**MEMORANDUM**

DATE: June 17, 1995

TO: Missy Kincaid
Chief of Staff

FROM: Viola Canales
Regional Administrator

SUBJECT: Issue papers for Pacific Rim Conference.

Enclosed please find the initial response draft the June 13, 1995 memo from Kitty Higgins.

# Base Closure/Realignment and Community Revitalization

## Background

In response to BRAC 93, President Clinton's Five Point Plan to speed the economic recovery of communities where military bases are slated for closure is built on the partnership EPA, DOD and the states have worked hard to develop. The Fast Track Cleanup program focuses cleanup efforts to facilitate reuse of closing bases. The program includes; clean parcel identification, accelerating cleanup, facilitating leasing agreements, encouraging removal actions, technical assistance at non-NPL bases, enhanced community involvement and integration of cleanup with economic development.

## Administrations Position

The list of BRAC 95 installations currently under consideration represents an increase of approximately 50% in the number of closing and realigning installations. The President's program calls for an "empowered" cleanup team that can make decisions locally and quickly. These teams include military service personnel, as well as State and Federal regulators. The teams are addressing environmental issues at 77 closing and realigning installations identified in the first three rounds and will be established at selected BRAC 95 installations.

## Administration Accomplishments

The cornerstone of the Fast Track Cleanup Program are the interagency BRAC Cleanup Teams. As an example of the Vice President's scheme for reinventing government the BRAC Cleanup Teams draw on the experience and expertise of their respective agencies with a common goal of finding the fastest and most cost effective way to cleanup contaminated property. The Teams have clearly broken the traditional regulator (EPA and State) versus regulated (DOD) relationship and have committed to protecting the environment while integrating the economic redevelopment concerns in their day-to-day operation.

The BRAC Cleanup Teams have been tremendously successful in reducing timeframes and saving money associated with environmental cleanup at closing bases. EPA estimates that, for the bases in Fast Track Cleanup, the BRAC Cleanup Teams have saved over $100 million and shaved years off the traditional cleanup process. The Teams are reducing review periods for studies and moving the process into remedial action through their innovative and cooperative efforts.

For example, the BRAC Cleanup Team at Sacramento Army Depot in California revisited existing cleanup plans and consolidated contamination in one area which made property available for the creation of a Packard Bell facility that will create 5,000 jobs at the former military facility.

# ISSUE: MEDICARE

Background:

- The Medicare program provides health insurance for more than 37 million elderly and disabled individuals.

- In Fiscal Year 1995, this Federal only program will spend approximately $175 billion. About half of this total amount will go to inpatient hospitals, with physicians the next largest expenditure category. Other major recipients of Medicare payments include: skilled nursing facilities, home health agencies, hospital outpatient services, labs, and group practices.

- While the average amount spent per beneficiary approaches $5,000 (1995), the distribution across beneficiaries is quite uneven. In fact, in 1993, the top 10% of enrollees ranked by expenditures, were responsible for 70% of Medicare spending. This distribution is important to consider in light of voucher proposals.

- FIVE STATE INFORMATION- FY 1994 (Dollars in Billions)

| | # of Beneficiaries/% of U.S. Total | | Medicare $$/% of Total | |
|---|---|---|---|---|
| Alaska | 31,758 | less than 1% | $ .1 | less than 1% |
| Calif. | 3,561,777 | 9.6% | $18.9 | 11.9% |
| Hawaii | 145,609 | less than 1% | $ .5 | less than 1% |
| Oregon | 460,062 | 1.2% | $ 1.6 | 1.0% |
| Wash. | 671,463 | 1.8% | $ 2.3 | 1.4% |

Administration Positions and Proposals:

- As part of the President's plan to balance the budget by FY 2005, changes to the Medicare program have been proposed. The Administration proposes to take a first serious step toward health care reform, providing net savings of $124 billion in Medicare over seven years while expanding coverage and initiating insurance reforms.

- This plan will extend the life of the Hospital Insurance Trust Fund until 2007.

- Improves Medicare with new benefits that (1) provide Alzheimers respite care, and (2) waives the co-payment for women who need mammograms.

- Reforms Medicare to make quality managed care options more attractive while preserving choice.

- Administration believes that Republican proposals to cut Medicare by $250-290 billion over seven years will turn Medicare into a second class program. In addition, reductions of these magnitudes could lead to access problems for beneficiaries.

Administration Actions and Accomplishments:

- Administration policies are responsible for reducing the projected program growth by $200 billion over the 1994-1998 projection period when compared to the baseline estimate completed in January 1993.

- In addition to the general economic policies of the Administration that were responsible for this drop, the passage of the President's Budget in 1993 included more than $50 billion in spending reductions to the Medicare program.

- Medicare is a very efficient program when compared to private sector insurance companies. The administrative costs for the Medicare program are approximately 2% a year. This compares with 5.5% for the large group market and 25% for the small group market.

- On a per capita basis, Medicare spending has been significantly lower than the private sector in the past decade and is projected to grow at about the same rate over the 1996-2002 period when compared to private health insurance.

# MEDICAID

**Background:**
Medicaid is a joint Federal-State entitlement program that provides medical assistance to certain low-income individuals and families and disabled and medically needy individuals. The program acts as a safety net for a broad range of Americans, financing care for more than 1 in 10 Americans, including coverage for 1 in 4 American children, over one third of all births in the US, more than one half of all nursing home care expenditures, and Medicare premiums and cost-sharing for 3 million low-income Medicare beneficiaries.

Alaska: Current Medicaid expenditures (FY1993) in Alaska total $301 million. In Alaska, Medicaid costs per recipient (FY 1993 HCFA) total $5673, as opposed to the national average of $4123.

California: Current Medicaid expenditures (FY1993) in California total $14.06 billion. Medicaid costs per recipient (FY 1993 HCFA) total $2771, as opposed to the national average of $4123. California is a high disproportionate share program state.

Hawaii: Current Medicaid expenditures (FY1993) in Hawaii total $386 million. Medicaid costs per recipient (FY 1993 HCFA) total $4073, as opposed to the national average of $4123.

Oregon: Current Medicaid expenditures (FY1993) in Oregon total $947 million. Medicaid costs per recipient (FY 1993 HCFA) total $3713, as opposed to the national average of $4123.

Washington: Current Medicaid expenditures (FY1993) in Oregon total $2.26 billion. Medicaid costs per recipient (FY 1993 HCFA) total $4098, as opposed to the national average of $4123. The State has expanded Medicaid coverage to children in families with incomes up to 200% of the federal poverty level. Now, more than one quarter of Washington's children below the age of 18 have access to primary health care services through the Medicaid program. At the same time, the State has enhanced access for some 325,000 Medicaid beneficiares through the Healthy Options program. Commercial managed care plans have contracted with the State to provide care to these Medicaid beneficiaries. Washington also intends to submit a proposal for an 1115 waiver.

**Administration Positions and Proposals:**
This Administration has been supportive of state innovation and flexibility in the structure of the Medicaid program. Its Balanced Budget Proposal continues this commitment.

Under the Balanced Budget Proposal, the Administration's plan expands state flexibility by allowing states to pursue managed care strategies and other service delivery innovations without seeking Federal waivers; and repealing the Boren Amendment and other Federal requirements that set minimum payments to health care providers.

The Administration's plan will reduce Medicaid costs through policies which:

- expand managed care;
- ✓ reduce and better target Federal payments ~~of~~ states for hospitals that serve a high proportion of low-income people; and
- limiting the growth in federal Medicaid payments to states for each beneficiary (per person limits).

These policies will produce $55 billion in savings between 1996 and 2002.

The Administration's proposal differs significantly from Republican Congressional proposals to block grant the Medicaid program. The House and Senate have proposed seven year savings of $188 and $156 billion respectively -- three times higher than the Administration's Proposal. This level of cuts would inflict large cutbacks on all states. State Medicaid program expenditures would be reduced by 19% to 22% over the 1996-2000 period under the House and Senate Budget proposals. In 2002, the final year of the reduction phase-in, the Federal Medicaid contribution in all of the 5 Pacific states would be between 29% and 33.4% less than under current law. California is one of the six states which would acount for over 40% of the overall savings.

**Administration Actions and Accomplishments:**
The Administration has worked with States to expand health care coverage and to increase state flexibility in administering Medicaid through Medicaid 1115 Waivers:

Hawaii - Approved 1115 Medicaid Waiver (8/94) expands coverage for everyone up to 300% of the Federal Poverty Level. All Medicaid-eligible individuals except the Aged, Blind and Disabled receive care from capitated managed care plans. (The Aged, Blind and Disabled continue to receive fee-for-service care.)

Oregon - Approved Medicaid 1115 demonstration (2/94) expands Medicaid coverage to uninsured up to 100% of the Federal Poverty Level. A package of prioritized benefits, excluding 130 conditions, is delivered either through capitated health plans or primary care case management to all beneficiaries, including the Aged, Blind and Disabled.

TREASURY

ISSUE: Capital for Growth

**Background:**

• Capital formation promotes higher productivity and a rising standard of living for our citizens. Capital has grown very rapidly during the current expansion, with investment in private business equipment and structures accounting for a large portion of our recent economic strength. Nationally, real private expenditures on capital equipment jumped to nearly 10 percent of real GDP in 1994, an all-time high.

• Pacific Rim states have participated in this capital expansion. Areas with high concentrations of electronics, computer development, and semiconductor firms in particular report increased business spending on industrial capacity in order to meet rising demand. However, investment in commercial and office construction has been weaker in these states than nationally, and residential housing investment improved less than in the Nation as a whole.

**Administration Proposals:**

• A key factor in promoting capital growth is reducing the size of the Federal budget deficit. The deficit reduction package put into place as part of the Budget Reconciliation Act of 1993 will reduce the the deficit by more than $500 billion, or roughly $600 billion with favorable economics. The deficit reduction package lowered interest rates substantially, stimulating private investment.

• Further deficit reduction will further raise the stock of productive capital, boosting productivity and standards of living. Since productivity is heavily dependent on the supporting public infrastructure and on the quality of human resources, the President's new plan achieves balance without cutting Government investment in fixed capital and in human capital.

• The President's new budget plan will free up capital for investment, benefiting both the national economy and the economy of the Pacific Rim. Eliminating the deficit will lower interest rates; targeted tax cuts will translate into higher savings and increased capital for investment.

**Accomplishments:**

• The strong economy over the last 2-1/2 years has helped the Pacific Rim states. Interest rates are coming down, and the saving rate moved up to 5.1 percent in the first quarter from 4.1 percent in both 1993 and 1994. The stock market has improved greatly, reducing the cost of equity capital. Overall, prospects appear favorable for continued growth of business capital spending, though not at the very rapid pace of the past two years.

• The demand for capital in the Pacific Rim states is illustrated by the table below on commercial and industrial loan activity. Although loan demand has increased in the region as a whole, the divergent rates of growth for the individual states highlight the diverse nature of the economies of the Pacific Rim.

| **Commercial and Industrial Loans at FDIC Insured Commercial Banks** | | | | | | | |
|---|---|---|---|---|---|---|---|
| Percent Change | Alaska | California | Hawaii | Oregon | Washington | Pacific Rim | U.S. |
| 1988-92 | -6.8 | -16.5 | 59.3 | -5.3 | 14.2 | -11.2 | -10.6 |
| 1992-94 | 7.8 | 2.0 | 3.5 | 21.6 | 13.2 | 4.4 | 9.8 |

• The improved climate for investment will help, but the demands for capital in the Pacific Rim states will still largely be determined by the local economies. The outlook for capital growth in Oregon is particularly bright, with the State's Strategic Investments Program creating a very favorable investment climate which has already resulted in a new multi-billion-dollar microchip development center.

Office of Economic Policy
June 16, 1995

## ISSUE: ENVIRONMENTAL TECHNOLOGIES

**Background:**

The federal government plays an important role in funding basic and applied research and development that is key to the development of future generations of environmentally critical technologies. For the state of California alone, the sale of environmental technologies has totalled more than 10 billion dollars and generated thousands of jobs. Through a variety of innovative regulatory and fiscal policies, the federal government will stimulate the development of environmental technologies and work to expand their diffusion.

Administration Positions and Proposals:
The Administration endorses environmental technologies to improve the understanding of atmospheric, terrestrial, and aquatic systems-particularly important to the fragile ego-systems of the Pacific Rim states-and to remediate and restore environmental damage in a cost-effective manner.

The federal government and the Pacific Rim states are working together to develop credible performance information for pre-commercial environmental technologies.

The federal government has been working closely with the Pacific Rim and their stakeholders to develop and implement sustainablity plans in many US communities and make significant progress toward achieving sustainable communities over the next 25 years, increasing the quality of urban, suburban, and rural life, and reducing our use of energy and natural resources.

The Federal Interagency Environmental Technologies Office helps to ensure that the government becomes a more accessible partner with the private sector in advancing the development of environmental technologies. Companies from the Pacific Rim have shown a strong, innovative interest in advancing environmental technologies.

Administration Actions and Accomplishments:
The Environmental Technology Initiative (ETI) is intended to promote improved levels of health and environmental protection by accelerating the development and use of innovative environmental technologies. ETI will also enhance the competitiveness of the US environmental technology industry. Research shows that for every $1 billion worth of environmental technology exports, 17,000 US jobs are created. The Pacific Rim states are the forefront of Asian exports, which is the most rapidly growing market in demand for sound environmental technologies.

The California Institute for Environmental Technology has been established by the Environmental Protection Agency and the University of California, San Diego, to create a public-private partnership to establish a new initiative for research and commercialization of environmental technologies. UCSD's Scripps Institution of Oceanography will provide the institute with expertise in the areas of remote sensing, monitoring, assessment, data assimilation, and remediation complementing California's industrial resources in the fields of electronic, biotechnology, advances materials, and advanced computing and information systems. Research efforts focus on water and air quality, resource use and management, energy efficiency, and land quality.

Examples of 1994 ETI projects that have been funded in the Pacific Rim states include:

- Plastics Recycling by depolymerization/repolymerization (CA, UC Davis, $99,673)
- Cleaner Processes in Plating and Metal Finishing (CA, UC Davis, $44,600)
- Pollution Prevention-Based Materials, Cleaning/Decontamination (CA, US Navy, $193,600)
- Titanium Dioxide Photocatalysis (CA, LOE $170,000)
- Design for the Environment Dry Cleaning Project (CA, EPA, $90,000)
- Eco-Industrial Park Feasibility Study (CA, EPA and others, $150,000)
- Encouraging Innovative Environmental Technologies through the Use of Regulatory Flexibility/Economic Incentive Programs for Managing Water Quality in Nevada's Truckee River Basin (CA, UC Berkeley, $100,000)
- In-Country Demonstrations of US Technologies (CA, Energy and Environment Research Corp., $300,000)
- Monitoring Technologies Test-Off (OR, US Forest Service, $75,000)
- Advanced Adsorption Technologies (WA, DOE, $250,000)

## ISSUE: HIGH TECH (ENVIRONMENTAL) INTERNATIONAL MARKETS

**BACKGROUND:**

Industry analysts point out that in 1992, California environmental technology sales totalled more than 10 billion dollars. [1] Both California State and export markets for many products are expected to double in the next five to ten years.[2]

**ADMINISTRATION POSITION:**

The Clinton-Gore Administration recognizes the inextricable link between the global environment and our domestic economy. Indeed, the Administration has placed the United States at the threshold of global stewardship. Export of US environmental technology creates additional high-paying US jobs in a socially responsible manner. Worldwide demand has made the environmental market one of the fastest growing for US companies.

**ADMINISTRATION ACCOMPLISHMENTS:**

Northwest State "VIRTUAL MARKET" Database: Seattle, Washington

This large Pacific Northwest environmental technology information network provides economic opportunities to environmental technology companies by matching US environmental technology suppliers with foreign country environmental technology buyers. The types of information to be exchanged using this system include identification of environmental problems overseas for which US firms have technological solutions; information on regulations, policies and procedures; and technical performance data on new technologies. This database was partially funded by the EPA in 1994.

E-LYNX: The Environmental-technology Leveraging Network eXchange: Pasadena, CA

The California Trade and Commerce Agency and ten partners will receive $470,400 to develop an environmental technology marketplace known as the Environmental-technology Leveraging Network eXchange or E-LYNX. This California based network will link technology developers with those who can help them get their technologies to market. This network will be designed and implemented through a grant provided by the 1995 Environmental Technology Initiative (ETI).

The California Trade and Commerce Agency's ten partners include Pacific Gas and Electric, Cal-EPA, California Environmental Technology Center, California Environmental Business Council, Hoopa Valley Tribe, Small Business Administration, US Department of Energy, Regional Technology Alliance, the Rural Community Assistance Corporation and the Community

[1] EPA Environmental News, May 12, 1995

[2] Id.

Environmental Council.

United States Environmental Training Institute: H.Q. in Washington, D.C.

Brings potential foreign buyers of US environmental technologies together with US suppliers of that technology by offering training courses to foreign government and private sector officials. US-Environmental Training Institute is headquartered in Washington, D.C., but disburses funding to the State of California to supplement their active program to encourage environmental businesses. ( North Carolina, Maryland and Colorado also receive funding from the US-Environmental Training Institute). Total funding for the US-Environmental Training Institute via the US ETI in 1994 was 1.4 million dollars.

Ukraine Multi-Fuel (natural gas, oil or coal) Reburn System: Irvine, CA

The Energy and Environmental Research Corporation (EER), a California environmental technology contractor, will demonstrate US multi-fuel reburn technology in the Ukraine. Initial work began in February, 1995. Since fuel distribution and shortages are a problem in the Ukraine, the need for a multi-fuel reburn system is great. Funding of three hundred thousand dollars ($300,000) was awarded to the EER under the 1994 Environmental Technology Initiative.

Environmental Business Journal/RIMTech: San Diego, CA

The non-profit arm of the Environmental Business Journal, RIMTech, is studying world-wide demand for environmental goods and services. The goal of the study is to determine what environmental technologies are most in demand overseas, and which markets are best "targets" for US environmental exports. This study was awarded two hundred and fifty thousand dollars ($250,000) under the 1994 Environmental Technology Initiative.

Energy

# ISSUE: ENVIRONMENTAL TECHNOLOGIES

**Background:**

**Pacific Rim States are betting heavily on Environmental Technologies**: The Pacific Rim states have been heavily hit by defense downsizing and increasing international competition in the commercial aerospace industry. Environmental Technologies, including energy efficiency and pollution prevention have been targeted by several of these states (Notably California, Oregon, and Washington) as a preferable area to invest in. Oregon's Legislature, for example, recently declared environmental technologies a Key Industrial Sector. With over 400 companies, the ET sector has helped the state make the transition from an economy based on natural resource exploitation and export, to one providing high-tech goods and services. California's legislature has created The California Environmental Technology Center at Scripps Institute to help develop an environmental technology industry and stimulate exports. The States give several reasons for this focus:

- **It is one of the fastest growing export markets:** There is an estimated global market for environmental technologies in excess of $400 billion annually. The actual figure is much larger. There is a trillion dollar demand for new energy infrastructure over the next ten years. With available capital from international lending institution pegged at less than a third of that, efficient products, services and systems will be in huge demand. The Pacific rim nations will form a disproportionately large share of this global market.
- **High job creation potential:** Investments in environmental technologies create more and better jobs than any public sector investment -- particularly pollution prevention and energy and resource efficiency-based technologies which increase productivity by displacing non-labor inputs.
- **Favorable balance of trade:** This applies on a national, state and community level. For example, 70 to 80 cents of each dollar spent on energy immediately leaves the community with no multiplier effect. Similarly, some 50 cents of each dollar spent on crude oil leaves the country.
- **US investments in environmental technologies and US environmental policies coupled with aggressive state laws, policies and programs have made us a leader in several areas:** Biotechnology, energy efficiency and renewable energy technologies, pollution prevention in industrial processes, efficient appliances and products, and monitoring and remediation are areas where the US enjoys substantial market leads.
- **US disinvestment, coupled with long term, strategic investments by the Japanese and other competitors will erode this market lead.** Japanese civilian R&D is at 2.9% of GDP and growing; The US' is at 1.8% and shrinking. Japan has a formal Green Plan designed to capture the clean technology market. In 1993, they quadrupled its funding. Given this scenario, tomorrow's environmental technologies and products will not be stamped "Made in USA".

Environmental and economic realities are creating both a global ***and domestic*** market of huge proportions. These states are extremely concerned that, in the face of concerted strategic efforts on the part of our competitors, they will become importers of cleaner and cheaper technologies, not exporters of them.

**Administration Positions and Proposals:**

**Capturing this market is critical, but it must involve all stakeholders:** As the National Environmental Technology Strategy indicates (See Accomplishments) states, the federal government and industry need to work in partnerships. The federal government cannot do it all.

**Reinventing Environmental Regulations, and the Common Sense Initiative:** (July, 1994 and March 16, 1995) We are working to create an environmental policy framework that ends adversarial approaches built on single media, single pipe solutions. We are working -- with states as full partners -- to construct a system that emphasizes performance and flexibility, without loss of accountability or environmental quality. We are aiming to harness market forces, stimulate innovation, and improve our competitiveness, while we improve our environment.

**Administration accomplishments:**

**Environmental Technology Export Strategy**: The Administration released this strategy in November of 1993. It contains a number of strategies and programs to 1)Make it easier to work with the federal government on environmental exports; 2) Strengthen the technology development and commercialization capacity of the domestic industry; and 3)Target and assist in development of markets.

**National Environmental Technology Strategy:** The Administration, after consulting thousands of stakeholders, issued a national strategy in April of 1995 designed to stimulate investment in, development of, and commercialization and export of environmental technologies. Some key premises:

- Technological innovation is critical to meeting environmental challenges and economic opportunities;
- *Partnerships are critical to success: Neither the public nor private sector can meet the environmental and economic challenges we face alone. States are critical parts of the strategy;*
- We must focus on more than just the science; we must also work towards an integrated system of social, economic, and environmental values that reinforce each other.

These accomplishments give us the blueprint to develop the fiscal and regulatory policies, as well as the science and technology investments needed to help the US shift from waste management to resource efficiency and pollution prevention and to capture the export market associated with this shift. They also defines the roles and responsibilities of various sectors of society in implementing this blueprint.

Interior

# Pacific Salmon

## I. BACKGROUND

- Pacific salmon stocks throughout the region have declined precipitously in recent years. Under the Endangered Species Act (ESA), four stocks are currently listed as endangered and the National Oceanic and Atmospheric Administration (NOAA) will soon propose to list additional species and stocks. Major factors that caused the decline include: loss of habitat due to construction of dams on the Columbia and other rivers, habitat degradation on private and public lands, hatchery practices, and over-fishing.

- Conservation efforts on the Columbia River are expensive and controversial, pitting State officials and citizens in Montana and Idaho against downriver interests in Oregon and Washington. Bonneville Power Administration (BPA) estimates that it is spending approximately $350 million (lost revenues plus actual expenditures) on salmon recovery activities in 1995. **Senator Hatfield and others are proposing to limit BPA's costs regarding salmon restoration.**

- Commercial ocean fisheries off Washington, Oregon and California have been reduced because of declining populations. Native American treaty harvests and non-treaty sport fisheries in the Columbia River and offshore have also been reduced.

- The United States and Canada have not agreed to 1995 allocations of fish under the Pacific Salmon Treaty. Negotiations are continuing to identify levels of conservation and allocations acceptable to Canada and U.S. interests in Alaska, Washington, and Oregon.

## II. ADMINISTRATION POSITIONS

- The Administration is committed to restoring anadromous fisheries throughout the Pacific Northwest and California. The mix of measures used to accomplish restoration will be based on the best available science and the use of a multi-species or ecosystem approach.

- The Administration agreed to fund up to $70 million of BPA's obligations for salmon restoration from the general treasury. This will relieve impact of fish restoration on the region.

## III. ADMINISTRATION ACCOMPLISHMENTS

- The Northwest Forest Plan protects riparian habitat on Federal forest lands on the west side of the Cascade Mountains. The Aquatic Conservation Strategy of the Forest Plan was based on assuring that salmon habitat would be protected and enhanced.

- NOAA has developed a comprehensive recovery plan for endangered Snake River stocks. The proposed recovery plan will benefit all anadromous fish in the Columbia and Snake Rivers, not just those that are currently listed.

- The San Francisco Bay-Delta agreement signed by Governor Wilson, Secretary Babbitt, Administrator Browner and others protects salmon in the Sacramento and San Joaquin Rivers.

Agri.

**ISSUE: HABITAT RESTORATION JOBS FOR DISPLACED SALMON FISHERMEN**

**Background:**

- Fishing income in the Pacific Northwest has dropped substantially as a result of the collapse of salmon stocks in the region.

**Administration Position:**

- The Department of Commerce initiated a $12 million Northwest Emergency Assistance Plan for dislocated salmon fishermen in the Pacific Northwest.

- USDA and the Department of Commerce signed an interagency agreement in November, 1994, to implement a $6 million jobs program focusing on Pacific Northwest habitat restoration. Under this agreement, 2.2 million each is going to Oregon and California and 1.6 million is going to Washington.

- The program complements other similar federal efforts by working with state agencies, conservation districts, tribal governments, and other non-profit organizations to restore key watersheds on private lands.

**Administration Accomplishments:**

- To date, Oregon has hired 35 dislocated fishermen and California has hired 12 fishermen under this program. Projects in Washington shall commence soon.

- A total of 100-150 displace fishermen are expected to be hired under this program.

A-gri

## ISSUE: NORTHWEST ECONOMIC ADJUSTMENT INITIATIVE (NWEAI)

**Background:**

- Forest-impacted communities in the Pacific Northwest region are struggling to make the transition to alternative economic activity in the wake of cutbacks in logging and natural resource-based industries.

**Administration Position:**

- The Northwest Economic Adjustment Initiative is the coordinated delivery of economic assistance from federal, state, and local governments.

- At the state level, State Community Economic Revitalization Team (SCERTs), comprised of representatives from twelve federal agencies, as well as state, local, and tribal agencies, collect project information and assign a lead federal agency, or group of agencies.

- At a regional level, Regional CERTs, which have representatives from each participating agency from each state, is responsible for monitoring the equitable distribution of funds and services. In addition, RCERTs help locate and remove barriers to efficient service.

- At the national level, the Multi-Agency Command (MAC) is designed to remove high-level barriers and maintain the strategic vision and policy direction for the Initiative.

**Administration Accomplishments:**

- The Administration has dedicated $1.2 billion in grants and loans over the next five years, beginning with $254 million for FY 94. Federal agencies obligated more than $156 million to help more than 1,200 communities in FY 94.

- In FY 94, USDA obligated $82.9 million to the effort. In FY 95, it will obligate $200 million in assistance, with $35 million going to business development.

- The RCERT received the Vice-President's "Hammer Award" for making government work better.

Agri

# ISSUE: THE FOREST PLAN

**Background:**

- Years of short-sighted and contradictory policy-making by previous Administrations were ruled in violation with federal laws. As a result, court injunctions halted most federal timber sales in the Pacific Northwest, leading to serious economic consequences.
- President Clinton, during the Presidential campaign, declared his commitment to finding a solution to the gridlock in the Pacific Northwest.
- On April 2, 1993, the President convened a Forest Conference, which led to the development and adoption of the Forest Plan in April, 1994.

**Administration Position:**

- The Forest Plan provides for a sustainable harvest of timber based on scientifically-sound and legally-responsible forest management, new job-creating investments in the region's environment, innovative protection for valuable old growth forests, and new economic assistance to help workers, businesses and communities to provide long-term, family-wage jobs and long-term development.

**Administration Accomplishments:**

- In June 1994, shortly after the President submitted his Forest Plan, federal courts dropped injunctions banning timber harvests from federal lands, for the first time in three years.
- The President's plan has broken legal gridlock -- it has withstood every challenge since its adoption and has prevented the initiation of additional law suits.
- Since the plan was adopted, more than 300 million board feet have been offered for sale from federal forest lands. Of this amount, 136 million came from the Forest Plan area. About 870 million board feet have been harvested. Changes in the timber sales process should cut the time it takes to prepare timber sales by a third.
- In FY 95, the projected timber harvest is 586 million board feet in the Forest Plan area, and 403 million board feet in the eastern half of the region.
- In FY 94, the "Jobs in the Woods" program employed approximately 2,000 displaced timber workers and invested $20 million for watershed restoration work. In FY 95, the projected investment in watershed restoration is $14.6 million.
- The Forest Service has provided an additional $15 million for rural assistance in over 200 communities in FY 94, with an estimated $13.1 million for FY 95.

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# ISSUE: SECTION 318 TIMBER SALES

**Background:**

- Section 318, which establishes measures to minimize the effects low timber harvest on spotted owl and old-growth forests in 13 Pacific Northwest national forests, is part of the 1990 Appropriations Act for the Interior Department.

- Approximately 200 timber sales awarded under the provisions of Section 318 remain. The approximate total volume of these sales is 645 million board feet (MMBF). Most of this volume is involved with the marbled murrelet issue. There are also a few remaining 318 sales that have not been awarded.

- Approximately 7.7 billion board feet of timber was sold under 318. The remaining volume constitutes only 8.4 percent of the total sold volume. The value of the total sold Section 318 timber sales is approximately $262,000,000.

**Administration Position:**

- The Administration seeks to resolve remaining Section 318 timber sales by working closely with the Dept. of Interior to complete consultations under the Endangered Species Act.

- The Administration is seeking authority through salvage sales in the rescission package to buy back the remaining timber sales.

**Administration Accomplishments:**

- 98.5% of the volume originally identified by Section 318 was sold.

Agri

# ISSUE: PENDING LITIGATION RELATED TO THE FOREST PLAN

**Background:**

- Appeals of Judge Dwyer's decision upholding the Plan have been taken to the Ninth Circuit Court of Appeals by a timber industry association and two separate groups of environmentalists. Briefing on these appeals will be completed in August, 1995.

- Two legal challenges to the Plan, Northwest Forest Resource Council v. Dombeck and Association of Oregon and California Counties v. Babbitt, were filed in the District of Columbia in May 1994. These two cases were stayed pending the outcome of the litigation before Judge Dwyer in Seattle and the stays have not yet been lifted.

- A fire salvage timber sale in Oregon is being challenged by environmentalists in Sierra Club v. U.S. Forest Service. A Magistrate has recommended the government be upheld on the issues related to the Plan, but also recommended the sale be enjoined because of an alleged failure to consider how the sale would encourage future arson in the environmental analysis.

- The Plan's direction on managing mining operations in riparian areas is being challenged by environmentalists in National Wildlife Federation v. Agpaoa. The government and environmentalists have reached an agreement whereby the government would consider revising the direction by April 2, 1996.

**Administration Position:**

- In June 1994, shortly after the President submitted his Forest Plan, federal courts dropped injunctions banning timber harvests from federal lands, for the first time in three years. The President's plan has broken legal gridlock.

**Administration Accomplishments:**

The government has won all three legal challenges since the plan was adopted in April, 1994:

- Judge Dwyer upheld the legality of the Plan against over 50 claims by timber industry and environmental groups on December 21, 1994 in Seattle Audubon Society v. Lyons.

- Judge Dwyer upheld the implementation of the Plan in a challenge by environmentalists to the widening of the Mather Memorial Parkway in Washington on February 28, 1995 in Seattle Audubon Society v. Lyons.

- Magistrate Judge Ashmanskus upheld the implementation of the Plan in a challenge by environmentalists to twelve timber sales in Oregon and Washington on June 1, 1995 in Native Forest Council v. U.S. Forest Service.

A-gr-l

# ISSUE: SWEET HOME LAWSUIT

**Background:**

- At issue in Sweet Home Chapter of Communities for a Great Oregon v. Babbitt is whether the 1981 Fish and Wildlife Service regulations went beyond the Endangered Species Act (ESA) by interpreting ESA's authority to regulate "harm" against a listed species to include the authority to regulate manipulation of all habitat of a listed species on private lands.

- In a lawsuit brought by timber purchasers and land owners adversely affected by the ESA regulations protecting the northern spotted owl in the Northwest and red-cockaded woodpecker in the Southeast, the D.C. Circuit held the regulations implementing the "harm" provision of ESA went beyond what was authorized by the statute.

- Oral arguments before the Supreme Court on Sweet Home were held April 17. A decision could be issued at any time.

**Administration Position:**

- If the ruling is adverse to the government, it may disrupt implementation of the President's Forest Plan. The Sweet Home decision affects the Forest Plan because the Plan's compliance with ESA was premised on ESA regulation of private lands providing some spotted owl habitat in addition to the federal lands. If the Supreme Court upholds Sweet Home and strikes down the authority of the Fish and Wildlife Service on private lands, the President's Plan might no longer provide adequate habitat for the spotted owl. Judge Dwyer, in his December, 1994, decision upholding the President's Forest Plan, noted that the Plan would have to be "reconsidered" if the Supreme Court upholds Sweet Home.

- If the government loses Sweet Home, the Administration will need to: determine how much regulatory authority can be exercised; begin a scientific analysis to determine if the expected protections on private and public lands remain adequate; and allow appropriate public comment, provide document preparation, and ensure compliance with existing laws. Because a detailed analysis will take months to complete, an interim analysis will be required.

A-7rl

# ISSUE: FOREST HEALTH

**Background:**

- Forests are constantly changing as a result of insect and disease epidemics, forest fires, fire suppression, and timber harvesting.

- The intense and extensive forest fires of the 1994 season brought into question past and future forest management practices.

- The Rescission Bill which the President recently vetoed contained an amendment to direct the Forest Service and Bureau of Land Management to prepare timber salvage sales in volumes above the level appropriated to the greatest extent possible. Discussions with Congress involving this issue are ongoing.

**Administration Position:**

- The goal of the Administration is to restore forest health while reducing the wildfire risk to life and property, especially where wildlands and communities come together.

- The Administration is committed to expediting the preparation and sale of salvage, where salvage will enhance forest health by reducing fuel loading.

**Administration Accomplishments:**

- In December 1994, the Forest Service released the "Western Forest Health Initiative." The initiative identifies resource management objectives and needs to sustain healthy fire-adapted forest ecosystems in the West.

- The Forest Service is addressing the overall forest health issue on an ecosystem basis by restoring high risk sites (i.e., those sites most out of balance) to within their natural range of variability.

- As part of the Western Forest Health Initiative, for example, forest health projects covering 1.3 million acres are planned or in progress on 14 National Forests. Of these projects, 90% are scheduled for completion in fiscal year 1995.

- A salvage team has been assembled in the Regional Office, and is facilitating the accomplishment of salvage.

- The Forest Service plans to sell 1.57 billion board feet nationwide of salvage in FY 95. This is an increase from FY 94 of 38%. As of March 31, 145 billion board feet has been sold.

Agri

**ISSUE: LOGGING INDUSTRY SITUATION**

**Background:**

- U.S. timber mills and other businesses have expressed interest in developing a long-term industry in the Pacific Northwest for importing and processing logs from other countries. The United States has historically been a timber exporting country, with no regulations in place specifically to address these imports.

- Under general plant health authority, Animal and Plant Health Inspection Service (APHIS) has been inspecting wood shipments at ports of entry and requiring treatment when necessary to prevent the entry of exotic wood pests and diseases.

**Administration Position:**

- The United States Department of Agriculture (USDA) is committed to facilitating international trade without compromising U.S. agricultural health. In this regard, we are committed to allowing the importation of logs under conditions that will ensure their freedom from exotic pests and diseases that could compromise the health of our country's forest resources.

**Accomplishments:**

- On May 25, 1995, USDA's Animal and Plant Health Inspection Service (APHIS) published in the Federal Register a final rule establishing comprehensive regulations for the importation of unmanufactured wood. The new regulations will become effective on August 23, 1995.

- In response to Russian officials' concern that the treatment method currently approved to eliminate pests from Siberian logs is cost-prohibitive, APHIS officials have formed a technical panel including scientists from the Forest Service and the Agricultural Research Service to determine if irradiation could be approved as an alternative.

- USDA is cooperating with Washington State officials to conduct a trapping and treatment operation over 1000 acres surrounding the site where a suspected Asian gypsy moth was found last year. We are also monitoring the Canadian response to detections of Asian gypsy moths in several areas of British Columbia, including a town located just 8 miles north of the Washington State border.

Agriculture

## ISSUE: PRODUCTION AGRICULTURE

**Background:**

- Although only 2 percent of the population lives on farms, the agriculture sector generates 16 percent of the Gross Domestic Product and accounts for one in six jobs.

- The number of farms has dropped from 6.8 million in 1935 to just over 2 million in 1994 while the size of farms has increased. Sales of crops and livestock are concentrated among larger farms. In 1993, 27 percent of the nation's farms (with sales over $50,000) sold almost 90 percent of crop and livestock products. Farms with sales of over $1 million made up less than one percent of all farms but sold 26 percent of commodities.

- Farm household income still lags behind the national average. Smaller farm households are increasingly supplementing their income from off-farm sources.

- In 1993, the Federal Government transferred $13.4 billion in direct government payment to farmers. One-third of the 2.1 million farm operators received payments. In 1993, farms with sales over $500,000 represented 2% of farms, but received nearly 14 percent of the payments.

- The United States has enjoyed an agricultural trade surplus every year since 1959. In 1995, agricultural exports are expected to reach a record high $51.5 billion, creating a $22 billion trade surplus. Exports account for about 20 percent of farm production and about one of every three acres of harvested cropland.

**Administration Positions:**

- As part of its balanced budget proposal, the Administration has proposed cuts in farm program spending of $4.2 billion over seven years.

- The Administration '95 Farm Bill would introduce producer flexibility and program simplicity. Expansion of planting flexibility provisions would increase the role of market forces in farm production decisions, improve competitiveness in world markets, increase producer returns, reduce the adverse environmental effects of production agriculture, reduce reliance on acreage reduction programs, and simplify farm programs.

- The Administration's Farm Bill proposes to target farm program payments by excluding payments to individuals who earn $100,000 or more per year in off-farm income.

- In the area of trade, the Administration proposes to make export enhancement programs more cost effective and flexible to allow U.S. producers to compete better in an international marketplace.

- The 1995 Farm Bill provides an excellent opportunity to simplify existing conservation programs, improve their flexibility and efficiency, and better target specific programs in the conservation "tool kit" to address high priority natural resource and environmental protection goals.

**Administration Accomplishments:**

- The passage of the North American Free Trade Agreement (NAFTA) and the Uruguay Round of the GATT have created tremendous trade opportunities for U.S. agriculture. Under NAFTA, 1994 U.S. agricultural exports to Mexico and Canada were up 25 percent and 4 percent respectively from 1993. Agricultural exports under the Uruguay Round are expected to increase by up to $4.7 billion in 2000 and $8.7 billion in 2005. Farm income is expected to rise by as much as $1.3 billion in 2000 and $2.5 billion in 2005.

- Major crop insurance legislation reform will provide farmers a needed tool for risk management and avoid costly ad hoc disaster assistance.

- The promotion of new uses for agricultural resources and agricultural products has offered extensive benefits to the rural economy. If the Administration's proposal to mandate ethanol use in gasoline is accepted, the resulting increase in demand for corn would increase farm income, provide jobs in manufacturing plants, and help clean the environment.

## ISSUE: Native Americans and the Environment

**Background:**

In 1984, U.S. EPA issued an Indian Policy in which it committed to working with Indian Tribes in a government-to-government relationship, recognizing that tribal governments are the primary parties for setting standards, making environmental policy decisions and managing environmental programs on reservations. The Agency further committed to encourage and assist Indian tribes in assuming regulatory and program management responsibilities.

**Administration Position:**

Until such time as tribes develop environmental regulatory programs, U.S. EPA has responsibility for assuring that activities conducted on Indian lands are in compliance with the federal environmental laws and regulations.

**Administration Accomplishments:**

An Indian Programs team has been created in the Office of External Affairs to coordinate the Agency's environmental activities pertaining to Tribal lands within Region 9. The team also manages the multi-media general assistance grant program (GAP), which supports Tribal environmental programs. Region 9 is currently serving as lead region for Tribal issues.

Environmental program offices within U.S. EPA Region 9 maintain responsibility for all activities related to U.S. EPA's implementation of federal environmental programs (i.e., permitting, inspections and enforcement), project officer responsibilities for categorical program grants, and the approval of tribal programs for authorization, delegation and primacy.

Interior

# Native Americans and the Environment

## Background

Environmental challenges in Indian Country are significant and include a number of interrelated concerns such as surface and ground water quality, hazardous waste, air quality, wastewater treatment, soil erosion, desertification, and radioactive contamination issues. Long before Congress enacted legislation which enabled Tribes to access environmental protection programs and funding, Indian Tribes were regulating reservation environments using their inherent sovereign powers and powers as land owners.

Since the amendment of the Clean Water Act in 1987 and the Safe Drinking Water Act in 1988, Indian Tribes have had increased access to environmental programs, technical expertise and funding that was traditionally reserved for states. These programs have enabled the tribes to develop their technical expertise, environmental protection programs and to inform their communities about environmental hazards and protection strategies.

In addition to funding and programmatic strategies, a number of studies and surveys have been completed for Indian Country to assess the extent of environmental needs. Most of these studies indicate that while there has been significant progress, Indian environmental issues remain underfunded, while needs are large. For example, the unmet wastewater treatment needs for Indian communities was recently estimated to exceed $30 *billion* (Indian Health Service, 1989).

A significant concern of the tribes is the continued, persistent effort by the western states to challenge and oppose Tribal inherent and delegated authority to regulate the environment. Jurisdictional challenges force the tribes to spend to protect this authority instead of addressing the real environmental needs of Indian communities.

## Administration Position

The Clinton Administration has been proactive in its support of Indian environmental issues. In the first instance, the Administration has expanded and improved the government-to-government relationship between tribes and the Federal government. This has enabled agencies to meet directly with tribal leaders and to address their real environmental concern and further, has enabled Federal agencies to collaborate with tribes and each other to produce common sense solutions to tribal environmental problems. In addition, the Administration has intervened at critical moments -- for example, the Columbia River salmon recovery plan -- to support tribal environmental and treaty concerns with practical, interagency solutions. Finally, by opposing cuts in spending for the environment, the Administration assists tribal governments that rely on such funding to develop and enhance their environmental protection strategies.

## Administration Accomplishments

The Administration has seen numerous accomplishments with respect to Native Americans and the environment. A few accomplishments are highlighted below:

- EPA established an American Indian Environmental Office which serves as a focal point for Indian environmental concerns and programs.

- Each bureau within the Department of the Interior has a Native American desk and through Secretarial Order 3175, evaluates every bureau action with respect to its impact on Native American resources, people or the environment.

- Memoranda of Understanding have been developed between the Bureau of Indian Affairs and the Fish and Wildlife Service, the Bureau of Reclamation and the EPA for the purpose of implementing effective environmental protections on Indian lands.

- The Administration is on record opposing the amendments to the Clean Water Act that propose the elimination of tribal jurisdiction over the environment.

- The Department of Energy has provided funds to enable tribes to evaluate the environmental issues surrounding DOE facilities.

- The Department of Defense has also provided funds to Indian tribes for the purpose of evaluating environmental issues and concerns surrounding DOD facilities.

- The Administration has been active in assisting the implementation of the Indian Environmental Regulatory Enhancement Act.

- The Administration has pursued legislation and creative problem solving to solutions for critical tribal environmental concerns in Death Valley, the Everglades, and the Pacific Northwest (specifically related to the Forest Plan).

# TREATMENT IN THE SAME MANNER AS A STATE

**BACKGROUND STATEMENT:** On December 16, 1994, the Environmental Protection Agency (EPA) issued final regulations simplifying the process to qualify Indian tribes for program environmental approval. A companion regulation simplifying the process for Indian tribes to qualify for financial assistance was published on March 23,1994. The new process will make it easier for tribes to assume the role Congress envisioned for them under the environmental statutes. EPA recognizes that tribes are sovereign nations with a unique legal status and a relationship to the federal government that is significantly different than that of states. EPA believes that Congress did not intend to alter this when it authorized treatment of tribes "as states," rather, the purpose was to reflect an intent that, insofar as possible, tribes should assume a role in implementing the environmental statutes on tribal land comparable to the role states play on state land. The Clean Water, Safe Drinking Water, and Clean Air Acts authorize EPA to treat Indian tribes in the same manner as a state for the purposes of awarding and administering certain types of grants and development of environmental regulatory program authority on tribal lands.

**Administration Positions and Proposals:** Tribes are authorized to develop water quality standards (including designated uses, criteria to protect the uses, and antidegradation policies) in the same manner as States. This authority extends to those waters within the reservation boundaries that are specified in the individual TAS decisions. TAS, for purposes of Clean Water Act water quality standards program also authorizes Tribes to be treated as States for certifications of Federal permits to ensure that they comply with Federal standards.

Before approving a tribes request to adopt WQS, EPA requires the tribes to hold a public hearing. EPA requires a review of WQS every three years and that tribes hold public hearings. The results of the WQS review must be submitted to EPA for review and approval. EPA will review both the content and the adequacy of the process of the Tribe's submittal and the EPA's action on the WQS will be subject to review in Federal court.

**Administration Actions and Accomplishments:** As of June, 1995, 90 tribes have received Treatment In Same Manner As A State under various Clean Water Act programs. Eight of these approvals are under the Water Quality Standards program.

Interior

**Issue: Tourism in the National Park System**

**Background**

- National parks are one the main attractions of our country and the anchors of the U.S. tourism industry. The preservation and sustainability of national parks are of paramount importance to the tourism industry. Presently tourism is the second largest industry in the United States and growing.

- In 1994 approximately 270,000,000 people visited national park areas. At least 20% of visitors were from foreign countries. All projections, National Park Service (NPS) & Tourism Industry, predict continued increases in visitation with 360 million projected by the year 2000. **The NPS budget of $1.5 billion produces a direct economic effect of $10 billion generated by visitor spending in local regional economies.** Tourism to NPS areas in California, Hawaii, Oregon and Washington alone is estimated to be 48,811,083 persons who will generate 79,722 jobs and spend $3,192,481,507. Tourism industry representatives supported the Department of the Interior/NPS legislative package for fees & concessions reform in the last Congress and have told us they will support it again. The legislative package would permit parks to retain new revenues for priority construction/rehabilitation projects.

**Administration Position**

- Congestion: Some very popular National Parks suffer from congestion. Yosemite National Park has had to turn away up to 2,000 cars per day during recent weekends. The NPS goal is to work towards moving people more efficiently through popular and congested parks via new forms of mass transit. Increasing traffic congestion at some of our national parks indicates a need for alternative transportation modes to improve the visitor experience and reduce vehicle congestion in those parks. Discussion of limiting the numbers of vehicles (auto/rv/bus) in some areas during peak visitation periods has occurred.

- Lesser Known Parks: The NPS, in cooperation with representatives from the travel industry, is developing a campaign to encourage and promote tourism to several lesser known parks. The NPS will coordinate their efforts with other federal and state land managing agencies to include adjacent or nearby recreation lands into the campaign. Local communities, businesses and civic groups will also be involved.

**Administration Accomplishment's**

- Gateway Community Planning: A recommendation from the NPS 75th Anniversary Symposium was to "encourage and assist local governments in long-term land use planning and sustainable economic development at ecosystem, landscape and regional scales." One of the Service's pilot programs took place last year in the Mount Rainier gateway communities of Greenwater, Elbe and Ashford. This pilot project was initiated through the combined efforts of Congresswoman Jennifer Dunn's office, Pierce County planning and the NPS's Rivers, Trails, and Conservation Assistance (RTCA) Program. The Region's RTCA program , in partnership with the Sonoran Institute, helped the communities organize and plan visioning workshops to establish values, create a vision, and develop implementation strategies. Since the workshops, RTCA has provided follow-up assistance in helping new gateway community committees with organizational structure and strategies for taking the "next steps."

Energy

*Pacific Rim Economic Conference*
## ISSUE: Energy Efficiency and Alternative Energy

**Background:** Energy efficiency and alternative (or "renewable") energy are important to the five Pacific Rim States for the same overriding reasons they are important to the rest of the country: because energy use has a major impact on the environment, the economy, and national security.

**Environment**: Fossil fuel combustion is a major source of greenhouse gases, air quality denigration, and other environmental damages. Energy efficiency and renewable energy technologies prevent pollution and are excellent complements to environmental regulation. They are a key element of the Administration's commitment to regulatory reform without compromising environmental quality.

**Economy:** Energy efficiency and renewable energy technologies strengthen the economy by reducing our $50 billion oil import bill, and by creating new American industries to compete in the growing world market for environmental technologies.

**National Security**: The U.S. is importing record amounts of oil today; imports are predicted to rise to at least 60% of U.S. oil consumption in the next 15 years. Only three years ago, more than 450,000 U.S. troops went to the Persian Gulf to protect world oil supplies; today, 20,000 Americans are still serving in Kuwait. Energy efficiency and renewable energy resources are preventive medicine against further oil shocks and oil wars.

**Regional Energy Profile:** In regard to where they get energy, the 5 Pacific Rim states are at substantial variance from the national averages. They use significantly less coal. California and Alaska rely more on natural gas than does the nation as a whole. Alaska, Oregon, and Washington rely heavily on hydropower (20, 79, and 80% of their electricity supply, respectively). Hawaii depends on imported oil for about 98% of its energy needs. Geothermal energy exists in abundance throughout the Pacific Rim States. About 6% of the electric power consumed in California comes from geothermal energy. A new 25 megawatt power plant is operating in Hawaii. Geothermal projects are planned for Alaska and Oregon.

Alaska's annual per capita energy use is the highest in the nation -- over 3 times the national average. Washington and Oregon slightly exceed that average and Hawaii and California are appreciably better.

Because they have abundant renewable resources -- among them water, wind, solar and forest products -- the Pacific Rim states are well-positioned to lead the nation in the development of renewable energy systems and to take advantage of the global energy efficiency and renewable energy market. The world renewable energy market alone is estimated at $84 billion between now and 2005. Pacific Rim and Asian countries represent large, and growing segments of these markets. For example, Pacific Rim potential for geothermal development is estimated at 30,000 megawatts over the next 20 years.

**Regional Energy Leadership:** The Pacific Rim states have led the nation for years in innovative energy policies. Sen. Mark Hatfield was the architect of the precedent-setting Northwest Power Planning Act; Sen. Matsanuga's work in renewable energy set a national example in Hawaii. California has been a hotbed of innovation in both utility energy efficiency programs, and the use of renewable energy systems. California's implementation of Zero Emission Vehicle mandates is creating a market for electric vehicles. This could be an area of intense competition among US and Japanese automakers.

The Pacific Rim States are once again serving as a testbed for a change. California's consideration of electric utility deregulation and the Bonneville Power Administration's new plans for restructuring may lead to significant changes in energy pricing policies. Both are spawning widespread interest and controversy nationwide -- <u>and both have thus far been harmful to energy efficiency and renewables.</u>

**Administration Positions and Proposals:**

Nationally, the Administration strongly supports research, development, and deployment of energy efficiency and renewable energy technologies. After nearly a decade of federal dis-investment in efficiency and renewables during the Reagan Administration, the Clinton Administration has begun restoring this investment. The Federal budget for energy efficiency and renewable energy research, development and deployment grew from $1 billion in FY 1994 to $1.2 billion in FY 1995. The Administration's original budget request for FY 1996 proposed $1.4 billion. This investment is now under withering attack in Congress, where proposals to date have called for budget cuts of 50% or more.

The Office of Energy Efficiency and Renewable Energy's planned FY 1996 expenditures in California, Alaska, Hawaii, Oregon, and Washington are estimated to have the following impacts in the year 2000: 37,253 jobs created; $2.5 billion in energy cost savings; and reduced emissions of 6.43 million metric tons of carbon equivalent.

**Administration Actions and Accomplishments:**

Secretary Hazel O'Leary has actively tilled international energy markets to produce new opportunities for U.S. energy efficiency and renewable energy businesses. The Pacific Rim states are among the beneficiaries. As part of the Department of Energy's cooperative efforts under the 1993 Memorandum of Understanding with the Russian Federation, discussions on cooperative projects have recently taken place between the Russian Deputy Minister of Fuels and Energy and the San Francisco and Seattle Russian-American Business Councils. Following Secretary O'Leary's visit to China, the dialogue and opportunities for cooperation have been expanding. This will lead to new business for American companies, with more than $4 billion in joint venture agreements already signed.

Investments by DOE's Office of Energy Efficiency and Renewable Energy in the Pacific Rim States amounted to $104.6 million in FY 1994 alone, including $13 million for low income weatherization, $3.4 million for energy efficiency improvements to schools and hospitals, and $2.6 million to support State energy programs, and research undertaken in partnership with colleges, universities, the private sector and National Laboratories in the Pacific Rim States. Some specific projects include:

> **Grants to Tribes:** Four Indian Resource Development Grants have been awarded to four Alaskan Native villages for hydroelectric activities, totaling over $790,000. Active support has been shown from Senator Stevens. Additionally the confederated tribes of Colville also received a grant of $550,000.
>
> **Federal Energy Management Program:** DOE has established a team based in Seattle to target energy efficiency savings in Federal facilities in the region, including national parks, military bases (including Elmendorf, Richardson, and Wainwright in Alaska, and Puget Naval Shipyards, Bangor Sub Base, Whidbey Island and Fort Lewis in Washington) and federal offices.
>
> **Motors Challenge Program:** DOE's Motor Challenge program works with industries to capture sizeable energy savings available from switching to energy efficient motor systems. The Boeing Company and ICF Kaiser are demonstration projects. Boeing is investing over $4 million in upgrades to improve the motors and drives in its wind tunnel facility and is funding 100% of the project. ICF Kaiser is investing over $2 million for system upgrades at the DOE Hanford site.
>
> **Clean Cities:** DOE has signed agreements with 34 cities to help reduce oil imports by deploying fleet vehicles that run on alternative fuels. These agreements involve 1,200 organizations and half the nation's ozone nonattainment areas. Among the cities are Portland, San Francisco, San Jose, the San Joaquin Valley, Oakland and Sacramento.

Interior

June 15, 1995

BACKGROUND MEMORANDUM

SUBJECT: CLINTON ADMINISTRATION AND THE ENDANGERED SPECIES ACT

## Background

As early as Monday, June 19 the Supreme Court is expected to rule on the Sweet Home case which concerns conservation obligations on private lands. This ruling will have a major impact on the Administration's efforts to encourage landowners to become involved in Habitat Conservation Plans (HCPs). In two years, the Administration has tripled the number of HCP agreements developed in the previous decade, signing-off on more than 50 HCPs to date with more than 150 at various stages of development across the country.

This ruling is being closely watched by Congress in the context of legislation on "takings" and reauthorization of the Endangered Species Act (ESA). Legislative action on the ESA is not expected until after the August recess.

## Administration Reform Initiatives

In March, Interior Secretary Babbitt announced a 10-point ESA reform program which outlined a strong commitment to science, a larger role for the States in ESA implementation, and greater "certainty" and incentives for private landowner participation in ESA conservation efforts.
The "no surprises" policy published in the Federal Register last Fall assures landowners that once they have committed to a conservation plan , they will have no additional demands placed on their property. Similarly, our "safe harbor" policy also protects landowners who enhance wildlife habitat on their land from any additional land use restrictions. We have nearly completed a proposal which targets special regulatory relief for homesites and small land parcels where five acres or less are impacted. Fundamentally, the Administration's ESA reform efforts have sought to balance conservation and sustainable economic development while providing a larger role for state and local government and private landowners in ESA conservation initiatives.

Some of the examples of ESA conservation successes across the country include:

- The President's Forest Plan. This initiative broke the gridlock in the forests of the Pacific Northwest and is designed to protect the habitat of the Northern spotted owl and hundreds of other species including salmon.

- The San Francisco Bay-Delta Accord. Federal agencies including the U.S. Fish & Wildlife Service, EPA, and the National Marine Fisheries Service worked with the State of California to develop a truce in the State's decades-old water wars that provides water for salmon and Bay-Delta water quality while providing certainty for agricultural and urban water contractors.

- Conservation of the Red-cockaded woodpecker in the Southeastern U.S. The U.S. Fish and Wildlife Service has reached conservation agreements with such companies as Georgia-Pacific, International Paper, Champion International, Hancock Timber Resources, and a number of other companies protecting the woodpecker and providing for sustainable timber harvesting over several million acres of southeastern forests.

- Southern California Conservation Planning. The U.S. Fish and Wildlife Service has entered an unprecedented partnership with the State of California, Orange and San Diego Counties to preserve habitat for threatened and endangered species through California's Natural Communities Conservation Program (NCCP). This effort is designed to demonstrate the compatibility of large scale land use planning that protects wildlife habitat as part of the overall local land use planning process. Recently, CEQ Director Katie McGinty participated in a signing ceremony for one southern California development project which will preserve some 1,300 acres of coastal sage habitat within the framework of the NCCP process.

- Recovery of the Bald Eagle. This month, the Department will announce a decision to reclassify the bald eagle from endangered to threatened status across the country, a success story that is the outcome of 30 years of conservation efforts across America to save our national symbol.

Energy

## ISSUE: FUTURE OF THE BONNEVILLE POWER ADMINISTRATION

**Background:** The Bonneville Power Administration, an agency within the Department of Energy, supplies about half the electricity consumed in the Pacific Northwest (Washington, Oregon, Idaho, and Western Montana) and owns and operates about 80 percent of the Northwest transmission grid. Most of the electricity Bonneville markets is produced at Corps of Engineers and Bureau of Reclamation dams in the Columbia River Basin. Bonneville plays a critical role in sustaining both the economy and the environment of the Northwest, providing electricity to industries, business and households and as the main source of funding for the effort to restore endangered salmon. Bonneville presently incurs cost of about $450 million per year related to endangered salmon recovery. Increased salmon costs, low-natural gas prices and the heavy financial burden of paying debt service on the Washington Public Power Supply System nuclear reactors have created a situation, where, for the first time in its history, Bonneville faces real competition in the electricity market. In fact, in April of this year Bonneville lost 200 megawatts of load as customers moved to lower cost suppliers. If this trend continues the ability of Bonneville to remain competitive and serve many important social goals such as funding salmon recovery and repaying its debt to the federal Treasury could be jeopardized.

In addition to the competitiveness threat, Bonneville is also under assault by a number House Republicans who have introduced legislation to sell the agency to the highest bidder.

**Administration Position:** The Administration strongly supports the continued competitiveness of BPA and is taking a number of steps to achieve this goal. The Administration also opposes efforts by Congressional Republicans to sell the agency to the highest bidder. Selling Bonneville could have significant negative impacts on the Northwest economy and environment. In addition, if Bonneville was sold at this time it is likely that the Treasury would incur a substantial loss because of the $6 billion debt associated with the Washington Public Power Supply System nuclear reactors.

**Administration Accomplishments:**
* In March 1995 the Administration acted to provide $200 million in assistance over the next 5 years to help defray the costs to Bonneville of the endangered salmon recovery effort. This assistance substantially enhances Bonneville's competitiveness by reducing the amount of salmon costs that Bonneville and Northwest ratepayers have to bear.

* The Administration proposed as part of the FY 1996 budget to convert Bonneville into an independent government corporation. Government corporation status will remove burdensome federal personnel and procurement requirements that increase Bonneville's costs and limit its ability to compete while preserving Bonneville's committment to salmon recovery and other important social missions. The Department of Energy will submit Bonneville corporation legislation to Congress shortly.

The Administration is also currently considering other administrative and statutory changes to enhance Bonneville's competitiveness.

Agriculture

# ISSUE: ENDANGERED SPECIES ACT

**Background:**

- Section 7 of the Endangered Species Act of 1973 mandates three objectives for all federal agencies: 1) the conservation of listed threatened and endangered species; 2) ensure that the continued existence of listed species is not jeopardized; and 3) ensure that the Critical Habitats of listed species are not destroyed or adversely modified.

- Implementation and enforcement of some environmental regulations, such as wetland restrictions and the Endangered Species Act, on private lands has increasingly raised concerns that these restrictions constitute the "taking" of private property, and that the landowner should be compensated.

**Administration Position:**

- The President is committed to innovative administration of these laws to avoid crisis management and make them work, without burdening small landowners. An interagency Memorandum of Understanding (MOU) was signed by 14 agencies, in September, 1994, to help facilitate the implementation of the ESA.

- The Departments of Agriculture, Interior, Commerce, and Justice are developing regulations to streamline the procedures for consultation on land management plans in an attempt to avoid stopping projects when new species are listed through proactive planning.

- In those instances where listings have occurred, the Administration is seeking means to expedite consultations under the Endangered Species Act through administrative procedures and exploring the possibility of legislative changes to reduce the need for site-specific consultations and move toward problematic consultations.

**Administration Accomplishments:**

- The Administration recently announced general exemptions from ESA enforcement for most activities on single home residential tracts and for other activities that affect less than five acres.

- Federal agencies are expediting consultation of the ESA through interagency teams. These interagency teams are establishing a joint policy on streamlining the Section 7 consultation process for Forest Health and salvage projects in the Pacific Northwest. The effort emphasizes early project coordination with the regulatory agencies to minimize the need for lengthy formal consultations before projects can be implemented.

Energy

# ISSUE: ALASKAN NORTH SLOPE OIL EXPORTS

Background:

As part of a 1993 initiative to help the domestic oil and natural gas industry, the Department of Energy proposed evaluating removal of the export ban on Alaskan North Slope crude oil. The study was released in June of 1994, after having been debated before the Administration's economic councils and the other Departments. The study concluded that exports would raise crude oil prices on the West Coast to market levels without harming consumers. The resulting benefits include:

- Revenues (total during 1994-2000):
  - California--$181 to $230 million (from Federal royalties and taxes) and the State share of a producing field near Long Beach
  - Alaska--$726 million to $1.3 billion (from severance taxes and royalties)

- Employment:
  - Net of 11,000 to 23,000 jobs nationally; many would be in California oil production.
  - Refining employment not affected; history shows that refinery capacity is determined by petroleum consumption.

- Oil Production/Reserves:
  - Reserve Additions--200 to 400 million barrels, or equivalent to a major "find" in the North Slope.
  - Production--As much as 110 thousand barrels per day by 2000 in Alaska and California together (30 to 50 thousand barrels per day will be in California).

We expect the effect on U.S. consumers to be negligible because:

- West Coast gasoline prices are already very high by world standards; additional increases would bring imports from the U.S. Gulf or Pacific Rim sources, thereby reducing prices.

- Some major refiners (Arco, Exxon) will see <u>no</u> increase in crude oil prices because they refine most of the Alaskan oil they produce. Competition will keep retail gasoline prices down.

Administration Position:

Supports lifting the ban on Alaskan North Slope oil exports provided there are no adverse environmental effects.

Administration Accomplishments:

For the last nine months, we have worked with Congress to craft legislation that will permit exports. Bills have now passed the Senate and have been reported out of Committee in the House. Both restrict exports to be carried on U.S. flag (but not necessarily U.S.-built) tankers. This limited constraint is consistent with our trade and treaty obligations. We expect passage this summer, after which the Administration will evaluate the environmental effects, if any, of lifting the ban.

DoI

# ISSUE: OIL DEVELOPMENT IN THE ARCTIC NATIONAL WILDLIFE REFUGE (ANWR)

## BACKGROUND

- The House and Senate passed budget resolutions both contain reconciliation instructions which will require authorizing committees (House Resources and Senate Environment) to report legislation to open ANWR to oil development. This will generate revenues from $1.5 - $2.5 billion dollars.

- The Arctic National Wildlife Refuge is the nation's only conservation area that encompasses a complete range of arctic ecosystems. It is the largest undisturbed arctic ecosystem remaining in the United States but represents only about 5 percent of the nation's arctic coastal plain.

- Oil development is currently prohibited in ANWR but almost all of the Nation's remaining arctic environment is open to oil development, including the massive development at Prudhoe Bay which produces about 25 percent of domestic oil.

- The arctic plain of ANWR is a rich and diverse wildlife habitat with massive populations of migratory caribou, birds and other sensitive wildlife like polar bears and muskoxen.

- ANWR shares a 200 mile-long border with Canada and Canada has strongly opposed oil development in ANWR.

- The Reagan and Bush Administrations supported ANWR oil development; the Bush Interior Department published a report concluding that oil development could occur without a major effect on the refuge environment.

## ADMINISTRATION POSITION:

- The President, as promised in his 1992 Presidential campaign, remains strongly opposed to ANWR oil development.

- The Arctic Refuge is one of the world's greatest natural and wilderness areas; it has been called "America's Serengeti".

- This is not simply a question of impacts on caribou, geese, muskoxen or polar bears but is a basic question of philosophy. We cannot draw down our nation's environmental capital for the sake of a few days or weeks worth of oil.

- To do otherwise is to allow greed to win out over our responsibility to our children and grandchildren.

Interior

ISSUE: FEDERAL GAS AND OIL PROGRAM OFF CALIFORNIA AND ALASKA

## BACKGROUND

- 17 oil and gas lease sales offshore Alaska since 1976 have resulted in leasing of 8.6 million acres and bonuses of $6.5 billion. There has been exploration in many areas and some discoveries, but no production. The North Aleutian Basin area has under Congressionally imposed moratoria since FY 1990.

- In the Pacific region, 11 lease sales were held (10 off California and 1 off Washington/Oregon) between 1963 and 1984 with 2.5 million acres leased and bonus bids of $4 billion. There are 85 existing leases off southern California, 43 of which produce some 180,000 barrels per day of crude and condensate and about 155,000 million cubic feet of natural gas. Royalty receipts exceeded $92 million in Calendar Year 1994; even more is expected in 1995 due to increased and new production.

- The first moratorium enacted in FY 1982 forbade "bidding, leasing, exploration, or development" on some 736,000 acres off northern and central California. Since 1990, following former President Bush's directive to withdraw a number of areas from OCS program activity, the acreage covered each year has totaled approximately 266 million acres, or 18 percent of the OCS.

## CURRENT (1992-1997) 5-YEAR PROGRAM

- Plans are proceeding for 3 proposed lease sales off Alaska: Cook Inlet Sale 149 proposed for mid-1996; Beaufort Sea Sale 144 proposed for later in 1996; and Gulf of Alaska Sale 158 proposed for mid-1997. There are no sales proposed off California.

## NEW 5-YEAR PROGRAM

- A 5-year program for the period 1997-2002 is in preparation. Secretarial decisions and a public announcement of a draft proposed program are expected in July of this year. A 60-day comment period will follow. The target is to have the new program approved before the end of 1996.

- An Alaska Regional Stakeholders Task Force was formed to solicit views of native, subsistence, and environmental organizations, commercial fishing and the oil and gas industries, and State, local, and Federal agencies. Along with other recommendations, the Task Force recommended that the Beaufort Sea, Chukchi Sea, Cook Inlet/Shelikof Strait, Hope Basin, and the Gulf of Alaska planning areas be considered for analysis in the new 5-year program..

- The Administration is on record in support of continuing the existing moratoria through FY 1995. The issues associated with existing leases and further leasing will be revisited during preparations for the new 5-year program.

## ISSUE: The Clean Air Act in California

**Topics:**
a) California Enhanced Vehicle Inspection and Maintenance (I/M)
b) California FIPs
c) San Francisco Bay Area Ozone Redesignation

**Background:**

a) **I&M:** In March 1994, U.S. EPA and California signed an MOA that delayed the design and implementation of California's enhanced I/M program until California completed pilot studies to explore the use of remote sensing devices (RSD) and other new technologies. The study reports were completed in March 1995. The state has recently developed a proposed I/M plan, and the state will meet with Mary Nichols of our headquarters office to discuss the plan next week.

b) **California FIPs:** In response to court orders stemming from the historical absence of adequate state and local plans, U.S. EPA in February 1995 completed final federal implementation plans (FIPs) for Sacramento, South Coast, and Ventura to ensure that the ozone standard is met by Clean Air Act deadlines. California submitted a state implementation plan (SIP) for the three areas last November, and President Clinton signed legislation rescinding the FIPs in April.

c) **Bay Area Ozone Redesignation:** Region 9 signed the notice of final rulemaking designating the Bay Area as attaining the federal ozone standard in a joint press conference on June 24, 1995 with the Bay Area Air Quality Management District (BAAQMD), the Association of Bay Area Governments (ABAG), and the California Air Resources Board (CARB).

**Administration Position and Accomplishments:**

a) **I&M:** U.S. EPA will continue to work very closely over the next two months with California to develop a program design acceptable to the state which meets U.S. EPA requirements. We expect California to submit a new I/M SIP to us this month -- in time for U.S. EPA to avoid Clean Air Act sanctions from taking effect.

b) **California FIPs:** Region 9 is moving quickly on its review of California's November 1994 SIP submittals, and any future submittals, to approve as much of the overall plans as possible. Region 9 is also identifying ways to re-energize key players to participate actively in the federal, state, and local rule development processes.

c) **Bay Area Ozone Redesignation:** The EPA, CARB, BAAQMD, and other agencies have met to discuss how to deal with the concern over the redesignation because of transport from the San Francisco Bay Area to neighboring areas. A new group, the Interbasin Transport Group, was formed to address these concerns.

**ISSUE: Clean Air Act Operating Permits Program in California**

**Background:**

Under the 1990 amendments to the Clean Air Act, state and local permitting authorities are required to develop and implement operating permits programs that meet the minimum requirements of Title V of the Act and its implementing regulations. The Act required submittal of these programs by November 15, 1993. The primary goals of Title V are to consolidate all clean air requirements applying to a source into a single document and to specify adequate methods for assuring compliance with these requirements.

As of June 14, 1995, 32 of California's 34 air quality districts have submitted approvable Title V programs. The San Joaquin Valley and South Coast (Los Angeles basin) districts have drafted -- but not yet adopted -- approvable programs.

**Administration Position:**

As of today, U.S. EPA has given final interim approval to 19 California districts, proposed interim approval for 8 districts, and will shortly propose interim approval for the 5 other districts that have submitted programs.

**Administration Accomplishments:**

Focus on the Title V program has now turned to effective and streamlined implementation of the program. In California, U.S. EPA has convened a work group with representatives from the California Air Resources Board, several districts, and state industry to address and resolve implementation issues. EPA is also addressing many of the same issues in a white paper being developed with state, environmental group and industry input.

Interior

**Issue: Bay/Delta Water Quality Standards & Endangered Species Act Requirements**

**Background:**

- The Bay/Delta Agreement is a comprehensive package of Federal/State protections for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay/Delta) that complies with the Clean Water Act, Endangered Species Act (ESA), and the Central Valley Improvement Act (CVPIA); is economically implementable; and provides "certainty" for both the water user community and biological resources.

- Historic agreement was reached on December 15, 1994, to protect the Bay/Delta. The estimated annual impact of the agreement is 400,000 acre-feet on average and 1.1 million acre-feet during a drought period.

**Administration Position:**

- The agreement calls for State implementation of a water quality control plan (WQCP) for the Bay/Delta. The State Water Resources Control Board (SWRCB) adopted final water quality standards on May 22, 1995. The SWRCB will immediately begin water rights proceedings to determine actual implementation of the standards.

- Reclamation notified National Marine Fisheries Service and Fish and Wildlife Service, and received concurring replies, that the CVP and SWP have modified their operations consistent with the Principles for Agreement and draft WQCP.

- The Principles Agreement also calls for Federal-State cooperation to develop a long-term Bay-Delta Conservation Plan. We have jointly hired a small staff which is beginning to develop the plan.

- A Program Manager has been selected for the long-term process and will report to a Board of Directors composed of the appropriate State/Federal agency heads (CALFED).

- The Sierra Club Legal Defense Fund has filed an amended complaint with the California Supreme Court arguing that the Bay/Delta Agreement procedurally violates the Administrative Procedures Act, National Environmental Policy Act, and the California Environmental Quality Act. Other parties in the original litigation have issued formal statements withdrawing their support of the complaint and maintaining their commitment to implement the Bay/Delta Agreement.

**Administration Accomplishments:**

- An advisory committee for the long-term planning process was chartered under the Federal Advisory Committee Act on April 12, 1995, and the membership was announced on May 23, 1995.

## ISSUE: SAN FRANCISCO BAY DELTA WATER QUALITY STANDARDS (AGRICULTURE)

**Background:**

Late last year, EPA, working in cooperation with other federal agencies, ended 20 years of indecision and bitter wrangling over the San Francisco Bay Delta.

EPA issued water quality standards that were developed with extensive involvement and input of the state of California and the affected agricultural, municipal, and environmental communities.

**Administration Accomplishments:**

The issuance of the Bay Delta standards will provide certainty for all water users and will restore the quality of the degraded Bay Delta ecosystem.

The standards provide certainty of water supply for 20 million Californians as well as the state's $750 billion economy.

Although, in the short-term, the transition may be difficult, the standards provide long-term certainty to agricultural and municipal community water users, thus allowing long range planning for water usage without the continued threat of immediate crisis, and consequently strengthen the state's long-term economic health.
The standards are critical component to put an end to the economic hardship experienced by the agricultural community in loss of land value and inability to obtain financing for crop production.

The municipal authorities can reassure the bond markets that they know what water capacity is available. They can now build reservoirs, plan canals, plan urban growth and development, and decide what water reusage they need to provide to the public.

The issuance of the standards provides an excellent example that water supply can be managed in the best interests of both the economy and the environment.

# ISSUE: IMPROVING FARMERS' BOTTOM LINE WHILE ADDRESSING LOCAL GROUNDWATER CONTAMINATION (AGRICULTURE)

**Background:**

When nitrate concentrations in northern Malher County, in southeast Oregon, exceeded the State's groundwater standards, the area was declared a groundwater management area under the State's groundwater Protection Act.

Provisions in the Act required the area to implement an action plan to address the groundwater problems and prevent future problems.

EPA has contributed nearly $700,000, through section 319 Clean Water Act non-point source pollution grants, to implement the action plan.

**Administration Accomplishments:**

These grants allowed farmers to understand that the nitrogen fertilizer they were applying in the fall was unnecessary. Consequently, farmers began to eliminate it.

The grants also allowed farmers to understand that often the residual nitrogen already in the soil is sufficient for crops and eliminates the need for a spring fertilizer application.

Farmers are attracted to the these simple solutions because it not only improves their local groundwater quality, but it improves their bottom lines as well, since they can reduce the amount of fertilizer they apply while maintaining yields.

Interior



## Issue: "Water Spreading -- Unauthorized Use of Federally Developed Water or Facilities

**Background:**

- The unauthorized use of Federally developed project facilities or water supplies (project water) on land or for purposes or uses not approved by contract or statute is a practice commonly known as "water spreading."

- A July 1994 Department of the Interior Inspector General audit reported widespread instances of unauthorized use of water in the West. Unauthorized use means the use of Reclamation project water or a project facility in a manner, amount, or location, or for a purpose not in compliance with Reclamation law, other Federal law, State law, or a Federal or State regulation.

**Administration Position:**

- The Bureau of Reclamation has a legal obligation to ensure that water made available from Federal Reclamation projects is used consistent with Federal laws and regulations, Federal contracts, and applicable State law.

- In November 1994, Reclamation established several teams to document the nature and extent of unauthorized use practices and to develop a procedure to deal with the practices. **Currently, Reclamation has determined that more time is necessary to define this complex issue.** The Commissioner remains committed to developing an effective approach to solving this issue.

**Administration Accomplishment:**

- On the Umatilla Project, Oregon, four irrigation districts have allowed unauthorized project water deliveries outside district boundaries. Since December 1991, Reclamation has worked with the districts to resolve the issue.

# REINVENTING ENVIRONMENTAL REGULATIONS AT EPA

**Background:** The environmental successes of the last 25 years are all around us – better quality air and water mean a safer environment and healthier ecosystems in many parts of the country. Serious environmental problems remain, however. We have not finished the job.

The American people are deeply committed to a clean and healthy environment for their children and communities. They want and deserve clean air to breath, clean water to drink, a safe food supply and safe places to live, work and play for themselves and for future generations. EPA is committed to providing that protection – and providing it in a common sense, cost effective manner.

Reinventing environmental regulation and other reinvention efforts at EPA are aimed at making environmental regulation work better. We will use common sense, focus on results, provide flexibility with accountability, develop incentives for innovation including shared risk taking, work with the majority who want to comply instead of treating everyone as reluctant compliers, and open up decision making to include partnerships with all stakeholders..

**Administration Positions and Proposals:** On March 16, 1995, the President and Vice President issued a report, Reinventing Environmental Regulation. The report describes a new direction at EPA, based on common sense solutions to environmental problems; solutions that provide flexibility to achieve greater environmental benefit at less cost by encouraging innovation and sharing decision making with all who are affected by EPA actions.

Reinventing Environmental Regulation describes 25 High Priority Actions that will provide an environmental management system for the 21st century that will work better and cost less. The priority actions, like all of EPA's reinvention activities, are of two types. The first set of initiatives include actions that will *strengthen the current regulatory system*. The will provide flexibility, stimulate innovation, refocus priorities based on sound science, build partnerships with people who are affected by our regulations, cut red tape, require accountability and provide information necessary for sound decision making. Examples of the actions presented in the he report include expanded use of market trading of air pollutants and water effluents; a 25% reduction in the paperwork burden that EPA imposes on regulated parties; incentives for companies to audit and correct violations; and refocusing several programs on high risk environmental problems.

The second set of initiatives moves *beyond the current system*. These actions are bold experiments, designed to test tools that will lay the groundwork for a new system for environmental management system for the next century. A series of pilot projects will encourage businesses and cities to develop and test innovative strategies to provide cleaner, cheaper, smarter ways to achieve environmental protection. A example here is Project XL or eXcellence and Leadership, which will allow companies flexibility to test cleaner, cheaper environmental solutions than is possible under existing regulations.

**Actions and Accomplishments:** The 25 initiatives build on action that has been ongoing at EPA since President Clinton, Vice President Gore and Administrator Browner took office in 1993. Because of this, EPA is well positioned to move very quickly to implement the reforms outlined in the report. Some of the initiatives build on the efforts already underway, such as the Common Sense Initiative and other innovative projects.

Within weeks of the President's announcement, EPA began to announce the implementation of priority initiatives. A new a enforcement policy to encourage industry to self -audit, disclose and correct compliance problems in exchange for penalty reductions announced in April, as was the initiation of a voluntary program to test new methods for companies to assure compliance.

In May a rule final rule to encourage recycling of common household hazardous waste was announced. The Project XL solicitation was published in the Federal Register and the Agency has now begun to receive proposals from companies. Also in May, the Agency announced that certain kinds of pesticide labelling amendments could proceed under a self-certification system rather than requiring Agency approval.

In June, the Administrator announced a new enforcement policy to provide compliance incentives for small business. Under this policy EPA will waive civil penalties for small businesses that make good faith efforts to come into compliance with environmental requirements. Further frequent announcements are expected.

Interior

**Issue: Oregon Rangeland Health**

**Background**

- **The New Grazing Regulations and the Resource Advisory Councils:** The Secretary's new regulations to improve livestock grazing on the public lands are to go in effect August 21, 1995 unless Congress passes grazing legislation. A lot of misinformation is circulating Oregon concerning the new regulations. The misinformation sometimes portrays the new regulations as devastating to public land ranching interests. Many newspapers have carried editorials that cite provisions from the initial proposal as though they were included in the final rule.

- Published at the same time as the new grazing regulations, was a new rule requiring the establishment of Resource Advisory Councils (RACs). The Oregon and Washington BLM is currently receiving nominations for three RACs--
  - the Southeastern Oregon RAC
  - the John Day-Snake RAC, and
  - the Eastern Washington RAC.

- When these councils are created after August 21, 1995, they will provide the consensus-type advice that BLM needs to ensure balanced, sustainable use of the public lands.

  The geographic area that these RACs will cover were developed after consultation with numerous parties including Governors' offices, congressional delegations, conservation groups, and the Oregon and Washington Cattlemen's Associations. These three RACs will advise 5 BLM Districts and 9 National Forests.

- **"Cow Cops":** Recently, the Oregon Natural Resource Council (ONRC) has established the Cow Cop program in which its members will keep an eye on selected allotments. The Cow Cops count livestock, observe incidents of trespass or other violations. They report their observations to the appropriate BLM or USFS office. Ranchers feel they are being harassed by ONRC's program. This issue is very contentious. Oregon BLM has been in close contact with both the Oregon Cattlemen's Association and the ONRC to encourage communication with each other. Governor Kitzhaber has agreed to host a forum intended to bring the two together.

- **Riparian Improvements:** Since the late-1980s, the BLM and permittees and lessees have been working together to improve Oregon's riparian areas. The program aims to restore the physical function to riparian areas by developing management practices that enhance ground water recharge, trap sediment and improve water quality. There are approximate 8000 miles of BLM-administered riparian areas. Currently--
  - 1,500 miles are properly functioning
  - 2,200 miles are properly functioning but at risk
  - 1,000 miles are not functioning as riparian areas, and
  - the condition of 3,300 miles is unknown.

  BLM has entered into over 50 partnerships with State, local and private parties to improve riparian areas.

**Administration Positions**

- **The New Grazing Regulations and the Resource Advisory Councils**--The Secretary's efforts to create balanced, consensus-driven councils (as well as much of the rest of the new grazing regulations) are currently threatened by the recently introduced Livestock Grazing Act of 1995. (Rep. Wes Cooley of Oregon introduced the bill in the House.) This Act would replace the RACs with multiple boards that are less consensus driven and less multiple-use oriented. The Department of the Interior is opposed to passage of the Livestock Grazing Act.

- **"Cow Cops"**--This is a controversial topic best left alone. However, it is important to know this controversy exists. The BLM does not encourage "Cow Cop" activities, but BLM has taken the position that the ONRC is within its rights to perform "surveillance" of public land grazing activities. The BLM has made it very clear that the ONRC is not acting as an agent of the BLM.

- **Riparian Improvements**--Riparian improvements and effective partnerships are considered critical to improving the health of BLM lands and providing long-term sustainability. The riparian program has been the catalyst for a broad interagency watershed restoration program throughout the State.

**Note:** The opposition to federal control of land is very strong in some parts of Oregon.

For further information please contact Hugh Barrett at (503) 952-6051 or Chuck Hunt at (202) 208-4256.

Interior

Ward Valley Low-Level Radioactive Waste Site - California

Background: Ward Valley, an 80 acre tract of federal land in the Mohave desert 23 miles west of Needles, California, was selected in 1987 by the State of California as the proposed site for a low level nuclear waste facility. It would be licensed under state law to handle waste generated in California, Arizona and the Dakotas, all signatories to a Compact entered into under the federal Low-Level Radioactive Waste Policy Amendments Act of 1985. The waste is a combination of nuclear utility waste (contaminated material, not high-level waste from fuel rods) and biomedical waste. The biomedical and electrical utility industries strongly favor the facility, which would handle wastes now temporarily stored at hundreds of sites throughout California and the other compacting states.

Ward Valley is dry desert, but opponents have claimed, among other things, that the waste stored there could eventually contaminate the Colorado River, an important source of water for Southern California. The project has some fervent and committed opponents, mostly anti-nuclear interests based in Los Angeles.

The Bush Administration tried to cut some procedural corners and convey the land to the Wilson Administration in January 1993, but the courts intervened. Once he inherited the problem, Secretary Babbitt moved to restore procedural regularity to the process. Eventually the Secretary asked a panel of the National Academy of Sciences to examine and report on site suitability questions. In May 1995, the Academy panel issued a report that gave the site a qualified clean bill of health for the site, finding no realistic prospect of contamination.

The Secretary then announced (press release attached) that he was prepared to transfer the land to California without further hearings subject to receiving a binding commitment from the state that additional information gathering and monitoring recommended by the Academy report be carried out, and that the volume and radioactivity of the material to be disposed of at the site be limited to that currently specified in the state license.

The State has complained publicly about these restrictions, but has neither formally rejected nor accepted them. We are preparing to move forward in the next few months with the transfer.

Congress has made clear that licensing and regulating such facilities is a state responsibility. The federal government is involved only because the proposed site is federal land. The Secretary's responsibility is to determine whether the transfer of the land to the state for this purpose is in the public interest, while at the same time not invading the state's responsibility to license and regulate. Secretary Babbitt's decision aims to do just that.

Education

# ISSUE: PARENTAL INVOLVEMENT/FAMILY INITIATIVE

**Background:**

- New legislation and the Secretary's special initiative on family involvement recognize the critical role families play in students' learning. Goals 2000, Title I, and the Even Start intergenerational education program support the active engagement of parents as full partners in their children's education. Secretary Riley has launched a Family Involvement Partnership for Learning with the release of *Strong Families, Strong Schools: Building Community Partnerships for Learning*, linking the efforts of organizations and individuals to promote the mutual responsibilities of schools, families, and the wider community in developing successful students.

**Administration Position:**

- Family involvement in children's learning is critical to students doing well in school and later succeeding in college or attaining a job. Family involvement should be a special focus of any successful school improvement effort to meet higher academic and occupational standards, such as attaining the first-class education promoted by the Goals 2000: Educate America Act and initiatives to achieve the National Education Goals. While emphasizing families' mutual responsibility, schools and the larger community need to create opportunities for parents to work with their children. Therefore, the Secretary's initiative encourages parents, relatives, religious groups, Girls and Boys Clubs, Scouts, businesses and concerned friends to promote better communication between schools and parents and support greater parent involvement in learning at home and in the school.

**Administration Accomplishments:**

- President Clinton has prepared, and Congress has enacted, several key pieces of legislation that promote family involvement in children's learning and encourage better communication between schools and parents:

  — **New National Education Goal.** Highlighting the importance of parent involvement in learning is a National Education Goal adopted by Congress. While voluntary, this goal stresses that, *"By the year 2000, every school will promote partnerships that will increase parental involvement and participation."*

  — **Launching School-Parent Compacts.** One good way for schools and parents to work together better is to agree on their goals for improving student learning and then state what each will do to help accomplish these goals. Such an agreement is called a school compact. Title I of the new Elementary and Secondary Education Act (ESEA) will foster school-parent compacts in at least half the nation's schools.

  — **Parent Information and Resource Centers**. The Goals 2000: Educate America Act provides funds to state and local partnerships to begin family information centers throughout the country, establishing at least one family resource center in every state by 1998.

- As part of the Family Involvement Partnership for Learning, the U.S. Department of Education has initiated outreach efforts, including these steps:

  — **Partnering with the religious community.** Leaders of 33 religious groups and organizations representing about 75 percent of the religiously-affiliated population in America expressed support for family involvement in children's learning through signing a Statement of Common Purpose with Secretary Riley.

  — **Partnering with employers.** Chief executive officers of large and small businesses have met with Secretary Riley to consider ways of encouraging employers to adopt family friendly-policies and practices. The Department issued a guide, *Employers, Families, and Education*, describing ways businesses can support family involvement in learning at the worksite, at school, and in the community.

  — **Reading Initiative.** Ten national organizations signed on to promote reading and writing skills—the basics of communication—especially during the summer when there is a drop-off in reading and writing. The initiative encourages reading partners—parents, recreation directors, senior citizens, and older students to work with young children on challenging and enjoyable reading and writing activities this summer and throughout the school year. The reading initiative, READ*WRITE*NOW! has enjoyed an enthusiastic response from employers, schools, and individuals across the nation. The Department has prepared 400,000 kits for distribution this summer.

- The active involvement of families in children's learning in Pacific Rim nations has shown that greater family involvement results in children learning more. California-based partners have signed on with a similar goal. These organizations include Center for the improvement of Child Caring; Center for the Study of Parent Involvement; Council of Bishops of the United Methodist Church; Council of Spouses of Bishops of the United Methodist Church; and Muslim Public Affairs Council. California-based "family-friendly" employers also encourage greater family involvement in children's learning through their policies and practices. Businesses include G.T. Water Products; Hewlett-Packard Company-Sonoma County Division; Los Angeles Department of Water and Power; Mexican American Legal Defense Fund; and Southern California Edison.

Education

# ISSUE: SAFE AND DRUG-FREE SCHOOLS

**Background:**

- Title IV of the Improving America's Schools Act, the Safe and Drug-Free Schools and Communities Act (SDFSCA), seeks to accomplish the National Education Goal of ridding schools of drugs and violence and ensuring a disciplined environment conducive to learning. Its reauthorization adds violence prevention as a key element; targets resources to where they are most needed; increases accountability; links schools and communities; and broadens the range of authorized prevention activities.

**Administration Position:**

- This past winter, the House passed a bill which would have rescinded all but $10 million of the $482 million program; the Senate's bill rescinded no funding. A conference committee voted on a rescission of $236 million. On June 7, the President vetoed the bill sent by Congress—citing as one reason the importance of the Safe and Drug-Free Schools and Communities program for the nation.

**Administration Accomplishments:**

- **California**:

  — Estimated FY 95 funding: $39,816,710 (SEA); $9,954,177 (Governor).
  Number of LEAs participating: 983 (98 percent).
  Number of students served: 5,783,184.
  Number of Governor's awards: 16.
  Higher education programs 1987-1994 (under the Fund for the Improvement of Post-Secondary Education, or FIPSE): 45 schools; $5,318,780.
  Schools selected under the Safe and Drug-Free Schools Recognition program (1988-95): 17.

  — **California Friday Night Live and Club Live** (Governor): These are peer programs that encourage almost 2 million high school and middle/junior high school-age youth in schools statewide to live alcohol- and drug-free lifestyles through alternative activities, community action, assembly presentations, and leadership training; $1.6 million is budgeted for this program in FY 95.

  — **Sierra Middle School** (LEA): This exemplary program provides intensive prevention and early intervention services for youth at high risk of using alcohol, tobacco, and other drugs. The program focuses on reducing risk and increasing resiliency across environmental levels by proactively involving student in individual and small group counseling to increase social and coping skills, tutoring, peer assistance, and community service.

- **Oregon**:

  — Estimated FY 95 funding: $3,670,475 (SEA); $917,619 (Governor).
  Number of LEAs participating: 248 (99 percent).

Number of students served: 410,000.
Number of Governor's awards: 44.
Higher education programs 1987-1994 (under FIPSE): 13 schools; $1,426,550.
Schools selected under the Recognition program (1988-95): 2.

— **"Dare-like programs"** (Governor): These programs serve 12 multi-building school districts, with 5 other grants serving single-building elementary schools. They provide services to anywhere from 120 students to more than 1,000, with a broad estimate of about 7,500 students and parents receiving services.

— **Drug-Free School Zones, Gresham Police Department** (LEA): This program is a partnership of crime prevention and police specialists, city and school department staff, students, neighborhood residents, and area businesses. A police officer works with parents, students, and teachers at each participating school and neighborhood site to distribute enforcement and awareness information to local residents.

- **Washington**:

— Estimated FY 95 funding: $5,999,774 (SEA); $1,499,944 (Governor).
Number of LEAs participating: 289 (98 percent).
Number of students served: 938,314.
Number of Governor's awards: 38.
Higher education programs 1987-1994 (under FIPSE): 13 schools; $2,169,801.
Schools selected under the Recognition program (1988-95): 3.

— **SEA**: SDFSCA is the major source of funds for drug, alcohol, and tobacco abuse prevention, as well as the source for violence prevention in Washington schools. Through the SEA, SDFSCA provides funding for community -based programs, as well as statewide organizations and replication of successful drug abuse prevention programs. These programs deliver substance abuse and violence prevention/intervention/education services throughout the state of Washington for high-risk youth under the age of 21 as well as parents, teachers, law enforcement officers and other community professionals. Community mobilization activities are directed at preventing the spread of drug abuse and crime.

— **Governor**: These efforts have been directed toward community/business partnerships in targeting drug and alcohol abuse among high-risk youth. Additionally, training has been offered to local businesses in such programs as drug-free workplace and substance abuse assistance programs.

ONDCP

**PACIFIC RIM BRIEFING**

**SAFE AND DRUG-FREE SCHOOLS**

**Background:**

- Since 1987, the Safe and Drug-Free Schools program has been the largest and most important Federal drug prevention program in the Nation's schools.

- Over 90 percent of all school districts in America (some 15,000 districts) receive funding from the Safe and Drug-Free Schools program.

- The FY 1995 appropriation for Safe and Drug-free Schools is $482 million. The 1995 Emergency Supplemental and Recission bill (vetoed) would have rescinded $236 million from the 1995 appropriation. The House voted to zero-fund the program for 1996. The Administration is seeking $500 million for 1996.

- Before Congress created this program, drug prevention was sorely neglected in the Nation's schools. After the creation of the program, drug education became virtually universal in American schools, and students at all grades, from kindergarden through twenfth grade, were offered developmentally- and age-appropriate school-based prevention.

- These programs are paid for mostly by Federal money. School officials tell us that if there were no Federal funds, there would be very little drug prevention in the schools.

**Administration Position:**

- The Safe and Drug-Free Schools program is the cornerstone of the drug-prevention effort in the Nation's schools and colleges. Terminating this program now would deprive some 40 million American students of school-based drug-prevention programming, and it would do so at a time when the need for prevention is greatest -- as surveys indicate more young people beginning to experiment with drugs.

**Administration Accomplishments:**

- The President vetoed the 1995 Emergency Supplemental and Recission Bill, which would have effectively gutted the Safe and Drug-free Schools Program.

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6/15/95

Education

# ISSUE: ADULT EDUCATION

**Background:**

- The Adult Education Act authorizes grants to states to fund education programs for adults who lack a high school diploma, for educationally disadvantaged adults who lack the basic skills necessary to function in society, and for adults whose native language is not English. English as a Second Language (ESL) has the largest participation.

- Results from the 1993 National Adult Literacy Survey found that more than 20 percent of adults performed at or below a 5th-grade level in reading and math. Because parents' educational level is a strong predictor of children's academic success, the effects of illiteracy extend beyond adults to their children. Despite the need for literacy services, a recent evaluation found that the current program reaches only a small percentage of those in need.

- In general, the approximately 3 million adults who use these services are disproportionately young (ages 16-44) and Hispanic and Asian/Pacific Islander.

- California has 1 million of the nation's 1.5 million ESL students.

- Compared with adults enrolled in other adult education programs, ESL participants tend to be Hispanic, male, urban, and employed; relatively more have a high school or equivalency diploma; and fewer receive welfare. ESL students are more likely than other students to report job-related benefits and increased reading skills due to participation in adult education.

- States and localities spend on average four times more than the federal government—Pacific Rim states vary from a low contribution of 2 times the federal amount (Hawaii and Washington) to more than 10 times (California). The majority of adult education providers are local education agencies.

**Administration Position:**

- This spring, the Administration introduced the Adult Education and Family Literacy Reform bill as a central part of the G.I. Bill for America's Workers. The bill streamlines programs, increases state flexibility, improves accountability, and expands adult learners' options.

- In particular, the bill would authorize $490 million in FY 1996 and:

  — eliminate or consolidate 12 separate programs and set-asides into one single state grant, and unite 8 other programs into a simplified National Program;

  — increase states' flexibility in use of funds, with caps on the amount they may use for leadership activities, administration, and incentive awards;

  — strengthen accountability provisions by requiring states to develop performance goals and indicators;

- expand adult learners' choices by encouraging states to establish strong links with one-stop career centers, job-training programs, and social service agencies, and
- set aside 25 percent of the state grant for Even Start family literacy programs to provide training for parents or guardians along with education for disadvantaged children.

**Administration Accomplishments:**

- In FY 1995, Pacific Rim state grant amounts and adult education participation rates are as follows:

  Alaska: $ 555,400

  - 10 percent (5,800 of 55,000) of Alaskans eligible for adult education are enrolled in classes.

  California: $ 27,983,500 (plus about $900,000 for State Literacy Resource Centers)

  - California has more adults without a diploma than any other state; 19 percent (1.1 million of 5.8 million) of those eligible are enrolled in adult education. Eighty-four percent of those enrolled are in ESL classes, more than double the percentage in any other Pacific Rim state.

  Hawaii: $ 1,068,000

  - 32 percent (59,000 of 181,000) of the Hawaiians eligible for adult education are enrolled in classes, evenly split among the three programs (basic, GED preparation, ESL).

  Oregon: $ 2,384,000

  - 10 percent (39,000 of 401,000) of Oregon's adults without diplomas are enrolled in adult education, most preparing for the GED.

  Washington: $ 3,528,000

  - 6 percent (39,000 of 610,000) of adults without diplomas are enrolled in education.
  - About 40 percent each are in basic education and ESL classes.

Labor

## ISSUE: SKILL GRANTS

### BACKGROUND

- Education is the fundamental fault line running through our society today. Just 15 years ago, a male college graduate earned less than 40 percent more than a man with only a high-school diploma; today, he outearns the high-school graduate by 80 percent. Workers with skills are prospering, while those without skills drift further and further away from the economic mainstream.

- America's central challenge is to enable workers to get the skills they need for rewarding work. The good news is that those skills can be learned, not just in our school years, but throughout our lives. Every year of education or training beyond high school--whenever it occurs in a person's life--increases future earnings by 6 to 12 percent.

- Our country has a wide array of learning institutions to deliver skills that workers want and need in today's economy. But the current patchwork of Federal reemployment and retraining programs isn't doing the job. They're fragmented, full of conflicting rules that confuse the people they're supposed to help. Many programs empower bureaucracies instead of working people to choose who gets what training. They don't provide adequate information to those who want it. And many aren't held accountable for what matters most--equipping America's workers to find rewarding work.

### ADMINISTRATION POSITIONS AND PROPOSALS

- The G.I. Bill of Rights for Workers proposal takes some 70 different training programs and consolidates them into one program that directly empowers workers with Skill Grants of $2,620 per year for up to 2 years in order to pay for training.

- This proposal would be self-financing too, since it uses existing funds from the previous programs. Workers who are laid off or disadvantaged would also be eligible for income contingent loans through an expanded Individual Education Account.

Seven core principles together define a radical restructuring of employment and training policy into Skill Grants:

- ***Individual Empowerment.*** Instead of going where some bureaucracy sends them, individuals would be empowered with resources so they can choose for themselves what skills they need to boost their earnings power.

- ***Leaner Government.*** This proposal would eliminate some 70 separate programs, replacing them with an integrated system that minimizes red tape and maximizes individual choice.

- ***Good Data to Guide Choices.*** Reforms woven throughout the initiative--and centered on the networks of One-Stop Career Centers already under construction in the States--will give workers and job seekers access to reliable computerized data on jobs, careers, and the success records of training institutions, so that they can make good choices to improve their futures.

- ***Accountability.*** Too often today, training providers are not held accountable for results. The reform package will fix this by emphasizing individual choice and competition so that individuals can pick providers who deliver; by providing good performance data so people know what training pays off in the working world; and by setting quality standards for training providers to cut off the frauds and the incompetents.

- ***State Flexibility.*** Washington does not have all the answers. States should have the flexibility to reflect local conditions and respect local priorities. The President wants to let states tailor training programs and delivery systems as they see fit. Most rules dictating administrative procedures will be wiped out. States can get waivers from most of the rules that remain, and can plow the savings back into individual training.

- ***Private-Sector Partnership.*** At the foundation, employment and training policy is not about government. It is about jobs, and that means the private sector has a central role. Business and labor will be full partners in designing and running training, job-search, and information services. On-the-job training will get support it deserves.

- ***Paths from School to Work.*** Preparing America's youth for the world of work, including disadvantaged youth, is a vital task that is too often done badly today. To fix this, employment and training programs for young people, including vocational education, will be folded into the community-based school-to-work movement already underway in every State.

Education

## ISSUE: SKILL GRANTS

**Background:**

- At present, low-income adults and displaced workers who seek training to get new or better jobs are served by a patchwork of generally uncoordinated federal, state, and local job-training programs. Typically, government agencies contract with or provide grants to education and training providers, who then supply training services to individuals. Evaluation studies have found that many of these programs have only limited success; and individuals find the large number of programs confusing. Furthermore, individuals have little information to guide them to good programs—those that really provide high-quality training in occupations for which there is labor-market demand.

**Administration Position:**

- The Administration is convinced that individuals, not governments, are in the best position to determine what education and training they need to upgrade their skills, and that government can help them most effectively by putting resources—in the form of vouchers—directly into their hands.

- Last year, as part of the "G.I. Bill for America's Workers" (a broad workforce development initiative), the Administration proposed creating **"Skill Grants"** for low-income individuals or displaced workers to obtain the training they need, at the institution(s) of their choice, in order to enter or reenter the labor market. As part of this initiative, the Administration also proposed to consolidate 70 federal workforce education and training programs into a small number of flexible grants to the states.

- In its 1996 budget, the Administration proposed to create **Skill Grants** for this purpose, at the same level as an increased maximum Pell Grant ($2,620 per person per year for a maximum of two years).

- The Administration proposed complementing **Skill Grants** with **One-Stop Career Centers** where individuals could obtain guidance and relevant **Labor-Market Information**, as well as information on the quality of training providers. Furthermore, under the Administration proposal, only institutions that demonstrated adequate performance in graduating their students and helping them obtain jobs and improve their earnings would be eligible to receive Skill Grants.

**Administration Accomplishments:**

- The gist of the President's proposal on Skill Grants has been incorporated into the House bill entitled the "Consolidated and Reformed Education, Employment, and Rehabilitation Systems Act" or "CAREERS Act." The bill, which was reported out of the Economic and Educational Opportunities Committee on May 17, 1995, states that:

  — "to the extent practicable, education and training services . . . shall be provided through the use of vouchers.

— "a portion of the total payment for the education and training provided . . . pursuant to a voucher . . . may be withheld from [the] provider until the participant has successfully completed the training...and the participant has been employed and retained employment for a period not less than 90 days.

The bill also includes:

— provision for One-Stop Career Centers;

— certification of education and training providers; and

— provision for the Secretary of Labor to oversee development, maintenance, and continuous improvement of a nationwide system of labor market information.

These are all features developed in the Administration's initiative.

- The Senate is currently working on a similar job training reform bill. The Administration is working with the Senate Labor and Human Resource Committee to incorporate key elements of the President's initiative.

Education

## ISSUE: WILLIAM D. FORD DIRECT LOAN (DIRECT LOAN) PROGRAM

### Background

- The Direct Loan program is a new streamlined lending system that simplifies obtaining and repaying loans for student and parent borrowers, provides borrowers with greater repayment flexibility, and reduces taxpayer costs. Under this new program, loan capital is provided directly by the Federal Government to postsecondary institutions to originate loans rather than through reinsurance and subsidization of private lenders.

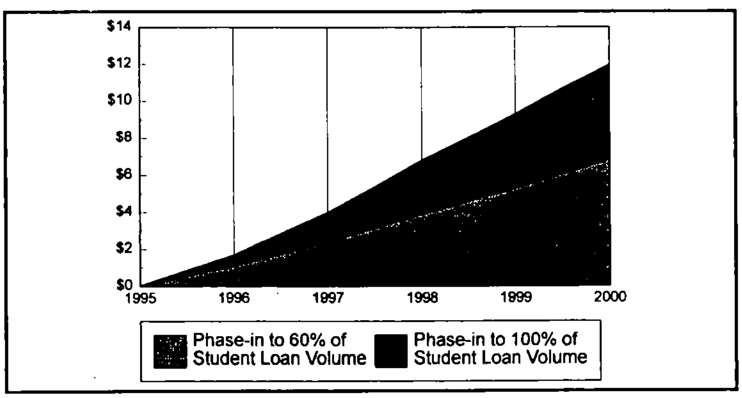
- Under Direct Loans, schools do not have the burden of dealing with multiple lenders and guaranty agencies. At the same time, they gain control over the loan disbursement process, allowing improved service to students and greater accountability for Federal loan resources.

- The Direct Loan program began making loans at 104 schools on July 1, 1994. As year two of the program is implemented beginning July 1, 1995 (for academic year 1995-96), Direct Loans will account for 40 percent of all new loan volume. Approximately 1,495 schools representing a cross-section of postsecondary institutions will participate in this second year of the program.

### Administration Position:

- Accelerated Phase-in of Direct Loans. Under the Department's proposed policy, Direct Loans will fully replace the Federal Family Education Loan (FFEL) program for all new loans in the 1997-98 academic year. Under the President's proposal for an accelerated phase-in, Direct Loans would account for 80 percent of all new loan volume in academic year 1996-97 and 100 percent in 1997-98. Legislation is being submitted to carry out this policy. Even under the current statute, the U.S. Department of Education will have unlimited authority as of academic year 1996-97 to expand institutional participation in Direct Loans as warranted by demand.

- Reduced costs. The President proposes to save an additional $5.2 billion in outlays over 1996-2000, beyond the $6.8 billion in savings from the Student Loan Reform Act (SLRA)—for a total of $12 billion —by expediting the phase in of the Direct Loan program. The following chart shows project




**Direct Loan Savings**

Billions

ed budget savings by academic year under <u>both</u> phase-in schedules.

- Improved accountability. The Direct Loan program substantially reduces program complexity and thus, the potential for error and abuse. The Department will be better able to oversee program activities.

- Individual Education Accounts. The Direct Loan program offers borrowers a variety of easily attainable repayment options; borrowers can choose the option that best meets their financial and career needs. Income-contingent repayment is the most innovative and flexible of the options offered. Under this plan the monthly payment amount is tied directly to the borrower's income level. It provides for varying annual repayment amounts (ranging from 4 to 15 percent of adjusted gross income) based on the size of the debt and the income of the borrower, and repaid over an extended period of time (not to exceed 25 years). This plan allows the borrower to take low paying jobs, including jobs in community service, without worrying that monthly payments will become burdensome. Income-contingent repayment ensures that no student need fear that borrowing will lead to unmanageable payments and default.

**Administration Accomplishments:**

- As of July 1, 1994, 104 schools began participating in the Direct Loan program. The program has succeeded in:

  - Satisfying the participating institutions. Ninety-two percent of Direct Loan institutions said they were satisfied in a recent survey.

  - Simplifying loan application procedures resulting in quicker and more accurate payments to students and eliminating long lines at the financial aid office typical of the FFEL program.

  - Eliminating the middlemen in the loan process, reducing costs and improving accountability.

  - Making loan processing more efficient and data more reliable through use of a single U.S. Department of Education servicer.

- One school said, "Direct Loans put the students back where they belong—at the center of this business." Another stated that the Direct Loan program "is beyond a shadow of a doubt the way a loan program should have been designed 20 years ago. For those of you who have concerns, so far the Department of Education has just been super!"

TREASURY

## ISSUE: DIRECT LENDING/INDIVIDUAL EDUCATION ACCOUNTS

**Background:**

- A key vision of the Administration was to make paying for college easier for students and their parents.
- The centerpiece of this effort was fulfilled through the enactment of the Student Loan Reform Act of 1993 (Title IV of the Omnibus Budget Reconciliation Act of 1993).
- Under the Direct Loan Program, loans for college and postsecondary education are made directly to the student, replacing the bank and state agency structure of the Federal Family Education Loan program.

**Administration Position:**

- The Direct Loan Program is being phased in over five years beginning with fiscal year 1994 (FY94).
- Total direct lending is projected to rise from 5 percent of new student loan volume in FY94 to at least 60 percent of new student loan volume in the fifth year, i.e., $18 billion in FY98.
- The new program improves access to loans, service to borrowers, and saves the taxpayer money by eliminating middlemen and subsidies that did not directly benefit students.
- The Department of Education will administer all aspects of the Direct Loan Program with critical support from the Treasury Department in two areas:
    - Information about adjusted gross income will be provided so that income contingent loan payments can be accurately calculated.
    - The Treasury's Tax Refund Offset program will enhance the collection of loans which have defaulted.

**Administration Accomplishments:**

- Direct lending offers borrowers the opportunity to tailor loan repayment to their career needs.

- Direct lending gives borrowers the opportunity to take low-paying public service jobs without the danger of default.
- Borrowers can choose from among four repayment plans: income contingent, graduated, extended and standard-fixed.
- Borrowers are permitted to choose from among several repayment methods, such as coupon books, checks or bank debits (which have the automatic repayment features of wage withholding).
- Borrowers can switch between plans as circumstances change.
- The range of repayment options available to borrowers enables them to reap the benefits of their educational investment while allowing maximum flexibility in repayment.

Labor

## ISSUE: EDUCATION TAX DEDUCTION

### BACKGROUND

- The proposal to make education and training tax deductible is aimed at improving the skills of American workers by (1) providing an incentive for those at the margin to go to school; (2) rewarding those already in school for investing in skills and; (3) increasing public awareness of the economic value of education and training

### ADMINISTRATION POSITIONS AND PROPOSALS

- Under the President's proposal, Americans could deduct from their taxable income the money they spend on post-secondary education for themselves or their families. Once the new tax policy is fully implemented, up to $10,000 of education spending would be deductible each year. Taxpayers would <u>not</u> have to itemize their deductions to get the education and training deduction.

- This proposal will represent a 15% to 28% cut in the cost of college tuition for a typical middle class family.

- The deduction will be phased out gradually for families earning over $100,000 per year. This ensures that benefits will go to families in the middle of the income distribution. In 1991, some 85% of all households with a member enrolled in post-secondary education earned less than $75,000 per year. They will be the overwhelming beneficiaries of the proposal.

- The deduction is unlikely to cause significant increases in tuition costs. Higher education is a highly competitive industry, with over 7,000 institutions scrambling for the student dollar. This competitive pressure keeps prices down.

- An education tax deduction will bring benefits to the economy as a whole by encouraging more Americans to invest in education. Research indicates that in the long term, an education tax deduction would increase enrollment in post-secondary education by 500,000 students.

- This proposed deduction helps put the tax treatment of higher education and training investments on a par with other forms of investment. Many other forms of investment are already deductible; some (such as research and development) even receive a credit.

- This proposal also rationalizes existing education tax laws. Under existing law, a tax deduction is currently available to individuals who invest in education or skill training needed to perform or advance in their <u>current</u> jobs. But individuals cannot deduct any expenditures on education or training that would equip them for new jobs or careers.

- This proposal removes such arbitrary distinctions by providing a straight-forward incentive for people to acquire new skills.

Education

## ISSUE: EDUCATION TAX DEDUCTION

**Background:**

- The current tax code provides little incentive for education and training spending and almost no support for the development of new skills for new jobs.
- The current tax code treats educational costs as individual consumption rather than as investment in the future. And while the code ignores incentives for the development of human capital, it provides strong incentives for investment in plant and equipment.
- Most federal student aid is means tested; as a result, there are few financial benefits available for middle income families to help pay for the costs of postsecondary education.

**Administration Position:**

- The Administration supports a tax incentive that will give all Americans the opportunity for developing new skills throughout their lifetime, for competing in a global economy, and for raising their standard of living
- As part of the Middle Class Bill of Rights, the Administration proposes a tax deduction for up to $10,000 in postsecondary education and training expenses. The deduction will reduce adjusted gross income and will be available to all taxpayers whether or not they itemize deductions.
- The benefit will be available for tuition and fees (for the taxpayer or dependents) for any approved college or vocational program.
- The deduction will be phased in starting at $5,000 in 1996 and rising to $10,000 in 1999. Families with incomes up to $100,000 and individuals with incomes up to $70,000 will be eligible for full benefits. Benefits will be phased out above those income levels, thereby targeting the deduction on middle income taxpayers.
- The worth of the benefit will be equal to the family's marginal tax rate times the amount of the deduction.

**Administration Accomplishments:**

- The proposal would provide $23.5 billion in benefits through the year 2000.

Labor

## ISSUE: SCHOOL-TO-WORK OPPORTUNITIES

### BACKGROUND

- Today's students need diverse skills, knowledge, and abilities to succeed in the rapidly changing world of work. Traditional forms of education and workforce preparation are no longer sufficient.

- Too many American high school students have too few options today. Not every young person wants to go straight to college after high school. And the education offered to the vast majority of young Americans (both "general" and "vocational") provides neither access to jobs nor solid grounding in academic fundamentals.

- Traditionally, many skilled trades were passed on from master to youth through a structured system of apprentices. The School-to-Work Opportunities Act not only launched new innovations in work and learning, but provided the framework for reestablishing the connections between education and employment.

- In the first year alone, 22,000 students and 7,000 employers participated in School-to-Work program. By 1997, every state will have a chance to implement school-to-work reforms. Then, having achieved its goal of sparking local change and creating new programs, the School-to-Work Opportunities Act will be phased out in 2001.

- Under the 1994 law, $90 million in venture capital was invested in states and localities. These investments bring together partnerships of employers, educators, and communities.

- Eight states won implementation grants in the first year, 1994, and in the second year, Congress approved funding for as many as 20 more states to implement reform plan.

### ADMINISTRATION POSITIONS AND PROPOSALS

- The Act builds on a common-sense, three-part consensus:

  - first, young Americans need paths to prosperity that don't require a conventional four-year degree, but do meet the need for practical post-secondary training to prepare for new middle-class careers;

  - second, almost all students, college-bound or not, learn better when their studies are linked to relevant contexts like the working world;

  - third, no single path suits every student -- there must be a range of school-to-work opportunities, with plenty of room for local diversity and experimentation. There are many valid models, including youth apprenticeships, innovative vocational education programs, career academics, and cooperative education.

- With $250 million appropriated in 1995, the Act allows *every* state to receive planning grants and design diverse school-to-work programs based upon four key elements:

    - one, a work-based learning experience;
    - two, an integrated curriculum of academic and occupational skills;
    - three, a high school diploma that keeps the door open to college; and
    - four, an occupational skills certificate offering access to a first job with a real future. Reform is now moving forward in "waves" as individual states complete their own blueprints for change.

**ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS**

Already, the Pacific region has benefitted from school-to-work grants.

- The State of California, for example, received a $4.2 million implementation grant. Modesto, California received a $650,000 high-poverty grant, while San Diego, California was awarded $950,000 partnership grant.

- Coos Bay, Oregon obtained over $600,000--a $426,000 partnership grant and a $200,000 high-poverty grant. In addition, Yakima, Washington, received over $435,000 in high-poverty grant funding.

Education

# ISSUE: SCHOOL-TO-WORK

**Background:**

- The School-to-Work Opportunities Act was enacted in May 1994, with overwhelming bipartisan support in Congress. The Act encourages educational and career opportunities for all students by creating a framework for business and educational partnerships at the state and local levels. These partnerships help students make vital connections between what they learn in school and in the workplace, and prepare them for good careers and advanced education and training.

- The federal role is to provide short-term "seed money" that encourages states to overcome barriers traditionally separating education and job training, academic and vocational learning, work-bound and college track students. The School-to-Work Opportunities Act sunsets in 2001; it does not create any new programs or unnecessary administration. The ultimate responsibility rests with states and local communities to design, implement, and finance school-to-work systems.

- School-to-Work builds upon promising education and job training programs started in the Bush Administration, such as Tech-Prep and Youth Apprenticeship.

**Administration Position:**

- The Administration supports continuation of the School-to-Work Opportunities Act initiative and opposes job training proposals that eliminate support for state School-to-Work grants.

- The Administration has proposed major changes in the Perkins Vocational Education Act and in JTPA (Job Training Partnership Act) Youth Programs that build on the School-to-Work initiative while significantly streamlining the current array of training and education programs for youth.

**Administration Accomplishments:**

- In 1994, planning grants were awarded to all states to help them design basic goals and strategies for school-to-work. School-to-work planning grants were designed to encourage a more challenging and inclusive process that brings diverse public and private sector interests to the table.

- School-to-work funds are being rolled out in waves as states and local communities develop full-scale plans. In 1994, eight states—including Oregon—were awarded the first round of five-year state grants. Oregon was the only Pacific Rim state submitting a proposal at that time. A second round of grant awards is currently being competed, and all remaining Pacific Rim states have indicated that they are prepared to seek state implementation grants.

- In 1994, grants were awarded directly to 36 local communities, including 21 communities characterized by high levels of unemployment and poverty. These grants included four California communities (Compton, Modesto, San Diego, and Visalia), one

Washington community (Yakima County), and three grants in Oregon involving Coos Bay and Portland.

- The Administration organized a National Employer Leadership Council to provide visibility and to encourage employer participation in school-to-work. The Council consists of CEOs from leading American corporations. It is chaired by Alex Trottman, CEO of Ford Motor Company.

- As called for in Goals 2000, the Administration has established a National Skills Standards Board. The Board is a non-governmental entity consisting entirely of private individuals. Its role is to provide leadership and direction to efforts across the nation to produce high quality industry recognized skill standards. Such standards will help schools and other training institutions design their curriculum and certify the competency of their students.

# Head Start

## Background

***Overall Program Description:*** The Administration has made the improvement and expansion of Head Start, America's premier preschool program for low-income children and families, a central goal in order to: support the emotional, physical, and intellectual development of low-income children; improve their chances of succeeding in school and in later life; and enhance parents' ability to nurture their families and to achieve economic independence.

Launched in 1965, Head Start has now provided support to more than 14 million low-income children and their families. In May 1994, the President signed an unprecedented bipartisan Head Start reauthorization bill that commits the program to: fulfilling a vision of quality and excellence in all Head Start services; responding to the emerging needs of low-income children and families; strengthening partnerships with schools, States, and other key service providers; and developing a new initiative to support families with infants and toddlers.

***Pacific Rim***: Statistics and special initiatves are described in below. The current President of the National Head Start Association, Ron Herndron, is the director of Albina Head Start in Portland, Oregon.

## Administration Positions and Proposals

Both the President's original 1996 budget and the President's revised budget provide increases for Head Start. Under the revised plan:

- funding for Head Start would increase annual funding by $1.5 billion by 2002 to reach another 50,000 children -- for a total of 800,000 per year -- and to improve quality.

House Republicans would cut up to 200,000 children compared to 1995 numbers.

## Administration Actions and Accomplishments

Major National Achievements for Head Start:

- Bipartisan reauthorization in 1994

- The **1994** funding increase of $550 million was used to improve quality, to support working parents through full-day, full-year services, and increase enrollment. Specifically for **FY94:**
  - $376 million for quality.
  - $ 57 million to extend hours and days of operation for 120,000 children.
  - $117 million to increase enrollment to 28,000 more children and families.

- **FY95** $210 million increase:
  - $127 million for quality.

- $ 15 million to expland transition to school efforts.
- $68 million for initiatives to infants and toddler (includes the new Early Head Start program)

- **From 1992 - 1995:**
  - 132,000 more children served
  - 6,000 more infants and toddlers served
  - 20,000 more children enrolled in full-day, full-year programs
  - New Early Head Start program initiated
  - Average teacher salary increased by $2,400 to $16,700

- As a result of tough new policies on seriously deficient grantees program quality has improved.
  - 72 improved with intensive assistance
  - 20 terminated or relinqueshed grants

*Pacific Rim Accomplishments*

- A very innovative **distance learning project** has been implemented in the **Outer Pacific Rim.** The primary goals of the project were to provide high quality early childhood **professional development** for Head Start staff and parents through interactive seminars delivered **by satellite**. Ten viewing sites were established in Majuro, Ebeye (Marshall Islands), Chuuk, Pohnpei, and Yap (Federal States of Micronesia), American Samoa, Saipan and Rota (CNMI), Guam, and Palau.

***Highlights of the accomplishments of this unique network were:***

- over 600 Head Start staff and parents received training and community residents also watched the live seminars through local access chanels. Seminars included scenes from classrooms from all eight Head Start Outer Pacific grantees, profiles of each grantee, and demonstrations by parents, directors, and staff;

- ten viewing sites were established. Sites ranged from Head Start centers to an abandoned Japanese hangar in Yap, and the Hyatt Hotel in Guam;

- dialogue was begun with institutions of higher education in the eight locations of grantees, and technical assistance was provided to link these institutions and the local Head Start program;

- MCI provided the use of their commercial uplink at no cost to the project; Guam Public Television provided the production facilities and donated personnel time as inkind to the project.

***Pacific Rim Statistics:*** Statistics on services provided in Pacific Rim States and other jurisdictions are provided below. Final 1995 figures are not available. Where available, 1995 estimates are included. Dollars are rounded to the nearest thousand.

***Pacific Rim States***

| State | 1994 DOLLARS | 1994 ENROLLMENT | 1995 DOLLARS |
|---|---|---|---|
| Alaska | $ 6,295,000 | 1,209 | $ 6,589,000 |
| California | $371,227,000 | 70,995 | $394,361,000 |
| Hawaii | $ 9,939,000 | 2,260 | $10,203,000 |
| Oregon | $ 27,080,000 | 4,638 | $ 28,354,000 |
| Washington | $ 45,968,000 | 8,260 | $ 51,681,000 |

***Pacific Rim Jurisdiction***. Head Start also funds eight jurisdictions in the Outer Pacific. Estimated FY 1995 enrollment level is 5,849 children and estimated FY 1995 funding is $9,092,000. The jurisdictions (in order of participation) are: Marshall Islands, Guam, Truk, American Samoa, Northern Marianas, Pohnpei, Palau, Yap

Labor

# ISSUE: HIGH VALUE-ADDED SERVICE JOBS

## BACKGROUND

- Most manufacturing jobs are now gone. Just after World War II factory jobs accounted for over a third of all jobs; now, they account for no more than 16 percent. Many of the old service jobs have disappeared as well. Telephone operators have been replaced by automated switching equipment, bank tellers by automated teller machines, and gas station attendants by self-service pumps, which will now even accept credit cards.

- Global competition and technological change have accelerated this change. These same forces, though, are creating millions of new jobs, some paying better than ever. And the new jobs that are being added--and will be added in the future--require education and skills.

- ***High-skill jobs are growing fastest.*** From 1984 to 1994, employment in occupations with high average levels of education increased by 32 percent, while employment in occupations with the lowest average levels of education increased only 7 percent.

- According to projections produced by the Bureau of Labor Statistics, jobs requiring at least a Bachelor's degree will increase by 31 percent and will account for 8 million new jobs between 1992 and 2005. Jobs that require some post-secondary training will increase by 34 percent. Jobs requiring a high school education (or less) will increase just 16 percent. But, because most jobs currently require less than a college degree, this corresponds to 10 million jobs.

- Some of the occupations projected to grow more rapidly from 1992 to 2005 are high value-added service jobs. For example, medical assistants (projected to increase by 71 percent); physical therapists (projected to increase by 88 percent); computer engineers and scientists (projected to increase by 112 percent); and systems analysts (projected to increase by 110 percent).

## ADMINISTRATION POSITIONS AND PROPOSALS

- President Clinton has proposed plans to ensure that every American worker will have the opportunity for a brighter future. Specifically, the Administration is proposing:

    - creating individual skill grants of $2,620 for unemployed and low-income workers to enable individuals to take responsibility, acquire skills, select services and find rewarding work;

    - consolidating some 70 federal programs for dislocated and low-income workers, and empowering states to create tailored, flexible systems for job search and training;

    - offering an education and training tax deduction for up to $10,000 so that working

Americans can afford the training to acquire new skills;

- making sure that Individual Education Accounts are available to every working American to borrow money to finance new learning and repay the loan as they are able from future earnings;
- making readily available better information on skills, jobs, and the quality of training providers--so that all workers can learn new skills and find good jobs.

## ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS

- This Administration has aggressively deployed existing authority and resources to begin building a reemployment system. For example:
  - About half of the states--empowered with federal grants--are planning or assembling networks of one-stop career centers to offer efficient, customer-driven access to counseling, job listings, training, education, and other reemployment services.
  - Funding for dislocated worker training and reemployment services has increased 150 percent from 1993 to $1.3 billion this year, giving hundreds of thousands of additional workers support to find new jobs.
  - Workers applying for unemployment insurance, because of plant closings or defense conversions, are getting individual assessments of their skills and risks of long-term unemployment, so that each can quickly find the help they need to get new work.

Trans

# ISSUE: RESTORING HEALTH TO THE AVIATION AND AEROSPACE MANUFACTURING INDUSTRIES

**BACKGROUND:** The U.S. remains the world leader in long range aircraft, air traffic control equipment, high tech avionics and airport engineering expertise. Pacific Rim state companies such as Boeing, Hughes, Bechtel, Parsons and Rockwell are major beneficiaries of U.S. government initiatives to enhance international trade and overall economic growth.

But two years ago the outlook for these sectors was gloomy. In 1992, the U.S aviation industry suffered its worst year ever, with total operating losses of $2.2 billion and net losses of $4.6 billion. The industry booked $10 billion in net losses from 1990 through 1992. Several airlines, including Eastern and Pan American -- two of America's oldest and largest airlines -- had ceased operations and three more major airlines -- America West, Continental and TWA -- had filed for bankruptcy. Aerospace -- particularly in California -- was in deep recession. The President and Secretary committed themselves to reversing this situation.

In February 1993, President Clinton, joined by Secretary Pena, visited Boeing's 777 plant in Everett, Washington on his first post-inaugural trip to the Northwest to signal concern over massive job losses in aircraft manufacturing in Washington and California and the crisis in the airline industry.

**ADMINISTRATION ACTION:** Within 90 days of the Boeing visit, the President proposed and secured Congressional authorization for a National Commission to Ensure a Strong Competitive Airline Industry. The Commission announced its recommendations in August 1993, and the Administration unveiled its Aviation Initiative in January 1994.

Since then, the Administration has taken numerous steps to revitalize domestic aviation and bolster international trade and competitiveness:

- With Clinton economic plan, revitalized domestic economy, the key to airline success.
- Intervened to solve aviation labor disputes (e.g., flight attendants).
- Forcefully defended existing US carrier rights and expanded access to international markets. Examples include recent agreements with Canada, nine small European nations, and the United Kingdom.
- Proposed and supported legislation giving airline industry a two-year deferral of the 4.3 cent fuel tax imposed on other transportation sectors.
- Proposed corporatization of U.S. air traffic control services to speed deployment of state-of-the-art technology.
- Through the Federal Aviation Administration (FAA) within DOT, actively advanced international sales of high tech expertise and products in airport infrastructure

development, air traffic control equipment and training, and aircraft. DOT has targeted major markets opening up as numerous Asian countries plan major airport construction programs and expansions of civil aviation. For example, China is slated to open 13 new airports by the year 2000 and expand its fleet of aircraft. In December 1995, FAA will travel to China to explore opportunities to assist in the work. Secretary Peña has made several trade missions abroad, for example to Saudia Arabia and Taiwan, to support agreements to purchase American-made airplanes.

**ACCOMPLISHMENTS:**

Airlines -- Most major airlines have been restored to profitability. Airline traffic growth rates are projected to continue at robust rates (4%-plus) through 2006. Carriers have restructured their operations to improve efficiency and cut costs. Since January 1992, no fewer than 30 new jet airlines have started up domestic operations and 12 more have received FAA authorization to operate.

Aircraft Manufacturing -- Boeing projects sales of 15,462 new aircraft worth $1.4 trillion between now and the year 2014, a market $60 billion richer and 1,408 aircraft larger than anticipated a year ago. The recovery, while slower than expected, is nonetheless well underway. In 1995 the company had 120 total new orders; the first five months of 1996 have already yielded 96. Boeing recently won most of Saudi Arabia's long-awaited $6 billion aircraft order, with McDonald Douglas picking up the rest. There are 172 announced orders for the 777, Boeing's new ultra-modern passenger jet, which Secretary Peña recently certified for long-distance overwater flight. Four Asian carriers have committed to $3.1 billion in orders for the stretched version of the 777, enough to launch the 777-300 into development and production.

International Trade - Cooperation between the FAA and Russian Far East Aviation Authorities has had dramatic results -- for Alaska and the entire Pacific Rim Region. New airports and routes have been opened for use by U.S. air carriers, and the number of flights expanded nearly 700-fold from 1989 to 1994. The result was a reported 612 percent increase in trade and commerce between Alaska and the Russian Far East in 1994. New, shorter and more cost effective North America to Asia air routes reduce fuel requirements and increase cargo capacity for U.S. air carriers transporting goods to the Far East, resulting in multi-million dollar annual savings.

Technology Sales - Federal negotiating efforts and private sector expertise have helped make California firms such as Hughes, Litton, Magellan, Rockwell and Trimble Navigation strong international competitors. Hughes has been awarded a $14 million contract to modernize the Air Traffic Control Center in Jakarta. The company was also selected to develop and manage the selection and integration of air traffic control and other technology systems for the new Chek Lap Kok airport in Hong Kong. In airport construction, Parsons was recently awarded a contract to lead development of the New Seoul International Airport, and Bechtel, along with Yooshin Engineering of Korea, was involved in design of the airport. FAA played a major role in the implementation of a satellite-based GPS navigation system in Fiji.

Agri.

## ISSUE: URUGUAY ROUND AGREEMENT OF GATT

**Background:**

- The U.S. has historically adopted the most open markets in the world while other nations preserved higher barriers to trade or played by different rules. The average U.S. tariff was only four percent, yet other countries had tariffs as much as 10 times higher.

**Administration Position:**

- On December 15, 1993, the U.S. reached a historic agreement in concluding the Uruguay Round of Multilateral Trade Negotiations under the auspices of General Agreement on Tariffs and Trade.

**Administration Accomplishments:**

- Under GATT, U.S. agricultural exports are expected to increase by $1.6 to $4.7 billion in 2000 and by $4.7 to $8.7 billion in 2005.

- In 1994, U.S. rice exports totaled $240 million (about 500,000 tons) and the Japanese market will open even further under GATT.

- Agricultural export-related employment is expected to increase by as much as 112,000 jobs in 2000, and by as much as 190,000 jobs in 2005.

- The agricultural agreement, implemented over a six-year period, and covers four areas:

  ***Export Subsidies*:** Subsidized exports must be reduced by 21 percent in volume and 36 percent in budget outlays over six years from the 1986-90 base period. Products that did not receive export subsidies in the base period are ineligible for future export subsidies.

  ***Market Access:*** All non-tariff import barriers are converted to bound tariffs. All tariffs are to be reduced by a minimum of 15 percent and on average 36 percent over the six-year period.

  ***Internal support:*** Total internal support is reduced over six years by 20 percent from a 1986-88 base period. No changes are required in U.S. policies to meet the cut in total internal support.

  ***Sanitary and phytosanitary measures*:** Measures which protect human, animal and plant health and life must be science-based, yet can be stricter than international standards.

Agri

# ISSUE: U.S. AGRICULTURAL TRADE

**Background:**

- For 40 years, the U.S. has had the most open economy in the world, while facing unfair trade barriers in foreign markets. Agriculture in the U.S. and abroad has been the most protected sector.

- Wheat grown in Washington and Oregon is preferred by Pacific Rim customers, particularly Japanese customers.

- Washington's leading cash receipt commodities in 1991 included apples, dairy products, cattle and calves, wheat, potatoes, greenhouse and nursery, and pears. These commodities accounted for $2.8 billion, 71 percent of Washington's total agricultural cash receipts.

- Oregon's leading cash receipt commodities in 1991 included cattle and calves, greenhouse and nursery, dairy products, wheat, hay, potatoes, and onions. These commodities accounted for $1.4 billion, 59 percent of Oregon's total agricultural cash receipts. Oregon is also a leading producer of pears, cherries, strawberries, blackberries, and hazelnuts (filberts).

**Administration Position:**

- The Clinton Administration has championed free trade by working for the passage of the NAFTA and concluding the Uruguay Round of the GATT.

**Administration Accomplishments:**

- In FY 1994, agricultural exports reached $43.5 billion, up $1 billion from the previous year. It was the second highest year on record for exports of agricultural products, exceeded only in 1981 with exports of $43.8 billion.

- Agricultural exports created an estimated 783,000 full-time jobs in 1994, or 18,000 jobs for every $1 billion in product shipped. About 10 percent of the U.S. farm labor force are employed to produce agricultural products for the overseas market.

- In FY 95, the agricultural trade surplus is projected to rise to $20 billion, the highest since 1982. Even though imports are likely to reach a record $28.5 billion, stronger US export growth will put agricultural export total to a record $48.5 billion.

- Due to efforts of the Clinton Administration, an historic agreement between Japan and the United States has allowed eight companies from Washington state to market apples in Japan for the first time.

- U.S. exports of hardwood products (excluding logs) have increased 78.5 percent since 1989–an average annual increase of 12.5 percent.

- The U.S. wine industry, which has become increasingly important to the Pacific Northwest region, has evolved as a world exporter. Over the past 10 years, U.S. wine sales overseas have increase almost seven-fold, to a record of $195 million. USDA's Market Promotion Program (MPP), has been a partner in this expansion.

## IMPORTANT ISSUES RELATED TO FREE TRADE

- ***Canadian Wheat Controversy*:** Record levels of Canadian wheat and barley imports have dramatically affected northern-tier producers. An agreement between U.S. and Canada established temporary tariff-rate quotas to restrict wheat imports until September 1995, while a US-Canada Joint Commission on Grains considers long-term solutions.

- ***Sanitary and phytosanitary measures*:** Measures which protect human, animal and plant health and life in GATT and NAFTA enable countries to check the use of unjustified health-related regulations that restrict trade while assuring a country's right to protect food safety and animal and plant health.

**ISSUE: HIGH TECH (ENVIRONMENTAL) INTERNATIONAL MARKETS**

**BACKGROUND:**

Industry analysts point out that in 1992, California environmental technology sales totalled more than 10 billion dollars. [1] Both California State and export markets for many products are expected to double in the next five to ten years.[2]

**ADMINISTRATION POSITION:**

The Clinton-Gore Administration recognizes the inextricable link between the global environment and our domestic economy. Indeed, the Administration has placed the United States at the threshold of global stewardship. Export of US environmental technology creates additional high-paying US jobs in a socially responsible manner. Worldwide demand has made the environmental market one of the fastest growing for US companies.

**ADMINISTRATION ACCOMPLISHMENTS:**

Northwest State "VIRTUAL MARKET" Database: Seattle, Washington

This large Pacific Northwest environmental technology information network provides economic opportunities to environmental technology companies by matching US environmental technology suppliers with foreign country environmental technology buyers. The types of information to be exchanged using this system include identification of environmental problems overseas for which US firms have technological solutions; information on regulations, policies and procedures; and technical performance data on new technologies. This database was partially funded by the EPA in 1994.

E-LYNX: The Environmental-technology Leveraging Network eXchange: Pasadena, CA

The California Trade and Commerce Agency and ten partners will receive $470,400 to develop an environmental technology marketplace known as the Environmental-technology Leveraging Network eXchange or E-LYNX. This California based network will link technology developers with those who can help them get their technologies to market. This network will be designed and implemented through a grant provided by the 1995 Environmental Technology Initiative (ETI).

The California Trade and Commerce Agency's ten partners include Pacific Gas and Electric, Cal-EPA, California Environmental Technology Center, California Environmental Business Council, Hoopa Valley Tribe, Small Business Administration, US Department of Energy, Regional Technology Alliance, the Rural Community Assistance Corporation and the Community

[1] EPA Environmental News, May 12, 1995

[2] Id.

Environmental Council.

United States Environmental Training Institute: H.Q. in Washington, D.C.

Brings potential foreign buyers of US environmental technologies together with US suppliers of that technology by offering training courses to foreign government and private sector officials. US-Environmental Training Institute is headquartered in Washington, D.C., but disburses funding to the State of California to supplement their active program to encourage environmental businesses. ( North Carolina, Maryland and Colorado also receive funding from the US-Environmental Training Institute). Total funding for the US-Environmental Training Institute via the US ETI in 1994 was 1.4 million dollars.

Ukraine Multi-Fuel (natural gas, oil or coal) Reburn System: Irvine, CA

The Energy and Environmental Research Corporation (EER), a California environmental technology contractor, will demonstrate US multi-fuel reburn technology in the Ukraine. Initial work began in February, 1995. Since fuel distribution and shortages are a problem in the Ukraine, the need for a multi-fuel reburn system is great. Funding of three hundred thousand dollars ($300,000) was awarded to the EER under the 1994 Environmental Technology Initiative.

Environmental Business Journal/RIMTech: San Diego, CA

The non-profit arm of the Environmental Business Journal, RIMTech, is studying world-wide demand for environmental goods and services. The goal of the study is to determine what environmental technologies are most in demand overseas, and which markets are best "targets" for US environmental exports. This study was awarded two hundred and fifty thousand dollars ($250,000) under the 1994 Environmental Technology Initiative.

Trans

**ISSUE: NATIONAL SHIPBUILDING INITIATIVE October 1, 1993**

**Background:**

o Commercial shipbuilding orders at U.S. shipyards declined from 69 in 1980 to one in 1993; military orders also declined from 99 combatants in 1980 to 82 in 1993, with only 30 in 1997 and 6 likely in 1999.

o The skilled shipbuilding manpower base (production workers) totalled 112,000 in 1980, but only 70,000 in 1993. This labor pool is expected to drop to 28,000 in 1999.

o The grim situation facing American shipbuilding was that it had become insignificant internationally, our military building was on decline, and our skilled manpower base was eroding.

**Administration Position:**

o Oct 1, 1993 - President's Five Part Program

(1) Ensure Fair International Competition (OECD)
(2) Improve Commercial Competitiveness (MARITECH)
(3) Eliminate Unnecessary Government Regulation
(4) Finance Export Ship Sales with Title XI Loan Guarantees
(5) Assist In International Marketing

o To date we have allotted $220 million for MARITECH R&D projects and over $116 million for Title XI shipbuilding loan guarantees.

**Administration Accomplishments:**

o Successfully negotiated in the OECD an end to unfair subsidies paid to foreign shipyards - December 21, 1994;

o Obtained first large vessel export order in 35 years through use of Title XI;

o Have approved over $600 million in loan guarantees including $38 million for the modernization of two U.S. yards, including NASSCO in San Diego, California.

o Provided over $60 million for 44 R&D MARITECH projects to upgrade yard processes and designs;

3 Trans

# ISSUE: TRANSPORTATION INVESTMENTS AND ECONOMY OF PACIFIC RIM STATES

**BACKGROUND:** High speed, high efficiency transportation is a necessity, given American business' increasing reliance on just-in-time inventory systems and our country's great physical size compared to our world trade competitors. Transportation is a major component of the cost structure for international competitiveness. And transportation systems are also job generators themselves—both directly and through their positive impacts on productivity and competitiveness. Transportation accounts for one-sixth of our overall economy. Alaska, Washington, Oregon, California and Hawaii are all making significant investments in transportation infrastructure and technology to meet market demands and allow economic growth.

**ADMINISTRATION POSITION:** The Department of Transportation continues to make a wide variety of transportation investments targeted at maintaining international trade competitiveness, improving safety and enhancing economic development. By backing record-high levels of investment in infrastructure, using innovative financing techniques to stretch the Federal dollar further, shortening the development process for transportation improvements and emphasizing high tech solutions, the Clinton Administration has measurably strengthened U.S. business' international trade position.

## ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS

### Seaports

The seaports of the United States play an essential and growing role in the Nation's economy. Foreign trade accounts for over 20 percent of our Gross Domestic Product, and growing. Ninety-five percent of our imports and exports pass through inland and coastal seaports.

With the explosive growth of Pacific Rim trade, the ports of the Pacific Coast have flourished over the past several years. Los Angeles-Long Beach is the country's biggest seaport, growing at double-digit rates for the past several years. By some measures, Seattle-Tacoma is the nation's second busiest port region. The Bay Area ports—Oakland and San Francisco—together rank in the top five. Portland claims to have the nation's fastest growing port. Freight railroads serving the West Coast and its ports are operating at or near full capacity, with tremendous growth over the past few years.

This expansion has had real job impacts. In trade-oriented regions—such as Seattle and Washington State at large—more than 25 percent of jobs are dependent on export and import activities handled through the port.

U.S. DOT has moved aggressively to assure that we are building infrastructure to accommodate growth and facilitate productivity improvements necessary for continued expansion. Federal investment has focused particularly on access to ports — to reduce congestion, improve efficiency, and cut costs.

Port Infrastructure

- Bay Area - President Clinton broke through the 23-year logjam on environmental issues to get approval for Oakland to dredge its harbor to depth for large ocean-going vessals..

- Seattle-Tacoma - DOT is funding 10 Tacoma harbor projects to reduce congestion between highway, rail and marine travel and to improve marine access to the inner harbor. (Federal contribution is $87.2 million of $175 million total costs.)

- Los Angeles and Long Beach - The Alameda Consolidated Transportation corridor is a proposal to dramatically upgrade rail and truck access to these two ports, which now is along extremely congested, dangerous and dilapidated surface roads. Estimated total cost is $1.8 billion. $47 million in Federal funds has already been allocated for this phase. DOT is working with State and local officials on innovative approaches to fund this high-cost project.

- Portland - Federal funding has supported major improvements in and around the Port of Portland, including a new access road for trucks and a rail bridge. (Federal contribution is approximately $7.5 million of total $11.8 million cost of two projects.) Secretary Pena will be hosting a ceremony the day after the Economic Conference at which the innovative public-private joint finance agreement will be signed.

- Whitter, Alaska - $50 million in Federal Funds is being spent to improve land-side access for trains, trucks and cars at this ice-free port in Prince William Sound. The project will accommodate increased trade, cruise ship traffic and improve emergency response capabilities.

- Anchorage, Alaska - DOT is funding elimination of Alaska Railroad grade crossings over the sole access road to the Port. The project will reduce truck and rail congestion, making both operations cheaper and more efficient.

Port Dredging

Harbors maintained to proper depth are essential to accomodate large ocean-going vessels. The U.S. Army Corps of Engineers is responsible for dredging more than 300 million cubic yards of material annually from Federal maritime channels and harbors. In recent years, dredging has suffered from conflicts between trade and environmental concerns. In October 1993 Secretary Pena established an Interagency Working Group to develop policy recommendations on the dredging process. The working group's action plan was released in December 1994 outlining 18 specific recommendations for improving the process within current resources. A National Dredging Team is charged with implementing the recommendations.

Aviation

Airports serving the Pacific Rim States are experiencing tremendous growth. For example, Seattle and Portland airport passenger traffic grew 7-8 percent annually over the past two years. U.S. D.O.T. has responded with an aggressive investment program, including:

- Portland International - Construction of new control tower ($15 million; due to be completed in FY 1999) and rehabilitation of two runways ($37 million), improved highway access (completed; $5 million), and major terminal, parking and airport improvements.

- Alaska - Deadhorse Airport, the primary facility for movement of oil field personnel and a major cargo supply point for the entire state, is targeted for total reconstruction. Fairbanks International Airport is undergoing major runway expansion. This will cut costs and increase international cargo dramatically.

- Los Angeles - Upgrades to the lighting control system, airfield signs and electrical enhancements, taxi areas, access road, and the replacement of emergency vehicle. ($18 million in Federal funds)

- San Francisco - Numerous improvements as part of a settlement of the aircraft noise compliance issue. ($65 million Federal)

- Oakland - Improved road access. ($3 million in Federal Funds)

- Hawaii - Major upgrades to airfield guidance signs and realignment of runways. ($6 million)

Special Aviation Safety Technology and Procedures -- Responding to the Northwest region's legendary weather conditions, Seattle and Portland have been selected to receive state-of-the-art Surface Movement and Guidance Systems (SMGS) to prevent runway incursions and on-ground collisions -- a special hazard in foggy operating environments.

In addition, FAA has worked closely with Seattle-based Alaska Airlines and Portland-based Horizon Airlines to develop special procedures for operations in low visibility conditions. Both Airlines have recently received approval to begin such operations. This will reduce delays, with substantial benefits for the regional economy.

Passenger Rail

High Speed Rail Service - Amtrak recently inaugurated service using ultra-modern Spanish-built *Talgo* trains between Seattle and Vancouver, B.C. and between Seattle and Portland. Both legs are operating at near capacity. $3.1 million in Federal funds have been dedicated to improving this rail corridor -- largely by eliminating grade crossings -- and to accommodate future high speed service.

Highways

- NAFTA Trade Corridor - U.S. 395 highway corridor between Reno, Nevada, Washington State and the Canadian border has been upgraded to accommodate the truck traffic necessary for regional farmers to move products to market. ($53 million Federal )
- Boeing Plant Access (WA) - Improvements on I-5 and State Route 526 to improve access to Boeing Aircraft Corporation's expanded Everett plant. (Completed; Federal contribution $2.2 million of a total $12.3 million)
- Tourism and Timber Region Emergency Relief (WA) - Emergency relief of over $165 million (100% Federal funding) paid to rebuild State Route 504 (compete in September '95) destroyed by the Mt. St. Helens eruption. Project will boost tourism (already over 2 million visitors per year), benefitting economically hard-pressed timber communities.
- Seismic Retrofit - To control infrastructure damage and economic disruption from earthquakes, Pacific Rim States have been expanding their programs to evaluate, set priorities and retrofit bridges. Federal funds are supporting California's effort to retrofit over 1,000 bridges by the end of 1995. Oregon completed a seismic evaluation and retrofit plan for State bridges and is working on one for all local bridges.
- Portland Downtown and Industrial Access (OR) - Highway access to Portland tourist sites and industrial areas (Completed; Federal funding $36 million).
- Oil Field Access (AK) - $30 million in Federal funds has been programmed for reconstructing the highway from Prudhoe Bay to Valdez. This will significantly reduce costs of hauling freight and improve the safety for both the general public and commercial trucking destined for the oil fields.
- Public Health Access (AK) - Most of the 200 native villages are not on the road system and lack basic sewer or water facilities. DOT is funding access roads ($13 million annually) to facilitate development of sewage and safe water infrastructure by other agencies.
- Streamlining regulations (OR) - Federal DOT and the Oregon DOT are cooperating on a pilot project to reduce application procedures and other red tape for transportation improvement projects.

Technology:

- FTA has approved $16 million for the Los Angeles County Metropolitan Transportation Authority's "Stealth Bus," which incorporates defense technologies to create light weight, energy efficient buses.

- Intelligent Transportation Systems (ITS) - . DOT is funding several high tech computerized traffic management and traveler information systems for Seattle. (Federal contribution $5.5 million of $9.5 million total cost).

Passenger Ferry Service

- Annually the Alaska State ferries carry over 415,000 passengers, generate $146 million in income, employ1000 Alaskans and provide access to over 45 remote communities. Through FHWA's innovative financing program, Alaska is expanding service by funding a new ocean-going ferry boat to enhance access to isolated communities and serve the growing tourism market. ($75 million in Federal funds).

- The Puget Sound (WA) ferry system is a vital transportation link, with 1994 ridership of approximately 24 million. Federal funds are supporting four separate Washington State ferry projects, with a fifth soon to be underway.

Transit

- Transit systems serve an important Administration goal of providing transportation access, not only to daily commuters, but also to the disabled and disadvantaged. DOT, through the Federal Transit Administration, has made major transit investments in the five-state region -- particularly in Portland, where the Westside light rail project now under construction will expand Portland's popular and highly successful light rail system ($664 million Federal support of total $910 million cost), and in L.A., where Federal money is building the new Metro system.

3 Trans

# ISSUE: SEAPORTS OF THE PACIFIC COAST, ALASKA AND HAWAII

**BACKGROUND:** The seaports of the United States play an essential and growing role in the Nation's economy. Foreign trade accounts for over 20 percent of our Gross Domestic Product, and is growing. Ninety-five percent of our imports and exports pass through inland and coastal seaports. Transportation is a major component of the cost structure of international competitiveness, and becomes more important as U.S. businesses begin to rely on just-in-time delivery manufacturing systems.

With the explosive growth of Pacific Rim trade, the ports of the Pacific Coast have flourished over the past several years. Los Angeles-Long Beach is the country's biggest seaport, growing at double-digit rates for the past several years. By some measures, Seattle-Tacoma is the nation's second busiest port region. The Bay Area ports--Oakland and San Francisco--together rank in the top five. Portland claims to have the nation's fastest growing port. Freight railroads serving the West Coast and its ports are operating at or near full capacity, with tremendous growth over the past few years.

This expansion has had real job impacts. In trade-oriented regions--such as Seattle and Washington State at large--more than 25 percent of jobs are dependent on export and import activities handled through the port.

**ADMINISTRATION POSITION:** U.S. DOT has moved aggressively to assure that we are building infrastructure that can accommodate growth and facilitate improved productivity necessary for continued expansion. Federal investment has focused particularly on access to ports -- to reduce congestion, improve efficiency, and cut costs.

**ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS:**

<u>Port Infrastructure</u>

- o Bay Area - President Clinton broke through the 23-year logjam on environmental issues to get approval for Oakland to dredge its harbor to depth for large ocean-going vessals.

- o Seattle-Tacoma - DOT is funding 10 Tacoma harbor projects to reduce congestion between highway, rail and marine travel and to improve marine access to the inner harbor. (Federal contribution is $87.2 million of $175 million total costs.)

- o Los Angeles and Long Beach - The Alameda Consolidated Transportation corridor is a proposal to dramatically upgrade rail and truck access to these two ports, which now is along extremely congested, dangerous and dilapidated surface roads. Estimated total cost is $1.8 billion. $47 million in Federal funds has already been allocated for this first phase. DOT is working with State and local officials on innovative approaches to fund this big-ticket project.

- o Portland - Federal funds have supported major improvements in and around the Port of

Portland, including new access roads for trucks and a rail bridge. (Federal contribution is approximately $7.5 million of total $11.8 million cost of two projects.) Secretary Pena will be hosting a ceremony the day after the Economic Conference at which the innovative public-private agreement to finance the rail bridge will be signed.

- Whitter, Alaska - $50 million in Federal Funds is being spent to improve land-side access for trains, trucks and cars at this ice-free port in Prince William Sound. The project will accommodate increased trade, cruise ship traffic and improve emergency response capabilities.

- Anchorage, Alaska - DOT is funding elimination of Alaska Railroad grade crossings over the sole access road to the Port. The project will reduce truck and rail congestion, making both operations cheaper and more efficient.

Port Dredging

Harbors maintained to proper depth are essential to accomodate large ocean-going vessels. The U.S. Army Corps of Engineers is responsible for dredging more than 300 million cubic yards of material annually from Federal maritime channels and harbors. In recent years, dredging has suffered from conflicts between the need for expansion and environmental concerns. In October 1993 Secretary Pena established an Interagency Working Group to develop policy recommendations on the dredging process. The working group's action plan, released in December 1994, outlined 18 specific recommendations for improving the process within current resources. A National Dredging Team is charged with implementation.

Coast Guard

The Coast Guard is accommodating the increases in waterway traffic with new high technology computer systems, digital chart technology and, in future, satellite-based navigation systems.

- In the waterways leading into the Seattle-Tacoma port--the nation's second largest--the Coast Guard has used technology, and cooperation with Canadian authorities to develop a Vessel Traffic System (VTS) that allows fishermen and deep draft commercial vessels to operate safely in congested waters.

- In Prince William Sound, Alaska, collision avoidance technology tracks tanker movements

- Vessel Traffic Information Services (VTIS), a unique partnership between the Coast Guard, the State of California, and local government, is a Traffic Information Service established for the Ports of Los Angeles-Long Beach in March 1994. In its first year of operation the VTIS assisted nearly 18,000 vessels to negotiate marine approaches to the nation's busiest container ports.

Agri

# ISSUE: NAFTA AND AGRICULTURAL TRADE IN THE PACIFIC NORTHWEST

## Background

- The historic North American Free Trade Agreement will continue to expand U.S. agricultural export opportunities as it eliminates many barriers among the United States, Mexico and Canada, stimulating trade and economic growth in each country.

- Before NAFTA, Mexico's average tariff was 10 percent -- a ten cent tax on every dollar of U.S. exports. The average U.S. Tariff on Mexican exports was only four percent, and half of Mexico's exports to U.S. came in duty-free.

- Even before NAFTA, Mexico's 90 million citizens spent 70 cents of every import dollar on goods made in the U.S.

## Administration Position:

- The Clinton Administration fought for passage of NAFTA while recognizing the need for adequate protection for workers, farmers and the environment. The Administration is committed to expanding trade and creating new jobs and markets.

## Administration Accomplishments:

- A year after NAFTA was implemented, U.S. exports to Mexico reached a record $4.5 billion, up 25 percent from 1993.

- Due to NAFTA, Washington state apple farmers exported 4.1 million boxes of apples to Mexico in the first four months of 1994, up from 2.7 million in all of 1993.

- Since Congress approved NAFTA, exports to Mexico and Canada have created more than 100,000 new jobs that pay more than non-export related jobs.

- U.S. farm exports to Mexico showing the most significant increases since NAFTA are: corn, beef; pork poultry; fresh and processed fruits; vegetables and preparations; oilseed products and nuts.

**ISSUE: AmeriCorps National Service Program**

**Background:**

U.S. EPA's AmeriCorps program involves six projects in low income communities with environmental justice concerns. The Agency received $1.8 million from the Corporation for National and Community Service to implement environmental projects nationwide. U.S. EPA is entering into cooperative agreements with local partners for day-to-day project management and oversight of AmeriCorps participants.

**Administration Position:**

This is part of the President's national service program which has received very positive media coverage and editorial support.

**Administration Accomplishments:**

One of the six projects, "Neighborhood Improvements: Lead, Radon, & Urban Waters," is being implemented in the San Francisco area's East Bay in partnership with the East Bay Conservation Corps (EBCC). This project is also being implemented in Newark, New Jersey; Atlanta, Georgia; and Pierce County, Washington.

Region 9 has worked closely with EPA-HQ and the EBCC in developing the cooperative agreement workplan. The EBCC has been awarded a $210,000 grant by U.S. EPA.

## ISSUE: AMERICORPS

Background:
EPA is an enthusiastic sponsor of 9 AmeriCorps projects throughout the country. Thanks to a $2 million grant from the Corporation for National Service, EPA has been able to put together an AmeriCorps program that focuses entirely on environmental justice concerns in urban neighborhoods. To achieve its objectives, the Agency has facilitated a network of more than 160 local AmeriCorps partner organizations which are all making either in-kind or cash contributions (worth $1 million in 1995) toward achieving the much needed environmental improvements in some historically underserved, low-income communities.

The program provides service opportunities and environmental education for a total of 134 Members. Of these, 54 work in communities in the Pacific Rim states:

In Alaska: 15 AmeriCorps members have been recruited from Alaska Native Villages to work with their communities on desperately needed solid waste disposal and sanitation improvements.

In Tacoma, Washington: 10 Members are restoring the troubled Swan Creek to be able to sustain fish populations again, especially salmon.

In Oregon and Washington: 20 AmeriCorps members are auditing public schools and buildings for lighting efficiencies to reduce the schools' energy bills and prevent pollution from energy production.

In Oakland, California, 9 AmeriCorps members are restoring a severely damaged urban stream and educating the community on lead poisoning especially in children, which is a serious problem in that community.

Other EPA sponsored projects are in Boston,MA, Providence, RI, (both urban revitalization) Newark,NJ, Atlanta, GA, (both urban stream restoration and lead testing/education), El Paso,TX (public well water protection), and Washington,DC, (Anacostia watershed restoration).

Administration Position:
The President is an ardent defender of the AmeriCorps program and the Federal agencies' role and contribution to it. Without EPA and its technical and networking expertise, there would be, for example, no solid waste and sanitation improvements in Alaska Native villages, nor lighting efficiency audits in public schools, nor education on the dangers of lead poisoning in targeted low-income communities. EPA has also helped the Corporation for National Service in shaping its environmental priorities, especially its second-year focus on urban environments.

Administration Actions and Accomplishments:

Living up to the AmeriCorps motto, "Getting Things Done," here are some examples of the environmental results EPA's AmeriCorps projects have achieved after only seven months of operation:

o Conducted lighting surveys in more than 80 Oregon and Washington public schools that can lead to $160,000 in savings on energy bills while preventing 6.5 million pounds of pollutants from entering the atmosphere.

o Begun recycling programs in 15 Alaska Native villages, garnered enthusiastic support of village councils, school administrators, and community residents, and begun a number of solid waste and sanitation education activities in schools and citizen groups.

o Restored long stretches of Swan Creek in Tacoma, WA, by constructing or renovating 8,500 linear feet of trails, preparing 30 log weirs, planting native vegetation along river banks, and monitoring water quality .

o Assessed water contamination sources for 130 public wells providing drinking water to nearly 300,000 residents in El Paso, Tx.

o Educated thousands of low-income residents on how to protect their children and themselves from exposure to lead and radon contaminants.

EPA has supported these projects with extensive technical assistance, training, management, and networking expertise and has submitted an application to the Corporation for National Service to continue all its projects for a crucial second year to maximize the environmental benefits for these underserved, low-income communities.

# ISSUE: AMERICORPS

**Background:**

- AmeriCorps gives young people the chance to spend a year or more serving America to earn money for college or job training.

**Administration Accomplishments:**

- With bipartisan majorities, Congress passed the National and Community Service Trust Act.

- With a $300 million first-year investment, AmeriCorps has given young people the chance to spend a year or more improving their communities, while helping themselves pay for college.

- Under this program, young people were able to earn an education award of nearly $4,700 per year to pay for college or job training.

- In Oregon, USDA's Rural Economic and Community Development Service is utilizing AmeriCorps to help revitalize communities. For example, a member in Cave Junction, located in the Enterprise Community, has assisted local organizations to submit funding proposals for grass-roots projects.

- A member in Coquille, Oregon, is working with rural communities and organizations to locate and apply for sources of grant money to repair and restore community facilities, finance water and waste disposal systems, and fund economic and community development projects.

## Issue: Community Empowerment

**Background**:

At EPA , we have come to recognize that any significant improvement in environmental quality in this nation will necessarily rely on place-based, community-driven strategies for environmental protection. Community-led efforts to improve community "livability" have resulted in more comprehensive approaches that can not only deliver higher levels of environmental quality than existing regulations provide, but also meet economic, physical, cultural, and human needs. Increasingly, environmental quality is a function of community demand for a clean, pleasant, safe and livable environment, not just a function of what regulations and regulators can force companies to do. Environmental quality is a community asset; communities need flexibility and encouragement to manage and develop that environmental quality asset and use it as a source of community pride, and as a basis to attract new business, new residents, and new opportunity.

Portland, Oregon and Seattle, Washington are two of the nation's best examples of the transforming force of an empowered community. Portland's responsible and enlightened management of growth to limit sprawl and encourage more compact and resource-efficient development, design of the community to assure mobility, not just in cars, but by walking, bicycles and transit, and reliance on regional cooperation have become models for the rest of the nation. Seattle's well-known community-based organization, ***Sustainable Seattle***, is leading the country in setting benchmarks for community livability, as well as writing the book on participatory community practices.

**Administration Position**:

EPA's support for community empowerment to improve environmental protection is based on these principles:

Demonstrating that economic development and environmental protection can go hand in hand

Supporting strategies for environmental protection that are developed and implemented at the local level

Influencing environmental quality by focusing on development decisions

Fostering environmental justice - ensuring that environmental disamenities are not disproportionately visited upon poor and minority communities, while ensuring that the same communities get their share of environmental quality benefits

**Administration Accomplishments**:

President Clinton recently announced (March 16th) Part II of Reinventing Government, including a landmark package of 25 environmental reforms. Included is a pilot program for communities - ***Project XL (Excellence and Leadership) for Communities*** - aimed at making a significant shift in how EPA regulates. These pilots will demonstrate community-designed and directed strategies for achieving environmental and economic goals. They will focus on communities seeking innovative alternatives to achieve greater levels of environmental quality than current practices, in return for more flexibility from the regulators in meeting environmental goals. They are meant to build directly on the Community Empowerment Initiative and will look to EZs and ECs as one of the candidate pools for community pilots.

The President also announced a new program - ***Sustainable Development Challenge Grants***, designed to prompt local formation of comprehensive, place-based management connecting sustainable economic development with sound environmental practices. Stakeholders will be challenged to produced coordinated programs, using the action grant to mobilize, organize and attract community and private sector participation.

Labor

# ISSUE: DISLOCATED WORKER PROGRAM

## BACKGROUND

- Rapid technological advancement, defense down-sizing, corporate restructuring, and intensifying global competition result in structural adjustments to our economy which are necessary for long-run growth.

- As a result of these adjustments, the Department of Labor projects that 2.5 million workers will be permanently laid-off in 1995. Of these workers, experience shows that 60 to 65 percent will face difficult transitions and will need some assistance to help them find new jobs and to get through tough times.

- In this year alone, the Department of Labor estimates that it will serve 679,000 dislocated workers with the FY1995 appropriations. In other words, this level of funding will serve less than one-third of the dislocated workers.

- Title III of the Job Training Partnership Act (JTPA) provides funds to states and local substate grantees to help dislocated workers find and qualify for new jobs. Workers who have lost their jobs and are unlikely to return to their previous industries or occupations are eligible for services (i.e., workers who lose their jobs because of plant closures or mass layoffs or individuals dislocated as a result of defense down-sizing).

## ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS

- Funding for dislocated worker training and reemployment services has increased 150 percent from 1993 to $1.3 billion this year, allowing the program to serve an estimated 679,000 workers. That is significantly more than the 297,000 dislocated workers who could be served previously.

- California will receive $209 million in Title III Formula Funds in order to serve approximately 110,000 workers. Oregon will receive $11.3 million so that 5,900 workers can receive the training necessary to find a new high-paying job. In Washington state, $21.7 million are appropriated in Title III Formula Funds so that 11,300 can receive training. Alaska and Hawaii will receive $3.3 million and $2.4 million respectively in JTPA Title III Formula Funds.

- Title III funding is a critical component that allows ordinary American workers in transition to maintain or acquire high-skill, high-wage jobs. Moreover, program data and reviews indicate solid achievements in that regard, helping laid-off workers find new jobs that substantially replace their former wages.

ISSUE: EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

**Background:**

- While America's great cities and distressed rural areas fell into disrepair in the 1980's, Washington ignored their fate. Private enterprise abandoned far too many of these communities, leaving young people with few job prospects and declining hopes.

- In the Pacific Rim states, recessions, natural disasters, and a rapidly changing economy have worsened the problems of poor communities. The Los Angeles riots of 1992 also highlighted the urgent need for an entirely new kind of reinvestment in the region's inner cities.

**Administration Position:**

- The Clinton Administration has recognized the need for a new partnership between Washington and America's distressed communities and has promoted a comprehensive community revitalization agenda to help people in these areas seize opportunities for themselves. As part of this commitment to rebuild communities from the bottom up, the Administration won passage of legislation establishing the Empowerment Zone/Enterprise Community (EZ/EC) initiative in 1993.

- The EZ/EC initiative includes $2.5 billion in tax incentives and $1.3 billion in flexible grants to spur local communities to address barriers to economic growth. It is designed to create jobs and rebuild communities through private sector investment and community partnerships.

- Unlike federal programs of the past, the EZ/EC initiative allows communities to design their own strategic plans for revitalization with the input and investment of all parts of the community. At the federal level, agencies across government are working together to provide a one-stop, coordinated response for EZ/EC communities.

**Administration Accomplishments:**

- In December 1994, after an application process that created unprecedented community-wide partnerships, 105 communities in 42 states won designation as Empowerment Zones (EZs) or Enterprise Communities (ECs). There are three categories of designations -- Empowerment Zones ($40 to $100 million in flexible block grant funding as well as tax incentives), Enterprise Communities ($3 million in block grant funding and access to tax-exempt bond financing for private business activities), and Supplemental/Enhanced awards of between $22 and $125 million in economic development grants.

- There are eight urban and four rural communities in the Pacific Rim states that won designation.
  - CALIFORNIA: Los Angeles (Downtown/Boyle Heights/Watts/Pacoima); Los Angeles (South Central/Huntington Park); Oakland; San Francisco; San Diego; Imperial County; Watsonville (Santa Cruz County)
  - HAWAII: none
  - OREGON: Portland; Josephine County
  - WASHINGTON: Seattle; Tacoma; Lower Yakima County
- Recent accomplishments in these Pacific Rim EZ/EC communities:
  - Los Angeles, which won status as a Supplemental Empowerment Zone and is receiving $125 million in economic development grants, is using EZ funds and private resources to create the L.A. Community Development Bank, which expects to be able to invest over $1 billion to stimulate job creation and business growth in the area. On May 10, Vice President Gore participated in a ceremony celebrating the creation of this bank.
  - Imperial County, California, used its status as a rural Enterprise Community to win expedited approval of funding from the Army Corps of Engineers for wastewater facilities in two of the area's Colonias. In May, a delegation from the EC met with Corps officials to outline their request. Two days later, in keeping with the government-wide commitment to prioritized EZ/EC grant requests, the Army had approved funding for this project.
  - Oakland is using EZ/EC resources in creating a mixed-use development around a new rapid-transit station. The project, located in the heart of the largely Hispanic zone area, will include a health clinic, a community center, retail shops, and senior and family housing.
  - In the Josephine County, Oregon rural EC, community leaders have initiated meetings with federal, state, and private sector partners in order to identify community development resources that can assist in creating jobs and attracting new business. One partner in this effort is the State of Oregon, which is already a model for government reinvention due to its Oregon Benchmarks performance measurement project.

**Issue: Empowerment Zones/ Enterprise Communities**

**Background**:

The Community Empowerment Initiative is a critical element of the Administration's community revitalization strategy, designed to rebuild communities in America's poverty-stricken inner-cities and rural heartlands. It is a competitive program to empower people and communities all across the nation by encouraging communities to develop a community-driven comprehensive approach which coordinates economic, physical, environmental, community and human needs. Last December, President Clinton's designated 105 communities in 42 states as either Empowerment Zones (EZs) or Enterprise Community (ECs), who will receive a total of $2.5 billion in tax incentives and $1.3 billion in flexible grants for combined with substantial investment of federal technical assistance resources and enhanced coordination among federal agencies. to help the designated communities achieve their vision.

To further help communities implement their strategic plans, President Clinton established the Community Empowerment Board (CEB), which is chaired by the Vice President and comprised of the heads of 15 federal agencies, including EPA. Each Cabinet member on the CEB has committed to cutting through bureaucratic red tape in many ways -- including streamlined processing of EZ/EC program and waiver requests, targeted technical assistance, and signature demonstration projects in specific cities and rural areas.

**Administration Position**:

EPA's involvement in this initiative is designed to further the following key goals and priorities:

> Demonstrating that economic development and environmental protection goals can be compatible
>
> Supporting strategies for environmental protection that are developed and implemented at the local level
>
> Influencing environmental quality by focusing on development decisions
>
> Fostering environmental justice - ensuring that environmental dis-amenities are not disproportionately visited upon poor and minority communities, while ensuring that the same communities get their share of environmental quality and benefits

**Administration Accomplishments**:

EPA has established an Agency-wide task force to ensure that these goals are achieved through targeted assistance to specific EZ/ECs as they implement their community and economic development programs. Where possible, we are focusing discretionary activities that support the aforementioned goals, including nearly two dozen grants, training, and technical assistance to EZ/ECs. We are also responding to more than 50 requests from EZ/ECs for waivers and support in addressing environmental issues. In addition, EPA has highlighted "Brownfields

Redevelopment" as a primary focus of the Agency's effort with Empowerment Zones and Enterprise Communities.

EPA's Signature Initiative - *Brownfields Redevelopment* - includes:

- -Grants
- -Technical Assistance
- -Regulatory Reform
- -Liability Protections for Municipalities and Developers

The following communities in Pacific Rim states have been designated Empowerment Zones (bold) or Enterprise Communities:

**California**

**Los Angeles** (Supplemental Zone)
San Diego
Oakland (Enhanced Enterprise Community)
Los Angeles - Hunting ton
Park
City of Watsonville
County of Santa Ana
Imperial County

**Oregon**

Portland
Josephine County

**Washington**

Seattle
Tacoma
Lower Yakima County

Agriculture.

## ISSUE: EMPOWERMENT ZONES & ENTERPRISE COMMUNITIES

**Background:**

- Rural communities, like all communities, need to develop economic development strategies consistent with four principles: economic opportunity; sustainable development; community-based partnerships; and a strategic map for revitalization.

**Administration Position:**

- The Clinton Administration embraced empowerment zones and enterprise communities as a catalyst and framework for bringing new and existing resources into a new partnership in support of a common vision for change.

- In addition to funds from the Department of Health and Human Services, the President recommended a total of $123 million for loans and grants in the FY 96 USDA budget be dedicated to rural EZ/ECs.

**Administration Accomplishment:**

- In 1993, President Clinton's Empowerment Zones and Enterprise Communities initiative passed Congress, offering $2.5 billion in tax incentives and $1 billion in flexible block grants to more than 100 communities.

- 526 communities submitted applications for the program.

- On Dec. 24, 1994, the President announced nine Empowerment Zones, two supplemental urban zones, and 95 Empowerment Communities. There are three Rural Empowerment Zones: Kentucky Highlands, Mid-Delta Mississippi, and Rio Grande Valley in Texas.

- Empowerment Zones are eligible for the following benefits: Social Service Block Grants (of between $40 - $100 million); Wage Credits ($3,000 per employee from an EZ area); Tax Deductions for Capital Investment; Tax-Exempt Bond Financing; and Federal Partnership (assistance in removing red-tape)

- Enterprise Communities receive the following: Social Services Block Grant (approx. $3 million); Tax-Exempt Bond Financing; and Federal Partnership.

- In Kentucky, the Kentucky Highlands Investment Corporation has attracted $33 million in commitments from state and local banks to create the Development Venture Capital fund and $11 million from local banks for free-range chicken farming.
- In timber-impacted Southwest Oregon, Josephine County was selected as an Enterprise Community. Among other things, when fully implemented, this will provide for the creation of a child care center for teenage mothers, the development of cottage industries and a small business center, and a rural health clinic. The community is currently finalizing its benchmark

goals and Memorandum of Agreement.

- The Lower Yakima County Rural Enterprise Community is located in South Central Washington. Key projects include the creation of a jobs training center, an employment resource center, and a business incubator. Additionally, the area plans wastewater plant upgrades. USDA's national office is currently working with the community on its benchmark goals and Memorandum of Agreement.

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# ISSUE: FAMILY AND MEDICAL LEAVE

**Background:**

- Before they were covered by the Family and Medical Leave Act, an estimated 43 million working Americans were forced into agonizing choices between keeping their jobs and taking care of their loved ones. Hospitalized employees routinely lost their jobs -- as well as their health insurance -- for "excessive absenteeism." Working parents who had to leave work to take care of ill or aged parents were being fired.

**Administration Position:**

- The Administration supported the Family and Medical Leave Act that replaced measures twice vetoed by former President Bush.

- The Family and Medical Leave Act promotes "family values" in the fullest sense by enabling an estimated 43 million working Americans to balance the demands of their workplace with the needs of their families.

**Administration Accomplishments:**

- President Clinton signed the (FMLA) into law on February 5, 1993, fulfilling his pledge to "treat families right." The (FMLA) became effective on August 5, 1993 for most private and public sector employees.

- The General Accounting Office estimates that up to 2.5 million workers, of the 43 million working Americans covered by this act, were likely to benefit from unpaid leave in 1993.

- The (FMLA) has not only helped workers facing difficult family or medical situations, it has also proven beneficial to employers. The costs incurred in providing leave are more than offset by savings realized from lower turnover, higher productivity, and reducing or avoiding the costs of training new employees.

- During the first quarter of FY1995, 81 percent of all FMLA complaints were resolved within 90 days due in part to the "user-friendly" regulations, the Department of Labor's extensive efforts at public education and outreach, and prompt servicing of complaints by the Department's Wage and Hour Division.

Labor

# ISSUE: FAMILY AND MEDICAL LEAVE ACT

## BACKGROUND

- The Family and Medical Leave Act promotes "family values" in the fullest sense by enabling an estimated 43 million working Americans to balance the demands of their workplace with the needs of their families.

- Before they were covered by the Family and Medical Leave Act, such employees were forced into agonizing choices between keeping their jobs and taking care of their loved ones. Hospitalized employees routinely lost their jobs -- as well as their health insurance -- for "excessive absenteeism." Working parents who had to leave work to take care of ill or aged parents were being fired.

- In the Pacific Rim region alone some 6.4 million workers are covered by FMLA, and it protects the jobs of the nearly 390,000 workers in the Pacific Rim region who are likely to use unpaid leave this year.

    - In Alaska, 66,000 workers are covered by the law, and, this year, almost 4,000 will likely take advantage of the job-guaranteed unpaid leave FMLA offers.

    - In California, some 5.0 million workers are protected by FMLA, and nearly 300,000 workers will likely take unpaid leave this year alone.

    - In Hawaii, the law covers 198,000 workers, and guarantees the jobs of the approximately 11,900 employees who will likely take unpaid leave this year.

    - In Oregon, 431,000 workers are protected by FMLA, and about 25,900 workers will likely take unpaid leave this year alone.

    - In Washington state, over a quarter of a million workers are covered by FMLA, and more than 46,000 employees will take advantage of the job-guaranteed unpaid leave this year.

## ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS

- The Family and Medical Leave Act (FMLA) of 1993 became effective on August 5, 1993 for most private and public sector employees.

- The legislation allows eligible employees up to 12 weeks of unpaid leave for specific family and medical reasons, such as birth or adoption of a child, care of a spouse, child or parent who has a serious health condition, or when a serious health condition that makes the employee unable to perform his or her job.

- An employee returning from family or medical leave is entitled to the same or an equivalent position as he or she held before the leave and is entitled to the continuation of health insurance benefits.

- The FMLA has not only helped workers facing difficult family or medical situations, it has also proven beneficial to employers. As many of America's most respected business leaders testified during legislative hearings, there is a direct correlation between stability in the family and productivity in the workplace. The costs incurred in providing for leave are more than offset by savings realized from lower turnover, higher productivity, and reducing or avoiding the costs of training new employees.

- Implementation of FMLA has generally received favorable reviews, in part due to the "user-friendly" regulations, the Department of Labor's extensive efforts at public education and outreach, and prompt servicing of FMLA complaints by the Department's Wage and Hour Division. For example, during the first quarter of FY1995, 43 percent of all FMLA complaints were resolved within 30 days of receipt and 81 percent within 90 days.

Labor

# BACKGROUND: INCOME GROWTH AND INEQUALITY

The economy is stronger today than it has been in several years: 6.7 million net jobs have been added to the economy since January 1993; inflation is low; productivity has rebounded. Unfortunately, the news on the income growth is not as encouraging. From World War II to the 1970's, the country grew together: real income increased for most Americans and income inequality decreased. In the past 15 years, however, real income for the median family has grown very slowly and income inequality has risen. The country has grown apart.

***Income Growth and Inequality in the Nation:***

- The median worker suffered a 2.3 percent decline in hourly pay between 1979 and 1993. This masks gender disparity: The median male worker lost 12 percent, while the median female worker gained 8 percent.

- Economic growth alone has not been sufficient to raise earnings for typical workers. Between the first quarter of 1994 and the first quarter of 1995--the best year of macroeconomic performance in over a decade--the median worker's earnings fell 0.9 percent, adjusted for inflation.

- Between 1979 and 1993, average family real income grew by 29 percent for the top 5 percent of families and by 18 percent for the top 20 percent. Over the same period, real average family income fell by 15 percent for the bottom 20 percent of families.

- Fully 97 percent of the increase in average household incomes between 1979 and 1992 went to the top 20 percent. The remaining 80 percent of households shared less than 3 percent of the income gains.

- Income inequality is strongly linked to education levels, and the education premium has widened. In 1979, the average college-educated male earned 39 percent more than his high-school-educated counterpart. In 1993, the gap was 80 percent. Part of this gap reflects improving prospects for educated workers, but much of it reflects real declines for less-educated workers. Young male high-school graduates earn 20 percent less today than young male high-school graduates earned in 1979.

- Less than one third of prime-age workers have a college degree or higher, whereas nearly half have a high school degree. Therefore, the earnings of the median worker more closely resembles that of the typical high school graduate.

***Income Growth and Inequality in the Pacific Rim:***

- From 1988 to 1993, the typical household in the Pacific Rim saw their income fall 1.5 percent, adjusted for inflation. Real median household income dropped in three of the five Pacific Rim states (Alaska 1.2%; California -1.6%; Hawaii 1.1%; Oregon -0.4%; Washington -2.0%).

- A 1994 study by Professor Robert Topel (Univ. of Chicago) concluded that wage inequality rose in every region of the U.S., but the increase was greatest in the West. Topel compares earnings of the typical worker in the top half of the earnings distribution (i.e., the 84th percentile) to the typical worker in the bottom half of the earnings distribution (i.e., the 16th percentile). For men between 1972 and 1990, the ratio of earnings of the typical worker in the top of the distribution to the typical worker in the bottom increased by 36 percent. This is about 50 percent more than the increase in the Northeast, and about triple the corresponding increase in the South!

- Professor Topel argues that an increase in demand for skilled workers in all regions of the country has caused wage inequality to rise. He attributes the greater increase in wage inequality in the West in large part to a slower rate of increase of skilled workers there. He notes that the increase in labor force quality (e.g., education, experience) was slower in the West than in other regions. Topel also argues the rise in inequality in the West is in part a result of high immigration, although several other economists find that immigration has a very small effect on natives' wages.

***Why is Inequality Rising?***

There has been an increase in employment for skilled workers despite their rising wages, and a decrease in employment for less skilled workers despite their falling wages. These trends suggest that a major shift in demand in favor of skilled labor has caused the growing income inequality. Economists are divided on the causes of this major demand shift, and it is likely that many factors have contributed to this phenomenon.

- Capital income is a minor factor, however; widening inequality mainly reflects divergence in <u>earning power.</u>

- Many economists believe that the major factor behind the demand shift towards more-skilled labor is <u>technological change</u>, such as the growth in computers. Technological change has increased the demand for skilled workers, and made unskilled workers less important for production.

- Estimates suggest that the decline in union membership accounts for 20 percent of the rise in income inequality for men, and less for women. Historically, unions have tended to help workers in the middle or lower-middle part of the income distribution.

- Studies find that the erosion of the real value of the minimum wage accounts for about 20 percent of rising income inequality. The effect is probably larger for women than men because women are more likely to earn the minimum wage.

- Opinions differ on the impact of the growth in international trade over the past 15 years on income inequality. Growing trade clearly benefits Americans <u>on average</u>. But it creates winners and losers. Economic theory predicts the biggest losses for those exposed to the most new competition through trade: less-skilled workers. Indeed, net imports tend to be concentrated in industries that employ less-skilled workers. Any policy that liberalizes trade--regardless of whether it lowers foreign trade barriers by more than it lowers U.S. trade barriers--will tend to increase the demand for skilled workers relative to less-skilled workers. Standard analytic approaches attribute to growing trade between 10 and 20 percent of the losses less-skilled workers have suffered since the 1970's.

Labor

# ISSUE: MINIMUM WAGE

## BACKGROUND

- The minimum wage has declined by 27 percent in real purchasing power since 1979. And next year--if it is not increased--the minimum wage will reach its lowest real level in four decades.
- In 1989, Congress voted with strong bipartisan support to increase the minimum wage from $3.35 to $4.25 per hour in two steps over two years. The Administration's proposal is for an identical 90 cent increase over two years.
- Inflation has already eroded about half of the value (45 cents) of the last minimum wage increases.
- The BLS estimates that in 1994, 64% of minimum wage workers were adults, age 20 and over. About 60 percent of minimum wage workers were women.
- Four out of five of the Pacific Rim states have state minimum wages that are above the federal minimum. Washington state's minimum wage is $4.90 per hour, Hawaii's is $5.25, Alaska's is $4.75, and Oregon's is $4.75.
- To some extent, employers in these state are disadvantaged by competition from other states that have lower minimum wages. States with higher minimum wages should enthusiastically support an increase in the federal minimum.

## ADMINISTRATION POSITIONS AND PROPOSALS

- The Administration's proposal to increase the minimum wage 90 cents an hour over two years can directly affect some eleven million hourly workers who in 1994 earned between $4.25 per hour and $5.15 per hour.
- A minimum wage increase of 90 cents would mean a $1,800 raise for a full-time, year round minimum-wage worker. This is not an insignificant sum for low-income families. Indeed, it is as much as the average family spends on groceries in seven months.
- The Economic Policy Institute estimates that the average worker earning between $4.25 and $5.15 per hour brings home half of his or her family's earnings; 39 percent of these workers are the sole breadwinner for their family.
- Over a dozen empirical studies find that a moderate increase in the minimum wage does not cost jobs. Several of these studies extend previous ones that had claimed that raising the minimum wage decreases employment. For example, a study by Jacob Klerman of the RAND Institute in California finds that when the conventional time-series study is updated to include data through the 1980s, the minimum wage does not have a statistically significant impact on teenage employment.

- California increased its state minimum wage from $3.35 to $4.25 per hour in July of 1988, three years before the federal minimum increased to that level. A study of employment in California by David Card (Princeton) compared teenage employment, restaurant employment, and retail trade employment growth in California to a group of comparison states (consisting of Arizona, Florida, Georgia, New Mexico and Texas). Card's results showed, "Contrary to conventional predictions, however, there was no decline in teenage employment, or any relative loss of jobs in retail trade." A similar study of California by Professor Lowell Taylor (Carnegie Mellon) reached a contrary conclusion. However, Card's results are more robust.

- A modest minimum wage increase may not hurt employment because it will encourage more people to work; and because employers will be able to fill vacancies more quickly and experience lower turnover.

- The *San Francisco Chronicle* led off its editorial on the minimum wage with, "Boost the minimum wage to 'Make Work Pay'" (Jan. 30, 1995). The *San Jose Mercury News* wrote of the minimum wage proposal, "President Clinton's small hike isn't a job killer or a poverty buster. It's really a reward for the working poor, an incentive to hang in there. And that makes it worth fighting for" (Feb. 7, 1995).

**PERCENT AND NUMBER OF HOURLY-PAID WORKERS AFFECTED BY THE PRESIDENT'S PROPOSAL TO INCREASE THE MINIMUM WAGE**

| | Percent from $4.25 to $5.14 | Number from $4.25 to $5.14 |
|---|---|---|
| Alaska | 5.1% | 9,000 |
| California | 15.7% | 1,155,000 |
| Hawaii | 4.8% | 14,000 |
| Oregon | 10.2% | 82,000 |
| Washington | 10.4% | 147,000 |
| **United States, total** | 16.0% | 10,663,000 |

Source: Bureau of Labor Statistics, Current Population Survey. 1994 Annual Averages.

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## ISSUE: INFORMATION SUPERHIGHWAY & TELECOMMUNICATIONS

**Background:**

- The rural-urban gap has widened as information access has become increasingly important in a technologically advanced society. Repeated studies identify lack of information and decision-making support as critical obstacles to rural progress.

- Rural residents pay higher premiums for many telecommunication services, such as Internet, because gateways can only be accessed with long distance phone call.

- New communication networks may not be provided in rural areas quickly or up to the same standards as in urban areas because of the high per-unit costs. At the same time, adoption of a technology too quickly may lock a rural community into an inferior system.

**Administration Position:**

- The Administration is committed to fostering the expansion of the Information Superhighway to allow all citizens access to the superhighway, regardless of economic status or location.

- The President's FY 96 budget proposes to expand the USDA's Distance Learning-Medilink grant program which provides educational and health care opportunities to rural America by providing grants to schools, libraries, and medical facilities.

- The President's new proposal would make available a new program of $100 million in loans, as well as grants, and doubles the funding of existing distance learning & medical link grant program. The proposed $15 million grant program would link more than 1,000 schools to the superhighway, enabling over 500,000 students to utilize advanced telecommunications.

- The President's proposal would provide linkup to more than 500 health care facilities, retain up to 1,000 medical professionals, improve health care delivery for over 400,000 rural patients, and allow 60,000 patients to receive medical care locally.

- The President's FY '96 budget includes $1.2 million for USDA's Extension Service Agricultural Telecommunications Funding Program (ATFP), which provides funding for distance education program production, program delivery and technical assistance to eligible institutions.

- The National Telecommunications and Information Administration (NTIA) coordinates the national information highway infrastructure network and funded several projects to provide access to rural areas linked through community education networks.

## ISSUE: INFORMATION SUPERHIGHWAY & TELECOMMUNICATIONS (Continued)

**Administration Accomplishments:**

- USDA is building an "electronic action encyclopedia" to make information available to the public on a World Wide Web (WWW) site, Gopher, and E-mail services.

- In its first three years, the Distance Learning Grant/Medilink program has funded 42 educational and 19 health care networks in 34 states.

- In three years, $802 million has been loaned for advanced telecommunications facilities providing fiber optic cabling, digital switching equipment, and enhanced features.

- In its first three years, ATFP has been provided to over 40 land-grant institutions for projects including formal and non-formal courses; faculty and staff education; program delivery; and community-based assess to education.

- Sierra Communities Interactive Network was awarded a 1993 Distance Learning and Medical Link grant of $394,100. Seven rural schools in the Sierra, California, area are part of the consortium. The seven classrooms will be part of a regional project to provide live fully interactive teacher sharing.

EPA

## ISSUE: Reinventing Government

**Background:**

- On March 16, 1995 the Administration announced a major new strategy to reinvent environmental protection. The strategy includes 25 "High Priority Actions" to improve the existing regulatory system and lay the groundwork for developing a new and better environmental system for the 21st century.

- The key concepts in improving the current regulatory system include a commitment to providing flexibility, sparking innovation, and requiring accountability; cutting through red tape and encouraging collaborative approaches; and focusing on environmental results and performance.

- As a means of developing innovative alternatives to the current regulatory system, EPA is proposing to enter into partnerships with industry, environmentalists, states, and communities to test alternative strategies for achieving environmental results in facilities, industrial sectors, and geographic areas.

- The Administration stressed in their strategy the importance of full public participation in the reinvention process. EPA decided to hold a number of meetings around the country to involve stakeholders in the process, and elicit comments on the 25 High Priority Actions and the general principles underpinning the reinvention of environmental protection.

**Administration Position:**

- EPA Region 9 is strongly supportive of the effort to augment the historic adversarial regulatory approach with a more partnership-based approach, based on clear goals and multi-stakeholder participation. EPA Region 9 has already made substantial progress in developing partnerships and will continue to pursue these opportunities.

**Administration Accomplishments:**

- Some examples of Region 9's success in developing partnerships include the development of the San Francisco Bay/Delta Accord, implementation of the Biologically Integrated Orchard Systems (BIOS) program, and the MERIT Partnership for Pollution Prevention.

- On April 25, EPA Region 9 and Deputy Administrator Fred Hansen hosted a Stakeholders Meeting on the topic, "Local Partnerships and Regulatory Reinvention." The meeting, attended by about 40 government, industry, and academic leaders from Region 9, was an opportunity to hear the ideas, comments and concerns of our stakeholders about the Administration's 25 High Priority Actions.

- On April 28, EPA Region 9 and the Office of Prevention, Pesticides and Toxic Substances (OPPTS) co-sponsored a stakeholders meeting to discuss regulatory reinvention, with a specific focus on pesticide and toxics regulations. The meeting, attended by over 50 stakeholders and OPPTS' Lynn Goldman, was very productive.

Interior

**Issue: Takings Legislation**

## Background

- Through the balance of the 104th Congress, the takings issue will be a part of the debate on most environmental and natural resource legislation. The House has already approved a takings bill applicable to the Endangered Species Act, wetlands regulation and federal reclamation laws.

- In the Senate, Senators Dole and Gramm are sponsoring an even more comprehensive measure applicable to any "agency action" of any federal agency. Both bills would require compensation whenever a federal agency action diminishes the fair market value of the "affected portion" of the property. The House bill provides compensation at a 20% reduction in value; the Senate bill at 33%. In addition, a takings provision will be added to specific reauthorization bills including the Clean Water Act and the Endangered Species Act.

## Administration Position

- The President has stated that he is absolutely committed to the protection of property rights just as he is committed to the protection of human health, public safety, the environment and other values important to the American people. He also has indicated that he would veto a compensation bill which goes beyond constitutional standards and imposes expanding criteria for compensation.

- These bills provide a "one-size-fits-all" prescription for takings cases by directing that compensation be paid whenever there is a diminution in value of the property, without balancing the array of other considerations to which the courts have traditionally looked, including investment expectation, the nature, purpose and economic impact of the government action, the nature of the property interest in issue, the public interest protected by the government action and the remaining values and uses of the property.

- In essence, these bills are a collateral assault on government regulation, including and in particular, environmental regulation. They will force government to pay billions in claims, not because government is "taking" private property, but because the bills are broadly drafted and ignore traditional balancing tests employed by the courts.

## Administration's Accomplishments

- The Administration's approach has been to support the courts' interpretation of the Fifth Amendment and to focus instead on fixing individual statutes which may pose particular problems for small landowners. For example, the Administration has proposed initiatives to remove many of the burdens of the Endangered Species Act and the wetlands programs on homeowners.

treasury

ISSUE: TAKINGS LEGISLATION

Background:

S. 605, the "Omnibus Property Rights Act of 1995" would entitle property owners to compensation for any agency action that diminishes by one-third the potential value of any affected portion of property. The somewhat less-sweeping companion bill is H.R. 9.

This legislation would apply to a very broad range of Federal programs, including those affecting the Pacific Rim states. The bill would could adversely affect military operations and training, an important element of the economy these states:

- Aircraft overflight: Under current practice, military aircraft are restricted to the airspace above 500 feet above ground level. By requiring compensation without regard to this long-established rule, the bill could open the Department of Defence to a flood of lawsuits where flight patterns have been developed based on the 500-foot rule.

- Navy training maneuvers: Under current law, DOD may establish danger zones and restricted areas and restrict the access of private vessels while the Navy trains; under the bill, DOD might be required to compensate owners of pleasure boats or waterfront property;

The bill would affect a very broad range of other Federal programs as well. For example:

- Bank deposit security regulations: the bill could be interpreted as requiring bank regulators to compensate bank owners if additional capital requirements were imposed;

- Customs seizures and forfeitures: under the bill, Treasury might be required to compensate those whose property was seized in the course of normal customs inspections;

- Recalls of adulterated food and drugs: the makers of these products may be able to claim compensation even when Federal action was necessary to protect the public.

Administration Positions and Proposals:

The Administration is fully committed to just compensation of property owners when private property is taken for public use. The exceedingly broad definition of "property" contained in the House and Senate bills, however, would create a new universe of claims for compensation, going far beyond a reasonable balancing of interests, and adding tens of billions of dollars to the cost of many vital regulatory actions. We estimate that H.R. 9 would cost $28 billion in direct compensation alone through 2002. S. 605, because its coverage is even broader, would cost several times this $28 billion figure. These extensions of current practice would not only undermine important public programs and values, but would impose large new financial burdens on the American taxpayer.

Administration Actions and Accomplishments:

The Administration has taken many steps to address the impact of regulation on property owners, with specific attention to homeowners, family farmers, and small businesses.

DPC

ISSUES: VETERANS/BUDGET

**Background/Republican Proposals:**

- The House budget proposal would restrict or eliminate compensation for incompetent veterans (without a spouse or dependents) with assets greater than $25,000. It phases in an increase in the prescription drug copayment from $2.00 to $8.00 for a 30-day supply of drugs.

- The Senate increases an active-duty member's contribution to the GI Bill Educational Benefits program by about 35%. It redefines and narrows eligibility for VA service-connected disabilities. It phases in an increase in the prescription drug copayment for upper income veterans.

- In discretionary spending the House and Senate would freeze VA's 1996 medical care budget at the 1995 level ($700 million below the President's request). The House and the Senate would cut VA's 1996 construction budget by $300 - $400 million below 1995. These cuts would prevent VA from replacing the medical center at Martinez, California, which was closed due to the San Francisco earthquake.

**Administration's Position:**

- The 1996 budget calls for a $1.3 billion increase in funding for the Department of Veterans Affairs, including an additional $1 billion for health care.

- This increase will enable VA to provide medical treatment to an additional 43,000 veterans, construct two new hospitals and three nursing homes, and make a number of facility improvements.

**Impact of President's Plan for a Balanced Budget**

- The Administration's VA budget proposals are close to the House levels in total over the next 7 years.

- Beyond 2002, the Administration's proposals are much higher than the House and Senate (assuming that the Congressional 7-year budget trends extend to 10 years).

- The President's 10 year budget in aggregate is $4 billion higher than the House and $13 billion higher than the Senate resolution.

[NOTE: These numbers are NOT YET PUBLIC. The only balanced budget numbers that are public are non-defense discretionary totals.]

**Administration Accomplishments for Veterans:**

- ***Benefits***: The President has fought to preserve veterans preference for jobs; and to ensure that veterans and military retirees receive their full Cost of Living Adjustments.

- ***Reinvention:*** VA REGO II proposals will improve services to veterans, simplify VA's complex medical eligibility rules, determine pilots to test the use of Medicare benefits at VA hospitals, and save money by streamlining, privatizing, or consolidating unnecessary or duplicative activities.

- ***Persian Gulf Veterans:*** The President established a Presidential Advisory Committee on Gulf War Veterans' Illnesses to ensure that no stone is left unturned in efforts to identify the causes and provide care to Gulf War veterans who are ill. He also fought for legislation to pay compensation, for the first time, to chronically disabled veterans with undiagnosed illness. VA, Defense, and HHS will spend up to $13 million on new research on the causes, transmission, and treatment of Gulf War veterans illnesses. And DOD and VA have opened 6 new specialized care centers for veterans who need additional tests and treatment.

- ***Outreach:*** This Administration has conducted unprecedented outreach to veterans service organizations. A White House-driven Interagency Veterans Policy Group works to ensure progress on issues of concern to veterans.

- ***Homelessness:*** VA awarded the first-ever grants to public and private nonprofit groups under a program to develop new homeless veterans assistance programs. Forty-four new or expanded programs were approved for homeless veterans at VA facilities nationwide. VA funding of programs for homeless veterans increased by more than 62 percent in the last three years, to the current level of $76 million. VA Secretary Brown called for the first National Summit on Homelessness among Veterans, held February 24-5, 1994 in Washington, D.C.

# ISSUE: Welfare Reform

## Background:

- There is a bi-partisan consensus to reform the nation's welfare system. This Administration is committed to working with Congress to develop an effective welfare reform plan that promotes work, responsibility and helps move low-income families out of dependency and into the economic mainstream. However, the approaches taken by the Republican and Democratic parties differ on very fundamental points.

- The Personal Responsibility Act (PRA or H.R. 4) passed on March 24, 1995 on a party-line vote and was part of the so-called House Republican Contract With America. A Democratic alternative, offered as a substitute amendment by Cong. Nathan Deal, was defeated on a party-line vote. The Administration supported the Deal substitute.

- Under the provisions of the PRA, federal programs to assist low-income families would be block granted and funding levels would be capped. No state match or maintenance of effort would be required. The AFDC, JOBS and related programs would become a capped block grant set at $15.4 billion per year. Entitlement status for the AFDC program would be ended. States would be required to operate a work program and meet work participation requirements and would also be required to implement several punitive provisions, including a 5-year time-limit for all families and no cash benefits for families if the mother is under 18. Child protection and child care programs would be placed in separate capped block grants. Nutrition assistance programs, including the school lunch and WIC programs would be placed in a separate block grant. Also, most non-citizens would be ineligible for federal aid programs. Major changes to the eligibility rules of the SSI program would render several thousand children ineligible for aid. The bill would cut $69 billion over five years and would deny benefits to millions of children at full implementation.

- The Senate Finance Committee has marked up and reported H.R. 4 to the Senate floor. The Senate version would set the capped block grant at $16.8 billion annually. There is a 5-year time limit but no other punitive requirements. Unlike the PRA, this block grant would incorporate related child care programs into the single block grant. Child protection programs would remain unchanged, except for non-citizen children. Under the SSI provisions, non-citizens would be ineligible and eligibility for many children would be severely restricted. Regarding non-citizens, in addition to the SSI provisions, states would have the option of denying eligibility for aid under the block grant to non-citizens. In a companion immigration bill (Sen. Simpson) that affects benefits, sponsored immigrants would be denied assistance under all needs-based programs, for example sponsored children would be denied Medicaid including emergency services. The bill is estimated to cut $38 billion over seven years.

## Administration Position

- The Administration **opposes** H.R. 4 in its current form because it falls short of the basic values and goals that most Americans want welfare reform to promote. Welfare reform ought to successfully place people in work, provide the necessary support services to individuals, provide adequate resources to states to achieve these goals, and provide incentives to states that reward independence, not abandonment. Also, states should be protected from arbitrary demographic changes and other events, such as economic downturns. This bill puts states and children at risk of serious hardship.

- The Administration supports the Democratic alternative offered by Sen. Daschle. This plan would provide expanded state flexibility to states to design and operate assistance programs. The entitlement to aid would be conditioned upon recipients participating in employment-related and child support activities. The plan provides adequate resources to states, conditioned upon states meeting specified performance measures regarding the placement of recipients into work. Transitional Medicaid and child care services would be expanded to promote work over welfare. The bill contains no punitive requirements that would result in the arbitrary loss of benefits for needy children.

## Administration Accomplishments

- The Administration introduced comprehensive legislation to the 103rd Congress, the Work and Responsibility Act (WRA). This bill would maintain entitlement status for AFDC and would expand employment among AFDC recipients by requiring all able-bodied individuals to work in return for benefits after 2 years of employment-related training. The WRA created incentives to states to move individuals into the work place. The WRA also contained provisions to improve the coordination between federal assistance programs. The WRA would greatly improve the nation's child support enforcement system. Finally, this plan would "make work pay" by providing expanded child care and transitional support services.

- This Administration, through the Department of Health and Human Services, has granted 32 waivers to 29 states to grant the flexibility to conduct welfare reform experiments at the state level. These demonstration projects will test innovative approaches to welfare.

- **Other**: The EITC expansion that was part of reconciliation will provide a tax reduction for working families with incomes below $27,000 of an average of $1,000 per year. Under the direction of Health and Human Services Secretary Donna Shalala, we are working to ensure that all children under age 2 will be properly immunized by the year 2000. Also, the expansion of the Head Start program will provide many children needed opportunities for improved primary education. Finally, the Family and Medical Leave Act has provided many Americans the opportunity to meet their obligations to their families while maintaining the economic security of employment.

# ISSUE: ENVIRONMENT AND ASIA

Background:

- o Asia's rapid economic and population growth has led to the deterioration of its natural resources and created serious public health problems. Many Asian countries now recognize these problems and have made public commitments to environmentally sustainable growth.

- o Asia's population is growing almost twice as fast as Europe's or the United States'. Asia has 87 cities with more than 1 million people, and by the year 2000 it will have half of the world's megacities (13 cities with a population of 8 million each).

- o Energy demand in Asia is doubling every 12 years.

Administration Position:

- o The Administration strongly supports efforts by EPA and other federal agencies to assist the countries of Asia solve their environmental problems, thereby assuring their long-term sustainable development. These efforts are essential for addressing global environmental problems such as climate change and the loss of biological diversity as well as for protecting vital natural resources and human health. They also help to strengthen environmental regulations and enforcement efforts, thus creating a more level playing field for U.S. business and creating markets for U.S. environmental exports.

- o The Administration is working with members of APEC (Asia-Pacific Economic Cooperation) to liberalize trade in the region and open markets for U.S. exports.

- o The Asia-Environmental Partnership, a public/private partnership representing AID, EPA, the Department of Commerce, and some 20 other federal agencies as well as states, NGOs, and private companies, is helping improve environmental conditions in Asia while at the same time promoting U.S. exports and creating U.S. jobs.

Administration Accomplishments:

- o US-AEP resources have facilitated the transfer of U.S. environmental technology valued at approximately $420 million to Asia and the Pacific. This has resulted in environmental improvement in Asia, jobs in the U.S., and more sustainable development.

- o Under the US-AEP about 850 Asians and Americans have participated in training, exchanges, and fellowships to support the transfer of U.S. technology and experience that help solve environmental problems.

**Improving Energy Conservation, the Economy, and the Environment:**
**EPA, 1000 Friends of Oregon, and Portland Metro**

**(Energy Conservation and Community Empowerment)**

**Background**
The President has proposed re-organizing federal transportation funding into flexible block grants, and away from individual pots of money for highways and transit. In the course of implementing the Transport funding bill passed under Bush, Clinton has also been helping communities do inclusive transportation planning, and requiring regional transport plans as a condition of federal money. Broadly, Congress is generally resisting the move toward flexibility (probably to retain ability to send home earmarked pork), and wants to weaken planning requirements. Portland is a living example of the success of the Administration's position on both flexible transportation funding and city-driven planning.

In 1970 Portland was the first city in the country to "flex" highway money into transit. Instead of building an eastside freeway, Portland built a light rail line, focused development around the line, capped the number of parking spaces downtown, and adopted attractive design standards for the central city. Portland later removed a riverside freeway and turned it into a park named for Governor Tom McCall. Economy and environment responded: downtown added 30,000 jobs without new parking spaces or car trips; 45% of downtown work trips are by transit, and carbon monoxide violations dropped from 100/yr to 0. Human health, the environment, and energy conservation all benefited.

This success story is being duplicated today as Portland completes is community Vision 2040 process, with Administration support. Given the alternatives between future growth options, Portland, with citizens' groups, chose a new light rail line and new growth focused around community centers.

EPA and DOT provided funds and intellectual support to this vision effort.

**Administration position**
Communities need the flexibility that the Administration's DOT funding re-organization would give them. And they sometimes need a small push to think about how they want to grow and develop. The right state-federal partnership provides that push, and the support to do it well. Portland has shown us what a success this partnership can be. As Congress considers transportation funding in the National Highway System (due for Senate floor action soon, and House committee action this fall), and prepares to re-authorize the Intermodal Surface Transportation Efficiency Act ($151 billion when last authorized in 1991), it should remember these two principles.

**Administration accomplishments**

The Administration shares credit with Portland: Vision 2040, and the citizens who participated, have been successful ***at the planning level***: it demonstrates the ability to accommodate growth while protecting rural land and the regional environment. They demonstrated the ability to locate and sell the same amount of housing and commercial development as in the unconstrained growth scenario, while decreasing energy consumption, travel delay, and emissions.

***At the implementation level:*** Planning means nothing if builders won't build.

A local developer has committed to build a $100 million Transit Oriented Development on an urban infill site identified by planning

Portland has begun construction of west side light rail.

***At the national level***: EPA and DOT supported Vision 2040 because the lessons and tools would be valuable nation-wide.

Results have been widely disseminated at citizen, city, and state levels, often with EPA help. Published LUTRAQ research is a valuable resource for others who ask the same questions, even if they cannot afford all the analysis.

*The bottom line: we are demonstrating that good urban planning can make sense and meet everyone's needs when private, public, and citizens' groups work together.*

Labor

## ISSUE: ONE-STOP CAREER CENTER SYSTEM

### BACKGROUND

- A common frustration among job-seekers and employers is the difficulty in finding quality information on available employment and training programs, and thus, having to go from one place to another to actually receive information and services.

- The One-Stop Career Center System is the organizing vehicle for transforming this fragmented array of employment and training providers into an integrated service delivery system. The Department of Labor, in partnership with states and localities, is working to transfer this vision of an integrated, high-quality delivery system into reality. The One-Stop Career Centers let the unemployment system meet its ultimate goal: helping people get back to work.

- While each state's one-stop system will be designed in conjunction with local communities to best meet their particular needs, the following four principles are key to all One-Stop Career Center Systems:

  - *Universality:* All population groups will have access to a wide array of job-seeking and employment development services;

  - *Customer Choice:* Employers and job-seekers will have choices in where and how they can obtain information and services, and will have access to the information they need to make informed choices among education and training options.

  - *Integration:* A One-Stop Career Center System offers a seamless approach to service delivery, providing access to services under a wide array of employment, training, and education programs.

  - *Performance Driven/Outcome Based Measures:* To ensure customer satisfaction, One-Stop Career Center Systems must have clear outcome measures and consequences for failing to meet them.

### ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS

- Beginning in late 1994, the Department of Labor (DOL) invested $50 million in 6 states for One-Stop Career Centers and enhancing the supporting labor market information structure. In July 1995, DOL expects to invest in an additional 10 states, bringing the total to 16.

- The Pacific Rim region has received nearly $1.1 million of the DOL's appropriated funds for planning and development of One-Stop Career Centers. California ($400,000), Oregon ($200,000), Washington ($300,000), and Alaska ($195,000) are among the 19 states that received funding for planning and development in 1994. Finally, each of the Pacific Rim states received funding for labor market information systems.

Agri

## ISSUE: RURAL DEVELOPMENT

**Background:**

- There is a wide range of economic and social challenges affecting rural America, such as education, job training, transportation, telecommunications, housing, safe drinking water, regional initiatives, development finance, sustainable growth, and environmental, conservation and natural resource issues.

**Administration Position:**

- USDA loans funds to non-profit intermediaries through its Intermediary Relending Program (IRP) to help fill the credit and partnership/skill gap. An Intermediary is a private non-profit corporation, public agency, Indian group or cooperative. Intermediaries must have a record of successfully assisting rural business and industry, making and servicing commercial loans.

- USDA has a Business and Industry (B&I) loan guarantee program. The program is targeted to businesses loans that are too large for the Small Business Administration (above $500,000 and up to $10,000,000).

- USDA's Rural Business Enterprise Grant program assists public bodies and nonprofit corporations to finance small and emerging private business enterprises;

**Administration Accomplishments:.**

- Oregon RECD has obligated $5 million in IRP loans during 1994 and anticipates lending $8 million in 1995. The loans are for up to $2 million at 1 percent interest for 30 years. Loans made by an intermediary to a rural business may finance no more than 75 percent of the total cost of the project.

- USDA is reworking the B&I program and plans on issuing new rules to make the program more attractive. Oregon's first Business and Industry Loan as part of the Northwest Economic Adjustment Initiative, is set to close in late June, 1995. The borrower, West Oregon Wood Products, of Columbia City, manufactures high quality pellet fuel specifically for home use in wood stoves and cooking.

- USDA RBEG bullet.

Trans

## ISSUE: THE NORTHRIDGE EARTHQUAKE – TRANSPORTATION'S RESPONSE

**BACKGROUND:**

The January 17, 1994, Northridge, California earthquake struck on January 17, wreaking damage throughout more than 2,100 square miles of Los Angeles, Orange and Ventura counties. Freeways were damaged in 200 locations, necessitating closure of over 38 miles of roads – including a 4.7 mile segment of the Santa Monica Freeway (1-10), the most heavily traveled roadway in the nation, the Golden State Freeway (I-5) and the San Diego Freeway (I-405). Seventy-eight bridges were seriously damaged, including six that collapsed. The days after the earthquake, the transportation system ground to a halt, with cars forced onto local streets due to the closure of I-10 moving only about four blocks in an hour.

**ADMINISTRATION ACTIONS AND ACCOMPLISHMENTS:**

At the President's direction, Transportation Secretary Peña immediately brought together the State, local governments, and other players to develop a coherent plan to repair freeways, promote transit and ridesharing, and cut Federal red tape. DOT waived a variety of Federal truck regulations, including hours of service limits for drivers providing direct assistance to the earthquake areas.

Using innovative contracting procedures, DOT and California were able to cut red tape and expedite highway repairs. Lengthy, time-consuming processes were eliminated. Four days after the earthquake, seven of the nine major damage sites were completely cleared. Reconstruction contracts were let in record time.

The opening of the Santa Monica Freeway (I-10) on April 11 – just 84 days after the earthquake – demonstrates the effectiveness of the innovative cost-plus-time contracting method: the contractor was able to complete the work 56 days earlier than estimated. California also benefitted financially. Because the Federal government pays for 100 percent of the cost for work completed during the first 180 days after a disaster, the State did not pay for the reconstruction of I-10. To date DOT has obligated an estimated $350 million for the repair and restorations of damaged roadway and damaged bridges.

Another Federal response was to strengthen capacity of the mass transit system, which was not damaged by the earthquake. With Federal funds, commuter rail service was increased, new stations put into service and lines extended on an emergency basis. $315 million was targeted for emergency transit improvements. Secretary Peña aggressively promoted mass transit and transportation alternatives. Excluding those riders associated a recently opened transit line, ridership has increased 67% since the earthquake.

Trans

UNITES STATES COAST GUARD ISSUE BRIEFINGS
FOR THE
PRESIDENTIAL PACIFIC RIM ECONOMIC CONFERENCE - PORTLAND, OR
(JUNE 26-27, 1995)

1. ISSUE: Olympic Marine Sanctuary/Area to be Avoided.

**Background:** The Olympic Marine Sanctuary has been established by NOAA to protect the habitat along the northern Washington coast. Related to the sanctuary establishment, the Coast Guard requested that the International Maritime Organization designate an Area To Be Avoided (ATBA) which covers approximately the same area. These regulations will reduce the likelihood of a maritime accident damaging the environment. The ATBA regulations request that vessels carrying bulk cargoes of oil or other hazardous chemicals remain out of the designated area. The regulations took effect June, 7 1995. These regulations will reduce the likelihood of a maritime accident damaging the environment.

**Administration Positions and Proposals:** See NOAA.

**Administration Actions and Accomplishments:** The Coast Guard has been actively working with NOAA and other agencies to ensure a smooth implementation. These efforts have included a public hearing to obtain input on expanding the applicability of the ATBA. Coast Guard units will be enforcing these regulations in the course of other operations.

2. ISSUE: Commercial Fishing Vessel Safety Regulations.

**Background:** In order to implement the requirements of the Commercial Fishing Industry Vessel Safety Act of 1988, the Coast Guard has undertaken several major initiatives. In the Pacific Northwest, the drive has been to educate the fleet in the safety requirements by conducting dockside safety exams. This is a strictly voluntary program on the part of the fishermen.

**Administration Positions and Proposals:** The Coast Guard has a proposal before Congress to mandate licensing and inspection of commercial fishing vessels. This proposal has not received support from the Congress but we will continue to push for the mandate to help reduce the number of casualties.

**Administration Actions and Accomplishments:** In Alaska alone, the fatality rate has dropped from the 1988 - 1991 average of 35 deaths per year to just 13 deaths for 1993 and 1994. The Voluntary Dockside Examination Program established in 1991, has inspected more than 3,300 vessels, of which 1,900 have received decals indicating full compliance with all federal regulations.

ONDCP

# PACIFIC RIM BRIEFING ON HIDTA AND CTAC

**Background:**

- The Office of National Drug Control Policy has two programs that apply to the Pacific Rim Conference: the High Intensity Drug Trafficking Area (HIDTA) program and the Counterdrug Technology Assessment Center (CTAC).

- The HIDTA program objectives are to dismantle drug trafficking organizations and it emphasizes such concepts as collocated regional task forces to improve efficiency and develop long-term teamwork and synergy. HIDTA has made substantial investments in San Diego and along the Southwest border to combat drug trafficking and money laundering operations.

- CTAC is coordinating the national effort to develop prototype technologies for, among other things, an advanced generation, nonintrusive cargo inspection system. In the future, the U. S. Customs Service could configure advanced technologies for finding not only drugs and other contraband hidden in cargo, but for a wide variety of commodities for customs duty verification purposes.

- Each year, U.S. ports of entry process some 400 million passengers and pedestrians, 10 million cargo containers, 125 million cars and trucks, 450 thousand commercial aircraft, 150 thousand private aircraft, 100 thousand cargo ships and 170 thousand pleasure craft. Currently, less than five percent of the cargo containers entering the U.S. receive even the most cursory inspection. Our goal is to inspect 20 percent of the 10 million containers entering our borders each year.

- The physical examination of suspicious vehicles and devanning of containers by customs inspectors is done today manually with relatively little equipment beyond their eyes, a drill or chisel, and possibly a dog. There are a variety of nuclear physics-based nonintrusive inspection developmental efforts underway which could become components of a system to automate and accelerate the devanning and inspection process and to increase the probability of finding illicit drugs within a cargo container. Many of the technologies under development for nonintrusive cargo inspection have been adapted from military research programs for explosives detection and treaty verification.

- Any future system must satisfy constraints inherent to customs inspections, such as not impeding the legitimate flow of commerce, health and safety, and manpower training. One must thoroughly understand how the size of the individual ports, border crossing locations and requirements for mobility affect the physical configuration and cost of a candidate subsystem.

**Administration Position:**

- Continue interdiction efforts to stop the shipment of illicit drugs, explosives, weapons and other contraband into the United States

- Support the movement of free trade through our borders and ports-of-entry

**Administration Accomplishments:**

- Expanded the Southwest Border HIDTA's San Diego/Imperial Narcotics Information Network to improve information sharing between Federal, State, and local law enforcement agencies. ($2.5 M in FY 95)

- Initiated Southwest Border HIDTA's Imperial Valley Interdiction Project which combined Federal, State, local and military interdiction, intelligence, and investigations operations. $2.5 M in FY 95)

- Maintained Southwest Border HIDTA's San Diego Financial Task Force which neutralizes major drug money laundering organizations. ($1.1 M in FY 95)

- Our most pressing goal in nonintrusive inspection is to develop a rapid, modern automatic system to inspect shipment and cargo containers for contraband without physically removing all the contents for a manual inspection. Indeed, a family of technologies is needed to provide systems capable of inspecting other modes and conveyances, such as cars, break-bulk shipments and railroad cars, as well.

- The completion of the ARPA Tacoma and Otay Mesa nonintrusive inspection technology testbed program represents a significant step forward in using x-ray technology to inspect these conveyances.

- In the area of expert systems technology, an automated targeting system is being developed with the U.S. Customs Service for identifying cargo that has a high probability of containing contraband. The system automatically downloads, sorts and screens manifest and entry data. Using an expert system, it will increase the efficiency and effectiveness of customs inspectors by facilitating the flow of low-risk cargo and concentrating the focus of inspections on the cargo with the highest risk.

- Five advanced development prototypes are being developed to discriminate the contents of drums, and possibly tankers, by nonintrusively measuring the acoustic properties of the transported substance. The systems, which use technology derived from the U.S. Navy, can also detect hidden compartments and concealments located within the tank or drum.

- Similarly, to inspect large containers designed to carry liquified substances, such as propane, a prototype gamma-ray detector is being developed in conjunction with U.S. Customs Service. Gamma-ray detectors provide low-clutter images and are transportable. They will be used to ensure that presumably empty tankers, which may be hazardous to open because of their previous contents, are indeed empty.

- A prototype fixed system for detecting narcotics materials swallowed by drug smugglers is being developed using nuclear magnetic resonance technology. This system will be useful in detecting both cocaine hydrochloride and heroin-based drugs.

- In support of detecting trace and ultra-trace vapor associated with selected narcotics, a gas chromatography system prototype is being developed in conjunction with U.S. Customs Service.

- For detecting illegal drugs using chemical means, two prototypes systems are being developed for testing. Results from the field tests with the U.S. Customs Service will provide information for developing specifications for production systems.

- A Border Research and Technology Center has been established in Otay Mesa, California to serve as a focal point for evaluating specialized law enforcement technologies to increase our drug-related mission effectiveness along the Southwest border. This Center was established jointly by the Department of Justice, Office of National Drug Control Policy and the Department of Treasury.

- Technologies that are planned to be demonstrated in the near future include:

  - Mapping/Tracking Technology - to assist law enforcement agents in identifying their graphic locations and maintaining surveillance of a suspect. A border patrol vehicle was recently outfitted with an operating system available for demonstration.

  - Surveillance Technologies - development of audio/visual technologies for use by law enforcement.

  - Wireless/Digital Network for Southwest Border Law Enforcement Communications - development of a wireless digital system design for use by a community of southwest law enforcement agencies to provide uninterrupted voice and video communications between various southwest law enforcement jurisdictions.

  - Cellular Telephone Call Analysis - development of an inexpensive system for use by law enforcement to track calls from unauthorized (clone) cellular telephones used by drug dealers.

ONDCP

PACIFIC RIM BRIEFING

DRUG-FREE WORKPLACE

**Background:**

o Because two-thirds of drug users are employed, the workplace is critical for reaching and treating users, as well as for preventing and deterring drug use.

o The Federal drug-free workplace (and drug testing) programs date from President Reagan's Executive Order 12564, issued in September 1986.

o The Executive Order requires all Federal employees to refrain from using illegal drugs, authorizes drug testing of employees under certain circumstances, and directs the head of each Executive Branch agency to develop and implement a comprehensive plan for achieving a drug-free workplace.

o The FY 1987 Supplemental Appropriations Act built upon the Executive Order by delineating specific roles for HHS, the Justice Department, and OPM in setting scientific and technical guidelines for drug testing, and in reviewing agencies' plans for technical and legal sufficiency.

o Subsequent legislation expanded Federal drug testing to include Federally-regulated private sector industries, such as the transportation and nuclear power industries.

**Administration Position:**

o The National Drug Control Strategy supports comprehensive drug-free workplace programs in the private and public sector, programs that include:

-- Written policy against drug use,

-- Employee education about the dangers of drugs,

-- Employee Assistance Programs to get help for those who need it, including treatment for substance abuse,

-- Training for supervisors to recognize and deal with impaired workers,

-- Drug testing where appropriate, **especially for safety-sensitive and security-related positions.**

o The Administration is very impressed with the evidence on the benefits of drug testing for companies that have used it -- reduced illness, absenteeism, and accidents, which translates into cost savings.

- At the same time, we should recognize that drug testing should be done with care, according to strict standards of technical accuracy and confidentiality. And we should recognize that the purpose of drug testing is not to catch drug users, but to deter drug use and help get treatment for those who need it.

**Administration Accomplishments:**

- As the Nation's largest employer, the Federal government has a special responsibility to set a standard for dealing with drugs in the workplace. In fact, the Federal government's NIDA guidelines have constituted a "gold standard" for the entire non-Federal sector.

- Because of the Federal government's example and experience, drug testing and comprehensive drug-free workplace programs have expanded throughout the Nation. Today, over 90 percent of all companies with more than 5,000 employees have drug testing programs.

- The Clinton Administration has implemented drug and alcohol testing requirements for the federally-regulated transportation industry, affecting some 7 million workers.

- The Administration has made full compliance with Executive Order 12564 a top priority. Last December, Dr. Brown wrote to the heads of over 120 Executive Branch agencies underscoring the importance of full compliance, and asking them to address any deficiencies identified in the implementation review by Lewin VHI.

- The Lewin study -- of 25 agencies, representing over 80 percent of all Federal employees -- found that most agencies had successfully implemented comprehensive drug-free workplace programs that were adequate or better.

- ONDCP provides overall policy oversight to the Federal drug-free workplace effort. In December, the Director sent a letter to the heads of some 130 Executive Branch agencies and sub-agencies, underscoring the high priority of the drug-free workplace program, and asking the agency heads to report back on improvements they have made and are making to their drug-free workplace programs. Agencies were also provided a copy of a contractor report (Lewin VHI) on the implementation of the program.

- Currently, about 100,000 Federal employees are drug tested each year.

**OFFICE OF NATIONAL DRUG CONTROL POLICY**

**BRIEFING FOR PACIFIC RIM**

JUNE 16, 1995

## BACKGROUND

Illicit drug use is a problem that is national in scope, and affects every citizen.

Drugs are not a problem solely of the poor, or of minorities, or of inner-city residents, or of east coast or west coast, or of north or south.

The majority of American people do not use illicit drugs; but they are victimized by those who do.

The solution is both national and international in response.

**The Goal:** reduction of illicit drug use & its consequences.

- **The best way to reduce the problem of illicit drug use is to reduce the number of chronic, hardcore users; because chronic, hardcore users account for nearly 2/3 of the drugs consumed in the U.S.**

  **The best way to accomplish this is by providing effective drug treatment in communities & prisons.**

- Drug Prevention is key to ensuring the future of the Nation's youth. To prevent drug use, a nationwide media campaign will be launched to deglamorize drug use in the mind of every child.

Our Strategy is **TOUGHER THAN EVER, BUT SMART**, building on the Crime Control Act signed into law by the President.

- **Domestic Law Enforcement** efforts create important links between treatment, prevention, and the criminal justice system.

  A recent survey found that 4 in 10 Americans had taken safety precautions because of the threat of drug-related crime by making homes more secure, staying inside at night, avoiding unsafe areas.

  Our Strategy responds to these fears by creating community-based programs for drug education, treatment, prevention, and law enforcement.

  The Pacific Rim states have the unique geographical position of exposure to heroin trafficking from Asia along the coast, as well as a shared border with Mexico where approximately 70% of cocaine enters our country.

# THE PROBLEM

## DRUG USE IN AMERICA TODAY

1 in 3 Americans has used an illicit drug

1 in 9 Americans has tried cocaine

One half of high school seniors have tried drugs;
1 in 5 uses drugs regularly

Chronic, hardcore drug use remains widespread

responsible for much of the crime, violence, and negative health consequences

accounts for more than two-thirds of illicit drug use, although only 20% of drug-using population.

**Alarming New Trends:**

- **Casual drug use is increasing, especially among adolescents:**

  fewer kids have a clear understanding of the risks associated with drug use;

  after years of decline, drug use among 8th, 10th, and 12th graders is increasing.

- **Growing Availability of cheap high purity Heroin:**

  potential to attract new users;

  increased use among users, especially via inhalation and snorting.

## THE CONSEQUENCES OF DRUG USE

- **The social cost of drug use is $67 billion: 70% is attributable to the costs of crimes; 30% is medical and death-related.**

**THE ECONOMY:** The illicit drug trade is draining the U.S. economy. In 1993, the retail value of the illicit drug business totalled **$50 billion.**

Drug use is weakening the fiscal health of the public sector. Federal, State, and local governments spend **$25 billion** on drug control (50 cents for every dollar spent by drug consumers).

More than 60% of the Federal drug control budget is directed to law enforcement; most state and local government spending is directed to the criminal justice system (79%).

**HEALTH CARE:** Drug use is straining the health care system. In 1993, almost 500,000 drug-related emergencies occurred across the nation. (Robert Wood Johnson Foundation, Substance Abuse, October 1993) More than one-third of AIDS cases are drug-related.

**CRIME:** Drug use and related crime devastates our communities. In 1993, 1,123,300 were arrested for drug offenses -- including sale, manufacturing, and possession -- more than 2 arrests per minute. Drug tests confirm recent drug use in the majority of those arrested. (Drug Use Forecasting)

Homicide rates by youth aged 18 and younger have doubled since 1985. Kids involved with drugs are arming themselves and killing one another over drug money and turf.

### AVAILABILITY OF DRUGS IN OUR COMMUNITIES

Drugs are readily available to anyone who wants to buy them. Cocaine and heroin street prices are low and purity is high -- making use more feasible and affordable than ever.

Marijuana is increasingly available, potent, and cheap -- enticing a new generation.

Current coca cultivation is 3 times what is necessary to supply the needs of the U.S. market.

## ADMINISTRATION POSITION TO REDUCE THE DEMAND FOR ILLICIT DRUGS

### REDUCING DEMAND BY REDUCING HARDCORE USE

**Cost Effectiveness of Treatment:** CA study found that for every dollar invested in drug treatment in 1992, taxpayers saved 7 dollars; savings attributed to decreased use of drugs, alcohol, and reduction in costs for crime and healthcare. (CALDATA; NIDA study confirms data)

**Treatment Availability:** Treatment is available for only 1.4 million of the 2.4 million drug users who need and could benefit from treatment. More than 1 million who could benefit from treatment are unable to access programs.

Closing the treatment gap is a national priority, and the Administration continues to press for more treatment facilities, especially within the criminal justice system.

**CRIMINAL JUSTICE AND TREATMENT: Coerced Abstinence**

**Treatment in Prison:** The Crime Control Act provides funds for treatment in federal and state prisons, and aftercare for the 55% of Federal inmates and 57% of States inmates reported using drugs regularly.

**Drug Courts:** The Crime Control Act provides funds for expand drug courts to ensure certainty and immediacy of punishment for drug-related crimes.

**REDUCING DEMAND THROUGH PREVENTION**

Only effective prevention measures can bring about long-term sustainable reduction in drug use.

**National Prevention System:** a comprehensive system to address prevention needs across the country to plan for optimal use of prevention resources, and to address **What Works?** by developing effective evaluation tools.

Programs that work, like **Safe and Drug-Free Schools**, and the **DrugFree Workplace** initiatives will be continued.

**Crime Control Act** creates new programs like Family and Community Endeavor Schools (FACES) in high-poverty and high-crime areas to keep schools open after hours, weekends, and summers to help young people stay off the streets.

**African American Male Initiative** has been established to respond to the special problems faced by young African American men regarding drugs and violence.

## ADMINISTRATION POSITION TO REDUCE CRIME, VIOLENCE, AND DRUG AVAILABILITY

**CRIME CONTROL ACT OF 1994**

The Nation took a major step forward in reducing drug-related crime and violence when it passed Crime Control Act. Builds on the President's National Drug Control Strategy by authorizing new police, punishment, and prevention programs.

100,000 new police officers on city streets;

treatment for chronic, hardcore drug users in prisons;

expands the use of drug courts;

multijurisdictional drug enforcement task forces;

crime & drug prevention programs in communities.

**DOMESTIC LAW ENFORCEMENT PLAN:**

**Increase efficiency and eliminate duplication of** Federal, State, County and local law enforcement agencies;
**Increase coordination** of regional law enforcement, treatment and prevention resources

**Marijuana:** comprehensive initiative to decrease cultivation and use of marijuana

**Technology Needs:** Intelligence, technology and advanced officer training needs of State/local law enforcement

**INVESTIGATE TRAFFICKING ORGANIZATIONS:**

Federal investigative resources will target domestic cells of Latin American criminal organizations; major national gangs; Asian and West African criminal and trafficking organizations.

**EXPANSION OF BORDER CONTROL EFFORTS:**

**Review** current enforcement efforts at the Southwest Border; determine how to reduce drugs smuggled across the border and reduce border violence.

**Customs Service and INS** will maintain the reduction of drug smuggling across the Southwest Border as a top priority.

**MONEY LAUNDERING:**

Facilitate collaboration between Treasury and Justice to develop an action plan to coordinate domestic drug law enforcement, regulatory and private industry efforts to target laundering of drug proceeds.

## ADMINISTRATION POSITION TO ENHANCE DOMESTIC PROGRAM FLEXIBILITY AND EFFICIENCY

**EMPOWERMENT ZONES:**

In December 1994, the President designated 9 Empowerment Zones, to enhance multifaceted and interconnected planning to respond to drug use and trafficking in those communities.

**WEED AND SEED:**

Weed and Seed programs play an import role linking law enforcement and drug prevention activities across the country. Communities can first identify the problems and develop effective solutions.

**WORKPLACE INITIATIVES:**

Alcohol and drug testing has been mandated for safety-sensitive employees in aviation, motor carrier, railroad, pipeline, maritime, and mass transit industries.

**STREAMLINING FEDERAL DRUG CONTROL GRANTS:**

The Federal drug grant application process will be streamlined to create a universal grant application.

**EXPAND AND IMPROVE DATA COLLECTION AND DISTRIBUTION TO LOCAL COMMUNITIES:**

To provide drug data to communities.

**IDENTIFY EFFECTIVE COMMUNITY-BASED PROGRAMS:**

Provide information on effective law enforcement, treatment and prevention programs to communities. Provide technical assistance to community based organizations.

**CUT THE RED TAPE:**

Eliminate many Federal mandates and restrictions, giving States the needed flexibility to target funds to high-priority communities.

**ADMINISTRATION POSITION TO STRENGTHEN INTERDICTION AND INTERNATIONAL EFFORTS**

U.S. drug control agencies have developed an aggressive, coordinated response to the cocaine, heroin, and marijuana threats facing this Nation.

**INTERNATIONAL COCAINE STRATEGY**

1993 interagency review:

**Presidential Decision Directive:** the international cocaine industry is a serious national security threat requiring an extraordinary and coordinated response by all agencies involved in national security.

**Response:** 4-pronged strategy to (1)emphasize assisting institutions of nations with the political will to combat narcotrafficking; (2)destroy narcotrafficking organizations; (3)interdict narcotics trafficking in both the source countries and transit zones; and (4)increase international cooperation.

**Controlled Shift** in the emphasis of cocaine interdiction priorities from the transit zone to source countries because it is more effective to attack drugs at the source of production where illicit production and transit activities are more visible and thus more vulnerable. Also, source countries are the best source of information on smuggling operations throughout the Hemisphere.

**U.S. INTERDICTION COORDINATOR** designated to oversee interdiction programs and to see that we have enough resources in the right places to do the job.

Measures of Effectiveness to be developed for international, host country, and interdiction programs.

**CERTIFICATION**

A more aggressive use of the congressionally mandated certification process that conditions economic and military assistance on counternarcotics performance.

The President denied certification to 4 countries, and granted national interest certifications to 6 countries.

**INSTITUTION BUILDING:** to strengthen democracy, law enforcement and judicial systems to enable Andean countries to preserve their democracies against criminal drug threat, and carry a greater share of the counternarcotics burden within their borders.

**Colombia:** assistance to control traffickers' use of air space, eradicate coca and poppy; pressure Cali cartel;

**Peru:** increase support in response to willingness to expand counterdrug efforts;

**Mexico:** intelligence and technical assistance to dismantle drug organizations; eradicate poppy and coca.

## NEW INTERNATIONAL HEROIN STRATEGY

**Problem:** Increased heroin: low prices, high purity, increased use -- potential for an epidemic.

Worldwide use of opium and heroin is increasing.

Global production is at record levels.

**Response:** International opium and heroin control must remain a major foreign policy objective of the United States.

**Presidential Decision Directive** on heroin in conjunction with the National Security Council.

Administration will coordinate U.S. Government efforts to engage Burma on counternarcotics.

- **Heighten International Awareness**

  Clarify the U.S. role in combatting drug production, trafficking, and use in key countries.

- **Emphasize a Multilateral Approach**

- **Attack Heroin-Trafficking Infrastructure**

- **Regional Strategies:**

  Expand contacts in principal source, transit, and consuming countries to mobilize international cooperation.

  Emphasize intelligence in major source and transit countries.

## ADMINISTRATION ACCOMPLISHMENTS

see attachments re High Intensity Drug Trafficking Area (HIDTA) and Counterdrug Technology Assessment Center (CTAC) that have specific application to the Pacific Rim, as well as general accomplishments on Drug Free Workplace and Safe and Drug Free Schools.

**PRESIDENTIAL ISSUE BRIEFINGS**
**U.S. SMALL BUSINESS ADMINISTRATION**

**CALIFORNIA ISSUES**

**1. UNMET CREDIT NEEDS**

**BACKGROUND:**

- A recent survey of California's Economic Development Loan Programs found that 96% of these programs reported that small businesses have credit needs their programs are unable to meet.

- The four most prominent credit needs cited were for new businesses start-ups (87%); short term working capital (83%); money to finance business expansions (29%); and purchase of fixed assets, such as equipment, land, and buildings.

**POSITION:**

- It is in the best interest of the American Taxpayer to have a thriving commercial economy. As many lenders are reluctant to take risks, far too few businesses get the capital they need to start, grow and expand.

**ACCOMPLISHMENTS:**

- During FY 1994, SBA in California approved 4,758 loans to California small businesses totaling $1.56 billion.

- Over the past <u>four</u> fiscal years, SBA in California has approved 15,829 loans totaling nearly $4.65 billion.

- New SBA lending initiatives such as LowDoc and FA$TRAK directly address two of the four principle unmet credit needs of the states small business community, financing start-up businesses and access to short term working capital.

**Memo Author:** **Viola Canales, SBA Regional Administrator**
**(415) 744-6404**

**PRESIDENTIAL ISSUE BRIEFINGS**
**U.S. SMALL BUSINESS ADMINISTRATION**

## CALIFORNIA ISSUES

## 2. LEGAL & REGULATORY BURDENS

### BACKGROUND:

- California's rapid growth over the last forty years has resulted in a complex web of overlapping legal and regulatory jurisdictions and requirements. The resulting labyrinth of confusing and occasionally conflicting laws and regulations directly effects the State's ability to grow and retain small businesses. Neighboring states with fewer legal and regulatory requirements successfully recruit established California small businesses out of the State.

### POSITION:

- Government cannot hinder business expansion. Federal Regulations need to be tuned closely to the actual need, taking into account the potential debilitating effects of each regulation, law, or statute.

### ACCOMPLISHMENTS:

- SBA's Office of Advocacy works to keep the regulatory burden off the backs of small business. Their support for the White House Conference resulted in: (List primary areas of conference recommendations, yet to be determined).

**Memo Author:** Viola Canales, SBA Regional Administrator
(415) 744-6404

PRESIDENTIAL ISSUE BRIEFINGS
U.S. SMALL BUSINESS ADMINISTRATION

## CALIFORNIA ISSUES

## 3. DEFENSE CONVERSION & DOWNSIZING

**BACKGROUND:**

- From 1988 to 1993, 69% of all DoD civilian and military reductions occurred in California. The total impact on employment for the 22 bases closed or realigned during this period is a loss of over 200,000 jobs. During the same period, the U.S. Defense Conversion Commission estimates over 180,000 direct industry job losses as a result of reduced levels of defense contract spending in California. With additional California bases on the chopping block, the effect on the economy, recovering slower than the rest of the nation as a whole, will be adversely impacted.

**POSITION:**

- The government must play a key role in minimizing the trauma on individuals, businesses and communities adversely impacted by defense conversion and downsizing.

**ACCOMPLISHMENTS:**

- SBA has worked closely with the Defense Department to try to implement the DELTA program to steer funding to businesses affected by downsizing and base closure.

- SCORE, utilizing its excellent Pre-Business Workshop, has provided training to hundreds of individuals directly affected by defense downsizing and defense conversion.

**Memo Author:** **Viola Canales, SBA Regional Administrator**
**(415) 744-6404**

**PRESIDENTIAL ISSUE BRIEFINGS**
**U.S. SMALL BUSINESS ADMINISTRATION**

## CALIFORNIA ISSUES

## 4. DISASTERS

**BACKGROUND:**

- A series of major disasters throughout the state has significantly affected the State's small business community. Over the past five years: the Loma Prieta and Northridge earthquakes, the Los Angeles civil unrest, fires, and the recent Statewide flooding have resulted in over 25,000 businesses receiving SBA disaster business loans.

**POSITION:**

- We must have a plan, and a system to help people to recover from the effects of disasters. Disasters don't see state boundaries, and don't take bank accounts into mind when they strike.

**ACCOMPLISHMENTS:**

- SBA's Disaster Assistance programs made a significant impact by making capital available to families and small businesses recovering from difficult situations over which they had no control. During the last six years, SBA assisted 117,000 people with $2.9 billion in loans, and 29,435 business with $1,980 million in capital.

- Without this significant intervention, it would have been impossible for the State to have recovered from the devastating impact of events such a the Northridge and Loma Prieta earthquakes or the LA civil disorders.

**Memo Author:** **Viola Canales, SBA Regional Administrator**
**(415) 744-6404**

PRESIDENTIAL ISSUE BRIEFINGS
U.S. SMALL BUSINESS ADMINISTRATION

# CALIFORNIA ISSUES

## 5: BUSINESS EDUCATION AND TRAINING

### BACKGROUND:

- A recent survey revealed the importance of technical assistance to the success of small business and community development lending programs.

- A key element in SBA's recent restructuring was the recognition that successful economic development frequently requires providing the small business person with technical assistance, as well as capital, if the business is to flourish.

### POSITION:

- This administration is fully committed to strengthening the American economic base by supporting private public partnerships to meet that challenge.

- Today's small business person struggles with an ever increasingly complex system of business challenges and technology changes that require constant training and education.

### ACCOMPLISHMENTS:

- The Service Corps of Retired Executives (SCORE), the California Small Business Development Center (SBDC) and the Small Business Institutes (SBI) -- all funded at least in part by SBA -- counseled 45,326 customers during FY 1994. Over the past four fiscal years, these resource partners have counseled over 161,000 customers.

- During FY 1994, SCORE and the California SBDC held 2,339 small business training events attended by almost 57,000 individuals. Over the past four fiscal years, these resource partners have sponsored a total of 5,550 training events attended by nearly 138,000 individuals.

- SBA, in conjunction with the California SBDC and SCORE, has established a significant statewide network of counseling and training resource centers.

**Memo Author:** Viola Canales, SBA Regional Administrator
(415) 744-6404

# STATE OF HAWAII

## ISSUE: *REGULATION AND PAPERWORK*

BACKGROUND:

The imposition of requirements and regulations by local, state and federal governments on business operations creates a substantial burden on many small firms in Hawaii. The necessary documentation and reporting associated with these regulations adds cost and administrative work that detract from productivity, and even the effective day to day business of "micro" and family-owned business. Further, it can be extremely difficult to keep appraised of changes in the rules and reporting requirements that are often administered by several different agencies and departments. This regulatory puzzle, combined with the current poor business climate in the state, make getting and staying in business problematic. Mandated health care, tort reform and workers compensation are troublesome at the state level. Of particular concern at the federal level are OSHA (Occupational Safety and Health Reform), Paperwork Reduction Act, and the Regulatory Flexibility Act.

ADMINSTRATION POSITIONS AND PROPOSALS:

The initiatives to "Re-invent Government" have favorably impacted several areas of the time consuming tasks in completed required reporting and compliance, even in early stages. Recommendations of the National Performance Review for federal agencies should also make it faster and less expensive to determine if agencies have actually complied with RFA guidelines. The SBA Honolulu District Office has coordinated several meetings of small business owners and business assistance organizations to address compliance issues.

ADMINISTRATION ACCOMPLISHMENTS:

Federal agencies have streamlined programs for small business, frequently improving both accessibility and customer service. The Hawaii White House Conference on Small Business in November 1994 was attended by approximately 140 business owners who had the opportunity to recommend solutions to the most pressing problems. SBA has developed new programs that cut duplication and paperwork requirements for participation in agency programs. Further, the expanded capabilities of SBA's business development partners (SCORE and SBDC), opportunities for assistance in training and counseling on regulatory requirements is more available. Examples of workshops include "Recordkeeping for Small Business," "Managing Your Small Business," "IRS Workshop for Small Business Owners" and "How to Find and Keep Good Employees." Counseling efforts have help clients plan and implement a program to systematically handle the compliance workload.

# STATE OF HAWAII

## ISSUE: *ACCESS TO CAPITAL*

BACKGROUND:

Small Business in Hawaii is no different than anywhere else in the Nation in their need for improved access to capital. Most still rely on traditional lending organizations and limited stategies for capital formation. Local, state and federal resources as funding vehicles for business formation and job creation are extremely important to increase the availabilty of capital outside and beyond these traditional groups. Over the last few years, many Hawaii small businesses have expressed increasing concern at the possible shrinking of government financing initiatives in the face of increasing costs through inflation and taxation.
Small business owners in our state have appealed for tax credits to investors in small business, elimination of captial gains tax to increase the availabilty of investment dollars and a lower cost to borrow funds for business expansion and development.

ADMINISTRATION POSITION:

Federal financing programs have undergone review and been updated to be certain the needs of more small businesses can be met. Initiatives in support of greater access to capital have provided new opportunities for information and assistance on financing alternatives. Business Partnerships are being explored and developed between federal agencies and state programs that can do more with less.

ADMINISTRATION ACCOMPLISHMENTS:

New financing programs have resulted in an increase in SBA loan activity through the HDO office has increased by 92% in numbers of loans over fiscal year 1994 by the third quarter. In 1994, a consortium of Hawaii banks, SBA and HEDCO, Hawaii's certified development company offered an innovative program for medium size loans to reach an underserved market of young businesses. A new microloan program has opened with funds loaned to the Immigrant Center by SBA in November 1994 to serve yet another important segment of "micro" businesses on the island of Oahu. SBA's Business Information and Counseling Center in Honolulu assists small business with business plans for loan applications, loan packaging assistance and training programs on financing vehicles.

# STATE OF HAWAII

## ISSUE: *ECONOMIC DIVERSIFICATION*

BACKGROUND:

Historically, the economy of the state of Hawaii has relied on two major industries as their key sources of income and employment: Tourism and "big" agriculture. Both industries have experienced serious declines and even closures and bankruptcies since 1990. The tourism industry dominates the Hawaii economy, bringing in over $11.5 billion annually and provided over 165,000 jobs in the hospitality industry. Thousands of related industries and small businesses in transportation, manufacturing, retail, and entertainment hire employees based on demand of year round visitor industry. Agriculture, particularly sugar, has dropped from a employment of 8,240 individuals in 1960 to 2500 in 1993. Major plantation closures have resulted in significant unemployment in many rural areas on the Big Island, Kauai and Oahu. The impact of the decline in dominant industry has resulted in high unemployment, high demand for retraining, and an exodus of from small communities to cities or the mainland. Hawaii must find new business development initiatives, and creative financing and training, and a better environment of small business through incentives and tax credits. The downsizing of the military, which has a strong presence in Hawaii, is also expected to negatively impact the state economy to some degree.

ADMINSTRATION POSITION:

Training and business development courses must be expanded and available to offer alternative employment opportunities. Incentives must be created to draw small businesses and new industries into depressed areas. Strong efforts must be made to develop sustainable economic activities. Transition activities and training will be made available to veterans.

ADMINISTRATION ACCOMPLISHMENTS:

A special fund was created to assist in transition of the unemployed sugar workers due to plantation closures. Through joint efforts by federal agencies and economic development partnerships, fast response and a direct involvement with unemployed sugar workers has developed significant training and financing alternatives such as small and micorloans. A special federally funded grant programs for diversified agricultural products and alternative uses were provided, and administered through SBA's Small Business Development Center Network. SBA loan and veterans affairs officers present seminars regularly and by special request for employees in transition. In partnership with local and state programs, SBA special entreprenership training with SBDC and SCORE, and developed programs for developing rural business initiatives in Hamakua and Wailua to examine diversified,small farm agricutral cooperatives, etc. Opportunities for international trade, new product design and development, and increased access to capital for women were addressed in workshops also.

# STATE OF HAWAII

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