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Meeting with Congressional Black Caucus
Tax Issues Raised Prior to Meeting and Responses
May 21, 1997

Issue: Tax Loopholes

'97 MAY 21 PM2:14

Response:

- Our budget included a significant package of reductions in unwarranted corporate subsidies totaling \$34 billion over five years (1998-2002). These proposals close some loopholes and address inequities. We strongly believe that these are appropriate measures that belong in the final tax bill.

Issue: Capital Accumulation**Response:**

- I have long shared your concern for generating increased economic activity in distressed areas. Together we have enacted into law a number of provisions to address this need: including the Empowerment Zone and Enterprise Community Program, the Community Development Financial Institutions Fund (CDFI), the tax credit for contributions to Community Development Corporations (CDCs), and the tax provision allowing tax-free rollovers for investments into Specialized Small Business Investment Companies (SSBICs -- minority owned investment companies).
- In the budget negotiations, on the spending side, we were able to secure our expansion of the Community Development Financial Institutions Fund -- (\$75 million increase to \$125 million in 1998). On the tax side, we were able to secure a written commitment from Speaker Gingrich and Majority Leader Lott that they would do their part to seek to include our Empowerment Zone and Enterprise Community tax incentives, the Brownfields program, and the tax incentives to spur economic growth in the District of Columbia. We have to work together to ensure these important proposals are in the final tax bill.

Issue:**Congressman Rangel's Education Proposals****Response:**

- Ranking Member Rangel has proposed a number of tax initiatives to address the situation of inadequate primary and secondary schools in our distressed communities.
- We believe that the proposal to use the tax code to finance debt issuance for the construction and rehabilitation of schools in these areas is a novel approach that holds the promise of advancing goals we share. We want to work with you on your ideas.

MEETING WITH THE CONGRESSIONAL BLACK CAUCUS

DATE: May 21, 1997

LOCATION: East Room

TIME: 5:20 PM - 6:20 PM

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Congressional Black Caucus List TAB B

Talking Points TAB C

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- o Balanced Budget Agreement
- o African-American Appointments
- o Affirmative Action
- o Juvenile Justice
- o Banana Trade
- o Relationship with the CBC
- o Crack Cocaine Sentencing
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on Black Farmers TAB D

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Congressional Black Caucus TAB F

97 MAY 20 PM9:52

THE WHITE HOUSE
WASHINGTON

May 20, 1997

MEETING WITH THE CONGRESSIONAL BLACK CAUCUS

DATE: May 21, 1997

LOCATION: East Room

TIME: 5:20 PM - 6:20 PM

FROM: John Hilley

Janet Murguia

Andy Blocker

John Hilley
JM
Andy Blocker

I. PURPOSE

To respond to the Congressional Black Caucus (CBC or Caucus) request for a meeting with you in order to discuss specific issues of concern including: the CBC legislative agenda; African-American appointments; the budget agreement; affirmative action; juvenile justice; banana trade; and race relations.

II. BACKGROUND

Despite numerous court challenges to majority-minority districts during the 104th Congress, the Congressional Black Caucus (CBC) still boasts 39 members in the 105th Congress (See attached list of CBC Members). Of particular note, Sanford Bishop and Cynthia McKinney of Georgia won reelection even after their districts were redrawn for the 1996 election cycle. They, along with Julia Carson of Indiana were able to win in majority-white districts. The new CBC chair for the 105th Congress is Representative Maxine Waters of California. The vice-chairs are Reps. Earl Hilliard of Alabama and Eddie Bernice Johnson of Texas.

The CBC through Chairwoman Maxine Waters on April 8th originally sent a letter requesting a meeting with the you to discuss their agenda and budget issues prior to any agreement. On May 7th, the CBC met with Erskine Bowles and underscored their interest in the budget agreement, appointments, affirmative action, juvenile justice, banana trade, Africa policy and the Administration's overall relationship with the Caucus (See attached Erskine Bowles letter). In addition, Presidential Personnel Director Bob Nash and his office have been in regular contact with Chairwoman Waters to discuss the latest information regarding African-American appointments. Nash has tried to convey to the Caucus that the deliberative and sensitive nature of the nominations process has slowed the pace of appointments. He has restated your sincere commitment is to continue African-American representation during your second term.

Secretaries Brown, Slater and Herman along with OMB Director Raines are confirmed to attend the Caucus meeting with you.

Several offices within the White House including Presidential Personnel, White House Counsel, OMB, NEC, and OPL were involved in providing background and talking points on the issues to be raised by the Caucus. Please see attached talking points which correspond with the following issues:

-CBC Agenda

On May 15th, the CBC announced its legislative agenda for the 105th Congress. Their priorities as outlined in the agenda include—eradicating drugs, assisting grandparent caregivers, developing community computer centers to increase access in underserved areas, increasing access to capital for small businesses to create jobs and expand opportunities, and assisting local school districts to repair their infrastructure.

Chairwoman Waters has repeatedly communicated to OMB Director Raines and others that she is especially interested in working with the Administration and others to develop strategies to fight drug use. During the announcement of the CBC Agenda, Chairwoman Waters made it clear that curtailing drug abuse is the number one priority for the CBC. Their drug initiative stresses prevention and treatment rather than enforcement. It expands the Substance Abuse Block Grant by \$300 million per year and targets those resources for rehabilitation services for at-risk communities. It funds a demonstration media campaign for low-income communities. It also expands successful drug treatment programs like drug courts and youth courts, and prison drug treatment. Further, the initiative funds an alternative crop production program for cocoa-growing countries to help stem the flow of drugs into this country.

Most of the elements of the CBC drug proposal are reflected in your FY 1998 budget—treatment, drug/youth courts, prison drug treatment, media campaign, and alternative development in sources countries, although in much less dollar amounts. The CBC proposes to fund these areas by giving the Office of National Drug Control Policy (ONDCP) the power to shift up to 10% of all drug program resources into the stated priority programs.

-Balanced Budget Agreement

The CBC is very concerned that the budget agreement falls short in a number of areas. Many members have expressed concerns about the following issues—Medicaid cuts and their effect on Disproportionate Share Hospitals (DSH), insufficient restoration of welfare cuts, lack of equity in the tax cut agreement, and the fact that your school construction initiative is not included in the budget agreement.

It is important to note that many issues of importance to the CBC are incorporated into the balanced budget agreement. For instance, the Federal Medicaid guarantee is protected; many welfare cuts are restored; the Earned Income Tax Credit (EITC) is protected; and the America Reads initiative is included.

-African-American Appointments

The CBC will also want to make it clear that Blacks overwhelmingly supported the President in 1992 and 1996 and should be properly represented throughout the Administration in key, decision-making positions, including the White House. They are likely to be very aggressive on this point and may bring up specific individuals and positions of interest.

Members of the Caucus have expressed concern and frustration that there is no one in the White House that they can call upon who has access to you on a regular basis. During your first term, you appointed four African-Americans at the level of Assistant to the President: Veronica Biggins, Alexis Herman, Maggie Williams and Bob Nash. In the second term, Bob Nash and Thurgood Marshall will be the only two Assistants to the President.

CBC Members would like more African-Americans in the White House who can both affect policy development and have regular access to you in order to bring their concerns to your attention. They would like for you to appoint an African-American as either a senior adviser or a deputy chief of staff. CBC members believe that highly visible, diverse representation throughout the Clinton Administration is critical to the success of a continuing Democratic controlled White House.

In addition, the Caucus has expressed concerns that the policy shops at the White House—DPC and NEC—do not have senior level African-Americans. They have also expressed frustration at the lack of African-Americans in senior positions within the Departments of Treasury and State.

-Affirmative Action

The Administration recently published its proposed affirmative action federal procurement regulations in the Federal Register. During the CBC meeting with Erskine Bowles, they had a number of inquiries about the effect of the regulation on minority contracting, especially the SBA 8(a) program. In response to their inquiries it will be important to note that the regulations are *proposed* and there is still a 60-day comment period before anything becomes final.

In addition, CBC members have expressed interest in the Hopwood case, Proposition 209 and minority contracts with the Department of Transportation.

-Juvenile Justice

The Congressional Black Caucus has a number of concerns about the Administration's proposed juvenile justice bill which they feel is too long on punishment and too short on prevention. Specifically, the key leaders within the CBC on juvenile justice -- CBC Chair Maxine Waters (D-CA) and Congressmen Watt (D-NC) and Scott (D-VA) -- have focused their criticisms of the Administration bill on three primary areas: 1) allowing the Bureau of Prisons the discretion to transfer dangerous juveniles federally convicted as adults to adult facilities upon turning 16; 2) expanding the list of offenses (to include drug offenses) for which a juvenile could be tried as an adult in the federal system, and giving U.S. attorneys, rather than Federal judges, the discretion to charge juveniles as adults, and; 3) emphasis on federal grants to prosecutors at the expense of

..funding for juvenile crime prevention programs. In addition, during their meeting with Erskine Bowles, members of the CBC asked why the Administration is supporting incarcerating juveniles with adults, making juvenile records public and instituting more mandatory minimum sentences.

-Banana Trade

Chairwoman Waters and the CBC are concerned that the recent World Trade Organization (WTO) decision will result in an elimination of the preference program that the European Union (EU) extended to Caribbean banana producers. Moreover, they argue that if the EU has to reform its banana regime in a manner that is WTO consistent, the Caribbean economies will collapse and turn to illegal drug trafficking as a primary means of generating revenue. Chairwoman Waters would like to see the United States increase its efforts to give preferences to the Caribbean and work with the European Union to settle the matter in a way that causes no harm to the Caribbean.

During the CBC meeting with Erskine Bowles, Chairwoman Waters asked if the Administration could place a moratorium on the implementation of the WTO banana decision until 2002. A U.S. moratorium would be ineffective and possibly damaging to other U.S. trade interests. The U.S. is but one of five complainants in the case and the others will not agree to a long implementation period. Also, it would set a bad precedent relative to the EU's implementation of other panel decisions, like the recently announced interim panel on beef hormones, which the U.S. is desperate for the EU to implement.

-Relationship with CBC

Finally, in recent years members of the CBC have felt more and more isolated from the Administration. The fact that you are meeting with them is a step in the right direction. Members of the Caucus would like to see more dialogue between the Administration and the Caucus Members. They would like to be consulted more, not only on issues of particular concern to African-Americans, but also on issues where individual members of the Caucus have expertise, e.g., Congressman Rangel on tax policy. (It is important to note that Administration officials were in contact with Representative Rangel regularly to discuss the progress of the budget negotiations.)

-Crack Cocaine Sentencing

Current federal law requires a 5-year mandatory sentence for 500 grams of powder cocaine, but imposes the same sentence for only 5 grams of crack cocaine -- a 100 to 1 ratio. The cost of 500 grams of powder ranges from \$32,500 to \$50,000, whereas the cost of 5 grams of crack cocaine ranges from \$225 to \$750. Almost 90 percent of crack defendants are African-American whereas most powder cocaine users are white. On April 29, due in part to the disparate racial impact and in part due to crime fighting considerations, the Sentencing Commission recommended that the triggering amount for the 5-year mandatory minimum for crack increase from the current 5 grams to between 25 and 75 grams, and decrease for powder from the current 500 grams to between 125 and 375 grams. If these recommendations become law, the ratios

would range between 15 to 1 and 1.66 to 1.

Following the Commission's announcement, you commended the U.S. Sentencing Commission for moving forward with recommendations to reduce the disparity between crack and powder cocaine penalties and he directed Director McCaffrey and Attorney General Reno to review the Sentencing Commission's specific recommendations and report back to him in 60 days.

-Race Initiative

As you know, we have sought input from some members of the CBC in developing our race initiative. Some members may have questions about our progress in this matter.

-Black Farmers

The CBC has been working closely with Department of Agriculture Secretary Dan Glickman to correct the longstanding problem of discrimination against Black farmers within the Department of Agriculture. They have been very pleased with his work so far. The CBC would like for you to 1) support Secretary Glickman as he promotes change at USDA and 2) make a public pronouncement and commitment to rooting out discrimination within USDA.

III. PARTICIPANTS

Pre-Briefing

POTUS

VPOTUS

Erskine Bowles

Frank Raines

John Podesta

Sylvia Mathews

John Hilley

Bob Nash

Gene Sperling

Janet Murguia

Minyon Moore

Al Maldon

Ben Johnson

Andy Blocker

Dawn Chirwa

Meeting Participants

POTUS

VPOTUS

Office of Management and Budget Director Frank Raines

Secretary of Veteran Affairs Jesse Brown

Secretary of Labor Alexis Herman

Secretary of Transportation Rodney Slater

The Congressional Black Caucus

Erskine Bowles

John Podesta

Sylvia Mathews

John Hilley

Bob Nash

Thurgood Marshall

Gene Sperling

Maurice Daniels

Cheryl Mills

Janet Murguia

Minyon Moore

Al Maldon

Ben Johnson

Tracey Thornton

Andy Blocker

Dawn Chirwa

IV. PRESS PLAN

White House Photo

V. SEQUENCE OF EVENTS

As usual

VI. ATTACHMENTS

1- Congressional Black Caucus List

2- Talking Points

- CBC Agenda
- Balanced Budget Agreement
- African-American Appointments
- Affirmative Action
- Juvenile Justice
- Banana Trade
- Relationship with the CBC
- Crack Cocaine Sentencing
- Race Initiative

3- Department of Agriculture Memo on Black Farmers

4- Congressional Black Caucus Agenda

5- Erskine Bowles Letter to Congressional Black Caucus

Attachment #1

CONGRESSIONAL BLACK CAUCUS
105th Congress

Sanford Bishop	2nd District	Georgia
Corrine Brown	3rd District	Florida
Julia Carson	10th District	Indiana
Donna Christian-Green	Delegate	Virgin Islands
William Clay	1st District	North Carolina
James Clyburn	6th District	South Carolina
John Conyers, Jr.	14th District	Michigan
Elijah E. Cummings	7th District	Maryland
Danny K. Davis	7th District	Illinois
Ronald V. Dellums	9th District	California
Julian Dixon	32nd District	California
Chaka Fattah	2nd District	Pennsylvania
Floyd H. Flake	6th District	New York
Harold E. Ford	9th District	Tennessee
Alcee L. Hastings	23rd District	Florida
Earl F. Hilliard	7th District	Alabama
Jesse L. Jackson, Jr.	2nd District	Illinois
Sheila Jackson Lee	18th District	Texas
William J. Jefferson	2nd District	Louisiana
Eddie Bernice Johnson	30th District	Texas
Carolyn C. Kilpatrick	15th District	Michigan
John Lewis	5th District	Georgia
Cynthia A. McKinney	4th District	Georgia
Carrie P. Meek	17th District	Florida
Juanita Millender-McDonald	37th District	California
Eleanor Holmes Norton	Delegate	District of Columbia
Major R. Owens	11th District	New York
Donald M. Payne	10th District	New Jersey
Charles B. Rangel	15th District	New York
Bobby L. Rush	1st District	Illinois
Robert C. Scott	3rd District	Virginia
Louis Stokes	11th District	Ohio
Bennie G. Thompson	2nd District	Mississippi
Edolphus Towns	10th District	New York
Maxine Waters* (Chair)	35th District	California
Melvin L. Watt	12th District	North Carolina
Albert R. Wynn	4th District	Maryland
Carol Moseley-Braun	Senator	Illinois

Attachment #2

Talking Points: CBC AGENDA

- I have read over your Agenda. We share many of the same concerns and goals. I believe that we can work together to achieve some of the goals outlined in your Agenda.

Drug Policy

- I am interested in finding ways to work together on this issue. We have mutual concerns, goals and objectives—especially regarding the disproportionate impact of drugs/crime on African-Americans.
- The Administration appreciates the opportunity to review the CBC drug proposal. Our staffs should continue to share information and work together.

Community Computer Centers

- We have been very committed to making sure that individuals have access to computer technology. Our budget has committed over \$2 billion over 5 years for the Technology Literacy Fund. I first proposed this fund in the my State of the Union address last year. My hope is that it will help to catalyze and leverage state, local and private sector efforts on educational technology.
- In addition, on May 7th, the FCC voted unanimously to provide up to \$2.25 billion a year to provide schools and libraries with affordable and universally available access to telecommunications. The Vice President and I have called for this on many occasions starting with the Vice President's January 11, 1994 Speech at UCLA when he set a goal of connecting every classroom and library to the Internet by the year 2000.

Capital Formation

- We are all interested in doing as much as we can to increase economic activity in economically distressed areas.
- As you know, we have supported both the Community Development Financial Institutions (CDFI), and Community Development Corporation (CDC) Tax Credit.
- Your proposal to set up a fund with the express goal of increasing access to capital for economic development is a worthy goal and I look forward to working with you to achieve that goal.

School Construction

- As you know, my school construction proposal was not part of the budget agreement. This was very disappointing.
- Outside of the budget agreement, I will work hard to authorize and fund this initiative. I believe that this is such an important issue with the American people that the Republicans will feel great pressure to do something on this issue, especially as we get closer to the 1998 election cycle.

Talking Points: BALANCED BUDGET AGREEMENT

- I am very excited about the balanced budget agreement that we reached. I believe that the more people look at what was agreed to in the budget, the more people will realize how much Democrats won.
- This budget agreement promotes our core values by providing critical funding for education, health care, and the environment while strengthening and modernizing Medicare and Medicaid.
- If someone had told you a year ago that the Republicans would agree to this deal, it would have been hard to believe.

CHILDREN'S HEALTH CARE

- Invests \$16 billion to expand health care coverage to as many as 5 million children through one or both of the following: expanding Medicaid coverage by improving outreach initiatives and adding new options for coverage and/or a capped mandatory grant program.

EDUCATION

- **Largest increase in education investment in 30 years.**
- **Fully Funds Education and Training.** Adopts the my FY 1998 request for discretionary education and training programs.
- **Higher Education Tax Cuts.** Provides roughly \$35 billion over five years for postsecondary education tax cuts consistent with the President's HOPE Scholarship and tax deduction proposals.
- **Largest Pell Grant Expansion in Two Decades.** Increases the maximum Pell Grant for low-income college students to \$3,000 -- the largest increase in two decades. Provides a

\$1.7 billion increase in funding -- a 25% increase in FY 1998.

- **America Reads Challenge.** Adopts the my budget request to launch a child literacy initiative consistent with his America Reads program.

FOOD STAMPS

- I expressed deep concerns about Food Stamps program cuts when I signed the welfare reform bill. In FY 98 the welfare bill's time limit on food stamps of 3 months in 36 for childless adults, aged 18 - 50. The original legislation would have cut off up to a million people a month, but the Administration's expansive interpretation of the State wavier authority decreased these estimates to about 500,000 people each month who want to work but can't find jobs.
- The budget agreement provides \$1.5 billion between 1998 and 2002 to moderate the impact of the time limits for childless adults aged 18 - 50.
- ***Provide Funds to Create Work Slots.*** The agreement sets aside \$1.0 billion for new work slots, benefit costs for new work slots, and the costs of benefits associated with redirecting existing employment and training funds to create opportunities for childless adults who want to work. Individuals in work slots will continue to receive food stamps (which add to the costs the proposal).

The number of work slots created will depend on the level of existing employment and training resources redirected to 18 - 50s and the amount devoted to creating new work slots.

- Changes will mean approximately 75,000 to 100,000 slots will be provided for individuals that want to work.
- ***Provide a 15% Hardship Exemption for Individuals.*** The agreement gives States additional flexibility to exempt 15% of all individuals from the time limits due to hardship. The exemption would cost \$0.5 billion over 5 years.
 - The hardship exemption is in addition to current waiver authority which allows States to request waivers for areas with unemployment in excess of 10% or, with too few jobs. The hardship exemption provides States with flexibility to address the unique circumstances of individuals living outside high unemployment areas.
 - States could exempt approximately 70,000 additional individuals monthly from the 3 month time limits.
- ***Together the two provisions would reduce the number of individuals facing benefit cut-offs due to the time limits by about 40%.***

WELFARE TO WORK

- **Fully funds the President's welfare-to-work jobs initiative.** Adds \$3 billion, the full amount requested by the President for the Welfare-to-Work Jobs Challenge, to the TANF block grant to fund welfare-to-work efforts in high-poverty, high-unemployment areas. A share of the funding will go to cities and counties with large numbers of people in poverty.
- **Preserves food stamps for people willing to work.** Provides \$750 million to create additional work slots for able-bodied unemployed childless adults subject to the time limit on food stamps. Also allows States to exempt a limited number of persons falling into this category who are willing to work but would otherwise be ineligible for food stamps.
- **Welfare-to-work tax credit.** The President and the Congressional leadership have agreed to seek a welfare to work tax credit to encourage employers to give welfare recipients the chance to work.

Talking Points: AFRICAN-AMERICAN APPOINTEES

Our Record of Accomplishment on Appointments

- The process is slow and time consuming for everyone, not just African-Americans. During my first term, it took an average of 10 ½ months (from selection through confirmation) to place our appointees in senior level, Senate confirmed positions. While we are trying to cut the average time by several months, it still takes a considerable amount of time to place African-Americans in non-traditional roles and policy making positions (rather than simply placing African-Americans in traditional positions).
- We have the most diverse Cabinet in history. Four African-Americans serve in the Cabinet: OMB Director Frank Raines, Veterans Affairs Secretary Jesse Brown, Labor Secretary Alexis Herman and Transportation Secretary Rodney Slater.
These four distinguished Cabinet appointees represent sixteen percent (16%) of the Cabinet.
- African-American appointees represent 13% (661) of the Administration. Our numbers are more than double the 6% representation in the previous Administration. For example,
34 have been appointed to Senate confirmed sub-cabinet positions
38 have been appointed to the federal judicial bench (18.6%)
37 have been appointed as White House staff (11%).
- Since the '96 election, 11% (111 out of total of 1,011) of the applicants approved by this Administration are African-American. 32 of the 111 are for Senate confirmed positions. The following numbers represent African-Americans selected, but not yet announced (in clearance):
12 have been selected to sub-cabinet positions;
11 have been selected to boards and commissions;
9 have been selected to non-career Senior Executive Service positions;
1 has been selected to the Court of Veterans Appeals.
- Since the election, we have nominated Eric Holder to serve as Deputy Attorney General, the highest ranking African-American law enforcement official in the history of this country; Robert Mallett as Deputy Secretary of Commerce; and appointed Thurgood Marshall as head of White House Cabinet Affairs.

Recommendations

- I want to reaffirm my commitment to make this Administration look like America.
- I will request that my Cabinet Secretaries and senior White House officials assess African-American representation in their departments and consider African-American applicants for vacancies.
- I recommend that John Podesta and Bob Nash offer to meet quarterly with the CBC as a "formal" means of demonstrating White House accountability.

Talking Points: AFFIRMATIVE ACTION

We enacted disadvantaged business programs in response to specific findings that discrimination has impeded the ability of minority-owned and other disadvantaged firms from developing in our economy. Unfortunately, the need remains. My Administration has worked hard to protect these programs while making needed changes. I remain committed to affirmative action and will work with you to protect these programs in the Congress and defend them before the courts.

Reforming Affirmative Action Procurement: We recently published a proposed rule designed to mend affirmative action in federal procurement. This rule strikes the right balance between responding to the Supreme Courts' Adarand decision and ensuring that these programs are preserved and are fair, effective and balanced. We took this step after a massive review, in which the Justice Department concluded that there was still a compelling need for race-conscious affirmative action measures in federal procurement.

Our proposal will be finalized later this fall. At this time, it is too early to say what its ultimate impact will be on minority procurement, but it was the right thing to do. It mends the programs, but does not end them. In developing this proposal, my staff conducted extensive consultation with many of you, and we remain committed to working with you as we implement it.

Empowerment Contracting: We recently launched an Empowerment Contracting program. This new program (established under Executive Order 13005, May 21, 1996) will serve as a supplement--and not compete with--existing federal procurement programs, such as the 8(a) program.

We will offer incentives for government contracting awards to businesses in distressed communities or that hire residents living there. We will provide a 10-percent price preference for qualified businesses in federal acquisitions where cost or price is a significant evaluation factor. Both large and small businesses will be eligible.

NEXTEA and DOT's Disadvantaged Business (DBE) Program: We will also be working hard to reauthorize DOT's DBE program authorized under the Intermodal Surface Transportation Efficiency Act (ISTEA), which expires this year. This program operates through state and local governments that receive DOT financial assistance for highway, transit, and airport projects. Established in 1982, this program sets a nationwide goal that at least 10% of the amounts appropriated are expended with small business concerns owned and controlled by socially and economically disadvantaged individuals. This program represents a major source of funds for women and minority-owned business engaged in government contracting.

As a first step, the Department of Transportation will soon be issuing a Supplemental Notice of Proposed Rulemaking concerning its DBE program that comports with the Supreme Court's Adarand decision and my directive to mend affirmative action programs. The department retained the current legislative language in its NEXTEA bill, which we recently submitted to Congress. Protecting this provision as the bill is marked up in the House and Senate will be one of our highest priorities.

Small Business Administration 8(a) Program: The Department of Justice continues to defend the constitutionality of the 8(a) program to court challenges. As defined by Congress, the 8(a) program is a business development program that helps firms owned and controlled by socially

disadvantaged individuals.

We strongly support the 8(a) program and believe that it significantly increases opportunities for small and disadvantaged businesses. At the same time, the SBA continues to work at improving the efficiency of the program.

Proposition 209: I remain opposed to state referenda that abolish affirmative action at the state level. As such, I directed the Justice Department to join in a challenge to Prop 209 in California. The U.S. is a party to the case as amicus curiae and argued forcefully at the Preliminary Injunction stage that Prop. 209 is unconstitutional. Unfortunately, a three-judge panel of the Ninth Circuit Court of Appeals recently overturned a district court injunction that had stayed implementation of Proposition 209, ruling that the initiative was constitutional. Obviously, I was disappointed with the panel's decision, and Justice will continue as a party to the case through the appeals stage.

Also, we have made it clear to institutions in California that receive federal funds that, Prop 209 notwithstanding, we still require them to comply with Federal affirmative action laws. In fact, as you may be aware, Proposition 209 contains a provision exempting from its reach affirmative action programs undertaken by an institution as a requirement of receipt federal funds.

Hopwood: The Fifth Circuit panel held in Hopwood that educational institutions in the Fifth Circuit may not consider the race of applicants as a relevant factor, even for purposes of ensuring a diverse student body, in making its admission decisions. I believe that Hopwood was wrongly decided and that it is in direct conflict with the Supreme Court's decision in Bakke. I want to assure you that the Federal government is still firmly committed to the notion that diversity in education is a compelling interest.

Although, absent further judicial developments, Hopwood is binding law in the Fifth Circuit, in an appropriate case, the Department of Justice would urge the Fifth Circuit as a whole or the Supreme Court to overturn the panel's decision. And, my Education Department has informed educational institutions outside the Fifth Circuit that we continue to believe that considering race in an appropriate manner in the admissions process is permissible, consistent with the Bakke decision.

Talking Points: JUVENILE JUSTICE

- I believe that my juvenile justice proposal is a balanced approach that includes prevention, intervention and prevention and is modeled after many successful state and local programs around the country.
- I am absolutely committed to prevention and intervention programs. My FY1998 budget asks Congress for \$880 million in spending for all crime prevention programs. Of that amount \$338 million is specifically targeted for the juvenile crime prevention and intervention programs (which may not be used by prosecutors or courts).
- We will continue to work with Congress to include appropriate prevention and intervention provisions throughout the process.

Talking Points: BANANA TRADE

- We are deeply interested in healthy economies in the Caribbean. We know well that the Caribbean nations -- even those not growing bananas -- are concerned with U.S. participation in the WTO case against the EU's discriminatory banana regime. We understand that some Caribbean countries need help if they are to continue shipping bananas and to diversify into other crops.
- In the context of the ongoing WTO case and negotiations with the EU, the United States will remain sensitive to the competitive position of Caribbean bananas in the EU market.
- We will insist upon an outcome as favorable to Caribbean producers as possible. In this connection, EU maintenance of a zero tariff on traditional Caribbean bananas is critical.
- We will also urge that the EU use tariffs collected on non-Caribbean bananas to promote crop diversification and banana productivity increases in the Caribbean. We believe that a WTO-consistent solution to EU discrimination can and will accommodate these goals.

Talking Points: RELATIONSHIP WITH THE CBC

- I believe that we share so many goals that it only makes sense for us to work together to achieve them.
- There is no question that the members of your Caucus have a wealth of experience in a number of areas—whether its Donald Payne on foreign policy, or Charlie Rangel on tax policy, or Ron Dellums on defense policy, or Bill Clay on education policy, or John Lewis on civil rights, or Louis Stokes on health policy or John Conyers on crime control policy.
- I am committed to working with you and I will make sure that we draw upon your caucuses wealth of knowledge on a wide range of subjects.

Talking Points: CRACK COCAINE SENTENCING

- The President recognizes the disparate impact the current sentencing guidelines have on African Americans. After Director McCaffrey and Attorney General Reno review the recommendations the President fully expects to work with Congress and the CBC to explore how best to implement the Sentencing Commission's new guidelines in a manner that is both fair and good criminal justice policy.
- As a matter of good criminal policy, the President believes that the ultimate resolution of these guidelines must target the mid-level dealers of both crack and powder cocaine and will work towards that end.

Talking Points: RACE INITIATIVE

- As you know, we are working on an putting together an initiative to better race relations among Americans and help all Americans enter the next century a strong and united America.
- My commencement address at UC-San Diego will focus on race relations, and I may make an announcement on the race initiative at the commencement.
- I believe, at a time when affirmative action is under attack and minority enrollment is dropping, we must establish a new American consensus. We must take stock of the progress we have made in race relations and take action to improve the ability of all Americans to succeed in the 21st century.
- We have not yet settled on the set of activities that will constitute this initiative. We are designing a proposal that strikes the right balance between study and action.
- I know that my staff has spoken to many of you on this issue, and we will continue to seek your input.
- I would love to hear your input.



THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

May 20, 1997

MEMORANDUM FOR THE PRESIDENT

From: Secretary Dan Glickman

Subject: Progress on Civil Rights at the Department of Agriculture

Since my January 27, 1997 memorandum to Chief of Staff Bowles, the Department of Agriculture (USDA) has established a Civil Rights Implementation Team (CRIT) to implement the 92 recommendations in the Civil Rights Action Team (CRAT) Report I commissioned last December and which I received February 28, 1997.

Under the acting assistant secretary for administration, who served as the CRAT leader, the CRIT, composed of 300 employees in 33 sub-teams, will have implemented approximately one-half of the CRAT recommendations and by the end of this September, most of the rest will be in place.

I am attaching to this memorandum the full CRAT report as well as the most recent weekly CRIT progress report. The department has been involved in a number of related events. Below, I have summarized some of the most significant:

U.S. COMMISSION ON CIVIL RIGHTS AUDIT

On April 4, I met with Mary Francis Berry, Chairwoman of the Commission on Civil Rights. Ms. Berry shared her continuing concerns about whether USDA has sufficient resources dedicated to civil rights in program delivery and outreach, that a culture exists within the department that is unreceptive to diversity and change, and about the lack of good legal assistance in the area of civil rights from the office of the general counsel. I explained to her what we are doing to address these issues. She and I agreed that the commission will continue to monitor these issues and will conduct a civil rights audit after October 1998.

CONGRESSIONAL BLACK CAUCUS HEARING

On April 16, I met with members of the Congressional Black Caucus (CBC) to

discuss the CRAT recommendations and implementation. The CBC raised several specific issues including: the backlog of program and employee complaints, providing legal assistance on civil rights, ensuring accountability for those who discriminate, and departmental policy on foreclosures and making farm operating loans when the borrower has alleged discrimination.

On April 23, the CBC held a hearing focused on these issues of discrimination that CBC Chairwoman Maxine Waters chaired. She was joined by Representatives Bennie Thompson, Sanford Bishop, William Clay, Elijah Cummings, Danny Davis, Jesse Jackson, Jr., Eddie Bernice Johnson, Cynthia McKinney, Donald Payne, Robert Scott, Albert Wynn, Sheila Jackson-Lee, John Conyers, Eva Clayton, Donna Christian-Green, Eleanor Holmes Norton, Juanita Millender-McDonald and William Jefferson. House Minority Leader Dick Gephardt made a surprise appearance.

Farmers at the hearing questioned whether USDA is working quickly enough on CRAT implementation, stated that the USDA loan program was unresponsive to black farmers, and that they had received racist threats. The farmers also stated their contention that USDA is at the center of a conspiracy to take their land. They were concerned about a continued decline in the number of black farmers and about the lack of loans for this spring's crops.

BLACK FARMERS RALLY AT USDA

Prior to the April 23 CBC hearing, several hundred black farmers rallied outside of USDA headquarters that featured Representatives Maxine Waters and Bennie Thompson, and John Boyd, President of the National Association of Black Farmers. Speakers were concerned about the declining numbers of black farmers and one speaker stated if the current trend continues, there would be no black farms by the year 2000. Farmers charged that USDA was not doing enough, fast enough, to satisfy them. They stated that discrimination and lack of access to capital were key reasons for the declining numbers. They also charged that USDA was not making money available to them in time to plant their crops this spring.

CREDIT

USDA's credit programs continue to be near the center of many of the civil rights concerns with which I am dealing.

Virginia's Senator Robb and Lieutenant Governor Donald S. Beyer, Jr., asked me by telephone for emergency aid for black farmers who need loans this growing season. USDA has now freed up this money so it is available to the farmers. USDA is securing guaranteed loans from banks to provide immediate aid to the

farmers. Last week, senior USDA credit officials met with representatives of Virginia banks, black farmers, and others to facilitate providing operating credit this planting season. Also, the pending supplemental appropriations bill includes funds to provide an additional \$110 million in guaranteed loans this fiscal year.

I issued two directives the week of April 21 freezing foreclosures at all stages of processing until all charges of discrimination are investigated by an independent review team. This is a more stringent civil rights protection measure than USDA has had in the past and a step further than the policy I announced last December. In the second directive, I changed other loan processing actions to make sure loan processing continues when a discrimination complaint is pending. Further, if a loan applicant alleges discrimination and his or her application is being process by the USDA employee against whom the charge is made, another loan officer must process the application. If USDA cannot approve a loan, the applicant must be advised, in a meeting and in writing, to explain why the loan application was denied.

COMPLAINT BACKLOG

In early April, the department began dealing with the backlog of at least 2,000 discrimination complaints. The new civil rights division has 12 sub-teams working to eliminate the backlog of 550 program discrimination and 1,450 equal employment opportunity complaints. Cases that can be dismissed will be; cases with incomplete investigations will be mediated, settled or assigned for completion of investigation; and cases that have possible cause will be settled or decided. My goal is to resolve those cases that can be resolved by the first week of June.

However, the backlog issue may be worse than I had originally thought. Files are disorganized and, in some cases, have not yet been located. Officials have as yet been unable to reconcile some records. But in many cases, because employees and customers have filed more than one case, if the department handles one case, 5 or 6 cases may be settled.

The new civil rights division officials are working to streamline the basic complaint process. When the new process is in place, all civil rights information will be merged into a centralized data base. This will help the department respond and resolve any future civil rights complaints in a more timely manner. The goal is to have the new system in place by August 1.

SETTLEMENTS

The department has settled three major complaints from farmers who were discriminated against by the former Farmers Home Administration, including the

case of the president of the National Black Farmers Association. These settlements total \$1,195,000 in payments and \$442,000 in debt write-offs. The settlements underscore USDA's commitment to quickly and fairly resolve legitimate civil rights complaints. I hope there will be more settlements in the future.

In summary, I have made the civil rights issues at USDA my top priority. We have many dedicated employees who are working diligently to address the long-standing and entrenched problems here at USDA. In addition to addressing the root causes of these problems and instituting long-last organizational change, I have stressed diversity and commitment to civil rights in my recommendations to fill the openings in top leadership positions.

I appreciate your continued interest and ask for your continued support.

attachments:

Civil Rights at the United States Department of Agriculture: A Report by the Civil Rights Action Team, February, 1997.

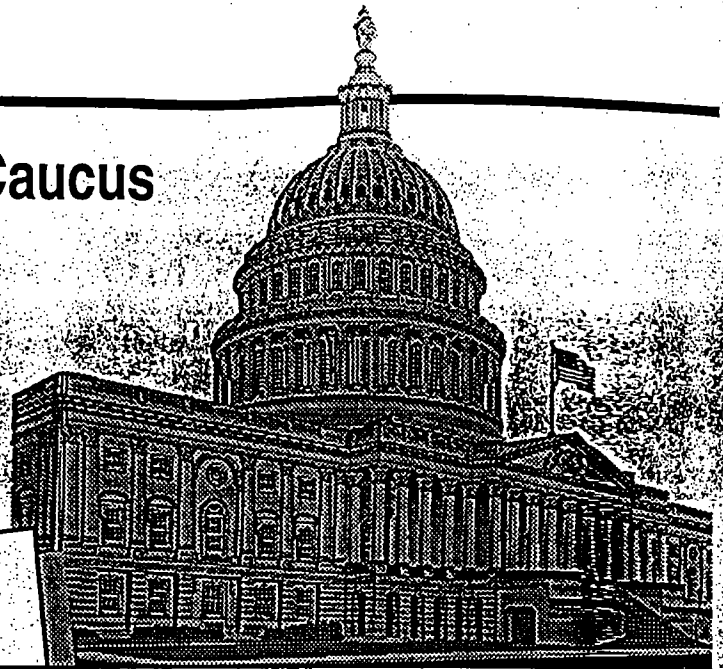
Civil Rights at the United States Department of Agriculture: Civil Rights Implementation Team Progress Report Number 4, May 16, 1997.

cc:

Erskine Bowles, Chief of Staff to the President
Sylvia Mathews, Assistant to the President and Deputy Chief of Staff
Rahm Emanuel, Senior Advisor to the President
Kitty Higgins, Cabinet Secretary
Maria Echaveste, Director of Public Liaison

Mr. President - The challenges confronting USDA in this issue are great, but the opportunities are even greater for us and the Administration if we can continue to make substantial progress on our commitments. To date, employees at USDA and our customers trust that we are acting in good faith.
Dan

The Congressional Black Caucus Announces First Round of Key Agenda Initiatives and Major Legislation for the 105th Congress



**Drugs: Community Substance Abuse
Block Grant Expansion for At-Risk
Communities**



**Drugs: Hard-Core Prevention and
Treatment Demonstration Program**



Drugs: Drug Courts



**Drugs: Fund Prison Drug
Treatment Programs**



**Drugs: Alternative Crop Production
for Coca Growers**



**Drugs: Justice Department
Monitoring Program for
Local Police Departments**



**Drugs: Payment Mechanism
(Transfer of Funds)**



**Capital Formation: Small Business
Development Fund Act**



**Computer Literacy: Computer
Learning Center Act of 1997**



**Education Infrastructure: Education
Development Block Grant (EDBG) Act**



**Family Security: Grandparent and
Family Caregiver Support Act of 1997**

DRUGS

FREE OUR FAMILIES FROM DRUGS Bill Summaries

COMMUNITY SUBSTANCE ABUSE BLOCK GRANT EXPANSION FOR AT-RISK COMMUNITIES

- ☛ This legislation expands the primary federal substance abuse treatment block grant authorization by 8.5%, or roughly \$300 million per year, to fund a targeted rehabilitation program for drug-addicted people in at-risk communities.
- ☛ This expansion would not reduce or compete with the other drug abuse programs funded by the block grant.

HARD-CORE PREVENTION AND TREATMENT DEMONSTRATION PROGRAM

- ☛ This bill would also establish a treatment and education demonstration program in the Department of Health and Human Services.
- ☛ The program would include a large-scale radio and billboard campaign targeted to low-income, at-risk populations. It would work with professional public relations firms to develop, produce, and disseminate public service announcements to at-risk communities. These messages would target their broadcasts to among other places, radio stations with large youth audiences.

DRUG COURTS

- ☛ This legislation would authorize \$200 million for drug courts programs which have proven to be a useful and effective intermediary program to treat drug-addicted people, especially first-time or small-time offenders, sentenced to prison terms.
- ☛ In addition, Subtitle B of this section would fund a \$50 million "Youth Court" demonstration program, which is modeled on the

adult drug courts, but is exclusively for youth, and requires parental or guardian participation. Model programs would be funded and their effectiveness analyzed for future program development.

Application would be received and evaluated by the Attorney General and would require a 25% match from program participants.

FUND PRISON DRUG TREATMENT PROGRAMS

This bill would authorize a \$250 million comprehensive prisoner drug treatment program, administered by the Justice Department in consultation with the Bureau of Prisons and the Department of HHS.

ALTERNATIVE CROP PRODUCTION FOR COCA GROWERS

This bill would authorize U.S. Agency for International Development to initiate a \$100 million demonstration program with developing countries, working with non-governmental and grass-roots organizations, to develop alternative crop production, specific to the coca growing countries' unique soil, environmental, and economic development needs.

JUSTICE DEPARTMENT MONITORING PROGRAMS OF LOCAL POLICE DEPARTMENTS

This legislation would establish a Justice Department program to monitor the drug confiscation and disposal efforts of local police departments.

This program would receive a \$20 million authorization.

This bill would also make illegal handling of drugs, paraphernalia, or property under color of law a federal crime, with punishment up to 15 years.

PAYMENT MECHANISM

This legislation would authorize the Director of the Office of National Drug Control Policy to transfer up to 10% of any drug account within the overall drug budget into another drug account. This would allow for certain program increases, including those contained in this bill, without necessarily requiring overall funding increases.

Funding Highlights - CBC Free Our Families, Anti-Drug Initiative

1. Community-based Substance Abuse Block grant - \$300 million
2. At-risk treatment and education demonstration program
- \$150 million
3. Intermediary Justice programs
 - Drug Courts - \$200 million
 - Youth Courts - \$ 50 million
4. Prison Drug Treatment programs - \$250 million
5. Interdiction/Source Country Control - \$100 million
6. Justice Department drug reporting program - \$ 20 million
- Total \$1.07 billion

CAPITAL FORMATION

Small Business Development Fund Act Section-by-Section Summary

ESTABLISHMENT OF A CAPITAL FORMATION FUND

Section 2 designates a fund within the U.S. Department of Commerce to be known as the Small Business Development Fund. The "Fund" is to be managed by the Department's Secretary.

CREATION OF CAPITAL GAINS ASSESSMENT TRUST FUND

Under Section 3 of the legislation, the Small Business Development Fund established in Section 2 will be paid for through a capital gains reduction strategy trust fund.

The trust fund will be funded one of two ways: if capital gains taxes are reduced this year,

- a) the trust fund will receive payments from business entities which have reduced their capital gains tax liability by at least 50% in one year through the application of specific capital gains reduction strategies as determined by the Secretary of the Treasury.

Such companies will contribute one percent of the capital gains tax reduction amount. These contributions will comprise the Trust Fund.

The Secretary of the Treasury will make quarterly listings of the types of financial transactions used to reduce capital gains tax liability which would trigger the contribution requirements under this section.

☛ If capital gains taxes are not reduced this year,

- b) the trust fund will be financed through the closing of a capital gains loophole called an original issue discount or "OID," which many companies use as a means to qualify equity as debt as opposed to stock for tax purposes.

USES OF THE SMALL BUSINESS DEVELOPMENT FUND

☛ Section 4 of the legislation authorizes the Secretary of Commerce to establish the application procedures for assistance from the Small Business Development Fund.

☛ Qualified applicants could include unions, community development corporations, other financial institutions engaged in business activities in low-income communities, or other entities involved in job creation or commercial development activities.

☛ The Fund would disperse various forms of assistance, including equity investments, deposits, shares, loans, and grants.

COMPUTER LITERACY

COMPUTER LEARNING CENTER ACT, OF 1997 Section-by-Section Summary

ESTABLISH A FUND FOR COMPUTER CENTER DEVELOPMENT GRANTS

- Section 2 of this legislation establishes a fund to be administered by the U.S. Department of Commerce which would provide grants, on a competitive basis to qualifying, non-profit entities for establishment of computer learning centers.
- Funds distributed under this section would go to non-profits for the purpose of renovating vacant storefronts in low-income areas.

APPLICATION PROCESS

- Section 3 describes the application process for interested non-profit organizations for grants under the Act.
- Specifically, applicants would be required to certify that it has secured a commitment of a minimum of fifty up-to-date computers to be used in the prospective computer learning center.
- The Secretary of Commerce shall insure geographic diversity in dispersing grants.

AUTHORIZATION OF APPROPRIATIONS

- Section 4 authorizes \$20 million for Fiscal Year 1997 and 1998 which would fund as many as 200 community computer learning centers over that time period.

EDUCATION INFRASTRUCTURE

EDUCATION DEVELOPMENT BLOCK GRANT (EDBG) ACT Section-by-Section Summary,

ESTABLISH A BLOCK GRANT PROGRAM FOR EDUCATION INFRASTRUCTURE IMPROVEMENTS

- ☛ Title I would authorize a yearly entitlement for school districts, working with the appropriate local bond authority, for school infrastructure improvements.
- ☛ Modeled on the Community Development Block Grant Program (CDBG), this Education Development Block Grant (EDBG) would be allocated to school districts by formula. Schools would submit a plan and annual verification of their qualifications for the program to receive their EDBG grant.
- ☛ The Secretary of Education would monitor and oversee the implementation of the program.

GRANT ALLOCATIONS

- ☛ Grants would be dispersed annually according to the same formula as Title I of the Elementary and Secondary Education Act. This formula takes into account a school district's size, the number of poor children enrolled, and other criteria.

LOAN GUARANTEES OF INFRASTRUCTURE IMPROVEMENTS

- ☛ Title III would establish a program of loan guarantees for school districts as long as they meet the bonding criteria established by the Act. School districts would be required to work alongside the proper local bonding authority.
- ☛ This loan guarantee program, similar to Section 108 Loan Guarantee Program at HUD, would allow school districts to borrow up to five times

their EDBG grant for additional infrastructure repairs. These loans, guaranteed by the full faith and credit of the United States government, could be paid back over a twenty year time period.

- School districts would apply for EDBG loans, subject to the approval of the Secretary of Education, and their future EDBG grant would be collateral against any non-repayment of the loan.
- The Education Department would coordinate the repayment and marketing of these long-term loans.
- School districts would be able to apply for loans up to five times their annual EDBG allocation.

THE WHITE HOUSE
WASHINGTON

May 20, 1997

The Honorable Maxine Waters
Chairwoman
Congressional Black Caucus
2344 Rayburn House Office Building
Washington, D.C. 20515

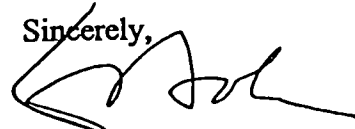
Dear Chairwoman Waters:

I appreciated the opportunity to meet with you and the Congressional Black Caucus (CBC) last week. I believe that it is extremely important for our Administration to maintain strong lines of communication with the CBC.

As you recall, a number of questions were raised on a wide range of topics at our meeting. As I promised, I am sending along information regarding certain issues left outstanding at the end of our meeting. In addition, I have attached a fact sheet on areas of the budget agreement of particular interest to you and your colleagues. I hope that this information is helpful.

I look forward to your upcoming meeting with the President and working closely with you in the future.

Sincerely,



Erskine B. Bowles

Attachments

1. Proposition 209

The President has stated his opposition to state referenda which abolish affirmative action at the state level, and, in keeping with this position, the Justice Department has joined in the challenge to Prop. 209 in California. The U.S. is a party to the case as amicus curiae and had argued forcefully at the preliminary injunction stage that Prop. 209 was unconstitutional. Unfortunately, a three-judge panel of the Ninth Circuit Court of Appeals recently overturned a district court injunction which had stayed implementation of Proposition 209, ruling that the initiative was constitutional. Obviously, we are disappointed with the panel's decision.

The plaintiffs in the Prop. 209 litigation have petitioned for a rehearing of the panel's decision before the Fifth Circuit as a whole. The Justice Department has continued as amicus in this petition and fully expects to continue as a party in the case through any further appeals.

Notwithstanding the outcome of the Prop. 209 litigation, the Administration will require institutions in California to comply with all federal laws, including those which require affirmative action, and we have made this clear to these institutions. Further, Prop. 209 itself contains a provision exempting from its reach those institutions which are complying with Federal affirmative action programs as a condition of receiving a Federal grant.

2. Federal procurement reform

a) SBA 8(a) program

Our proposed system for reforming federal procurement sets out a framework under which an annual comparison of the availability and use of small disadvantaged businesses will determine whether race conscious means, such as price or evaluation credits, will be permitted to help increase opportunities for these firms.

Many commentators to our proposal have asserted that we should not include contracts awarded under the 8(a) program in the reform framework. First, we believe that it is critical that the availability of Small Disadvantaged Businesses (SDBs) in an industry not be undercounted so that we can make an accurate determination of the level of federal utilization of such firms that would be appropriate. As such, minority firms in the 8(a) program must be counted in the capacity or "benchmark" numbers. Only by determining how much minority participation in contracting exists, through all means, can we figure out the extent to which race-conscious means continue to be needed in a particular industry.

Second, as proposed, the SBA Administrator will have the discretion to decide what steps are appropriate, if any, to limit the use of the 8(a) program in a particular industry where SDB participation exceeds an industry benchmark. The Administrator will not be required to take such steps -- the benchmark numbers will serve as a guide to the Administrator, not a mandate. Nevertheless, since the 8(a) program does consider race as

a factor in determining eligibility -- small minority firms are allowed the presumption of being socially disadvantaged under the program -- some application of the benchmark numbers should occur. The Justice Department continues vigorously to defend 8(a) in court as constitutional. This limited reform will increase the likelihood of future court rulings favorable to the program. SBA will be explaining how it intends to implement this limited reform in proposed regulations it will issue in a few weeks. Its proposed rule will also be published for comment in the Federal Register and is expected to be finalized later this year.

b) Set-asides

The primary SDB set-aside program authorized by existing contracting regulations, the Department of Defense's "Rule of Two," was suspended in light of Adarand in October 1995, and remains so. Under the Justice Department's May 1996 proposal, the suspension on the use of set-asides such as the Rule of Two would have remained in place for at least two years after the implementation of the reformed system. The proposal contemplated that after two years we would evaluate the system to consider whether set-asides might be appropriate if the new system clearly was unable to remedy persistent and substantial underutilization of minority firms in particular industries resulting from past or present discrimination.

Many comments to the Justice Department's May 1996 proposal suggested that the two-year moratorium was too inflexible. We agreed that whether to permit set-aside contracts in any industry should not turn on the lapse of any particular period of time, but on the amount and strength of the evidence regarding the effectiveness of the new system in that industry. In cases where this rigorous standard is met, the use of set-asides can be considered.

c) Department of Transportation

The Department of Transportation will soon be issuing a Supplemental Notice of Proposed Rulemaking concerning its disadvantaged business enterprise (DBE) program. This program operates through state and local governments that receive DOT financial assistance for highway, transit, and airport projects.

DOT will give the public 60 days to comment on the proposed regulations and we expect that they will be finalized later this year. DOT's DBE program, which Congress established in 1982, sets a nationwide goal that, unless the Secretary determines otherwise, at least 10% of the amounts appropriated for Federally-assisted highway transit and airport projects be expended with small businesses owned and controlled by socially and economically disadvantaged individuals. The department retained the current legislative language in its NEXTEA bill, which the President recently submitted to Congress.

DOT has developed its proposed regulations in response to the Supreme Court's June

20, 1995, decision in Adarand Constructors v. Pena and President Clinton's July 15 directive to mend affirmative action programs. In addressing these issues, the proposed regulations will: (1) propose several alternative methods by which recipients establish DBE goals; (2) advise recipients to give priority to race-neutral measures, like outreach and technical assistance, in meeting these goals; and (3) provide recipients more flexibility in determining what mechanisms to use in addressing discrimination in contracting. The proposal also provides clearer program eligibility standards and reduces burdens on small businesses and state and local governments.

d) Contract bundling

There are many situations where the government is able to achieve dramatic price reductions by leveraging its buying power as a large purchaser. For example, in consolidating a number of contracts for pharmaceuticals, the Veterans Administration has achieved price savings of as much as 75% compared with prices they were previously paying. The government is able to obtain Federal Express delivery for a three-pound package that retails at \$27 for \$3.62 by aggregating our buying power. Especially in a tight budget environment where excessively high contract costs come at the expense of needed money for public programs, it would be unconscionable to forego the ability to obtain these price discounts from quantity buying.

However, there are also legitimate concerns about situations where combining smaller service contracts into larger contract vehicles not only hurts the ability of small businesses to compete for government business, but also deprives agencies of the services of businesses that would otherwise be able to provide high-quality services at advantageous prices. The Administration is therefore aggressively formulating a whole series of countermeasures to preserve the ability of competitive small and minority-owned businesses to serve government customers. Examples of these countermeasures include: (1) increased use of small-business and 8(a) prime contract set asides incorporated into multiple-award aggregated contracts, a technique that has already been used by the Department of Transportation and the Air Force; (2) streamlining of the 8(a) contract award process, so award of 8(a) contracts can be as streamlined as the award of task orders under large aggregated contracts; (3) a new ability for the government to award service contracts up to \$100,000 to small businesses using far more streamlined procedures; (4) expansion of the GSA services schedule to more small and minority-owned businesses, so these businesses have a contract vehicle available that allows them streamlined access to government customers outside large aggregated contracts; and (5) aggressive efforts in regulation to provide various ways to increase the participation of small and minority-owned businesses in service subcontracting. We believe that this aggressive approach is the best way to deal with legitimate concerns without depriving the taxpayer and the consumers of government programs of the benefits of consolidated contracting when it provides advantageous pricing and service.

3. Juvenile justice legislation

a) Incarceration

Under the Administration's proposed legislation, the "Anti-Gang and Youth Violence Act of 1997," juveniles prosecuted as juveniles could not be housed with adults until they reach age 18, regardless of the offense. Moreover, no juvenile under age 16 who has been charged or convicted as an adult can be housed with an adult under the proposed bill. Juveniles prosecuted as adults can be housed with adults after they reach the age of 16, at the discretion of the Bureau of Prisons. As juveniles have become increasingly violent, housing dangerous juveniles with other juveniles can endanger younger, and sometimes more vulnerable, delinquents. The Administration believes it is appropriate to give federal prison authorities the ability to be flexible depending upon the attributes of the individual defendant.

b) Prosecutions

The Administration's bill does expand the circumstances in which federal prosecutors can transfer juvenile offenders to adult criminal court. The current process for determining whether a juvenile will be prosecuted as an adult or as a juvenile is often highly unpredictable and fraught with delay. In addition, it should be noted that in most cases, juveniles charged as adults may petition the court to be tried as juveniles. The proposed change is designed to ensure that these decisions are made fairly and expeditiously and that they appropriately reflect the dangers that some juveniles pose to their communities.

c) Mandatory minimum sentences

The Administration's legislation increases mandatory minimum sentences from one year to three years for three narrowly targeted crimes: selling drugs to minors; using minors to distribute drugs; and trafficking drugs in or near a school or other protected locations. The Administration believes that the proposed increases are necessary to punish persons who endanger children by selling illegal drugs to them, or who employ or otherwise use them in their drug trade, and to deter others from engaging in such reprehensible and dangerous conduct. Under the Administration's proposal, judges sentencing youths ages 13 to 15 who are convicted in adult court and do not have previous serious violent felony or serious drug offense conviction may sentence them as juveniles-- avoiding mandatory minimum penalties entirely.

d) Records

President Clinton has had a longstanding commitment to protect the rights of victims of crime. The Administration's bill contains important protections for the rights of victims, including victims of crimes committed by juvenile offenders. The bill clarifies current law by ensuring that victims of juvenile offenders have access to similar information as

do other victims. For example, victims would be able to find out about the status of the proceedings and the release status of the offender. Fingerprints and photographs of delinquents found to have committed the equivalent of an adult felony offense or a federal gun offense would be sent to the FBI and made available in the same manner as those of adult defendants.

The Administration believes these changes represent a fair balance between maintaining important protections for juveniles and expanding the information available to their victims.

4. The Former Zaire

Our goal is to support the emergence of a stable, democratic and prosperous Democratic Republic (DRC) of the Congo in which human rights are respected. To this end, the U.S. will continue to work with the new leadership in the DRC to urge implementation of inclusive transitional governing arrangements, responsible economic policies and respect for human rights as well as to make the necessary preparations for the conduct of democratic elections within a reasonable, fixed time frame. We welcome the relatively peaceful transition from the Mobutu regime to the new Alliance-led government and believe the efforts made by South African, UN and U.S. mediators helped facilitate this outcome. Finally, while we wish to provide swift and effective assistance to the new government, we have made clear that the nature and extent of U.S. and international support will necessarily depend on the new government's policies and practices. Thus, we hope the transitional government will fulfill its stated commitments to democracy and market reforms.

5. Sudan

The Government of Sudan (GOS) poses a direct threat to U.S. national security interests. Through its support for terrorism, its efforts to destabilize friendly neighboring states, prosecution of the civil war and persistent human rights abuses (including slavery), the GOS has consistently engaged in destructive activities that are contrary to international norms. Our policy objective is to isolate Sudan and contain the threat it poses to its neighbors and others in the international community. Through a combination of pressure and limited dialogue, we aim also to try to change the behavior of the GOS. The U.S. has placed the GOS on the terrorist list and applied unilateral sanctions consistent with that designation. The U.S. also supports multilateral sanctions against Sudan in the UN Security Council. In addition, the U.S. is providing approximately \$20 million in defensive, non-lethal military assistance to Ethiopia, Eritrea and Uganda—neighboring states which face Sudanese-sponsored insurgencies. Finally, the U.S. supports regional efforts under the auspices of the Intergovernmental Authority on Development (IGAD) to broker a peaceful resolution to the civil conflict in Sudan and continues to provide substantial humanitarian assistance to the UN and NGOs to save the lives of southern Sudanese civilians.

6. Trade: Bananas

The U.S. is but one of five complainants in the case and the others will not agree to a long implementation period. Also, it would set a bad precedent relative to the EU's implementation of other panel decisions, like the recently announced interim panel on beef hormones, which the U.S. is desperate for the EU to implement.

In addition, the WTO dispute settlement process states that the indicative maximum period for implementation after adoption of the report is 15 months. For the sake of the WTO system and U.S. export interests in other areas, 15 months must be the maximum; we are likely to seek a shorter period, since the EU has known for years of the problems.

7. Medicaid: Disproportionate share hospitals

Medicaid savings in the budget agreement have been reduced by over one-third by dropping the per-capita cap policy. The savings that remain come from administrative flexibility and reducing Disproportionate Share Hospital (DSH) payments. Medicaid DSH payments have been an important source of funding for these safety net providers. But, researchers and the hospitals alike agree that one-third to one-half of DSH funding does not reach the hospitals in need. So, while we are reducing DSH spending to help contribute to deficit reduction, we want to retarget the remaining dollars to these facilities. We are working with hospitals, unions, and consumer groups to develop the best way to do this. Furthermore, we are expanding health care coverage to children in the context of the balanced budget. This will mean less uncompensated care, especially for children's hospitals which rely on DSH funding.

President Delivers First Balanced Budget Agreement in a Generation

Historic Agreement Promotes the Country's Values and Priorities

May 16, 1997

President Clinton has achieved a balanced budget agreement that promotes our values, providing critical funding for education, health care, and the environment while strengthening and modernizing Medicare and Medicaid. We have cut the deficit by 77%, from \$290 billion in 1992 to roughly \$67 billion this year. This historic achievement will finish the job, while meeting the President's goals.

GOAL: To achieve the first balanced budget in a generation.

- ✓ Budget balances by 2002 -- for the first time since 1969.
- ✓ Saves over \$200 billion over five years and over \$900 billion over ten years.

GOAL: To ensure that every 8 year-old can read, every 12 year-old can log on to the Internet, and every 18 year-old can go to college.

- ✓ A child literacy initiative consistent with the President's America Reads challenge to help children learn to read well and independently by the end of the third grade.
- ✓ Expands Head Start to 1998 level in the President's budget, which assumes path to one million kids in 2002.
- ✓ Fully funds Technology Literacy Challenge Fund with at least \$425 million in FY 98.
- ✓ Largest single increase in higher education since the G.I. Bill in 1945.
- ✓ Provides largest Pell Grant increase in two decades -- four million students could receive a grant of up to \$3,000, an increase of \$300 in the maximum grant.
- ✓ \$35 billion of tax cuts targeted to higher education to make college more affordable for America's families, consistent with the President's HOPE Scholarship and tuition tax deduction.
- ✓ Adopts President's full training and employment budget, including Job Corps.

GOAL: Expand health coverage for as many as 5 million uninsured children.

- ✓ Provides \$16 billion for children's health care, including Medicaid improvements and investments, and/or a new capped mandatory grant program that supplements states' efforts to cover uninsured children in working families.

GOAL: Secure and strengthen Medicare and Medicaid.

- ✓ Extends the Medicare Trust Fund at least a decade through long overdue structural reforms.
- ✓ Expands coverage of critical preventive treatments of diseases such as diabetes and helps detect breast cancer and colon cancer earlier.
- ✓ Preserves the federal Medicaid guarantee of coverage to our nation's most vulnerable people.

GOAL: Strengthen environmental protection and enforcement.

- ✓ Provides \$3.4 billion in 1998 -- a 9% increase over 1997 -- for EPA operations, research, and enforcement programs to protect public health from environmental threats.
- ✓ Provides funding to cover the expansion of the Brownfield Redevelopment Initiative to help communities cleanup and redevelop contaminated areas.
- ✓ Likely to double the pace of Superfund cleanups -- 500 additional sites cleaned up by the end of 2000.

GOAL: Move people from welfare to work and treat legal immigrants fairly.

- ✓ A Welfare-to-Work tax credit to help long-term welfare recipients to get jobs.
- ✓ Provides funding to preserve food stamp benefits for people willing to work.
- ✓ Provides \$3 billion to states and localities to move recipients in disadvantaged areas into jobs.
- ✓ Restores \$10 billion in disability and health benefits for legal immigrants.

GOAL:**Cut taxes for America's hard working families.**

- ✓ A Child Tax Credit to make it easier for families to raise their kids.
- ✓ \$35 billion of tax cuts targeted to higher education to make college more affordable
- ✓ A Welfare-to-Work tax credit to help long-term welfare recipients get jobs.
- ✓ Establishes additional Empowerment Zones and Enterprise Communities.

Summary of Budget Savings

President Clinton has achieved a balanced budget agreement that provides funding for critical investments in education, health care, and the environment while strengthening and modernizing Medicare and Medicaid -- just as he promised last year. We have cut the deficit 77% -- from \$290 billion in 1992 to an expected \$67 billion this year. This historic achievement will finish the job, giving the American people the first balanced budget in a generation, while meeting the President's goals:

- ✓ ***The First Balanced Budget in a Generation.***
- ✓ ***Saves over \$200 Billion over 5 Years & over \$900 Billion over 10 Years.***
- ✓ ***Largest Increase in Education Funding in 30 Years - including \$35 billion in tax cuts to make college more affordable.***
- ✓ ***Entitlement Savings of Nearly a Half Trillion Dollars over 10 Years.***
- ✓ ***Strengthens and Modernizes Medicare -- extending the life of the Trust Fund more than a decade through long overdue structural reforms.***
- ✓ ***Expanded Health Coverage for as many as 5 Million Children.***

BUDGET AGREEMENT SAVINGS

AREA	5 Year Savings 1998-2002 (\$ billion)	10 Year Savings 1998-2007 (\$ billion)
<i>Discretionary Spending</i>		
<i>Defense</i>	-77	-247
<i>Nondefense</i>	-61	-273
<i>Subtotal</i>	-138	-520
<i>Mandatory Spending</i>		
<i>Medicare</i>	-115	-434
<i>Medicaid</i>	-14	-66
<i>Other</i>	-40	-60
<i>Subtotal</i>	-168	-560
<i>Net Interest</i>	-14	-142
<i>Gross Savings</i>	-320	-1,221
<i>Initiatives</i>		
<i>Children's Health</i>	16	39

<i>Welfare Reform</i>	14	23
<i>Tax Cut</i>	85	250
<i>Net Savings</i>	-204	-906

FACT SHEET ON THE BUDGET AGREEMENT
May 16, 1997

DEFICIT REDUCTION

- **First balanced budget in a generation.** Budget balances by 2002 -- for the first time since 1969.
- **Finishes the job.** The 1993 Economic Plan has already reduced the deficit 77%, from \$290 billion in 1992 to an expected \$67 billion this year. This budget agreement finishes the job, balancing the budget by 2002 -- with \$204 billion in net budget savings over the next 5 years.
- **Keeps budget balanced through 2007.** The agreement will maintain budget balance until 2007, and save \$906 billion over the next 10 years.

CONSERVATIVE ASSUMPTIONS

- **Proven record on forecasts.** For four years in a row, growth has been higher and the deficit has been lower than predicted. For example, CBO predicted growth for 1996 of 2.0 percent and the Administration predicted 2.2 percent. Actual growth was 2.4 percent. CBO forecast a deficit of \$197 billion, and the Administration forecast a deficit of \$211 billion. The actual deficit was \$107 billion.
- **Conservative assumptions.** The assumptions used in this agreement are similarly conservative. The real growth assumption over the next 5 years (2.2 percent per year), for example, is lower than the Blue Chip private sector consensus (2.3 percent). It is intended to reflect average growth over different stages of the business cycle. Since 1973, over several business cycles, growth has averaged 2.6 percent per year.
- **80% of the \$225 billion in additional CBO revenue either already assumed or used for deficit reduction.** The majority of the \$225 billion adjustment had already been assumed in the budget negotiations.

DISCRETIONARY SPENDING

- **Budget agreement achieves 99% of the President's budget for non-defense discretionary spending over the next 5 years.** \$61 billion of savings in non-defense discretionary outlays over the next 5 years -- a 10% real cut by 2002. \$77 billion of

savings in defense spending over the next 5 years -- an 11% real cut by 2002.

TAX CUTS

- **\$85 billion in net tax cuts.** \$85 billion in net tax cuts over the next 5 years and \$250 billion in net tax cuts over the next 10 years.
- **\$35 billion for the President's education tax proposals.** The agreement includes a commitment to provide roughly \$35 billion over 5 years for post-secondary education, including a deduction and tax credit.
- **Other commitments.** The agreement commits the House and Senate Leadership to seek approval of various proposals, including:
 - \$500 per child tax credit
 - The welfare-to-work tax credit
 - Capital gains tax relief for home sales
 - The Administration's EZ/EC proposals
 - Tax relief for brownfields legislation
 - Tax relief for FSC software
 - Tax incentives to spur DC growth

ENTITLEMENT SAVINGS

- **Extends life of Medicare Trust Fund for more than a decade.** Contains Medicare savings of \$115 billion over 5 years including payment reductions and long overdue structural reforms, extending the life of the Trust Fund for at least a decade. Helps protect the Medicare Part A Trust Fund by reallocating a portion of home health care costs to Part B and phasing in these costs over 7 years into the Part B premium.
- **Modernizes Medicare.** Modernizes Medicare by:
 - Increasing the number of health plan options such as preferred provider organizations and provider sponsored organizations;
 - Implementing a new prospective payment system for skilled nursing home facilities, home health, and hospital outpatient departments; and
 - Increasing financial incentives for managed care plans in rural communities.
- **New Medicare improvements.** Establishing new benefits including: helping detect breast cancer, colon cancer, and helping manage diabetes; and reducing excessively high outpatient hospital coinsurance.
- **Reforms Medicaid while maintaining Federal guarantee.** Medicaid savings of \$13.6 billion through reductions in DSH payments and increased state flexibility, while maintaining the Federal guarantee. Setting aside \$1.5 billion for low-income protections to help ease the impact of Medicare premiums.

CHILDREN'S HEALTH CARE

- Invests \$16 billion to expand health care coverage to as many as 5 million children through one or both of the following: expanding Medicaid coverage by improving outreach initiatives and adding new options for coverage and/or a capped mandatory grant program.

EDUCATION

- **Largest increase in education investment in 30 years.**
- **Fully Funds Education and Training.** Adopts the President's FY 1998 request for discretionary education and training programs.
- **Higher Education Tax Cuts.** Provides roughly \$35 billion over five years for postsecondary education tax cuts consistent with the President's HOPE Scholarship and tax deduction proposals.
- **Largest Pell Grant Expansion in Two Decades.** Increases the maximum Pell Grant for low-income college students to \$3,000 -- the largest increase in two decades. Provides a \$1.7 billion increase in funding -- a 25% increase in FY 1998.
- **America Reads Challenge.** Adopts the President's budget request to launch a child literacy initiative consistent with his America Reads program.

WELFARE TO WORK

- **Fully funds the President's welfare-to-work jobs initiative.** Adds \$3 billion, the full amount requested by the President for the Welfare-to-Work Jobs Challenge, to the TANF block grant to fund welfare-to-work efforts in high-poverty, high-unemployment areas. A share of the funding will go to cities and counties with large numbers of people in poverty.
- **Preserves food stamps for people willing to work.** Provides \$750 million to create additional work slots for able-bodied unemployed childless adults subject to the time limit on food stamps. Also allows States to exempt a limited number of persons falling into this category who are willing to work but would otherwise be ineligible for food stamps.
- **Welfare-to-work tax credit.** The President and the Congressional leadership have agreed to seek a welfare to work tax credit to encourage employers to give welfare recipients the chance to work.

RESTORING BENEFITS TO LEGAL IMMIGRANTS

- **Benefits for legal immigrants.** Restores full SSI and Medicaid benefits for disabled legal immigrants currently receiving assistance; and for legal immigrants in the country prior to August 23, 1996 who are not now receiving benefits but subsequently become disabled.

ENVIRONMENT

- **EPA operations, enforcement, and research.** Provides a 9 percent increase, to \$3.4 billion, for EPA's operating program -- which finances most of EPA's research, enforcement, and regulatory programs.
- **Doubles the pace of Superfund cleanups.** Pending agreement on detailed policies, adopts the President's proposals for Superfund cleanups of an additional 500 sites by the end of the year 2000.
- **Brownfields initiative.** Boosts funding by \$75 million in 1998 to provide grants to communities for site assessment and development planning and to leverage state, local, and private funds to foster redevelopment.
- **National Parks.** Provides a 6 percent increase for operation of the National Parks, and an 89 percent increase (\$234 million) for Everglades Restoration.