually no dispute about that. Because we were largely in competition with other countries that were paying the same or higher wages with the same or better benefits, with high-tech and other manufacturing products that we wanted to sell everywhere. And we're working like crazy to get that done between now and the end of the year.

What is the difference between that and the trade agreement with Mexico? And let's talk about that just a minute, because it's very important, not so you'll agree with me, but so you will know what I want you to know, which is that I would never knowingly do anything to cost an American a job. That's not the business I'm in. (Applause.)

I was a governor during the last 12 years, when the Maquilladora system was in place. What did it do? It created a border zone on the other side of the border in Mexico in which people were free to set up plants, operate them by the standards that were enforced there -- or not enforced, as the case may be -- on labor and environmental issues, and then send their products back into this country, produced at much lower labor costs with no tariffs. That was the system set up to try to foster growth there.

But in the 1980s, because of all the economic problems we had, and because of the climate that was promoted in this country that the most important thing you could do was slash your labor costs and who cared about your working people anyway, you had the movement of hundreds of plants down there. And you didn't like it worth a flip. (Laughter.) And you were right to be upset about what happened.

Now, I was a governor of a state that lost plants to Mexico. And my state was so small that when people lost their jobs I was likely to know who they were. (Laughter.) This was a big deal to me. I'm also proud of the fact we got one of them to come back before I left office. I'm proud of that, too. But I understand this.

Now, that is the system we have. You also saw this system, ironically, accelerating illegal immigration. Why? For the same reason that a lot of the Chinese boat people were coming over here after they moved to the coastal towns in China, got a job where they made a little more money than they did before, but didn't much like their life so they got enough money to try to come here. That's what was happening along the Maquilladora area. A lot of people would come up there, work for a while, then come on up here.

So I understand what the American working people don't like about the present system. The real issue will the trade agreement make it worse or better. You think it will make it worse. I think it will make it better. And I'll tell you --I think you're entitled to know why I think that. Because there are no question that, no matter what you think of the adequacy of the side agreements, they will raise the cost of labor and environmental investments above the point where they are now. There is no question that the agreement lowers domestic content requirements in Mexico, so that we'll go from selling say 1,000 to 50,000 or 60,000 American cars down there next year. There's no question that their tariffs are two and a half times higher than ours. And there's no question that we have a trade surplus there, as compared with a $49 billion trade deficit with Japan, an $18 billion trade deficit with China, a $9 billion trade deficit with Taiwan.

We've got a trade problem, all right. It is that the Asian economies are not as open to us as we are to them. That's our huge trade problem. And we're going to have to do better there, because that's where a lot of the money is. So my reasoning is that if their tariffs are higher than ours and their costs go up faster than they're otherwise going to go up, and they're already buying $350 a person worth of American goods, second only to Canada -- replaced Japan as the number two purchaser of manufacturing products this year -- and we got a $5.8 billion trade surplus, it will get better, not worse.

Is it a perfect agreement? No. But I don't want to make the perfect the enemy of the better. I think it is better than the present.

There are two other points I want to make. If the deal is not made with the United States, and instead it's made with Germany or Japan, we could lose access to an 80-million person market and cost ourselves more jobs. And if the deal is made, it could lead to further similar agreements with the emerging market economies of Latin America. And no one believes that anybody's going to invest in Argentina, for example, to export back to the American market. So all barrier dropping the further you get away from here because of transportation costs will lead to more jobs in America through greater trade.

So that's why I think it makes it better, not worse. You're entitled to know that. I don't ask you to agree, but I ask you to make the same arguments inside your own mind, because I would never knowingly do anything to cost America jobs. I'm trying to create jobs in this country. (Applause.)

Now, I'll tell you what I really think. What I really believe is that this is become the symbol of the legitimate grievances of the American working people about the way they've been worked over the last 12 years. That's what I think. And I think those grievances are legitimate. And I think that people are so insecure in their jobs, they're so uncertain that the people they work for really care about them, they're so uncertain about what their kids are looking at in the future, that people are reluctant to take any risks for change.

And so let me close with what I started with. I have got to lay a foundation of personal security for the working people of this country and their families in order to succeed as your President, and you have to help me do it. We have got to reform the job training system of this country, to make it a reemployment system, not an unemployment system, and to give it to kids starting when they're in high school.

We have got to have an investment strategy that will create jobs here. And that's why we removed all those export controls that were Cold War relics on computers and supercomputers and telecommunications equipment, opening just this month $37 billion worth of American products to exports. That is important.

That's why I want to pass a crime bill to put 50,000 more police officers on the street, pass the Brady bill and take these automatic weapons out of the hands of the teenagers that are vandalizing and brutalizing our children in this country. (Applause.)

And, my fellow Americans, that is why we have got to pass a comprehensive health care bill to provide security to all Americans. And we've got to do it now. (Applause.)

How many Americans do you know who lost their health insurance because they lost their jobs? Who never got a pay increase because of the rising cost of their health care? Who can never change jobs because they have a sick job? Millions of them. How many companies are represented in this room who could be selling more everywhere across the board, more abroad and more at home, if their health care costs were no greater than their competitors around the world?

Let's face it folks, we're spending over 14 percent on health care. Canada's at 10. Germany and Japan are under nine. The Germans went up toward nine percent of their income on health care, they had a national outbreak of hysteria about how they were losing control of their health care system. And yet they all cover everybody and no one loses their health insurance. And when I say we can do that and we can do it without a broad-based tax increase, people look at me like I have slipped a gear. (Laughter.)

But I have spent over three years studying this system. And the First Lady and her task force have mobilized thousands of experts in the most intense effort to examine social reform in my lifetime. (Applause.) And they have recommended that we adopt a system which, first of all, builds on the system that you enjoy -- an employer-based system where the employer contributes and, in some cases, the employee does, and some not. A system that is focused on keeping what is good about American health care -- doctors, and nurses, and medical research and technology -- and fixing what is wrong -- not covering everybody, kicking them off after they have a serious illness, not letting people move their jobs, having some people in such tiny groups of insurance that 40 percent of their premium goes to profit and administrative costs, and spending a dime on the dollar -- a dime on every dollar in a $90 billion system goes to paperwork that wouldn't go in any other system in the world -- $90 billion a year on that alone. Never mind the fraud and the abuse, and the incentives in this system to churn it, to perform unnecessary procedures just because the more you do the more you earn.

We can do better than that. So I want to just say, this system will be a good one. Everybody will get a health care security card like this. I feel like that guy in the ad -- I'm supposed to say, "Don't leave home without it," when I pull it out. (Laughter.) But I want everybody to have a health care security card like this. Just like a Social Security card. And I want people to have their health care access whether they're working or unemployed, whether they work for a little business or a big one.

Under the system we have proposed, if you've got a better deal now, you can keep it. If your employer pays 100 percent of benefits now, you can keep it. And we don't propose to tax any benefits that are above the minimum package. (Applause.) We told those who wanted that to give us 10 years before we put that provision in because within 10 years we'll have the minimum benefit package we start with, plus full dental benefits and full mental health benefits and full preventive care benefits, so it will be as good or better than any package now offered by any employer in America. Then, if somebody wants to buy something over and above that, we can talk about it. But we are not going to take anything away from you, you have.

What we are going to do is two things for you, if you have a good policy. We're going to make it easier for your employer to keep these benefits you have now by slowing the rate of health care cost inflation -- not by cutting health care spending, by slowing the rate of inflation in health care cost -- and by removing the enormous burden of retiree benefits from our most productive companies. That will stabilize the health care benefits of working people and good plans.

The other thing we're going to do for you is to limit what can be taken away from you, which is worth something. So by saying that for people who don't have any insurance now, their employer will pay 80 percent and the employees will pay 20, we are saying that no matter what happens to you, there's a limit to what can be taken away from you. So it will be easy for you to keep -- easier for your employer to keep what you've got, and for you, and there will be limit to what can be taken away.

Is it fair to ask all those employers and employees who don't have any coverage now to contribute something? You bet it is. Why? Because your premium's higher than it otherwise would be because you're paying for them now. (Applause.)

Can we do that without bankrupting small business? Of course, we can. We have a plan that gives a significant discount to smaller new businesses, and to smaller established businesses with lower wage employees that are operating on narrow margins.

How are we going to pay for this? Two-thirds of it will be paid for by employers and employees contributing into the system that they get a free ride in now. One-sixth of it will be paid for with a cigarette tax and with a fee on very large companies who opt out of the system so they can pay for the cost of insuring the poor and the discounts to small business, and most important, for the health education and research that makes us all richer because we are going to pay for that and for expanded public health clinics.

And one-sixth of it will come from slowing the rate of growth. When you hear people say, oh, Clinton wants to cut Medicare and Medicaid -- let me tell you something folks, we're cutting defense. We've held all domestic investment that's discretionary flat, which means if I want to spend more money on job training, on defense conversion, or on Head Start, I have to go cut something else -- dollar for dollar for the next five years. That's what we've done. We've cut defense as much as we possibly can right at the edge, held everything else flat.

You know what Medicare and Medicaid are doing? They're going up at three times the rate of inflation. What have I proposed to do? Let them go up at twice the rate of inflation. They say in Washington I can't do it. I don't talk to a single doctor who understands what we're going to do who doesn't think we can achieve those savings without hurting the quality of health care. If we can't get down to twice the rate of inflation from three times the rate of inflation, there's something wrong somewhere.

Now, that's how we propose to finance this. And I am pleading with you to help me pass this bill. No matter how good your health care plan is now, don't you believe for a minute you could never lose it, or at least get locked into your present job. And I am pleading with you to do it so we can give to the rest of America, as well as to you and your families, the kind of personal security we have got to have to face the bewildering array of challenges that are out there before us. (Applause.)

You know as well as I do -- (applause.) You know as well as I do that we are hurtling toward the 21st century into a world that none of us can fully perceive. But we have to imagine what we want it to be like. We want it to be a world in which the old rules which you grew up believing in apply in a new and more exciting age; in which, if you don't have job security, you at least have employment security; in which the government puts the people first; and in which people have security in their homes, on their streets, in their education benefits, in their health care benefits so that they are capable of seizing these changes and making life richer and more different and more exciting than it has ever been.

That is the great challenge before us. And if we don't adopt the health care reform, we won't get there. If we do, it will open the way to the most incredible unleashing of American energy that we have seen in more than a generation. Together we can do it and I need your help.

Thank you very much and God bless you. (Applause.)

END 12:24 P.M. PDT

Please file
AFL-CIO Convention
10/4/93

THE WHITE HOUSE

WASHINGTON

October 2, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: SYLVIA MATHEWS

SUBJECT: **The Budget and Labor**

This memo responds to your request to see some of the items included in your budget that are important to Labor. The memo includes both labor specific budgetary items as well as non-labor specific initiatives supported by Labor.

Since the conference process is not complete and in some of the examples we did not achieve the level of funding that we would like in FY 94, we probably do not want to focus on the specific dollar amounts of these programs, but instead discuss the programs themselves and our continued efforts to find cuts that will help the Administration achieve the funding levels proposed in Vision for Change in the outer years.

Overall in the appropriations process we will achieve approximately 60% of our proposed funding, but in the case of our human resource initiatives it is less than 50% because so many of our priority initiatives were in the same committee. However, for many of our labor initiatives we have solid downpayments that will allow us to ramp up to the levels of investment stated in the outer years in Vision of Change.

Items Directly Related to Labor

- **Comprehensive Dislocated Workers Program** – We doubled the funding from FY93 to FY94
- **School to Work Transition**
- **Expansion of the Job Corps**
- **Summer Youth Employment and Training Program** – Although this is an area where we did not come close to achieving our funding goals at all, we were able to reorient the program and strengthen the link between learning and earning by strengthening the education component of the program.
- **One Stop Career Shopping**
- **Employer Education Assistance Exclusion** – By extending the exclusion for employer-provided educational assistance we encourage employers to help their employees further their education and improve their productivity.

- **Extension of the Expiring Trade Adjustment Assistance Program** for up to five years to provide training and income support to workers who lose their jobs because of increased imports. This extension is part of a transitional strategy to create a comprehensive worker displacement program.
- **EITC**

<u>Items Indirectly Related to Labor</u>

- **Defense Conversion**
- **Head Start Funding**
- **WIC Funding**
- **Family Preservation**
- **Childrens' Immunization**

2-4" * 11"
Tom

Investing in the Future: Increasing Public Investment

We must invest more in our people, in their jobs and in the future...

Bill Clinton

Even after economic recovery is assured, our real economic challenges remain long term. The Administration's vision of public investment to improve our people's productivity involves initiatives in a wide range of critical physical and human capital priorities.

Rebuild America

Transportation

While our economic competitors have invested heavily in their infrastructure, we have not done as well. To regain our economic edge, we must invest more. We will upgrade our nation's roads, bridges, mass transit, and airports; support high-speed rail links between major cities; and create "information highways" that link homes, businesses, schools and libraries to databases and public records. These initiatives will put Americans back to work, spur productivity, and make transportation safer, faster and easier for all Americans.

*
DOT/Expand the Federal-aid highway program to the levels contained in the Intermodal Surface Transportation Efficiency Act (ISTEA). Full-funding of ISTEA will maintain conditions and performance on the nation's most important roads, the National Highway System. It calls for $2.6 billion in obligations in 1994 above baseline spending amounts. The total increase through 1997 is $5.6 billion in outlays, targeted to high priority projects. This initiative will create approximately 14,000 new jobs in 1994, and about 150,000 over a four year period.

DOT/Accelerate "Smart cars/smart highways" (part of Federal-aid highway program). The Intelligent Vehicle-Highways Initiative (IVHS) (also known as "Smart cars/smart highways") will improve traffic control systems, warn drivers of dangerous situations, and make more efficient use of the existing highway infrastructure. It will combine state-of-the-art communications, warning systems, electronic displays, and computer technology. IVHS also has the potential to make innovative highway policy such as "congestion pricing" a reality. The new funding would increase advanced technology development (including artificial intelligence, machine vision, and other defense-related technologies) that will make the highways of the next century both safer and more efficient. 1997 obligations will exceed the baseline by $100 million and 1994–1997 obligations will exceed the baseline by $345 million, a 50 percent increase over the baseline.

A VISION OF CHANGE
FOR AMERICA
2/17/93

DOT/Increase funding for mass transit capital improvements. This proposal—implemented through the Federal Transit Administration's formula grant programs—will upgrade rail facilities and equipment by beginning to eliminate a rail investment backlog recently estimated at $14 billion. The additional funds will also replace ancient buses, vans and rail cars still in the U.S. transit fleet. These newer vehicles will be not only safer and more efficient, but also more accessible to disabled persons. Over four years an estimated $1.2 billion will be invested (outlays), creating about 83,000 jobs.

DOT/Investment in magnetic levitation (maglev) and high-speed rail transportation. Maglev and high-speed rail systems can meet the transportation needs of several of the nation's high-density corridors. These systems could relieve congestion, improve air quality, reduce consumption of petroleum-based fuels and improve safety. The funds could be used for construction of a maglev prototype and/or to support the start-up of private or State/local high-speed rail projects. Total increased outlays: over 1994–1997—about $646 million; 1997—$258 million.

DOT/Alcohol-related highway safety grants and other DOT capital. These grants to States will support programs that reduce alcohol-related traffic accidents and increase the use of safety belts and motorcycle helmets. Other DOT capital funds two important safety and environmental-protection projects in the maritime area: (1) state-of-the-art Vessel Traffic Systems (VTS) in busy ports and harbors, which reduce maritime accidents and the threat of hazardous materials and oil spills; and (2) replacement of seagoing and coastal buoy tenders—many of which are over 50 years old. The new vessels carry oil recovery systems and require smaller crews, saving operating costs. Total increased outlays: over 1994–1997—$201 million; 1997—$88 million.

DOT/Increase funding for airport grants. Investing in airport development projects at both large and small airports will speed air travel, link remote communities with opportunities elsewhere, and open up airports to different aircraft and aviation uses. These projects include building or expanding runways to increase capacity, removing obstructions to improve safety, or adding terminal facilities and airport taxiways to speed the movement of airplanes on the ground. Noise abatement projects permit these improvements to occur while minimizing the impact on surrounding communities. Outlays over 4 years: $108 million. 1997 outlays: $44 million.

DOT/Increase funding for air traffic control modernization. Growth in air travel is expected to result in more than a 25 percent increase in aircraft operations at our major airports in the next 10 years. The Federal Aviation Administration's multi-year air traffic control modernization program, which will help address this growth includes new radars, computers, controller workstations and communications equipment, and the supporting R&D. Benefits will include reduced air travel delays, more efficient aircraft routing, fewer accidents and the more cost-effective operation of the air traffic control system.

Experiment (TPX). Estimated additional spending 1994 and 1997 is $210 million in outlays; ($90 million in 1997).

Community Development and Defense Conversion

If we are going to rebuild our nation, we will have to do it from the bottom up. These initiatives will empower the Americans who create jobs and raise incomes—small businesses, entrepreneurs, and the dreamers with an idea and the initiative to make it work. They will make sure that the skills of our defense workers are not lost, but harnessed to the peacetime projects our future demands. And these initiatives will create real opportunity in America's inner cities—because America will not prosper until our urban areas once again become engines of economic growth.

HUD/Provide additional funding for Community Development Block Grants (CDBG). Community development projects are an important source of jobs and economic development both in the short- and long-term. States and local governments have a backlog of unfunded "ready to go" projects such as basic street and bridge work, painting and resurfacing, building rehabilitation, and public service projects. However, the State and local needs continue to exceed the existing Federal contribution. The Administration's proposal would provide an additional $690 million between 1994–1998 to continue much-needed investment in America's communities. This additional funding would directly create about 60,000 jobs over the next five years, with even more jobs being created indirectly in the local economy. These funds are targeted at low- and moderate-income residents, providing assistance in areas with the greatest need. Because communities can select eligible activities most appropriate to their local circumstances, this additional funding will help communities where they need it most.

Enact enterprise zones legislation in order to promote investment and job creation in Federally-designated zones. The Administration's enterprise zone proposal will promote entrepreneurship and job creation in distressed urban and rural communities through a number of employment and investment incentives. The proposal includes such policies as an employer wage credit and an expansion of the targeted jobs tax credit in order to encourage low-income inner-city and rural residents to obtain employment, become self-supporting, and leave welfare. It also includes investment incentives designed to encourage individuals to invest in zones. Taken together, these incentives will be a critical factor in helping poorer cities and rural areas become economically more vital. Estimated outlays reach $2.4 billion over four years, with 1.2 billion in 1997.

Community Development Banks. Many American communities face problems of deteriorating housing, loss of jobs, lack of private enterprise, and declining economic and social infrastructure. A network of community development banks will be created to provide loans for business and housing purposes in distressed communities that have previously been underserved by traditional lending institutions. Government investment and technical assistance would supplement private funds and expertise to ensure community development banks' effectiveness in restoring healthy economic development in these communities. Estimated cost: over four years—$354 million; 1997—$110 million.

SBA/Increase Section 7(a) loan guarantees. This program helps small businesses struggling to attract bank lending because of the general weakness of the economy. Building on a stimulus proposal, increased funding levels will be extended to assure that creditworthy small businesses have access to capital. These funds will make about 14,000 loans to individuals otherwise unable to expand or start small businesses. Estimated cost: over four years—$501 million; 1997—$157 million.

Defense Conversion Program. With the end of the Cold War, the nation faces the challenge of the defense transition. How should we address the needs of the men, women, companies and communities who helped us win the Cold War but who now feel the impact of declining defense budgets? How do we best reinvest in the industrial, technological and workforce capabilities of the Cold War so they can play a role in our effort to make the nation globally competitive? Our economic plan is designed to face this challenge and to seize this opportunity.

Our defense conversion program builds on current efforts and increases investment funding. In the Department of Defense, we will propose additional funding for dual-use technology programs and for the community adjustment assistance activities of the Office of Economic Adjustment. In the Department of Labor, significant new investment funding will be requested to provide for the training and retraining of America's workforce, including those parts of the workforce displaced by defense spending reductions. In the Department of Commerce, we will request additional funding both for National Institute of Science and Technology programs helpful to industry and for the work of the Economic Development Administration supporting the economic diversification of communities hurt by defense reductions.

These programs will address the need for defense transition assistance in the industries, the workforce and the communities that experience the impact of declining defense budgets. In addition, our investment initiatives in high technology will help stimulate the "market pull" to provide new opportunities for high technology businesses and the highly skilled workforce currently in the defense market. To meet this goal, we are proposing spending for the Departments of Energy, Transportation and Commerce, and NASA, among others, on such technologies as high performance computing, aviation and aeronautics, transportation, space and manufacturing technology.

To ensure that the parts of this defense conversion program work together, activities will be coordinated through the Executive Office of the President and interagency committees.

This proposal provides additional funding of $555 million in 1997 for defense conversion, of which $480 million will go to the Department of Defense for dual-use technology and manufacturing programs. Funding of $20 million will

Modernizing Social Security Administration computer systems. The Social Security Administration (SSA) relies heavily on its information systems to provide services and pay benefits. To meet current and future demands, SSA and State Disability Determination Services (DDSs) must abandon their labor-intensive, paper-driven tradition and automate. The proposal would invest in the pilot tested Intelligent Workstations and Local Area Networks and (IWS/LAN), creating a standard, state-of-the-art, computing network for all of SSA and DDSs. The investment funding includes modular workstations, and design/site preparation/installation. Estimated cost: over four years—$880 million; 1997—$245 million.

Modernize Internal Revenue Service. IRS currently processes tax returns using technology from the 1960s. These out-of-date systems result in long delays for taxpayers and extra costs for the Federal government. Tax Systems Modernization (TSM) represents IRS's effort to move to an up-to-date, automated approach to processing taxes. With TSM, tax returns will be processed and stored using modern technology. Tax returns will be available in electronic files instead of remote warehouses. As a result, IRS employees will be able to provide immediate responses to most taxpayer questions over the phone. TSM will enable IRS to reduce the risks and costs associated with operating their current systems while also improving their ability to serve the public in the administration of the nation's tax system into the 21st century. Estimated cost: over four years—$1.8 billion; 1997—$0.7 billion.

Housing

These initiatives will help make housing more affordable, and streets and neighborhoods safer. In conjunction with other measures, they will also provide the help that the homeless need. By empowering our people, these measures will go far toward creating real choices for Americans at every income level—and help them achieve the American dream.

HUD/Assist more households with housing subsidies. The Department of Housing and Urban Development currently provides housing subsidies to 4.7 million low-income and very-low-income households to overcome their housing problem. Nevertheless, an estimated 3.6 million families and elderly very-low-income renters still face severe housing problems because they either have a "worst case need" for housing with (1) rent that exceeds 50 percent of their income or (2) live in a severely substandard housing unit. Additional Federal investments are needed to eliminate these remaining very-low-income rental housing problems. This investment would substantially increase assistance through HOME grants and housing vouchers. HOME funds would double to the full amount authorized of $2.2 billion; housing vouchers would increase from nearly 40,000 annually in 1993 to 100,000 by 1998. Estimated investment: over four years $716 million; 1997 $422 million.

HUD/Supportive housing program. This investment is targeted towards the problem of homelessness. It increases funds for rehabilitation of housing that serves the homeless as well as other services which seek to address the root causes of homelessness. The $138 million increase in 1997 and $241 million over four years represents a doubling of the program.

HUD/Public housing operating subsidies. The rent paid by residents of public and Indian housing often does not cover the operating costs incurred by housing authorities. The Department of Housing and Urban Development's Payment for the Operation of Low-Income Housing program pays the housing authorities for those operating costs not covered by rental payments, thus permitting housing authorities to provide and maintain safe, sanitary and decent housing. This investment of an additional $121 million in 1997 and $206 million over four years, by meeting the estimated cost of providing quality public housing, will strengthen our nation's stock of public housing and enable the people who reside there to have decent shelter.

HUD/Preserving and renovating low-income rental housing. The Administration proposes to increase funding to repair and restore the nation's stock of assisted rental housing, most of which is 20 to 30 years old. Many units are in deteriorated buildings. Many operators of buildings are also financially troubled. In the worst cases, hundreds of project operators have defaulted on federally insured mortgages, turning HUD into the lender and, ultimately, the landlord-of-last-resort. Another 360,000 units of HUD-assisted low-income housing face a problem of a different sort. These properties are nearing the end of the long-term HUD subsidies that helped them to remain as low-income rental housing. Without additional Federal subsidies, some owners could convert these affordable rental units into luxury apartments or even condominiums, leaving their low-income tenants out in the cold. Congress created the Low-income housing preservation program in 1990 to provide landlords the necessary incentives and subsidies to preserve this federally subsidized low-income housing as affordable low-income housing. The Administration proposes increasing funding for this program to ensure that no existing tenant loses his or her housing benefits as a result of adverse landlord actions. The cost of this additional investment in preserving and renovating low-income rental housing will be $858 million over the next four years. For 1997, spending will total $384 million.

HUD/Community Development Block Grants (CDBG). Since 1974, the CDBG program has been an important source of flexible Federal aid to State and local governments. CDBG funds directly help fund local economic and community development projects that benefit low- and moderate-income residents in large cities and urban counties and smaller communities. The Administration's proposed investment would directly create more than 7,300 jobs over the next five years, with even more jobs being created indirectly in the local economy. Because communities can select eligible activities most appropriate to their local circumstances, this additional funding will help communities where they need it most. Total spending would increase $137 million in 1997 and $430 million between 1994 and 1998.

HUD/Crime in public housing. The Administration proposes an Urban Partnership Against Crime initiative to address the increase in gang- and drug-related crime activity in many public housing developments across the country. Crime has exacted a profound and intolerable toll on public housing residents. Living in a constant state of fear of physical harm, residents have been robbed of their sense of community and personal well-being. Meanwhile, they have witnessed an ever-increasing expenditure of scarce public resources on repairing the damage done by crime to the physical environments of these developments. This initiative, costing $138 million in 1997 and $312 million over four years, would allow the Department of Housing and Urban Development to work with public housing and other local officials in an intensive effort to reduce crime in public housing. It focuses resources on those developments with greatest need, and gives flexibility to local officials to develop solutions (like community policing, neighborhood watches, youth activities) to the problems of crime in their communities.

HUD/Restore dilapidated public housing. This investment would provide an additional $138 million in 1997 and $241 million over the next four years to rehabilitate and restore severely dilapidated public housing projects that today are not only uninhabitable, but also contribute to the economic and social problems of the surrounding neighborhoods. These economically viable public housing units would then provide, once again, decent, safe, and affordable housing for low-income renters.

Lifelong Learning

Becoming a productive member of the community requires certain basics: like a healthy, supportive childhood; safe, sound schools; a chance to serve your country; and the opportunity to be retrained for the challenges of today's global economy. The Administration's commitment to major investments in these kinds of "human capital" promises payoffs for the nation far beyond their original price.

HHS/Full funding of Head Start. Children who participate in Head Start do better in school and become more productive as adults. By giving them the caring, stimulating environment they need, Head Start programs enable at-risk children to become problem-solvers instead of problems. Thousands of parents and selected studies have testified to the program's success, but for years our government—despite promises—has failed to make Head Start available to all the children who need it. With this initiative, one of our country's most cost-effective programs will become far more widely available and help change countless lives. The Administration will increase funding for Head Start by $3.2 billion in 1997, $8 billion over four years, achieving full funding for an estimated 1.4 million eligible disadvantaged children by 1999.

USDA/Head Start-related child care feeding. Pay for meals at Head Start centers and serve them to the participants added by the Administration's Head Start initiative; $237 million in 1997; $590 million over four years.

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* *HHS/Head Start related Medicaid.* Fund new entrants in the Medicaid program resulting from Head Start expansion; $116 million in 1997, $275 million over four years.

* *USDA/Full funding of WIC program.* If our nation is going to prosper, our children will have to grow up healthy, not hungry. This special supplemental food program for women, infants, and children (WIC), helps make sure they do. By the end of 1996, all eligible children ages 1 to 4, including some 2 million who were not served last year, can be assisted with the proposed investment of $1 billion in 1997, $2.6 billion over four years.

* *HHS/Parenting and family support.* These initiatives stem from a simple reality: governments don't raise children; parents do. These proposals will empower parents with the skills and the tools they need to help raise their children. They will support disadvantaged parents, including activities to help them work with their children at home and parenting classes, with an investment of $500 million in 1997, $900 million over four years.

Family Preservation

Department of Education/Reforms and initiatives. All American children need greater access to better education—not just to make the American Dream more available, but to make the American economy more productive. These initiatives will provide $2.7 billion in 1997, $6.2 billion over four years, to support reforms and reauthorizations in elementary, secondary, and postsecondary education, including state and local systemic reforms, a new SAFE Schools program, student assistance program improvements, and support of Historically Black Colleges and Universities.

To fund additional cuts for the next few years.

no

National Service. The national service initiative will help young people pay for college and other postsecondary education by serving their country. In conjunction with income-contingent loan repayment, which will help Americans take low-paying community service jobs and still pay off their student loans, the program will provide dramatic new opportunities to serve our country. Young people will meet pressing national needs in areas including education, public health, environmental protection, and public safety. In return for one or two years of service, they will be able to receive a significant educational benefit. As it enables Americans of all backgrounds to help themselves and their country at once, the initiative will reinvigorate American citizenship—lifting our country up and bringing our people together. The Administration's commitment to a fully realized program of national service is behind its plan to invest $7.4 billion in the next four years, building from $389 million in budget authority in 1994 to $3.4 billion in 1997.

* *Labor/Dislocated workers program.* Legislation will be proposed for a new program to replace and improve upon two existing programs to help workers who lose their jobs because of restructuring of their industries, international competition, or defense downsizing to secure rapid reemployment or train for new careers. The program will cost an additional $2 billion in 1997, $4.6 billion over four years.

Labor/Job Corps expansion. Provide resources to increase the size of the Job Corps program by 50 percent by 2001. This will increase the number of Job Corps participants to 104,000, from the current 70,000. Job Corps provides remedial education, occupational skills training, supportive and job placement services to severely disadvantaged youth in its network of 110 residential centers. The plan would finance 50 new residential centers. The 1997 cost is \$202 million; the 1994–97 cost is \$341 million.

Labor/Job Corps maintenance. Spend \$50 million in 1997 and \$105 million over four years to repair and renovate Job Corps' aging residential centers.

Labor/Summer youth employment and training program (SYETP). The SYETP offers economically disadvantaged youth age, 14 through 21, work experience in minimum wage jobs in public and nonprofit agencies during the summer months. This investment of \$625 million in 1997 and \$2.0 billion over four years would finance about 2 million additional summer youth jobs. The plan includes an enriched program of work experience, basic skills training, testing and counseling, and closer coordination with schools.

Labor/One-stop career shopping. This program would make it easier for adults seeking to change jobs or careers or upgrade their skills to obtain access to the confusing array of Federal programs and services by developing "one-stop shop" career centers. Over four years, the proposed investment is \$900 million, \$250 million of which is to be spent in 1997.

Labor and Education/Youth apprenticeship. This program would finance a nationwide system of school- and work-based learning programs for high school youth who do not plan to attend college, in order to reduce drop-out rates and help them make a successful transition to meaningful careers in technical occupations. The proposal provides \$500 million in 1997, a total of \$1.2 billion over four years.

Rewarding Work

Earned Income Tax Credit (EITC). In America, no one who works should have to raise a family in poverty. The EITC currently provides refundable tax credits to low-income working families with children. By expanding the EITC, we will assure that a family of four will not be forced to live in poverty, if one of the parents works full-time at a minimum wage job. The cost of the entire proposal is \$6.7 billion in 1997 and \$19.9 billion over four years.

Welfare Reform. Later this year, the Administration will present a comprehensive reform plan to end welfare as we know it. The President's plan will carry out his pledge that no one with a family who works full-time has to live in poverty, that parents who bring children into the world should be held accountable for raising them, and that welfare ought to be a second chance, not a way of life. The plan, coupled with the Earned Income Tax Credit, tougher child support enforcement to crack down on deadbeat parents, increased training, parenting, and family support for moving people from welfare to work, will move toward a time-limited system of welfare. This will give people on welfare the education and training they need for up to two years, but after that, require all those who can work to go to work.

Justice

Justice/Crime initiative. A comprehensive program to support and improve all aspects of the criminal justice system. The initiative includes: (1) a new Community Policing/"Cops on the Beat" grant program to localities to create safer streets and to community policing, thereby building a bond of trust between citizens and police so that they can work together to fight crime; (2) a new Police Corps program, to provide scholarships to would-be police officers in exchange for a commitment to service as a State or local police officer; (3) a Criminal Records Upgrade program to assist States in improving their criminal records infrastructure and link with the FBI's criminal information databases; (4) increased funds to meet costs associated with detaining and incarcerating the growing Federal prison population, which has resulted from increased arrests and the imposition of minimum mandatory sentences; and (5) increased funds for existing Federal law enforcement activities. The budget authority investment is $900 million in 1997, $2.8 billion over four years.

Equal Employment Opportunity Commission (EEOC)/Enforcement. Increase EEOC enforcement staff in field offices to provide full enforcement of the Americans With Disabilities Act and the Civil Rights Act of 1991. The proposed outlays are $18 million in 1997, $63 million over four years.

Health Care

HHS/AIDS, immunizations, NIH research, and other public health initiatives. This investment provides substantial new funding—$3.4 billion in 1997 and $8.2 billion over four years—for a number of public health initiatives including: (1) HIV/AIDS research; (2) research on women's health issues; (3) the President's plan for increasing childhood immunizations; (4) teen pregnancy programs, and (4) other efforts to promote public health.

HHS/Substance abuse prevention and treatment. Challenge grants to the States to create substance abuse treatment capacity where is it needed most and for hard-to-treat populations. It will serve 30,000 people in 1994 and more in years after. The outlays are $800 million in 1997, $1.5 billion over four years.

USDA/Food Safety and Inspection Service. Improve the existing meat and poultry inspection system by increasing the number of Food Safety and Inspection Service inspectors available in order to ensure that visibly diseased animals are not processed, slaughterhouses and processing plants are clean and follow safe food handling procedures, and plant employees follow proper hygiene. Food safety research would also be enhanced. This responds to a clear need for improvements, highlighted by the recent food poisoning outbreak in Washington State. The initiative adds 200 inspectors. The investment is $34 million in 1997, $111 million over four years, and it would create some 275 jobs in 1994.

Rural Health Initiative. This proposal provides grants and other assistance to small rural hospitals to upgrade needed services. Grants may be used to launch integrated health systems and telecommunications links for remote consultation and diagnosis in low manpower areas. Estimated $50 million in 1994.

VA/Medical care. This four-year investment provides a $2.5 billion increase over the baseline to ensure high quality health care for veterans by such measures as providing adequate staff levels to meet requirements on residency education programs and automating drug dispensing in VA hospitals.

HHS/Social Security Administration/Disability insurance processing. Increase resources for the processing of dramatically increased disability benefit claims by $200 million in 1995–98. This will cut down on the significant delays that have occurred in recent years and reverse the general decline in service.

HHS/Ryan White Act. HIV/AIDS is now the ninth leading cause of death overall. Currently, approximately 1 million people are infected with HIV in the U.S., and about 60,000 new AIDS cases are reported each year. The President has pledged to respond to this need by fully funding the Ryan White Act and increasing Federal support for HIV/AIDS prevention efforts. To begin fulfilling these pledges this year, this proposal would increase funding for grants authorized under the Ryan White Act by $120 million in 1994. The proposal includes additional funding of approximately $1 billion over the next four years.

State and Local Relief. Within the Health Care, Rewarding Work and Lifelong Learning investment packages, the Administration will design a program to offset the impact of refugees and undocumented residents on the budgets of State and local governments, including those in California, Texas and Florida.

Investment Package: Tax Incentives

We recognize that the only way to lay the foundation for renewed American prosperity is to spur investment. New investment will create jobs, putting people back to work today, and will provide the productive equipment that we need to compete in the global economy.

Our overall program consists of outlays for physical and human capital and investment tax incentives for the private sector. Outlays for physical capital will help rebuild the crumbling foundations of the United States, create millions of high-wage jobs, and smooth the transition from a defense to a commercial-based economy. Our program will concentrate on the transportation, environment, and communications infrastructure. The program of tax incentives will increase private investment over the long run. Like the outlay programs, these incentives are designed to increase investment in human and physical capital. These incentives will be particularly helpful to small business which generates the lion's share of jobs.

(2 boxed) items -- page 19

permit retirees to take all of their retirement benefits immediately instead of stretching them out over time.

- **Agriculture programs.**—The legislation contains $1.7 billion in savings from agriculture programs. These include:
  - —reforms to increase the actuarial soundness of the Federal crop insurance program, thus reducing losses in the program;
  - —reducing "PAY/92" payments to farmers which encourage them not to grow crops on certain land; and
  - —reducing from $125,000 to $50,000 the maximum payments made to farmers in the honey and wool and mohair programs.
- **Veterans programs.**—The law provides for $3.5 billion in savings from a number of provisions, some of which extend laws which otherwise would have expired. These include:
  - —using Internal Revenue Service data to check veterans' eligibility for income-based pension and medical care programs;
  - —requiring higher-income veterans with no military-related disabilities to make copayments for VA medical care; and
  - —collecting payments from private health insurers for the cost of treatment for conditions not related to a veteran's military disability.
- **Child support enforcement.**—Federal welfare payments will be reduced by $0.3 billion by implementing measures to increase the number of fathers who pay child support to their families. State payments will also be reduced. The measures include establishment of paternity in the hospital when babies are born and improved standards for performance of State Child Support Enforcement agencies.
- **Student loan reforms.**—Implementing the President's plan for direct student lending will save $3.6 billion by eliminating profit-making intermediaries in the guaranteed student loan programs. While the program is phased in, profits for intermediaries—banks, guarantee agencies, and others—will be reduced.
- **Housing.**—Use of Internal Revenue Service data to verify tenant incomes in HUD rent-subsidy programs will reduce payments to those who underreport their income. Estimated entitlement savings are $1.0 billion over five years.
- **Spectrum auction.**—An estimated $12.6 billion dollars will be raised by the use of auctions to assign the radio spectrum.

Discretionary Savings.—The legislation contains a real, enforceable five-year hard freeze on discretionary outlays that produces $107.7 billion in savings. The President has already proposed specific spending cuts in defense and nondefense programs in 1994 through 1998 to achieve those savings as well as pay for the majority of the President's proposed investments in those years. The Administration is seeking additional savings to offset the President's remaining proposed investments under the discretionary spending caps.

The savings proposed by the President come from a number of areas, including reducing the Federal work force by more than 100,000, eliminating cost-of-living adjustments for Federal employees for 1994, reducing programs that do not work or are no longer needed, limiting subsidies, improving management, streamlining departments and agencies, and implementing defense savings in keeping with the needs of a post-Cold War world.

Investments

The reconciliation legislation contains targeted business incentives and investments to expand the job-creating capacity of the private economy and the skills and productivity of American workers, students, and children. They include:

- **Earned income tax credit.** The expanded earned income tax credit will reward the labor of some 20 million low-income working families and individuals. It will help lift millions of low-income working families with children from poverty. This investment is a major step toward the President's goal of changing the welfare system so that work is rewarded, not discouraged.

- **Children's immunizations.** The President's plan for Federal Government purchase of vaccines will provide free immunizations to all uninsured children, make free immunizations available to underinsured children at certain Federal facilities, and reduce State expenses by taking over the full cost of immunizations for children in the Medicaid program.

- **Empowerment zones.** After years of discussion and debate, the reconciliation legislation makes Federal Empowerment Zones and Enterprise Communities a reality. The legislation provides resources for the creation of ten Empowerment Zones (six urban, three rural, and one Indian) and 95 Enterprise Communities. The program will encourage private sector development in some of the Nation's most economically distressed areas.

- **Mickey Leland Childhood Hunger Relief Act.** The Mickey Leland Childhood Hunger Relief Act provides a long-needed increase in food stamp nutrition assistance to those facing high shelter costs, many of whom are on the brink of homelessness. The preponderance of new benefits will go to families with children.

- **Family Support and Preservation Act.** This initiative focuses on innovative programs for keeping families together by teaching parenting and by working with at-risk families to avert the need for foster care.

Tax Incentives

The reconciliation legislation included several tax incentives to promote economic growth and increase the number of jobs.

- **Expensing of investment.** The maximum expensing of investment (especially important for small businesses) is increased from $10,000 to $17,500 to encourage job-creating capital investments.

- **Capital gains exclusion.** A new targeted capital gains exclusion is created for long-term investments in small businesses.

- **Depreciation.** Reforms are provided for the manner in which depreciation is treated with regard to the alternative minimum tax.

The reconciliation legislation also extends the following tax incentives which had either expired or were about to expire:

- **Targeted jobs tax credit.** This credit encourages employers to hire additional disadvantaged workers.

- **Employer education assistance exclusion.** This exclusion from employment income encourages employers to help their employees further their education and improve their productivity.

- **Research and experimentation tax credit.** This credit encourages businesses, particularly those in cutting-edge industries, to put profits into the development of new products and ideas.

- **Low-income housing tax credit.** This credit is made permanent to stimulate investment in low-income housing.

- **Small-issue industrial development bonds.** These bonds help communities build their local economies.

- **Mortgage revenue bonds.** These bonds assist community programs to enable more people to purchase their own homes.

Revenue Increases

The reconciliation legislation contains $250.1 billion in net revenue increases, some 80 percent of which will come from taxpayers with incomes of more than $200,000. Revenue-raising provisions include the following:

- a new 36-percent marginal tax rate on taxable income exceeding $140,000 for joint returns, $115,000 for single taxpayers;

- a new 10-percent surtax on taxable income above $250,000.

- repeal of the $135,000 limit on income subject to the Health Insurance (Medicare) wage tax;

- reduction from 80 percent to 50 percent of the deductible amount of business meals and entertainment;

- elimination of the deduction for club dues;

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Table 1. DEFICIT REDUCTION PACKAGE

(In billions of dollars)

	1994	1995	1996	1997	1998	1994–1998
Outlays:						
Entitlement changes in reconciliation:						
Increase earned income tax credit	0.1	1.7	4.3	6.0	6.2	18.3
Expand Food stamp assistance	•	0.3	0.5	0.8	1.0	2.7
Extend Big Six formula for determining the Government share of Federal employee health benefits	0.3	0.5	0.6	0.6	0.7	2.8
Promote family preservation/child welfare	0.3	0.1	0.3	0.3	0.3	1.4
Expand social services block grants	0.1	0.4	0.5	•	—	1.0
Increase childhood immunization	—	0.3	0.2	0.2	0.2	0.9
Reform Medicare	−1.9	−5.4	−9.7	−14.0	−18.1	−49.1
Auction radio spectrum	−0.5	−4.3	−4.2	−1.6	−2.0	−12.6
End lump sum and delay COLA's for retired Federal employees	−0.4	−0.8	−2.9	−3.6	−3.7	−11.5
Reform Medicaid	•	−1.0	−1.8	−2.2	−2.3	−7.2
Shift to direct student loans and require States to share default costs	−0.4	−0.4	−0.7	−1.0	−1.1	−3.6
Extend veterans medical cost recovery, increase home loan fees, and revise other veterans benefits	−0.3	−0.6	−0.7	−0.7	−1.2	−3.5
Permanently extend customs fee	—	—	−0.6	−0.6	−0.6	−1.8
Extend Nuclear Regulatory Commission fee	—	—	−0.4	−0.4	−0.4	−1.1
Reform agriculture farm price supports and crop insurance programs	−0.1	−0.4	−0.4	−0.4	−0.4	−1.7
Complete payment of outstanding postal liability	—	—	−0.3	−0.3	−0.3	−1.0
Establish IRS income verification for certain HUD programs	—	—	−0.2	−0.4	−0.4	−1.0
Other	−0.2	−0.7	−1.0	−1.1	−1.2	−4.3
Subtotal, reconciled entitlements	−2.9	−10.3	−16.5	−18.3	−23.3	−71.3
Maintain and extend discretionary caps	−10.2	−17.2	−17.5	−26.6	−36.2	−107.7
Shorten debt maturities	−1.6	−2.7	−3.3	−3.9	−4.9	−16.4
Debt service	−1.3	−5.0	−10.4	−17.3	−25.5	−59.6
Other	−3.2	−0.6	1.5	•	2.6	0.2
TOTAL, outlays	−19.3	−35.8	−46.2	−66.1	−87.3	−254.7
Revenues:						
Extend R&E tax credit	2.1	1.1	0.7	0.3	0.1	4.3
Extend low-income housing tax credit	0.2	0.5	0.8	1.2	1.5	4.3
Increase expensing for small business (Sec 179)	1.6	1.0	0.7	0.4	0.2	4.0
Expand earned income tax credit	•	0.4	0.7	0.9	0.9	2.9
Modify passive loss rules for certain real estate	0.3	0.5	0.5	0.5	0.6	2.4
Modify alternative minimum tax depreciation rules	0.1	0.4	0.6	0.6	0.5	2.1
Establish empowerment zones/enterprise communities	0.2	0.3	0.4	0.5	0.6	2.0
Extend employer-provided education assistance	0.9	0.1	—	—	—	1.0
Provide incentives for small business (capital gains)	•	0.1	0.2	0.2	0.3	0.8
Extend targeted jobs tax credit	0.2	0.2	0.1	0.1	•	0.6
Provide other investment incentives	1.9	0.5	0.2	−0.2	−0.5	1.9
Raise individual income taxes for upper incomes	−17.0	−25.8	−28.5	−26.0	−27.2	−124.5
Repeal HI taxable wage base	−2.7	−6.0	−6.4	−6.8	−7.2	−29.2

Table 1. DEFICIT REDUCTION PACKAGE—Continued

(In billions of dollars)

	1994	1995	1996	1997	1998	1994–1998
Increase transportation fuels tax	–4.5	–4.6	–4.9	–5.0	–5.0	–24.0
Increase taxable portion of social security benefits to 85%	–1.5	–3.9	–4.1	–4.3	–4.5	–18.3
Restrict deduction for business meals and entertainment to 50%	–1.8	–3.1	–3.4	–3.6	–3.9	–15.9
Increase top corporate income tax rate on large corporations to 36%	–3.8	–2.5	–2.6	–2.7	–2.7	–14.3
Extend 2.5 cent-per-gallon motor fuel tax	—	—	–2.6	–2.7	–2.7	–8.0
Modify corporate estimated income tax rules	–1.9	–0.4	–0.1	–3.9	–0.8	–7.1
Modify mark to market for security dealers	–0.9	–1.0	–1.0	–1.0	–0.6	–4.3
Limit possessions tax credit (Sec. 936)	–0.2	–0.7	–0.8	–1.0	–1.1	–3.8
Enforce transfer pricing compliance	–0.2	–0.6	–0.9	–1.0	–1.1	–3.8
Reduce pension compensation cap	–0.3	–0.8	–0.8	–0.9	–0.9	–3.8
Reinstate top estate tax rates at 53% and 55%	–0.5	–0.5	–0.6	–0.6	–0.6	–2.8
Modify deduction for moving expenses	–0.1	–0.5	–0.5	–0.6	–0.6	–2.3
Revise foreign tax credit/oil and gas and shipping income	–0.4	–0.4	–0.4	–0.5	–0.5	–2.2
Extend FUTA surtax	—	—	—	–0.9	–1.2	–2.1
Modify estimated tax requirements for individuals	2.2	0.2	0.2	–4.0	–0.1	–1.5
Other	–1.4	–1.4	–1.9	–2.1	–2.0	–8.7
TOTAL, revenues	–27.4	–46.9	–54.3	–62.8	–58.6	–250.1
Deficit reduction	–46.8	–82.7	–100.6	–128.9	–145.8	–504.8
ADDENDUM:						
Investment increases included above	8.0	8.1	10.6	11.9	12.0	50.5

NOTE: Revenue increase is shown as a negative because it reduces the deficit.
* $50 million or less.

Spending Cuts

Following is a summary of the five-year entitlement and discretionary spending cuts in the Omnibus Budget Reconciliation Act of 1993:

Entitlement Savings.—The reconciliation bill contains $71.3 billion in net savings in entitlement and other mandatory spending. The savings are in the following programs:

- **Medicare.**—The $49.1 billion in savings in Medicare reduce the growth that is projected for the program over the next five years. The savings are achieved primarily by slowing the growth of allowable payments to hospitals, doctors, and other providers, without increasing costs for beneficiaries.

- **Medicaid.**—The $7.2 billion in savings is primarily from two provisions:

  —Payments to certain hospitals that serve a disproportionate share of low-income patients will be reduced by not allowing the payments to exceed the cost of providing services, as they frequently have under previous law.

  —Also, the legislation repeals a current provision that would have required state spending on personal care.

- **Federal retirement programs.**—The law contains $11.5 billion in savings in this category, primarily from the following provisions:

  —The law delays the payment of cost-of-living adjustments for Federal civilian and military retirees. The savings occur because retirees do not receive cost-of-living increases in their payments during the periods of delay.

  —The law eliminates the "lump-sum" retirement option, which would otherwise

3. ASKING THOSE WHO HAVE THE MOST TO PAY THE MOST

Reverses over a decade of trickle-down economics.

80% percent of the tax burden will fall on those making more than $200,000.

Only the top 1.2 percent of all taxpayers will experience an increase in their income taxes.

Those who file joint returns and making less than $180,000 will not pay higher income taxes; individual filers making less than $140,000 will not pay higher income taxes. **We repeat: if you are a family and you make under $180,000 of adjusted gross income, you will not pay a penny more in income taxes.**

The package closes loopholes and unnecessary deductions by limiting write-offs for the cost of lobbying, for CEO pay of more than $1 million, and expensive business lunches and entertainment.

4. FAIRNESS FOR THE MIDDLE CLASS

No income tax increase for the middle class. Working families making less than $180,000 a year will not pay one extra penny in income taxes.

The average working family will pay less than $3 a month for the only new tax that will affect them, a 4.3 cent a gallon gasoline tax.

Twenty million working families and households -- with a full-time worker -- will receive a tax cut through an expansion of the Earned Income Tax Credit that rewards work and responsibility.

5. INCENTIVES FOR PRIVATE SECTOR INVESTMENT, SMALL BUSINESS AND JOB CREATION

Includes one of the most significant incentive packages ever for small business job creation and capital formation.

More than 90 percent of small businesses will benefit or be eligible for new job-creating tax incentives, while only 4% of business owners will pay any higher taxes.

More than 90 percent of small businesses are eligible for a tax cut through, among other incentives, a major expansion of the provision that allow for annual expensing of business investments, and a new targeted capital gains tax credit for investment in small business.

Over 80 top CEOs of major companies have endorsed the President's plan and eight small groups major groups have announced their support for the President's plan including the National Small Business United, National Association for the Self Employed, and the National Venture Capital Association.

The plan includes a new and innovative empowerment zone proposal to spur economic growth and job creation in distressed rural and urban areas.

The plan also includes incentives for research and development -- a key incentive for long-term productivity growth and competitiveness.

6. CUTTING SPENDING WHILE STILL REWARDING WORK AND INVESTING IN OUR PEOPLE

Every tax dollar raised goes to deficit reduction, and even after paying for all the investments in the plan, there are still $255 billion in spending cuts that go to deficit reduction.

A historic expansion of the Earned Income Tax Credit so that every parent who works full-time and has a child at home will not have to raise that child in poverty.

- **Impact Aid**

The Congress accepted substantial scalebacks in funding levels. The Reconciliation Act provides $475 million for Impact Aid, a reduction in funding for comparable portions of the Impact Aid program by 25% from the FY 1981 level. It provides for a three year phasing out of payments on behalf of children who live or whose parents work on Federal property ("B" students). This action will assist in the general effort to limit the Federal spending to those areas in which a clear Federal role can be identified.

- **Head Start.**

Congress accepted the Administration's proposal to extend Head Start's authorization through FY 1984. In addition, the Reconciliation Act authorizes $950 million for Head Start in FY 1982, as requested by the Administration.

- **Pell Grants.**

The Congress accepted the Administration's proposal to restrain the growth of the Pell grant program. The bill sets authorizations limits at $2.7 billion in 1982, $2.8 billion in 1983, and $3.0 billion in 1984. It will reduce outlays from the current policy baseline by $54 million in 1982, $404 million in 1983, and $717 million in 1984.

- **Merchant Seamen**

The Congress accepted the Administration's October 1, 1981, date for repeal of one of the oldest Federal programs, the free medical benefit for merchant seamen, enacted in 1798. This change will allow transfer to communities, or closure, of the eight Federal hospitals and 27 clinics now providing service to this population. No change is expected in access to medical care by seamen since these facilities are located in metropolitan areas with adequate or excess hospital beds.

- **Health Professions**

Congress took an important step, as proposed by the Administration, by redirecting Federal health professions funding toward speciality areas of highest need and reducing general institutional subsidies that aggravate the current health professions surplus. Congress reduced health professions funding from $401 million in 1980 to $277 million in 1981 and $214 million in 1982.

- o improve States' abilities to enforce medical support for children and recover other types of third-party payments;

- o enable States to adopt prescription drug formularies;

- o assure that disproportionate share hospital payments to public hospitals are tied to costs; and

- o correct an error that would have mandated coverage of personal care services in all States, thus allowing States to retain personal care as an optional benefit.

o In addition, the agreement increases Medicaid spending in several areas, e.g.:

- o increased limit on Medicaid payments for Puerto Rico and other territories, and

- o optional coverage of TB-related services under Medicaid.

Immunizations

o Requires the Secretary of HHS to negotiate with vaccine manufacturers for the purchase and delivery of vaccine to States to immunize eligible children. Federally purchased vaccine would be provided free to eligible children, defined as: Medicaid eligible children, uninsured children, Native American children, and children uninsured for immunizations at Federally Qualified Health Centers or rural health clinics. Each State would establish a vaccine distribution program (which could be operated through Medicaid or through State Health Departments) to provide eligible children with free vaccine.

Other Programs

o Increases the earned income tax credit for working families with children. Creates a new credit for low income childless workers.

o Extends expiring Trade Adjustment Assistance program for three years to provide training and income support to workers who lose their jobs because of increased imports.

o Improves child support enforcement by streamlining paternity establishment procedures and strengthening medical support enforcement.

o Sets Federal funding match rates for State administrative costs of the AFDC program at a uniform 50%.

- Charges States fees for the cost of administering their State supplemental SSI payments.

- Increases food stamps benefits, especially for families with high shelter costs and for parents paying child support.

- Includes approximately $1 billion over 5 years for a new family support and preservation program to provide low-income parents with the skills to help raise their children and services to prevent the need for foster care placements.

- Reforms U.S. customs inspector overtime laws. Opportunities for abuse under the current system will be eliminated and inspectors will receive compensation more in line with other Federal employees, while still providing compensation for the uncertainty of their work hours.

- Permanently extends customs service merchandise and passenger processing fees.

- Funds 9 empowerment zones and 100 enterprise communities. The bill contains $2.5 billion in tax incentives, most prominently wage tax credits for businesses who hire zone residents, and $1 billion in Title XX grants. The zones and communities could spend grant funds for activities such as drug prevention, community development, job training, transportation services, low-income housing, and education.

9 Block Grants

- Federal Communication Commission (FCC).

  The Reconciliation Act would extend the term of broadcast licenses to five years for television stations and seven years for radio stations. The Act also gives the FCC the option of utilizing a lottery system to select among qualified candidates seeking the same broadcast license. Both provisions would reduce regulatory costs.

V. BLOCK GRANTS

The Reconciliation Act consolidates 56 categorical programs into nine block grants, generally beginning in FY 1982. Enactment of these block grants is a critical step toward accomplishing the President's goals of restoring a more appropriate balance among the levels of government and encouraging more efficient and effective use of resources for the benefit of the nation's citizens.

Enactment of the block grants significantly streamlines program administration by reducing unnecessary Federal regulatory, legal, and reporting requirements now imposed on States and grantees. The block grants will serve program purposes similar to the categorical programs consolidated, but will allow States flexibility to coordinate and improve the effectiveness of services for their citizens. Duplicative and low-priority programs can be eliminated, while gaps in needed local services can be filled.

The following block grants will result from the Reconciliation Act:

- MATERNAL AND CHILD HEALTH BLOCK GRANT. This block grant consolidates seven Federal categorical grant programs. It will enable States better to assist and improve the health of mothers and children through a State-administered program and also provides for a percentage of funds each year to support special research, training, and service programs. Funding for the block grant is authorized at $373 million for FY 1982 and each year thereafter.

- HEALTH PREVENTION AND SERVICES BLOCK GRANT. This block grant consolidates eight categorical grant programs into one program which emphasizes services to prevent unnecessary injury, illness and death. Funding of $95 million in FY 1982, $96.5 million in FY 1983, and $98.5 million in FY 1984 is authorized.

- ALCOHOL, DRUG ABUSE AND MENTAL HEALTH BLOCK GRANT. Five categorical grant programs are consolidated in this block grant which emphasizes substance abuse and mental health services. Funding of $491 million in FY 1982, $511 million in FY 1983, and $532 million in FY 1984 is authorized.

- <u>PRIMARY CARE BLOCK GRANT</u>. This block grant will enhance States' ability to provide primary care services to populations in need by converting the categorical Community Health Centers (primary care) program into a block grant to States beginning in FY 1983. Funding of $302.5 million in FY 1983 and $327 million in FY 1984 is authorized for the block grant.

- <u>SOCIAL SERVICES BLOCK GRANT</u>. The social services block grant will consolidate more than $2.4 billion in Federal Title XX social service programs (e.g. child day care, homemakers services, social services, training,etc.) and will encourage States to deliver social services more efficiently and effectively.

- <u>LOW-INCOME ENERGY ASSISTANCE</u>. Beginning in FY 1982, $1.875 billion in Federal low-income energy assistance will be redesigned to reduce unnecessary Federal requirements and increase State program discretion. States may provide assistance directly to eligible households and indirectly through energy suppliers and public housing project operators.

- <u>COMMUNITY SERVICES BLOCK GRANT</u>. A program of $389 million in community services block grants to States will replace the Community Services Administration. States will use block grant funds to ameliorate causes of poverty in their communities. The Department of Health and Human Services will allocate block grant funds and conduct special project activities.

- <u>EDUCATION BLOCK GRANT</u>. The education block grant simplifies and consolidates Federal elementary and secondary education programs. Title I of the bill streamlines current administrative and program requirements of Title I of the Elementary and Secondary Education Act and is authorized annually at $3.48 billion for fiscal years 1982 through 1984. Title II of the bill consolidates more than 25 Federal elementary and secondary education programs into one State grant to improve education. Title II is authorized annually at $589 million for fiscal years 1982 through 1984. Specific educational needs and priorities will be determined by State and local educational agencies.

- <u>COMMUNITY DEVELOPMENT BLOCK GRANT</u>. Two categorical grant programs--Planning Assistance and Neighborhood Self-Help Development--are consolidated by the reconciliation legislation into the existing Community Development Block Grant (CDBG) program. In addition, the legislation streamlines the CDBG program by reducing federal requirements and intervention, increases the percentage of funding provided to small cities and rural areas by the CDBG program, expands the activities eligible for funding to include economic development, and establishes a State Community and Economic Development Block Grant program for small cities and rural areas. Funding for the program is authorized at approximately $4.2 billion in both 1982 and 1983.

  These changes were proposed to increase State and local government decision-making and implementation powers, reduce Federal intervention and, by providing more flexible Federal funding for local economic and community development, permit a reduction in total Federal resources for these purposes.

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THE PRESIDENT HAS SEEN
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-- The United States stands firm in its support for President Yeltsin, Russia's democratically-elected leader. We continue to support his reform government and reformers throughout Russia.

o We regret the bloodshed and loss of life in Moscow. But it is clear that opposition forces provoked the conflict, and that President Yeltsin had no other alternative for restoring order.

1 B

o Ultimately, the Russian people must decide their future. That can only happen if the violence ends and Russia moves toward free and democratic elections.

o I also deeply regret the loss of life in Somalia, where American forces are working with the UN to ensure that anarchy and starvation do not return once our forces leave.

-- I want to offer my profound condolences to the families of U.S. Army personnel who died in the past day's fighting in Mogadishu.

-- They were acting in the best spirit of America, and our conviction that the lawless should not be left to victimize the innocent.

1D

-- We will continue to do what is necessary to protect our forces in Somalia and to complete our mission there.

o From the struggle against communism in Eastern Europe, to the struggle against apartheid in South Africa, the American labor movement has always answered the challenges of our times.

1-E

o Today, I want to talk to you about how we can work together to meet the challenges of a world transformed by new technologies and global trade.

o The historic role of the labor movement has been, not to preserve old ways but to embrace change and empower workers. Almost half a century ago, at the end of World War II, labor helped to change America -- and change the world. At home and abroad, labor helped to create a generation of prosperity and lift our working people into the middle class. Now, a half century later, at the end of the Cold War, we need to do it again.

o We are in a time of change as dramatic as the dawning of the industrial age in which the labor movement was founded. We can no longer tell our sons and daughters that they will hire in at a job at the age of 18 or 21, enjoy secure paychecks and health benefits for the rest of their working lives, and retire from the same job with the same company at the age of 65. Our changing economy calls upon all of us to change, so that we can stop working harder for less and start working smarter for more.

20 yrs → Real Hourly Wages Declined
→ Most Workers Same or less
→ Jobs lost w/o fewer comp benefits
→ 80s Mfg Dn, 90s Service
→ All weathering trouble creating jobs

o If Americans are to have the courage to change in a difficult time, we must first be secure in our most basic needs. Today, I ask you to work with me to keep the promise of our country and fulfill the mission of your movement: to offer our working people opportunity and security. Above all, I ask you to join with me in the fight for health security -- health care you can afford and that can never be taken away -- health care that's always there.

o I ran for President because I believed that, after 20 years of stagnant living standards -- and after 12 years of anti-worker policies and anti-labor rhetoric -- America can do better and must do better. I believe that business, labor, and government can work together to build a better economy.

<u>What We've Done for Labor</u>

o I believe workers and their unions are indispensable partners -- not disposable parts. We are replacing a government that for years has worked labor over with a government that works with labor.

o We have a Secretary of Labor, Bob Reich, who is with us here today, who understands that, at a time when money and management can travel across the earth in a microsecond, our prosperity depends upon the skills and the strength of our working people.

o We have nominated a chair of the National Labor Relations Board, Bill Gould, and a new member, Peggy Browning, who believe in collective bargaining. And we have a director of the Occupational Safety and Health Administration, Joseph Dear, who comes from the labor movement and believes in protecting workers.

Joyce Miller } in EO pos Lab
Jack Otero } were on EO Comm
Karen Nussbaum SEIU Women Bur
Geri Palast " ~~[illegible]~~ Cong Aff

o I rescinded President Reagan's order banning the re-employment of PATCO workers. It is time to heal the wounds and put the past behind us.

o I rescinded PB 92 order re: gov't fin. construction + [illegible] to workers —

o This week, I will sign Hatch Act reform. For government employees who have had their political rights denied for too long, we will restore some balance to the system.

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o We believe working people know better than anyone how to do their jobs better. That is why -- as we reinvent government to make it more effective and less expensive -- we are working with federal employees and their unions. When Vice President Gore spoke with business leaders and workers who have changed their companies, they all told him you can't make fundamental change without having workers and their unions at the table. That is what General Motors and the United Auto Workers did in the Saturn project -- and that is what we are doing.

o That is why I signed an executive order on Friday creating a National Partnership Council. For the next several months, the leaders of the federal employee unions [including John Sturdivant, president of the American Federation of Government Employees] will work with leaders of my administration to make government more effective and cost less. This is unprecedented in the history of the federal government.

o We want to make worker empowerment -- and labor/management cooperation -- a way of life, from the factory floor to the board room. That is why we have created the Commission on the Future of Labor/Management Relations, with leaders from labor and business and the academy and chaired by former Labor Secretary John Dunlop. And that is why I am asking Secretary Reich to create a commission to study and improve labor relations in government at every level.

What We're Doing for Working People

o The labor movement has always fought for every working man and woman -- not only your own members. With your help, in just eight months, we're providing more security for working families:

-- With the Family and Medical Leave Act, working men and women can take time to be with a newborn baby or an ailing parent -- without losing their jobs.

-- By expanding the Earned Income Tax Credit, we are telling millions of people in some of our most difficult and dangerous jobs: If you work 40 hours a week, and have children at home, you will no longer live in poverty. We are bringing new hope and new dignity into the lives of 15 million working families earning $27,000 a year or less.

20 yrs

Bgst working Amer, tax fairness

-- And we're reforming student loans and offering young people the opportunity to pay for college through National Service. When merit qualifies young people for college, money must not keep them out.

~~[Insert on California school voucher proposal,~~

~~to come]~~

With our Goals 2000 program, we are raising the standards in our schools in subjects that are crucial to our children's future, such as science and mathematics. And we will give our [redacted] schools the resources that they need to meet [redacted] tough national standards.

We need higher standards and more choices in the public schools. Magnet schools, charter schools, schools-within-schools -- good ideas that meet our students' needs are worthy trying.

And I am proud that so many of the teachers here are willing to take greater responsibility for the quality of the education in their schools, through innovations like school-based management.

We want to work with states and local communities, so that they can find the ways that work best for them to meet tough, national standards. States have traditionally taken the leading role in improving public education -- and that is one of the glories of our system.

But -- if I could say a special word to the people of California -- I believe that Proposition 174, the private school voucher initiative, is not the answer. It would take $1.3 billion of the taxpayers' money away from the public schools to pay for students already enrolled in private schools. It does not set standards for educational excellence in the private schools that would get the money, and it does nothing at all for the public schools that the great majority of our children attend.

What we need to do is make our public schools better -- not make them bankrupt.

o In these times of change, job security may be a thing of the past. But we are doing everything we can to offer working men and women employment security -- the opportunity to find new jobs and better jobs.

-- We are making investments to convert from a high-tech defense economy to a high-tech domestic economy.

— 500m in conv prev admin refused to release
— techn RF → 2800 proposals
— Base — McClellan [illegible]
→ <u>Export controls</u> — 30b comp
5b super
2b telecom

-- We are working with the big three auto companies and the United Auto Workers to develop affordable, attractive cars that are up to three times more fuel-efficient than today's cars.

Exit

-- And we are changing the unemployment system to a re-employment system and creating a system of one-stop shopping for people in need of jobless benefits, job training, and job search assistance. → 150 to a program to 1
→ Re-employ — union

Expanding Trade/NAFTA

o Our economic security depends upon finding more markets for our products and our services. The only way a rich nation can get richer is by expanding trade.

o Our exports to other countries account for some 7 million American jobs. And, since 1986, much of our job growth has come from increases in sales overseas.

o At the meeting of the leading industrial nations in Tokyo, in July, we took another important step to an agreement that could dramatically reduce the tariffs on American products all across the world. We have worked to break down trade barriers in Japan and Europe. You know better than anyone how important it is to have open markers for American products. The progress we're making could create hundreds of thousands of new manufacturing jobs in America in industries from steel, to farm equipment, to pharmaceuticals.

o That brings us to a trade issue on which we disagree. And, when friends disagree, it is important to understand why. Because of my respect for the labor movement, I have listened very carefully to why you oppose the North American Free Trade Agreement.

o After at least a dozen years when the fabric of opportunity and security in America has become tattered and frayed, when good-paying jobs have been destroyed and opportunities for retraining have been scarce, I can understand why so many Americans are anxious.

o On this issue, the only thing I ask you is that we debate whether this creates jobs or loses them. I hope you all know me well enough to know that I would never knowingly do anything that would cost jobs [redacted] in this country. I'm trying to create jobs. That's what I've spent my whole public life doing.

— Gov of a St lost jobs to Mx
— Plants closed I knew them
— Fought our battle—

o This agreement will level a playing field that has been substantially tilted in favor of Mexico. Mexico's tariff barriers against our products have been 2.5 times greater than our own. When the agreement phases out all tariffs, we will sell Mexico more of our most competitive products: automobiles, machine tools, aerospace equipment, telecommunications equipment, and electronic equipment, to name just a few.

o What's wrong — wages
— environ
— lab. prac.

And -- on top of that -- this agreement will get rid of the restrictions against U.S. products that encourage U.S. companies to move factories to Mexico. These are some reasons why I believe this agreement will create 200,000 new [redacted] jobs here in the United States by 1995.

o The fact is: Mexico is a good market for U.S. products -- and this agreement will make it even better. The U.S. had a $5.6 billion trade surplus with Mexico in 1992, compared to trade deficits of $49.6 billion with Japan, $18.3 billion with China, and $9.4 billion with Taiwan. Seventy cents of every dollar that Mexico spends on foreign products is spent on our goods. – 2nd to Can per cap
2d in Mfg goods

o This isn't just about the United States and Mexico. It's about the United States and our competitors in Western Europe and East Asia. Across the globe, our competitors are consolidating, creating huge trading blocks. This agreement will create a free-trade zone stretching from the Arctic to the tropics, the largest in the world -- a $6.5 [redacted] trillion market, with ~~370~~ 700 million people.

[Note to the President: Joan Baggett, David Kusnet, and Michael Waldman advise against using this paragraph.]

[o And this isn't only about whether we will sell products in Mexico -- or Japan or Germany will. It's about whether we or our competitors will sell our products throughout Central and South America. Chile, Argentina, and Brazil all want to know if this agreement will pass, so they can become part of this great new market, with hundreds of millions more consumers for our products.]

- INSECURITY
- TRUST

I understand why you are worried about NAFTA. Working men and women have suffered too often from economic change in recent years. Jobs have moved away with nothing to replace them. But, my friends, the things you fear from NAFTA are happening already. By opening their markets and raising their standards, NAFTA makes things better.

— in Job Sec / Employ Sec
— Sec Ec Str —

Health Security

o As we meet the challenges of a changing world, the most critical thing we can do to build security for working people is to fix what is wrong with our health care system. I know that talking about health care reform to the labor movement is like preaching to the choir.

-- A half century ago, when America was lifting working people into the middle class, the labor movement was fighting for universal health coverage.

-- You were the strongest supporters of President Truman, when he said: "We should resolve now that the health of this nation is a national concern; that financial barriers in the way of attaining health shall be removed; that the health of all its citizens deserves the help of all the nation...Everyone should have ready access to all necessary medical, hospital, and related services."

-- And you helped to build the employment-based insurance that is the bulwark of our health care system.

o You know as well as anyone that the only way to preserve what is right with our health care system is to fix what is wrong with it.

-- You know as well as anyone that millions of Americans are just a pink slip away from losing their health insurance.

-- You know as well as anyone that millions more are locked into their jobs for fear of losing their insurance.

-- You know as well as anyone that millions of workers have had to go to the bargaining table and trade the pay increases they deserve for the health care coverage they need. Because of rising health care costs, workers have lost 58% of the wage increases they would have received since 1980. And, unless we do something now, American workers will lose $655 in income each year by the end of the decade.

-- You know as well as anyone that 37 million Americans, most of them working people and their families, are uninsured.

o I have asked Congress to make history and enact health reform based on these principles: security; savings; simplicity; choice; quality; and responsibility. Security is first -- and most important. Since American workers may have to change jobs eight times in their working lives, we need to make sure they will not lose their health coverage when they change jobs.

o I want to build on the existing system of employer-based coverage that the labor movement did so much to create.

-- If you have benefits and you like them, you can keep them.

-- If your employer covers 100% of your health care costs, you can keep that.

-- You will no longer have to trade the pay increases you deserve for the health care you need.

THE PRESIDENT HAS SEEN
10\5\93 db

-- Your employers will no longer be at an unfair disadvantage against companies here in the United States that do not insure their employees and against companies from other countries with national health plans. You will have true security.

-- [redacted]. Workers will be healthier; businesses will be more competitive; and there will be new jobs in health care because everyone will be covered.

o Labor led the way in proposing universal health coverage. And now, almost everyone is following your lead -- responsible business leaders, responsible health care professionals, and [redacted] Democratic and Republican leaders in Congress. This is a hopeful, historic moment. Together, we can make the labor movement's dream and President Truman's dream a reality: "Everyone should have ready access to all necessary medical, hospital, and related services."

Conclusion

o Together, we can build an America that offers a foundation of security for all our citizens. An America where people have the confidence to work hard, study hard, learn new skills, and set new goals for themselves; to choose work over welfare; and to seek new jobs that demand higher skills and pay higher wages.

o When he addressed the AFL-CIO thirty-two years ago, President Kennedy said: "I have come...to ask your help, as on other occasions other Presidents of the United States, from Woodrow Wilson through Roosevelt and Truman, have come to the AFL and the CIO, and each time each organization has said 'Yes.'"

o I need your help -- to offer every American health security and employment security and economic security. And I know you will do what is best for American workers and what is best for America.