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Economic Conference of the President and Vice President:

Briefing Papers on Select Administration Policies

BRIEFING PAPERS
ON SELECT ADMINISTRATION POLICIES

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1. THE NATIONAL ECONOMY

Today, America's economy is as strong as it has been in a generation. Over the past two years, the budget deficit has dramatically declined, trade barriers have come down, growth has been strong, investment in productive equipment has increased at record rates, private sector job growth has been impressive, and inflation has remained moderate. Yet for all this progress, many working families still feel that the economy is not working for them. Wages have been stagnant for twenty years. Too many Americans lack the education and lifelong training opportunities they need to succeed in the new economy. And too many working families feel that with the costs of health care, child care, housing, and education, they are running faster and faster just to stay in place.

This overview chapter discusses the economy that President Clinton inherited, the results of his economic plan, and the Administration's responses to the continuing struggles of working families. The chapter is divided into four sections. Section I discusses the economy President Clinton inherited. Section II details the progress over the last two years. Section III discusses the challenges that remain to make the economy work for working families. Section IV provides an overview of the President's policies for the future, with a summary of the four main proposals in the President's Middle Class Bill of Rights, included in his 1996 budget.

A. THE ECONOMY AND FISCAL ENVIRONMENT: WHERE WE WERE

When President Clinton took office on January 20, 1993, his top priority was restoring America's economic health. The nation faced five fundamental challenges: first, an economy with extremely weak job growth; second, an escalating deficit and bloated federal bureaucracy; third, a tax system widely perceived as unfair; fourth, stalled trade agreements; and fifth, inadequate investment in our people. Confronting these basic challenges was essential--not only to revitalize the economy in the short-term, but also to address the long-term problem of stagnant wages for the middle class and working poor.

1. Anemic Job Growth: While the economy was expanding in 1992, nine million people remained out of work, and the unemployment rate topped seven percent. There were no signs that the jobs situation was improving: the economy was creating only 34,000 private sector jobs per month, hardly a booming recovery. Experts said that the nation was in a "jobless recovery," which most families said was no recovery at all.

2. Escalating Deficits: The challenge of recovery was made all the more difficult by the huge budget deficit that the President inherited. In the previous twelve years, the federal debt -- the total of all the yearly deficits -- quadrupled from less than $1 trillion to more than $4 trillion. Worse still, the deficit as a percentage of the economy (GDP) was at consistently high levels throughout the 1980s. The U.S. had achieved the dubious distinction of going from the world's largest creditor nation to the world's largest debtor nation in record time. Moreover, the deficit was projected to grow rapidly -- even if the economy continued to recover -- if tax and spending laws remained the same. For all these reasons, the President believed that his first budget had to reverse the growth in the deficit--and restore fiscal sense and accountability.

3. Tax Fairness: Americans also rightfully believed that the tax system had become less fair, leaving middle-class families to bear the burden of fiscal irresponsibility. Marginal tax rates for the highest-income Americans had declined substantially over the past decade, yet working families were not enjoying the benefits of lower rates because of increased payroll taxes. While the average tax bill for the wealthiest 1% of Americans dropped by over $30,000 between 1977 and 1989, taxes for the bottom 60 percent of Americans remained static--or even increased.

4. Stalled Trade Agreements: Two major efforts to open world markets for American goods were in jeopardy. Passage of the North American Free Trade Agreement (NAFTA) seemed unlikely. And the Uruguay Round of GATT was stalled after seven long years.

5. Inadequate Investment in People: In a changing economy, Americans recognized that the key to raising living standards was enhancing the education and training of the American people. Yet the 1980s saw little federal effort to improve or expand pre-school education, K-12 school reform, school-to-work opportunities, college access, or lifelong learning for Americans already in the workforce.

B. THE PRESIDENT'S FIVE YEAR ECONOMIC PLAN OF 1993

The President's economic plan sought to address all of these fundamental problems--reinvigorating the economy, controlling the deficit while reinventing government, lowering trade barriers and expanding exports, restoring tax fairness, and increasing the investments in people needed to raise the incomes of all Americans in the long-term.

I. CUTTING THE DEFICIT AND UNNECESSARY SPENDING

When President Clinton began his term, the deficit was at its highest dollar level in history: $290 billion, equal to nearly 5 percent of all of the income generated in the economy. Worst of all, without a fundamental change in policy, the deficit would grow even larger: to over $400 billion by 1999, and over $600 billion by early in the next century. Such an exploding deficit could not be sustained. Interest rates would rise, driving the deficit still higher, and sending the economy spinning out of control. Yet there was little expectation among either average citizens or the global financial markets that Washington would make a serious effort to bring the deficit down. This lack of confidence hurt America's clout internationally and led to higher interest rates -- even in our then-weak economy -- because investors feared that the deficit would only get worse.

To meet the threat posed by the massive deficit, the President came forward only 27 days after his inauguration with a line-by-line, specific plan for half a trillion dollars of deficit reduction. Over the next eight months, the debating, lobbying, and criticism were intense, but when the dust settled on August 6, 1993, Congress had passed the President's economic plan, including the largest deficit reduction package in history -- $505 billion. The plan cut over $255 billion in spending and over 300 domestic programs. Yet it also included tax relief for over 15 million families earning under $28,500, made millions of small businesses eligible for tax cuts, and increased investment in education and technology. Only the top 1% of individuals and corporations saw their income taxes increase.

As a result of the deficit reduction plan: :

• The federal civilian workforce is declining by 272,900 employees over five years -- to the lowest level since John Kennedy was President.

• The deficit is coming down for three years in a row, the first time since Harry Truman was President.

• The deficit is being cut in half as a percentage of our national income.

• In 1994, the deficit was over $100 billion less than projected before the President's economic plan was passed.

• In 1993 and 1994, the deficit declined by more than during any other two year period in history.

• There is about $10,000 less debt per family of four because the passage of the President's economic plan.

• If not for the interest on debt accumulated during the twelve years prior to his Presidency, President Clinton's budget would not only be balanced--it would be in surplus.

> *"The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and decreasing pressures on long-term interest rates. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched."*
>
> Alan Greenspan,
> Federal Reserve Board
> January 31, 1994

II. RESTORING TAX FAIRNESS

There has been considerable misinformation about the taxes in the President's economic package. Tax increases fell overwhelmingly on upper-income Americans. The taxes of middle-class Americans were basically untouched, and taxes for the working poor declined dramatically. The only tax increase that affected working families with children was a small 4.3 cents tax on gasoline that costs the average family only three dollars per month. As financial experts recognized (see box), income tax rates increased only for the top 1% of individuals and corporations. The President cut taxes for millions of small businesses and working Americans.

Two of the tax cuts in the President's plan were especially notable:

> **Earned Income Tax Credit-- A Rewarding Work Tax Cut.** The expansion in the Earned Income Tax Credit represented a dramatic change in the way the tax system treats families that work hard and play by the rules but earn a limited income. The EITC provides a tax break averaging $1,000 per household to 40 million people in 15 million families earning under $28,500. These are families working hard to stay out of poverty and off welfare. The Earned Income Tax Credit could better be called the rewarding work tax cut.
>
> **Small Business Tax Relief.** The economic plan also expanded the expensing limit for small businesses from $10,000 to $17,500. As a result, the plan lowered taxes for over 1 million small businesses in its first year alone -- and likely several million more over the next few years. In addition, the plan also gave a special capital gains tax cut to prospective investments in new equity held for five years or longer in small businesses.

III. EXPANDING TRADE

Due to strong bipartisan support and an intense effort by the President, the last two years turned out to be perhaps the best in this century for opening trade for America. Congress approved NAFTA, and in just one year, American exports to Mexico increased by 20%, while exports to Mexico and Canada created more than 100,000 new jobs -- jobs that pay 13 to 17 percent more than non-exported related jobs. The subsequent passage of GATT promises to create hundreds of thousands more export-related, high-paying jobs -- adding between $100 billion and $200 billion per year to the U.S. economy when fully implemented.

The Economic Report of the President expressed some of the scope of the President's trade achievements:

> The North American Free Trade Agreement (NAFTA) with Mexico and Canada is a pathbreaking accord with two of our three largest trading partners, achieving a degree of liberalization well beyond that of similar international agreements. In its bilateral negotiations, the Administration has been forceful in seeking market-opening measures in Japan, China, and other countries and in advancing the interests of U.S. exports through its National Export Strategy. Finally, during the second half of 1994, the Administration helped launch negotiations that will lead to the creation of open and free trade areas among the countries of the Western Hemisphere by 2005 and among the countries of the Asia-Pacific Economic Cooperation forum by 2020.

While improving our own economy, the President's actions also sent a signal to the rest of the world: the United States is assuming world leadership in world trade. As the Economic Report put it, "The Administration's efforts... have established an environment in which counties feel they must participate in meaningful trade liberalization efforts or be left out."

While pursuing expanded trade, in 1994 the United States became the world's most competitive economy, displacing Japan as leader.

IV. STRENGTHENING THE RECOVERY

The introduction of the President's economic plan had an immediate positive impact on the economy. Once investors recognized that this was a serious deficit reduction package that would set the congressional agenda, interest rates fell, business confidence increased, and job growth surged. Financial expert after expert confirmed the key role of the economic plan in the renewed recovery.

The interest rate decline that came from the strong deficit reduction effort spurred private investment. Investment in producer's durable equipment has soared at an 18.2% annual rate since the Administration began--bringing this investment to a postwar high relative to GDP. And in 1994, the United States also overtook Japan as the world's number one auto producer for the first time since Ronald Reagan was President.

As the recovery solidified, the American jobs machine finally started humming. Since the passage of the President's economic plan in August 1993, employment has expanded by nearly 5 million jobs (272,000 per month) -- with 93 percent in the private sector. The economy added more private sector jobs in 1994 than in the previous four years combined--making it the best year for job growth and economic growth in a decade. All the while, the inflation rate remained low and stable. Today, the combined measure of inflation and unemployment -- known as the "Misery Index" -- is at its best level since 1968.

Built on a foundation of lower deficits that stretches across the entire U.S. economy, America's jobs recovery has reached every economic sector. After losing 2.2 million manufacturing jobs during the 12 years prior to President Clinton's taking office, the nation added 284,000 manufacturing jobs in 1994. Since January 1993, construction employment has grown by 540,000. In 1994 alone, the nation created more construction jobs than in the previous *nine years combined.* And in the last year and a half, more than 94,000 new jobs were added in the automobile industry, bringing auto employment to its highest level since 1979.

It is not only the quantity of the new jobs that has improved; it is their quality. After losing more than 170,000 jobs over four years, high-wage industries (those with average wages above the median wage), have enjoyed a jobs rebound. High-wage industries have added well over 2 million jobs since the beginning of 1993, and last year they created more jobs than during the previous five years combined.

Since the President took office, the unemployment rate has fallen from over 7 to 5.4 percent -- the lowest level since the summer of 1990. That means the number of unemployed people dropped by 1.6 million in 1994 -- fewer people collecting unemployment benefits, and more people are getting pay checks. The number of people working part-time when they would have preferred full-time work fell by over half a million in 1994. And although there is still a long road to travel, the unemployment rate for African-Americans has fallen over the last two years, at one point dipping into single digits for the first time in over two decades.

Output growth during 1994 was also impressive, far exceeding the forecasts of almost all economists. The Gross Domestic Product, the best measure of national output, grew by 4.0 percent after adjusting for inflation -- the strongest growth in a decade. This conceals an even bigger story: government spending fell, and private sector GDP surged. Excluding government purchases, GDP growth was 5.1 percent in 1994.

In the private sector, it was investment that drove the growth of 1994. As noted earlier, investment and productivity growth have been robust over the last two years. Consumers spent money on cars and houses, and businesses poured money into equipment-- not only increasing the quality of life in the short-term, but also increasing our rate of productivity growth. Since the trough of the most recent recession, productivity has risen at an average annual pace of 2.1 percent -- nearly twice the trend rate of productivity growth over the past 16 years. Because economists agree that productivity growth and living standards are closely linked, this increase should pay off in higher living standards.

As the economy has continued to grow, signs of inflation have been few. In 1994, the Consumer Price Index (CPI) rose only 2.7 percent, while core inflation (excluding volatile food and energy prices) advanced only 2.6 percent, its lowest annual increase since 1965.

Objective analysts have confirmed these basic facts time and again

H&R Block: Income tax rates are raised only on the "top 1.2% of all taxpayers ... [while there] is no income tax increase for middle-income taxpayers...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers...and a tax cut for 16.6% of all taxpayers [who] benefit from Earned Income Tax Credit Expansion." *H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993*, pp. 21-24.

Wall Street Journal: "(E)xcept for a small gasoline tax boost and an increase for the best-off social security recipients, the tax increases in last year's bill mostly didn't touch the middle class, but hit the wealthiest 1.2% of Americans." (*The Wall Street Journal,* 10/26/94)

***Washington Post* Citing the Congressional Budget Office**: The Congressional Budget Office has found "only a sliver of tax filers -- 1.2% will a face higher income tax bill on April 15 because of the Clinton Administration's economic program." The "income tax applies only to taxable income in excess of...gross income of roughly $185,000." ("GOP Tax Issue May Fade Away: Only 1.2% of Filers will face Increase, CBO study Finds," Washington Post 1/13/94)

Fortune Magazine (October 3, 1994): "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

The Financial Times (February 26, 1993): "US Treasury price roared ahead at the long end of the market yesterday on the growing hopes that the Clinton Administration will take a tough line on tackling the budget deficit."

The Wall Street Journal (February 24, 1993): "The spectacular bond market rally accelerated yesterday, with long-term Treasury bond yields plunging to another record low as investors rushed to embrace President Clinton's economic package."

ECONOMIC ACCOMPLISHMENTS

Over 6 million new jobs since President Clinton took office.

- In the first 25 months of the Clinton Administration, the economy created 6.1 million new jobs.
- 93 percent of these jobs were in the private sector, a record compared to comparable points of past economic recoveries.
- Since the President's economic plan was passed in August 1993, employment expanded by nearly 5 million jobs -- 93 percent in the private sector.
- 3.5 million jobs were added to the economy in 1994, the best year of overall job growth in a decade.
- In the first 25 months of the Administration, more than twice as many jobs were created than during the previous four years combined. (6.1 million vs. 2.4 million).
- Since January 1993, the economy has created five times more jobs per month than during the previous four years (245,000 vs. 50,000).

Nearly 5.7 million private sector jobs in the first 25 months of the Clinton Administration.

- Since January 1993, the economy created 5.7 million private sector jobs -- 3.3 million in 1994 alone.
- More private sector jobs were created in 1994 than in the previous four years combined (3.3 million vs. 2.0 million).
- 4.6 million jobs were created in the private sector since the passage of the President Clinton's economic plan in August 1993.
- 3.3 million private sector jobs were added in 1994, the best year of private sector job growth in a decade.
- 93 percent of all job growth in 1994 was in the private sector, the highest percentage of new jobs in the private sector in over a decade.
- Eight times more private sector jobs per month were created in the first 25 months of the Administration than in the previous four years.
- More than twice as many private sector jobs created per month since January 1993 than during the previous 12 years (228,000 vs. 111,000).

In 1994, more new jobs in high-wage industries than in the previous five years combined.

- The economy created more jobs in high-wage industries in 1994 alone than were created during the previous five years combined.
- Since the beginning of 1993, the economy has created 2.2 million jobs in high-wage industries.
- More than 1 million new jobs in high-wage industries were added last year alone.
- Over half of all the jobs created were in managerial and professional

ECONOMIC ACCOMPLISHMENTS

The manufacturing, construction, and automobile industries made impressive gains.

- Manufacturing employment grew each and every month during the calendar year of 1994 for the first time since the 1970's.
- After losing 2.2 million manufacturing during the 12 years prior to the Administration, the nation added 284,000 manufacturing jobs in 1994.
- Since President Clinton was inaugurated in January 1993, construction employment expanded by 540,000.
- In 1994 alone, more construction jobs were created than in the previous *nine* years combined.
- Since President's Clinton's economic plan passed in August 1993, employment in the automobile industry has increased 94,000.
- Auto employment is at its highest level since 1979.

By the end of 1994, the unemployment rate had dropped to its lowest level in over 4 years.

- The unemployment rate declined from over 7 percent in January 1993 to 5.4 percent in February 1995.
- Since August 1993, the unemployment rate has fallen from 6.7 percent to 5.4 percent.
- The unemployment rate is at its lowest level since July 1990.

Output and productivity growth were robust.

- Real Gross Domestic Product (GDP) increased by 4.0 percent in 1994, its largest annual increase in a decade.
- Since the President's plan passed in August 1993, spending by the federal government on goods and services declined 5.5 percent (at an annual rate), while private sector GDP growth was 5.2 percent.
- In 1994, consumer spending on cars jumped up 6.2 percent.
- Business investment on capital equipment has increased 18.2 percent per year since the President took office.
- Since the trough of the most recent recession, productivity has risen at an average annual pace of 2.1 percent -- nearly twice the average rate of productivity growth over the past 16 years.

In 1994, inflation remained low and stable.

- The Consumer Price Index (CPI) increased 2.7 percent in 1994 -- the third consecutive year with less than 3.0 percent inflation.
- In 1994, the core CPI -- excluding food and energy prices -- rose only 2.6 percent, its lowest annual increase since 1965.

C. GROWING TOGETHER AND GROWING APART

Reducing the deficit, strengthening the recovery, opening markets, and making the tax system fairer were all necessary steps in order to get our fiscal house in order and put the economy on a solid path. Yet long-term economic prosperity depends on more. It depends on increasing investment in technology, continuing to preserve our environment, and empowering our communities. In particular, long-term growth requires strengthening the overall skills and education of the American people. Because of these long-term goals, the President has also implemented an ambitious strategy to improve lifelong learning. It includes increasing investment for Head Start, WIC, and worker training, along with passage of new legislation creating Goals 2000 education improvement efforts, a school-to-work program, AmeriCorps National Service, and a new college loan program that makes borrowing and repayment cheaper and more flexible.

In truth, the performance of the economy over the last two years has only highlighted the need to invest in the long-term potential of our people, even as we take the right short-term steps to solidify the economy. While economic growth over the last two years has been robust, all Americans have not shared in the gains. Deeper economic forces have proven stubborn -- and fiscal measures *alone* have proven insufficient to reverse trends that been building over fifteen years.

Since 1979, real household income has grown by $767 billion -- roughly a $2,000 increase for the average household. But the average figure conceals a different story: Adjusted for inflation and population growth, about 97 percent of the increase in income has gone to the top 20 percent of households. Everyone else -- 80 percent of American households -- has shared just 3 percent of the income gains. (See Chart 1A and Chart 1B below.) As a result, in 1993, real median income was virtually unchanged from 20 years earlier.

The shift from growth widely shared to growth narrowly distributed to a minority of families--from growing together to growing apart--is as historic as it is troubling. The promise of America has always been that we all could share in the fruits of the largest economy on earth--that families who work hard and play by the rules would enjoy a rising standard of living for themselves and their children. Yet over the last 20 years, many families have found that they are working longer hours, taking extra jobs. drawing down savings--yet still barely making their way.

This shift has many sources, but one is most striking. In the past two decades, new technologies and expanded trade have reshaped America's economic landscape. As a result, education has become the fundamental fault-line running through the workforce. Demand for highly-skilled workers is soaring at the same time as demand for less skilled workers is shrinking. Well-educated and skilled workers are prospering. Those whose skills are out of date or out of synch with industrial change are anxiously contemplating their prospects. And those without adequate education or skills are drifting further and further away from the economic mainstream.

The data are striking. Fifteen years ago, a male college graduate earned 39 percent more than a man with only a high school degree. By 1993, this gap had increased, and a male college graduate out-earned his high school graduate counterpart by 80 percent. Women are divided along similar, though slightly less stark, lines.

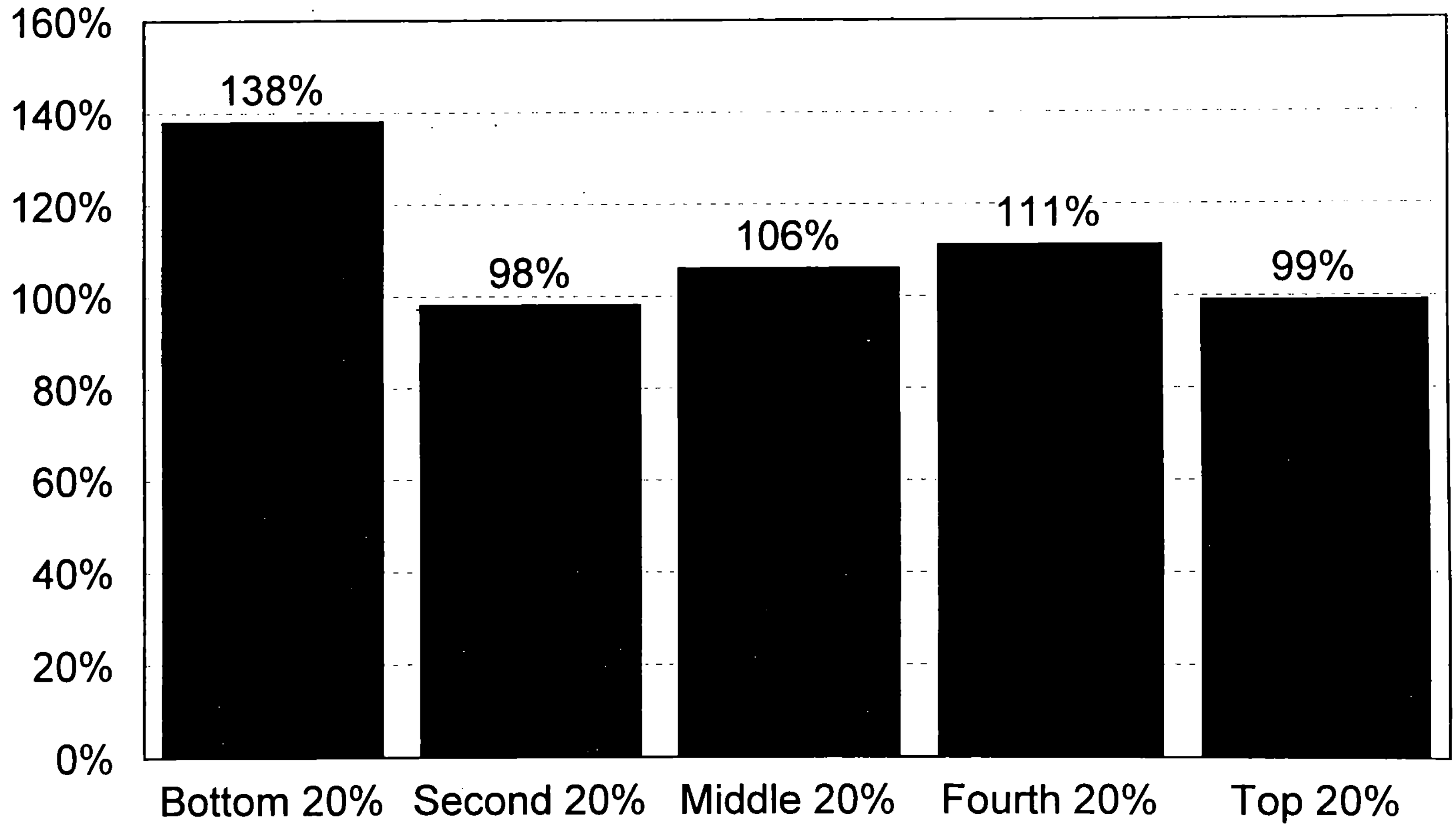
But earnings do not tell the complete story. Employer-sponsored health coverage for workers with college degrees has declined only slightly, from 79 percent in 1979 to 76 percent in 1993. For high school graduates, rates have fallen further: 68 percent to 60 percent over the same period. And rates for high-school dropouts have plummeted -- from an already low 52 percent in 1979 to only 36 percent two years ago. Retirement only hardens these divisions. Nearly two out of every three workers with a college degree gets a pension on the job, while more than three out of four high school dropouts do not.

The nation is moving inexorably toward a two-tiered society composed of a minority who are profiting from economic growth and a majority who are not. That is very far from the American Dream--and from American history. A large and sturdy middle class has always been this country's defining feature. President Clinton believes it can be so in the future-- but only if we equip Americans with the education and job training to prosper in the new economy. That is why rebuilding a new middle class for a new era is the President's fundamental mission over the next two years.

CHART 1A

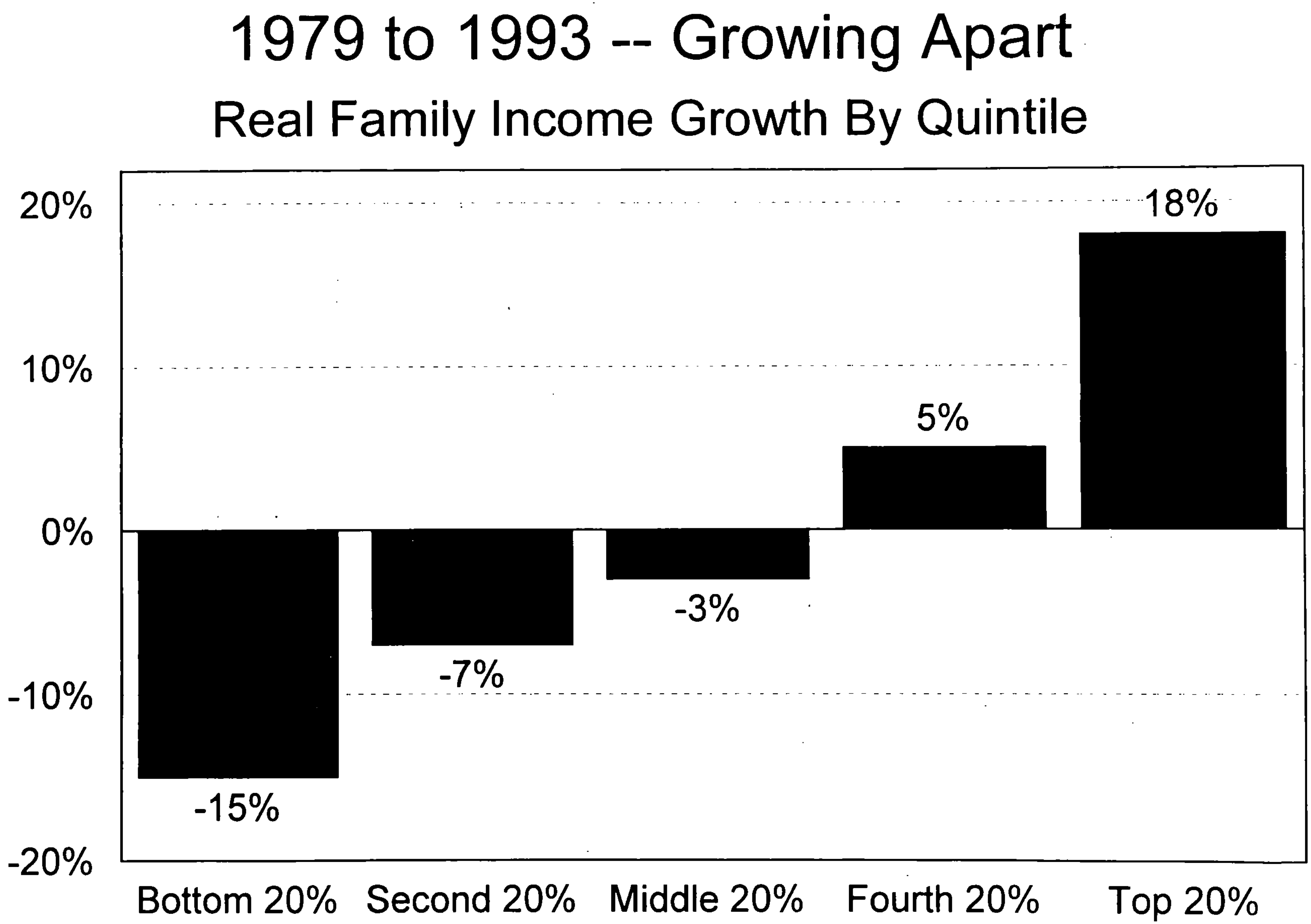
1950 to 1978 -- Growing Together

Real Family Income Growth By Quintile



SOURCE: Bureau of the Census, Department of Commerce. All data converted to 1993 dollars.

CHART 1B



SOURCE: Bureau of the Census, Department of Commerce. All data converted to 1993 dollars.

D. GOING FORWARD

I. CONTINUED DEFICIT REDUCTION

The President's 5-year economic plan passed in 1993 is currently projected to reduce the deficit by $616 billion. In the President's FY1996 budget, he proposed $144 in additional savings, with $81 billion for additional deficit reduction. The FY1996 budget also eliminated or consolidated over 400 programs. As a result, under the President's new plan, the deficit as a percentage of our economy would be reduced from 4.9% in FY1992 to 2.1% in FY2000 and then to 1.5% by the year 2005. (See chart.) *If not for the interest being paid on debt created during the 12 years before President Clinton took office, his 1996 budget would not only be balanced--it would be in surplus.* And the President is committed to working with the current Congress to bring down the deficit further in the context of serious health care reform.

II. CONTINUED INVESTMENT IN EDUCATION, CHILDREN AND TECHNOLOGY

Like his earlier budgets, the President's 1996 budget combines deficit reduction with continued investment in areas that are essential to long-term economic growth. These investments include key technology initiatives, environmental initiatives, and community empowerment proposals such as Community Development Financial Institutions and Empowerment Zones. The heart of the President's strategy is a comprehensive effort to invest in the skills and education of our people throughout their lives. The President is fighting not only to protect but to expand a number of investments in people, including the following:

- **WIC TO BE FULLY FUNDED:** By enabling parents and young children to get the nutrition they need, WIC saves money and saves lives. WIC was put on a full-funding path, and funding is projected to increase by $960 million from 1993 to 1996 -- a 34% gain. The new funding has already enabled WIC to enroll an additional 1 million women, infants, and children since 1993.

- **HEAD START FUNDING WILL INCREASE BY 42%:** Head Start funding is projected to go up from $2.77 billion in FY1993 to $3.94 billion in FY1996. The new funding will enable over 130,000 more children to enroll in 1995 than in 1992, while also moving many students from part-time to full-time enrollment and improving program quality.

- **K-12 EDUCATION IMPROVED BY GOALS 2000:** The Goals 2000 bill codifies the National Education Goals and offers grants to schools and states that commit themselves to specific plans for systemic reform of K-12 education. Already, 47 states and thousands of schools are uniting parents, teachers, and principals in bottom-up reform efforts. Authorized funding for Goals 2000 in FY1996 is $750 million.

• **INCREASED FUNDING FOR DISADVANTAGED STUDENTS**: Funding under Title 1 of the Elementary and Secondary Education Act is expected to increase from $6.7 billion in FY1993 to $7.4 billion for FY1996. Title 1 provides assistance to local school districts to help disadvantaged students.

• **COLLEGE MADE MORE AFFORDABLE:** Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. When fully phased in, approximately 20 million borrowers will be eligible to pay for their education through direct lending. Some of these borrowers will benefit from lower interest rates, and all will benefit from a greater range of repayment options, including pay-as-you-can repayment. And the new student loan program will save taxpayers over $6 billion over five years.

• **HISTORIC NATIONAL SERVICE PROGRAM CREATED:** This year, 20,000 AmeriCorps Members are tutoring students, immunizing children, reclaiming parks, and patrolling streets--and earning education awards in return to pay for college or job training. AmeriCorps Members work inside community organizations, improving neighborhoods from the bottom up. AmeriCorps is scheduled to grow to 34,000 members in 1995, and over its first three years, 100,000 Americans will serve our country through AmeriCorps.

• **SCHOOL-TO-WORK PROGRAM WILL HELP STUDENTS GET JOBS:** President Clinton signed into law the School-to-Work Opportunities Act, a crucial element of the Administration's lifelong learning agenda. With this landmark legislation, the federal government will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, 28 states have received funds for implementing their school-to-work programs--with all other states receiving planning grants. Funding has increased from $50 million to $400 million in 1994.

III. THE MIDDLE CLASS BILL OF RIGHTS

On December 15, 1994, President Clinton proposed a Middle Class Bill of Rights -- his plan to ensure that *all* Americans share the benefits from an expanding economy now and in the future.

Three general features of the plan are most striking. First, it is tightly targeted at the middle class families who need help most. About 85 percent of the tax benefits will go to families that earn less than $100,000 per year. Second, the President's proposal invests in those who are investing in our future: getting an education, buying a home, raising a family. Third, every penny of the Middle Class Bill of Rights if fully paid for by spending cuts--with billions left over for deficit reduction.

The "Middle Class Bill of Rights" has four components:

- **$10,000 Education Tax Deduction:** Americans can deduct from their taxable income the money they spend on post-secondary education for themselves or their families. Once the policy is fully implemented, up to $10,000 of education spending will be deductible each year. Taxpayers would not have to itemize their deductions to get the education and training deduction. To focus the tax cut on the middle class, deductibility is gradually phased out over the income range of $100,000 to $120,000 for a couple filing jointly, and between $70,000 and $90,000 for individuals.

- **$500 Child Tax Credit:** A $500 non-refundable tax credit will be allowed for each child under the age of 13. This tax credit will be available to any family whose income is less than $75,000 -- the families with young and growing children.

- **An Expansion of IRAs:** The IRA proposal would expand the availability of deductible IRAs to all middle income families. Working Americans with family incomes under $100,000 would be able to put $2,000 tax free into an IRA account and then be able to withdraw that money tax free -- without penalty -- for education, medical expenses, or a purchase of a first home.

- **G.I. Bill for American Workers:** This proposal takes nearly 70 different training programs and consolidates them into one program that directly empowers workers with skill grants and vouchers of $2,620 per year for up to 2 years. 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. This proposal centers on accountability and strong consumer information which should weed out bad programs and reward those programs that successfully help workers get the skills they need for new and better jobs.

A. EDUCATION AND TRAINING TAX DEDUCTION

HELP MIDDLE-CLASS AMERICANS GET THE SKILLS THEY NEED

The President proposes making tuition for college, community college, technical school, graduate school and job-training fully deductible up to $10,000. The deduction will be fully available to families earning up to $100,000, and phased out at $120,000.

BROADEN OUR MIDDLE CLASS AND NARROW THE GAPS BETWEEN US

Each year of college or job training beyond high school increases average future earnings by 6 to 12 percent. And while workers with the right skills have seen their incomes rise over the last 15 years, paychecks for everyone else have declined.

STOP RISING TUITION FROM CRUSHING MIDDLE-CLASS FAMILIES

Wealthy students can afford higher education and lower-income students receive financial aid. The middle-class gets squeezed as college costs rise. Between 1981 and 1991, average college tuition rose more than 130 percent -- compared to about 50 percent inflation over that period.

OFFER AN INCENTIVE FOR EDUCATION SIMILAR TO BUSINESS INVESTMENT

The tax code already encourages business investments. It's time to create the same incentive for families to make the best investment they can make: education.

MILLIONS OF WORKING FAMILIES WOULD GET TAX RELIEF

Twelve million students would benefit from the deduction, over 80 percent of them with incomes less than $75,000.

FAMILIES DON'T NEED TO ITEMIZE TO GET THE DEDUCTION

The deduction will be "above the line" -- allowed in determining adjusted gross income-- so middle-class families that don't itemize will still get the tax break.

TAX BREAKS WON'T TRIGGER TUITION INCREASES

Little evidence links higher federal aid with higher tuitions: in the 1980s, education aid virtually froze while tuitions jumped; in the last two years, President Clinton expanded student aid and tuition increases slowed. With 7,500 schools competing for students today, schools that try to cash in by raising tuition will lose students -- and money.

PART OF THE PRESIDENT'S COMMITMENT TO EXPAND CHOICE AND ACCESS

The President is already implementing Individual Education Accounts to make more affordable student loans available to every American and save taxpayers billions of dollars. Convenient "pay-as-you-can" options enable individuals to repay the investment as their earnings permit. In addition, the President is proposing to raise Pell Grants to $2600 and extend Skill Grants to laid-off and low-wage workers who usually can't take full advantage of the education and training tax deduction.

An Example of How A Working American Family Will Benefit from the Education and Training Deduction

A four-person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit in the following way from the education and training deduction.

This family has two children who are in college and they have $10,000 in education expenses. When the tax cut is fully phased in, the family would get a $1,500 tax cut since they are in the 15% tax bracket. This would lower their income tax liability by 31 percent.

Current Law	Fully Phased In Tax	Tax Reduction	% Reduction
$4,875	$3,375	$1,500	31%

B. $500 CHILD TAX CREDIT

GIVE TAX RELIEF TO MIDDLE-CLASS FAMILIES

President Clinton wants to give a $500 tax credit to families for each child under age 13. The credit will be fully available to families earning up to $60,000 and phased out at $75,000.

HELP RESTORE THE AMERICAN DREAM

Middle class families who work hard and play by the rules aren't getting ahead; they're getting squeezed. The median family earned essentially the same in 1993 than in 1973.

THE COSTS OF RAISING CHILDREN CONTINUE TO RISE

For middle-class families, the costs of health care and education are rising faster than inflation. In 1990, the average middle-income family with children in daycare or afterschool care spent $3,000 on day care alone.

RESTORE FAMILIES' ERODED PERSONAL EXEMPTION

In 1950, the personal exemption was worth $3,800 in 1995 dollars. Today, it's just $2,500 -- a 34 percent decline. President Clinton wants to restore the value of the personal exemption for the people who need it most -- families with young children.

FOCUS RELIEF ON THE MIDDLE CLASS, NOT THE WEALTHY

President Clinton gives tax relief to families with incomes below $75,000--the middle class that's been hurt the last 15 years. In contrast, the proposal approved by the House Ways and Means Committee offers a child tax credit to families with incomes up to $250,000 -- including some of the wealthiest 1 percent of Americans.

TARGET RELIEF WHERE WORKING FAMILIES NEED IT MOST

The tax credit goes to the families with the greatest needs, those with children under 13 who may require child care or afterschool care. For families with older children, President Clinton has proposed a tax deduction for education expenses up to $10,000. And for families earning less than $28,500, he has already expanded the Earned Income Tax Credit -- offering an average tax cut of $1,000 to 15 million families.

An Example of How A Working American Family Will Benefit from the Child Tax Credit

A four-person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit in the following way from the Child Tax Credit.

This family has two children under the age of 13 and therefore receives two child tax credits. When fully phased in, this will be worth $1,000 and would reduce the family's federal income tax liability by 21 percent.

Current Law	Fully Phased-In Tax	Tax Reduction	% Reduction
$4,875	$3,875	$1,000	21%

C. EXPANSION OF IRAs

HELP WORKING AMERICANS SAVE FOR THEIR FUTURE

The President's proposal would enable more middle-class families to save in two ways:

- First, he would **double the income thresholds for tax deductible IRAs**: eligibility would now be phased out for couples with incomes between $80,000 and $100,000.
- Second, President Clinton would **allow Americans to withdraw money from IRAs without penalty to pay for education and training, a first home, or medical expenses.**

EXPANDING IRAs WILL INCREASE PRIVATE SAVINGS

Private savings are key to creating good jobs and raising incomes in the long-run. Yet our private savings rate has declined from 8.1 percent of GDP in the 1970s to 5.1 percent in the 1990s. Several empirical studies have shown that expanded IRAs can increase private savings--and the President's proposal will do so in three ways:

- **Dramatically increase the number of families eligible for tax-free IRAs**, enabling middle-income families now putting away less than they'd like to save more, tax-free.
- **Giving families more incentives to save** by allowing them to use savings for purposes other than retirement, like paying for education or buying a home.
- **Increasing awareness of IRAs**, because as more people are eligible for IRAs, banks will promote them more, and more people will decide to save.

ANOTHER WAY TO HELP AMERICANS PAY FOR COLLEGE OR JOB TRAINING

Middle-class Americans will be able to use IRAs to pay for education without penalty. Together with the education tax break and the G.I. Bill for Workers, it's another way that President Clinton is helping Americans to invest in their future.

HELP A FAMILY BUY A HOME

Families will now be able to save tax-free in an IRA and then use the money without penalty to buy a first home--or help a child buy one.

MORE CHOICES FOR MIDDLE-CLASS FAMILIES

The President's plan allows families to take the tax breaks from IRAs either when they deposit money or when they withdraw it. And President Clinton allows withdrawals without penalty for more reasons -- such as care of an elderly parent or unemployment.

TAX RELIEF TARGETED AT THE MIDDLE CLASS, NOT THE WEALTHIEST

President Clinton's proposal is targeted at those who have seen their incomes stagnate over the last 15 years -- middle-class families with incomes under $100,000. (The "Contract with America" offers them fewer options but offers a costly tax break to people earning as much as $250,000 -- people who are already saving.)

An Example of How A Working American Family Will Benefit from Expansion of IRAs

A four-person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit in the following way from the expansion of IRAs.

The family has two children who are over the age of 12 and are not in college. If they only wanted to save for their children's education, each working parent could put $2,000 in their IRA to save for their children's college and save $600 in taxes for a 12 percent reduction of their tax liability.

Current Law	Fully Phased In Tax	Tax Reduction	% Reduction
$4,875	$4,275	$600	12%

D. G.I. BILL OF RIGHTS FOR WORKERS

FROM FEEDING BUREAUCRACIES TO EMPOWERING INDIVIDUALS

- **Collapse some 70 Federal programs** for education and job training
- **Put the power to learn in workers' hands**-- offering low-income and unemployed workers Skill Grants for education and training up to $2,620 per year, and Individual Education Accounts to get low-cost loans and repay them on a flexible schedule.

EMPOWERING WORKERS DIRECTLY

Instead of just shifting money from a federal bureaucracy to a state bureaucracy, the President consolidates programs and empowers workers directly with Skill Grants -- so they can choose the quality training and education they want, where and when they want it.

LEANER GOVERNMENT

The current maze of job training programs wastes money and doesn't get the job done. The President will replace some 70 separate programs with one integrated system.

STATE FLEXIBILITY

The President's proposal enables states to work with communities, schools, and the private sector to tailor information systems, job search assistance, and on-the-job training to meet local goals. Most federal rules dictating procedures will be wiped out.

GOOD INFORMATION TO GUIDE GOOD CHOICES

The proposal encourages states and the private sector to develop a system of One-Stop Career Centers or other information networks where workers get access to real job search help and reliable information on jobs and the records of training institutions.

ACCOUNTABILITY

For the first time, training programs will have to pass the same test as the private sector: meet your customers' needs or lose business. Choice, competition, and good information will empower individuals to pick providers who deliver. And performance standards for training providers will cut off the frauds and the incompetents.

PRIVATE SECTOR PARTNERSHIP

The President's proposal isn't about government. It's about jobs, so the private sector has a central role. Business and labor will be full partners in designing new systems so that workers and education providers know what skills employers will pay for. New awards will recognize excellence in creating workplaces that reward worker skills.

PATHS FROM SCHOOL TO WORK FOR YOUNG PEOPLE

This initiative will fold federal training programs for young people into the school-to-work movement underway at the state and local level. Young people can look forward to clearer paths to new skills and better jobs.

HELPING WORKING AMERICANS: AN EXAMPLE

When a worker is laid off, he becomes eligible for a Skill Grant. He can go to a One-Stop Career Center to learn about the community college and job training programs nearby and study their success records in detail. Then he can choose the program with the best placement record in a field that interests him, and use the Skill Grant to pay for it. The worker will learn a new trade, and at the end of the program, receive job search assistance with area employers.

2. REINVENTING GOVERNMENT

Actions to Date

President Clinton has promised a revolution in government--to reduce the federal government by 100,000 jobs, eliminate wasteful spending and make government more accountable to the American people. Under the leadership of President Clinton and Vice President Gore, the Administration is already making government **work better and cost less.** The Administration:

- Has already cut over **100,000** federal jobs. In less than five years, the federal government civilian workforce will drop by at least **272,900** -- the smallest it's been since the Kennedy Administration (See Chart 2-A on following page).

- Has saved **$63 billion**.

- Is cutting an additional **$76 billion** by eliminating obsolete federal programs, letting states or private businesses take over programs they can operate better, and by not increasing current spending levels.

- Has cut through reams of red tape like reducing the 2-inch thick Small Business Administration's loan application to only 2 pages.

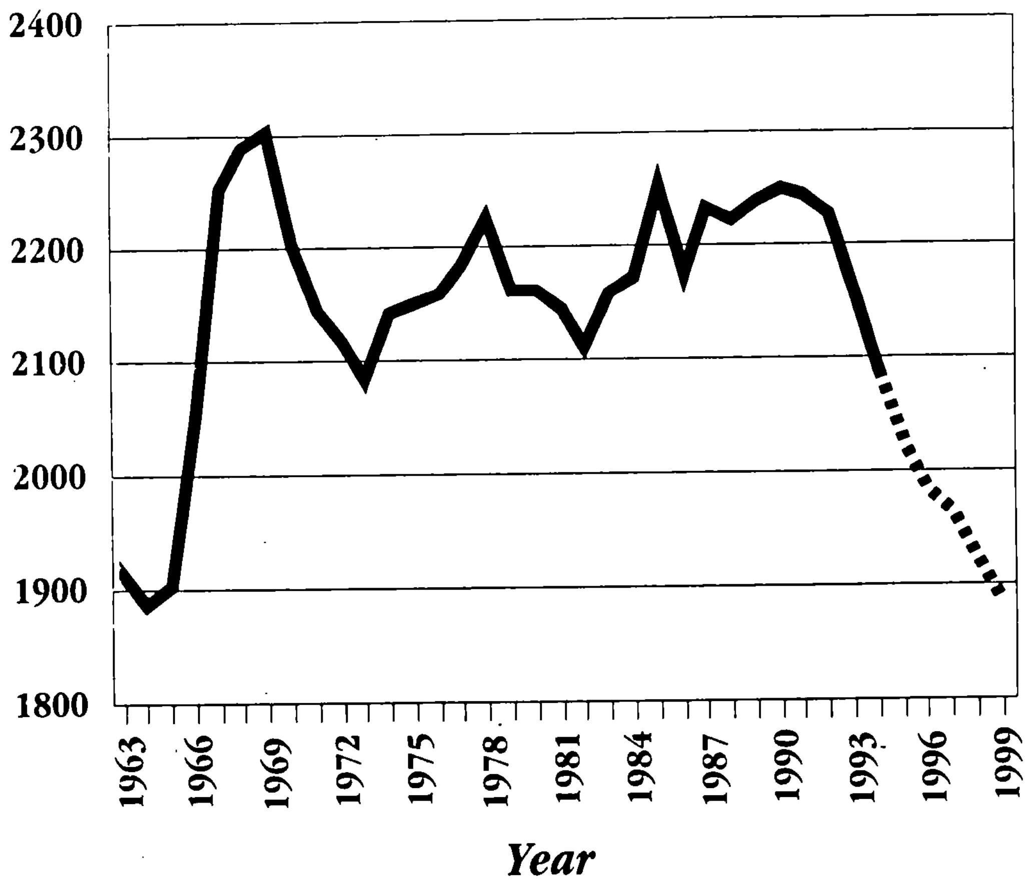
- Is streamlining organizations, including closing **1,200** U.S. Department of Agriculture field offices and eliminating over 30 customs management offices and reassigning 1,400 people from administrative jobs to serving customers on the front lines.

CHART 2A

Executive Branch Civilian Federal Employment

(In thousands)

NATIONAL PERFORMANCE REVIEW AL GORE Vice President of the United States



Background

Many have talked about reforming government in the past. When President Clinton and Vice President Gore arrived in Washington, the federal government had plenty of reports on reform just gathering dust on the shelves.

President Clinton changed all that by putting Vice President Al Gore in charge. When Herbert Hoover finished the Hoover Commission report in 1955, he went back to Stanford. When Peter Grace finished the Grace Commission report in 1983, he went back to New York City. But when Al Gore finished his report, he went back to his office and got to work turning the recommendations into reality.

The Initiative: Phase I

The driving question for the first phase of Reinventing Government was "**how can government work better and cost less**?" Beginning in March 1993, the Vice President led an intensive 6-month review of federal government structures and procedures called the National Performance Review (NPR). The Report, issued in September 1993, was a challenge to the entire federal government and a promise of something better for the government's customers -- the American people.

Realizing that the problems with the federal government stemmed from the archaic systems which had developed over the years, Vice President Gore asked the people who knew best what was wrong with the way government worked -- career civil servants -- to lead the revolution to reinvent government.

The four main principles were simple:

- **Put customers first** -- change government's culture by focusing on what matters to the people it serves;
- **Empower employees** to get results -- remove layers of oversight, give front-line employees not only responsibility, but also accountability, for results;
- **Cut red tape** -- eliminate unnecessary paperwork, procedures, and requirements for

the federal government, its state and local partners, and its customers; and

- **Cut government** back to basics -- eliminate obsolete and duplicate programs and functions, and reengineer what's left.

The NPR report was well-received. Max DePree, author of the popular Leadership Is An Art, called it "the best book on management available in America."

What follows is a sampling of accomplishments in Reinventing Government, Phase I. Some are great and some are small. All show our commitment to making government work for people again.

A GOVERNMENT THAT WORKS BETTER AND COSTS LESS

Government has started working better. Over 90 percent of the NPR's proposals have moved forward -- implemented by a Presidential Executive Order or by agency action or proposed in legislation.

We have focused on improving the performance of federal programs to ensure that they achieve **real results** like cleaner air and fewer teen pregnancies, rather than just spending taxpayer dollars. **For the first time, federal agencies have asked customers what they want and set more than 1,500 customer service standards.**

HISTORIC CUTS IN THE FEDERAL WORKFORCE

President Clinton is streamlining federal agencies and cutting management layers and excessive controls **as he shrinks the federal workforce to its smallest size since John F. Kennedy was President.**

FEMA

> *"FEMA, the Federal Emergency Management Agency, has gone from being a disaster to helping people in disasters."*
>
> President Clinton, January 24, 1995

After Hurricane Andrew in 1992, FEMA was criticized for waiting too long to act and for making inaccurate damage assessments. The immediate needs of victims, as well as the need of the general public for a competent presence in the midst of the destruction, went largely unmet.

But under this Administration, FEMA has completely turned around. Ask the farmers in the midwest who fought the flood there or the people in California who have dealt with floods and earthquakes and fires, and they'll tell you that the Administration has reinvented FEMA. Government workers working hand in hand with private business rebuilt Southern California's fractured freeways in record time and under budget. And because the federal government moved fast, **all but one of the 650 schools damaged in the January 1994 earthquake are back in business.**

FEMA eliminated two layers of organization, cutting supervisors by 34 percent, and is now organized around functions. Everyone works when disaster strikes. For example, 48 days after Hurricane Hugo in 1989, FEMA had registered 55,228 disaster victims and checked 8,418 housing units. But **45 days after the 1994 Los Angeles earthquake, FEMA had registered 392,992 disaster victims and checked 124,848 housing units.**

SOCIAL SECURITY ADMINISTRATION

"Putting people first means ensuring that the Federal Government provides the highest quality service possible to the American people."

President Bill Clinton
Executive Order 12862
Setting Customer Service Standards
September 11, 1993

The Social Security Administration has become an independent agency under a bill that President Clinton signed and is putting the highest premium possible on customer service. As one indication of SSA's commitment to customer service, the agency conducted a nationwide series of customer focus groups and surveyed 10,000 customers in person or by phone and another 22,000 by mail.

SSA's reengineering efforts are intended to improve the processing of its major workloads. The agency's initial effort focuses on disability claims processing. The average disability claim passes through the hands of 26 workers over 150 days. Many claims are rejected and then reconsidered, involving more people, more processing and more time. By the end of the full appeal process, the average claim is handled by 43 employees over a span of 700 days.

SSA's goal in redesigning the disability claims process is to give initial decisions within 60 days and reduce the time for appeals decisions, if necessary, by nearly 60%.

Suppose the social security check that you need to pay your rent doesn't come the day you expect it. As things stand now, you call the Social Security Administration and set in motion one of those systems that was designed to please somebody other than you. First, the agency notifies Treasury to stop payment on the first check. You begin waiting. Meanwhile, Treasury searches its records to see whether the check has been cashed. You keep waiting. If you're lucky, and it has not been cashed, Treasury mails you another check. Total waiting time for you and your landlord: two to three weeks. If you're unlucky, and the missing check has been cashed, you'll wait an additional six weeks.

We have cut four days off the time to reissue an uncashed check. In cases where checks have been cashed, Treasury is working to get the added six weeks pared down to one week.

And before President Clinton took office, millions of people did not receive their Social Security cards within 5 days. Now they do.

Ultimately, the best way for customers to avoid all the problems associated with paper checks is to get benefit payments electronically through the government's direct deposit program; it's much faster and safer. Plans are underway for a nationwide system to deliver other government benefits such as food stamps directly. An electronic benefits card can eliminate paperwork and deliver services more quickly, cheaply, and accurately, with less fraud. The program will produce federal savings of **$195 million a year** once in operation, and **31 million people in 12 major state and federal programs will benefit.**

DEPARTMENT OF DEFENSE

"I think I might rather eat a cake that FAILED that particular test."

Vice President Al Gore

The Defense Department is aggressively eliminating ridiculous military specifications such as this one:

CAKE MIX

4.6.3 Breaks and cracks. *Bake as in 4.6.1*

a. Cool the cake in the pan for 2 hours at room temperature 69 degrees F + 5 degrees F and a relative humidity of 50 + 5 percent.

b. Space two 4 inch diameter cylinders (for example, two flat-topped metal cans) 6-1/2 inches apart at the closest point.

c. Place the cake (with pan and liner re-

moved) with the flat side down equally on the two cylinders.

d. *Examine after 2 minutes for breaks and cracks.*

The Pentagon decided to reinvent the cake mix with a method used widely in homes across America -- TASTE the cake! If you like it, great. If you don't, get another cake mix. The Pentagon scrapped all military specifications for mess hall food and is buying real food.

U.S. CUSTOMS SERVICE

The Customs Service often took hours, even days, to move fresh flowers and fruit and other perishable cargo through its port in Miami. Viewing shippers as its customers, Customs worked with other agencies (e.g., the Immigration and Naturalization Service, the Food and Drug Administration, and the Fish and Wildlife Service) to find ways to move cargo more quickly, constantly asking the airlines and other customers how they wanted the system to work. By relying on electronic filings of shipping documents, Customs discovered how to please shippers and regulators simultaneously. Now, Customs pre-approves most cargo before it reaches Miami, permitting agents to focus on inspecting higher-risk shipments, like illegal drugs.

GIVING STATES AND LOCALITIES MORE FLEXIBILITY

Moving towards a new partnership with states and localities, the Clinton Administration has made extensive use of waivers to provide states and localities flexibility in managing existing programs, especially in health services and welfare. President Clinton has given 25 states the right to slash through federal regulations to reform their welfare systems. He has also been involved in an ongoing effort to consolidate planning requirements for 199 federal programs targeted to children and families in the states and local jurisdictions of Indiana and West Virginia.

In December 1994, the Administration designated 104 community empowerment zones and enterprise communities. The Community Empowerment Initiative is an experiment in community-based decision making with the federal government as a partner to help communities meet their needs.

Case Study: The Oregon Option

In Oregon, we are creating a new partnership based on an outcomes-oriented approach to intergovernmental service delivery. In December, Oregon's governor and numerous mayors signed an agreement with Vice President Gore and several federal agencies to pilot a redesigned system that will be:

- based on results;
- oriented to customer needs and satisfaction;
- biased toward prevention of problems, not remediation; and
- simplified and integrated -- delegating responsibilities to front-line, local level providers.

THE PROCUREMENT PROCESS

Too often the procurement process ties people in knots. For example, during Operation Desert Storm, the Air Force needed better communication among its units. The Air Force found just the right procedure in Motorola's commercial radio, and they ordered 6,000 of them. But Motorola lacked the record-keeping systems required by the procurement rules to show the Pentagon that it was getting the lowest available price. (Never mind that the price could be easily checked on the commercial market.) To circumvent the problem, the government had to persuade the Japanese government to buy the radios and donate them back to the Air Force.

The system made no sense. Early in the Administration's efforts to implement NPR, President Clinton revolutionized the federal procurement process with the stroke of a pen, signing a memorandum through which the executive branch will implement a government-wide electronic commerce acquisition system. A year later, the President signed into law the Procurement Reform bill, reinventing the federal government's procurement system.

The Department of Defense, which spends 75 percent of the government's procurement budget, jumped at the new opportunity. Defense Secretary Perry ordered the Pentagon to reduce reliance on military specifications. In a move that will **save billions of dollars**, Perry directed the department to allow contractors to make greater use of commercial items in the equipment they sell the government. Freed from the burdensome "mil specs," more contractors will seek defense work and competition means better quality and prices.

All aspects of procurement -- ordering, invoices, payment, and so on -- will change from a paper-based to an electronic system for small purchasers. It will cut costs and present a host of opportunities for small business to bid on business from the government. It also will **cut the time for many purchases from three weeks to three minutes.**

ENDING YESTERDAY'S GOVERNMENT SUBSIDIES

Wool and Mohair

During World War II and the Korean conflict, the United States imported half the wool required for military uniforms. Determined to reduce dependence on foreign fibers and to insulate American producers from foreign competition, Congress declared wool a strategic material and enacted the National Wool Act in 1954. The Act was designed to increase domestic production of wool by providing direct payments to farmers based on a percentage of their market sales. In other words, the more wool farmers produced, the more federal funding they received. About one-third of the payments went to ranchers who raised Angora goats for mohair. Although mohair never had strategic value, it was included in the 1954 Act as an offshoot of the wool industry.

Wool was removed from the Pentagon's strategic materials list in 1960. However, the Act remained in effect until the Clinton Administration ended it, **saving an estimated $923 million over a four-year period.**

Honey

Until the Clinton Administration ended it, the federal government supported honey production since 1950. The program was enacted after honey prices dropped following World War II because of reduced demand and excess inventories. During the war, the government declared beekeeping war-essential and encouraged heavy production. Beeswax was used in place of petroleum to waterproof ammunition and other equipment, and honey replaced tightly rationed sugar. After the war when demand decreased, Congress introduced price supports for honey in the Agricultural Act of 1949. The purpose of the legislation was to ensure that enough honeybees would be available for crop pollination.

The market overcame the original need for the program, and by eliminating the program we are saving about $15 million over a four year period.

The Initiative - Phase II

"We are sticking to the principles we used in the first National Performance Review - principles that underpin America's most innovative and successful private companies: put customers first, cut red tape, delegate authority and cut back to basics. And we are going to make government work better and DO less. We are going to trade interference for opportunity and make it possible for middle-class Americans to have the break they've earned to raise a family, educate their children and get ahead in life."

Vice President Al Gore

The purpose of the second phase of Reinventing Government is to answer the question, "what should the federal government be doing?" The goal is a smaller federal government that helps communities solve their own problems and delivers quality services so that Americans know they are receiving value for their tax dollar.

How will we know when this effort is successful? We will know when there are fewer decisions being made by the federal government that can best be made elsewhere, and when customers of the federal government see substantial improvements in services. And when we move from a process where lawyers and bureaucrats write volumes of regulations to one where people work in partnership to issue sensible regulations that impose the least burden without sacrificing rational and necessary protections.

REGULATORY REFORM

"I believe we can bring back common sense and reduce hassle without stripping away safeguards for our children, our workers, our families."

President Clinton
Remarks at Regulatory Reform Event
February 21, 1995

"Everyone wants reform. This administration is the first to take it seriously and make it work."

Philip Howard
Author, The Death of Common Sense
February 21, 1995

In February 1995, President Clinton announced sweeping changes in the federal regulatory process with specific instructions to federal regulators:

First: Cut Obsolete Regulations

President Clinton ordered regulators to conduct a page-by-page review of all agency regulations and eliminate or revise those that were outdated or in need of reform. A list of eliminated or modified regulations will be delivered to the President by June 1, 1995.

Second: Reward Results, Not Red Tape

The President directed the agencies to change the way they measure the performance of the agency and the frontline regulators in order to focus on results, not process and punishment. By June 1, agencies must eliminate all personnel performance measures based on process (number of visits made, etc.) and punishment (number of violations found, amount of fines levied, etc.).

Third: Create Grassroots Partnerships Outside of Washington

President Clinton directed agency directors to convene groups of frontline regulators and the people affected by their regulations around the nation -- at our cleanup sites, our factories and our ports.

Fourth: Negotiate, Don't Dictate

The President directed regulators to substantially expand efforts to promote consensual rulemaking instead of the traditional rulemaking that has dominated the regulatory arena. By March 30, regulators must submit to the President a list of upcoming rulemakings that can be converted into negotiated rulemakings.

To highlight the Administration's regulatory reform efforts, the President visited Custom Printers, a small print shop in Northern Virginia, where he announced the first in a series of government-wide reforms to cut red tape and reduce the regulatory burden on American businesses, especially small businesses.

President Clinton unveiled a landmark package of 25 environmental reforms and announced a government-wide policy that allows regulators to waive fines where small businesses have acted in good faith, but violated the rules. He also announced a set of reforms that will make high-quality drugs and medical devices available to consumers more quickly and cheaply.

The regulatory reform process will continue as the Administration continues to throw out yesterday's regulations without sacrificing real protection for our citizens.

REINVENTING FEDERAL AGENCIES - Phase II

President Clinton and Vice President Gore are examining the basic missions of government to find and eliminate things that don't need to be done by the federal government and sort out how best to do the things the federal government should continue to do. Agency teams are using this chart to determine whether their programs should be eliminated, consolidated, privatized or given to state and local governments. (See Chart 2B on following page).

After President Clinton said, "We have to change yesterday's government and make it work for the America of today and tomorrow," The President got some quick results from agencies on the leading edge of our government revolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

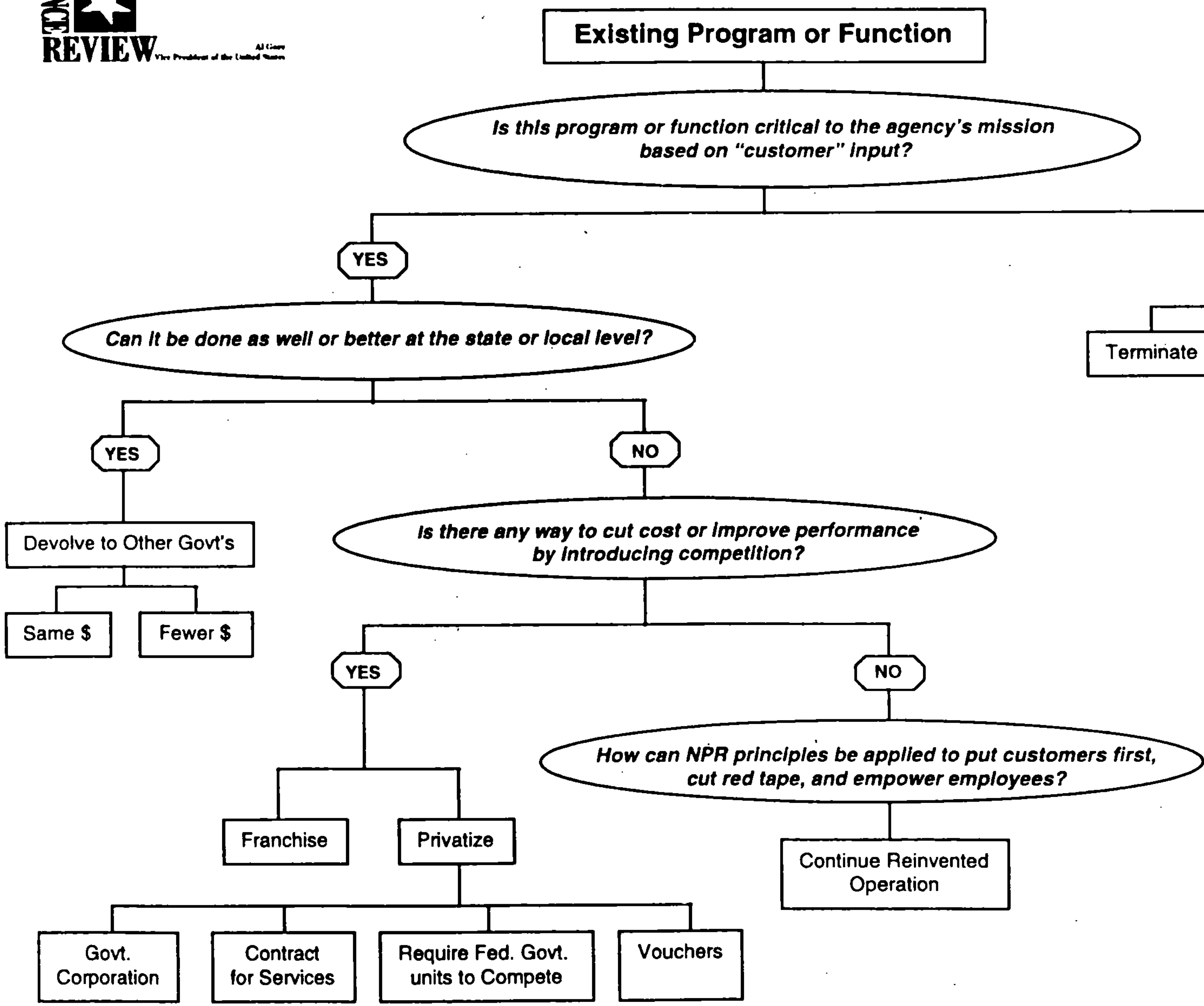
The housing needs of low- and moderate-income families have worsened in the past decade and a half. Our cities have increasingly become enclaves of the poorest of the poor. Violence and drugs, homelessness and AIDS have ravaged inner city neighborhoods. Decades of efforts to solve urban America's problems of poverty and lack of affordable housing have created layers of programs, regulations and bureaucracies that shifted the focus away from people to projects. The President has called for a radical transformation of HUD, giving back responsibility to cities and states, empowering people and eliminating the layers. To do this, the President will:

1. Transform public housing. Federal assistance will no longer go to public housing projects, but instead will go directly to people, particularly those who work or are making meaningful efforts to become employed. And President Clinton will end the monopoly of public housing agencies. They will have to compete for tenants like others in the marketplace. Current residents of public housing and privately owned assisted housing projects will get certificates and the freedom to move to use these certificates to help pay rent in the private market if they wish.

2. Consolidate 60 major HUD programs into three performance-based funds - a Community Opportunity Fund, an Affordable Housing Fund, and Housing Certificates for Families and Individuals, to provide flexible resources to mayors and governors for critical housing and economic development activities in their communities. The consolidation will sweep away the clutter of separate application processes, rules and regulations that has accumulated at HUD over the past 30 years, as programs were piled on top of programs. And it will free cities and states to solve their housing and community development problems in their own ways.

NATIONAL PERFORMANCE REVIEW

Sample Decision Tree for Analyzing Agency Programs



Best chances for introducing competition

- **Similar services available commercially**; e.g., food service, scientific research
- **Rapidly changing technology**; e.g., information technology
- **Services paid directly by customers**; e.g., Alaskan Power, air traffic control
- **Multiple federal locations**; e.g., six shipyards, six IRS revenue centers
- **Strictly internal services**; e.g. travel, payroll

CHART 2B

3. Reinvigorate the Federal Housing Authority (FHA), creating new flexibility as a government-owned corporation. The new entrepreneurial FHA will work with private enterprise and non-profit organizations to expand homeownership opportunities to low-and moderate-income Americans, and provide decent, affordable housing to low-income renters.

ELIMINATING THE INTERSTATE COMMERCE COMMISSION (ICC)

For a more efficient government that is out of areas where it doesn't belong, we must eliminate governmental functions that are no longer needed and streamline those that are essential.

The Interstate Commerce Commission is a relic of nineteenth century government, created to address nineteenth century problems. In the mid and late 1800's, railroads' monopoly and arrogance earned their owners the label of "robber barons." The creation of the ICC was the result.

Circumstances have dramatically changed. In 1885, railroads had twice the level of revenues as the federal government. Today, the federal government takes in almost 30 times more revenue than the nation's railroads. The most significant changes occurred fifteen years ago with the enactment of broad deregulatory legislation. It is now time to write the final chapter on deregulation. President Clinton is recommending the elimination of the ICC. Those functions for which there is a need will be transferred to other federal agencies.

During the 1887 debate on the Interstate Commerce Act, Congressman Crisp, the champion of the creation of the Interstate Commerce Commission, stated: "I maintain, sir, that the railroad business, or the business of transportation, is no exception in one respect from any other business, and that is, ... it is to the interest of the public to have competition." That principle applies no less forcefully today than it did 108 years ago.

THE DEPARTMENT OF ENERGY

The Energy Department owns and operates one of the largest oil fields in the United States - the Naval Petroleum Reserve. During World War I the Navy changed the fuel for our battleships from coal to oil and decided it needed its own oil field to fuel the battleships if we ran out of oil from all other fields. We no longer need that oil to fuel these battleships, so the federal government is getting out of that business. By letting the private sector operate the oil field, taxpayers will get a more efficient product at less cost.

The Department of Energy will save taxpayers over $14 billion by privatizing the Naval Petroleum Reserve and four Power Marketing Administrations, making government contractors more accountable, consolidating research facilities and programs, and implementing other streamlining activities.

TRANSPORTATION--AIR TRAFFIC CONTROL

A reinvented government should not perform functions government doesn't do best. The core federal role in aviation is regulating safety and encouraging infrastructure investment. The day-to-day operations of the air traffic control system need not be part of this direct federal role.

The Administration is proposing to transfer the FAA's air traffic control services to a wholly-owned government Air Traffic Services Corporation. The corporation will not be subject to federal procurement, personnel and budget restrictions, so it will have the flexibility to speed modernization of the air traffic system and improve its operating efficiency.

GENERAL SERVICES ADMINISTRATION

The General Services Administration was created in 1949 to help agencies perform administrative services cost-effectively and to provide selected administrative services directly to departments and agencies, taking advantage of economies of scale and avoiding duplication. But the government has grown in size and complexity in the post-World War II period and agencies, particularly the larger ones, now provide for themselves most of the services that GSA offers. Assumptions about economies of scale and the cost-effectiveness of traditional means of providing goods and services must be challenged and tested in the current marketplace.

GSA will be transformed into the policy and oversight organization for government-wide administrative services, except personnel. This will increase agencies' accountability for results, encourage innovation and better government-wide planning and assure responsible asset management. The agency will examine its service functions and ask: "Why can't this service be provided more effectively by the private sector?" If government must do it, the question will be: "Why should it be done centrally; why can't other agencies do it just as well?"

PERFORMANCE PARTNERSHIPS

The Clinton Administration is reinventing relationships with states and local governments by consolidating funding and eliminating overlapping authorities, creating funding incentives to reward desirable results and reducing wasteful paperwork. It's time to focus on outcomes. President Clinton and Vice President Gore are proposing performance partnerships with states and localities that will empower communities to make their own decisions about how to address their needs and make them accountable for results. In addition to the HUD performance partnership discussed above, the Administration's job training improvements highlight the benefits of performance partnerships. By combining some 70 education and job training programs into one system which will provide Skill Grants to low income and unemployed workers, the Administration will give states and local governments substantial flexibility for developing workforce development programs to meet local needs.

> *"Government of the future is about never sacrificing our standards of excellence, never abandoning our responsibilities, but always discarding the remnants of yesterday's government.........always discarding red tape in favor of results."*
>
> Vice President Al Gore
> January 12, 1995

For all of the success to date, reinvention is no short-term challenge. Consider this: even the most successful businesses have needed years to overhaul their operations in order to compete in the new economy. The federal government, which dwarfs even our largest corporations in size, will also need to continuously renew its processes.

As the process of reform continues, this Administration will accelerate reinvention efforts, move ahead more boldly and ask even more fundamental questions about what the federal government does and how it can do it better. President Clinton has asked the departments and agencies to bring him bold, creative, innovative, new ideas about how to deliver services and benefits to the American people. They are responding, and our vision of a government that works better and costs less is becoming a reality.

3. REWARDING WORK FOR WORKING FAMILIES

Introduction

Earned Income Tax Credit

- The 1993 expansion gives 15 million working families a tax cut.
- The credit returns a total of $21 billion to working families making up to $28,500 per year.
- When fully phased in, the EITC will offer a maximum credit of about $3,560 for families with two or more children, more than double the maximum basic credit of $1,511 in 1993.

Making Work Pay -- The Minimum Wage

- The President has proposed increasing the minimum wage from $4.25 to $5.15 over two years through two 45-cent increases.
- The proposal would offer 11 million workers a raise and provide a full-time, year-round worker a raise of $1,800 a year -- as much as the average family spends on groceries in over seven months.
- Over a dozen empirical studies show a proposal like the President's can increase wages without costing jobs.

Family and Medical Leave Act

- In February 1993, President Clinton signed the Family and Medical Leave Act, mandating 12 weeks of unpaid, job-guaranteed leave for childbirth, adoption, or illness of an employee or family member.
- The Department of the Treasury estimates that 42.5 million American workers are covered under the new legislation.
- The General Accounting Office estimates that up to 2.539 million workers were likely to need unpaid leave in 1993.

Welfare to Work

- In its first two years, the Clinton Administration has granted welfare reform waivers to 25 states to cut through red tape and launch welfare reform initiatives.

- In June 1994, the Administration introduced the Work and Responsibility Act -- the most sweeping welfare reform plan a President has ever proposed.

- President Clinton has pledged to launch a National Campaign Against Teen Pregnancy and his welfare bill includes challenge grants for teen pregnancy prevention programs at 1,000 schools around the country and the establishment of a national clearinghouse on teen pregnancy.

- President Clinton hosted a national bipartisan working session on welfare reform in January 1995 with leading officials from both parties and all levels of government. The session produced a bipartisan agreement to work together to pass sweeping welfare reform legislation this year.

Child Support

- The Administration collected a record $9 billion in child support in 1993 -- a 12% increase over the previous year. President Clinton's welfare reform bill included the toughest child support enforcement measures ever proposed. The plan would increase child support collections by $24 billion over the next decade and signal that both parents have a responsibility to raise the children they bring into this world.

- The plan's provisions would require AFDC mothers to help establish paternity, streamline the paternity establishment process, ensure fair child support awards, help states establish superior processes to enforce awards, track parents across state lines, and enable states to set up work and training programs for noncustodial parents who earn too little to meet their child support obligations.

- In February 1995, the President signed an executive order to make the federal government a model employer in the area of child support, ensuring its employees are fulfilling fair obligations to their children.

3A. EARNED INCOME TAX CREDIT

"The new direction I propose will make this solemn, simple commitment. By expanding the refundable earned income tax credit, we will make history. We will reward the work of millions of working poor Americans by realizing the principle that if you work 40 hours a week and you've got a child in the house, you will no longer be in poverty."

President Clinton
February 17, 1993

Actions to Date

With the passage of the Omnibus Budget Reconciliation Act of 1993, the Administration took the first step toward fulfilling one of President Clinton's strongest commitments: to ensure that no child of full-time working parents would have to live below the poverty level. This expansion, which began in 1994, will be fully phased in by 1996. This expansion:

- Gives 15 million working families **a tax cut**.
- Returns a total of $21 billion to working families making up to $28,500 per year over 5 years.
- When fully phased in will offer a maximum credit of about $3,560 for families with two or more children, more than double the maximum basic credit of $1,511 in 1993.
- When fully phased in will offer a maximum credit for families with one child of about $2,156, compared to the maximum basic credit of $1,434 in 1993.
- Will, for the first time, offer a maximum credit of $324 to very low-income workers without children.

Background

Our country was forged by men and women who came to America looking for a better life. People who were willing to work hard prospered. For many centuries the American dream was within reach for most Americans because hard work paid off. It paid with wages that men and women used to support their families.

Yet the promise of hard work started to flicker in the 1970s. Adjusted for inflation, wages for the average worker were essentially no higher in 1993 than they had been twenty years earlier. For the first time in many generations, children earned less than their parents had. Each year, working men and women seemed to have to toil harder, just to stay in the same place.

The toll was particularly hard on young families. No longer could one take a job and be sure of supporting a family. In 1979, all but 12 percent of full-time jobs paid enough to support a family of four above poverty. By 1993, the figure had climbed to 16 percent. More young working families were poor. Like most Americans they responded by working still harder, with increasing tolls on family life.

The Initiative

In his first major address to the nation on February 17, 1993, the President committed to expanding the EITC in order to make work pay for young families. Instead of using the tax system to take money away from low and moderate income working families, it would be used to reward them for their hard work. He called for expanding the Earned Income Tax Credit (EITC), which might better be labelled the working family tax credit.

The EITC amounts to a pay raise for the working poor. For every dollar a low income family with children earns -- up to a certain maximum -- they earn additional tax credits they can collect in a refund. The EITC has enjoyed strong bipartisan support for many years. First adopted in 1975, the EITC is nearly universally acknowledged to be a powerful way to help working families struggling to make ends meet. And it provides support, without stigma, without interference in the marketplace, and with almost no bureaucracy.

But unlike any of his predecessors, President Clinton called for raising the EITC to the point where any person who works full-time, even at a minimum wage job, earned enough so that, combined with food stamps, he or she could keep a family of four out of poverty. He also called for increasing the credit so that families struggling above poverty, with incomes up to about $28,500 also benefitted from an increase in the credit.

The President proposed and the Congress adopted a dramatic expansion in the EITC. With the EITC, a worker earning under $8,900 with two children, will effectively receive a 40% pay increase by 1996. Every dollar of his or her earnings will bring 40 cents in tax credits in 1996. A family with a full time minimum wage worker could qualify for up to $3,560 in EITC from the government--$2,500 more than they would have in 1990. Even families earning $25,000 per year benefit from the EITC. In 1996, they would qualify for nearly $750 in tax rebate. In 1990, they would have received nothing.

Indeed, one of the great untold stories of the budget which passed in 1993 -- the first year of the Clinton presidency -- is that it dramatically lowered taxes and increased incomes for millions of working families. Twenty million taxpayers will take advantage of the EITC in FY 1995 with resulting tax cuts reaching $22 billion. Eighty percent of these claims were refunded as direct payments to families. When fully phased in 1996, 16.1 million families are expected to take advantage of the credit with tax cuts totaling $25.2 billion.

Under present law, EITC claimants can opt to receive part of the EITC in advance payments throughout the year, rather than wait to file for a lump-sum refund. However, only a small percentage choose to do so. While reasons vary for the low utilization rate for advance payments, it is partly due to a lack of information and the fact that employers are responsible for determining eligibility and administering the advance payments. In President Clinton's Welfare Reform Bill -- the Work and Responsibility Act of 1994 -- he proposed that States be allowed to conduct demonstration projects to make advance payments of the EITC through a State agency. Welfare recipients who move to the workforce could particularly benefit from receiving the EITC in advance payments throughout the year because they would experience the rewards from work on a more timely basis.

The EITC offers a genuine alternative to welfare. By going to work, rather than remaining on welfare, families can earn tax credits which make their income exceed welfare payments. By doing the right thing for their own dignity and independence, they are also doing the right thing for their families economically. By moving toward independence, they are being rewarded, rather than penalized.

3B. RAISING THE MINIMUM WAGE

Action to Date

- On February 3, 1995, the President's proposed an increase in the minimum wage from $4.25 to $5.15 over two years, through two 45 cent increases. The last increase, passed by an overwhelming, bipartisan vote in 1989, and implemented in 1990 and 1991, was also a 90 cent increase in two 45 cent stages.

Background

Americans know a raise in the minimum wage is one way to help make work pay. A higher minimum wage -- a floor to ensure workers that they're getting a fair deal for their efforts -- provides a foothold into the middle class for many hardworking Americans. And for those Americans who already rely on the minimum wage, an increase is essential to their standard of living.

Minimum wage work just does not pay. The real value of the minimum wage is now 27 percent lower than it was in 1979, and by next year -- if it is not increased -- the minimum wage will be at its lowest real level in four decades. Contrary to popular opinion, the average worker affected by an increase in the minimum wage is not just a teenager flipping hamburgers. The fact is that the average minimum wage worker brings home half of his or her family's earnings, and that two-thirds of minimum wage workers are adults. Furthermore, an increase in the minimum wage will help working families get by: for example, just a ninety cent per hour increase in the minimum wage means an additional $1,800 for a minimum wage earner who works full-time, year-round -- enough for the average family to pay for groceries for seven months.

$4.25 an hour is not enough earnings to pay the bills, and $8,500, for a year of full-time work, is not a decent, livable income. At the same time as inflation has stolen much of the value of the minimum wage, the condition of America's working poor has declined. The Bureau of Labor Statistics estimates that, adjusted for inflation, the average hourly wage of male high school graduates fell by 19 percent since 1979, and by 3 percent for female high school graduates. High school drop outs have fared even worse. This trend of declining real wages for less-skilled Americans has continued for 15 years.

Most disturbing, less-skilled workers have done poorly in times of economic growth as well as in times of economic downturns. The U.S. economy created more jobs in 1994 than in any other year in the past decade, and the unemployment rate fell to a four year low while the help wanted index climbed to a four year high. Yet the prosperity of this recovery, and of the past 15 years, has not been shared by all our citizens.

The Initiative

President Clinton's proposal to increase the minimum wage 90 cents an hour over two years can help lift the lives of the eleven million Americans who currently earn less than $5.15 an hour. For those workers putting in 40 hours a week, all year round, this minimum wage increase provides $1,800, which is enough money for the average American family to buy groceries for seven months.

The most productive and powerful country in the world does not even guarantee its people that if you work full-time, year round -- even with the Earned Income Tax Credit (EITC) -- that you can raise a family out of poverty. To that end, President Clinton made a simple compact with the nation: if you work 40 hours a week, you will not have to bring up your children in poverty.

In pursuit of this objective, the President expanded the EITC as a way for low and moderate income families to make ends meet. But expanding the EITC is not enough. In order to ensure that there is a strong incentive for work over welfare, there needs to be a multi-tiered strategy. The EITC has fulfilled its part of this plan, now, the President has proposed an increase in the minimum wage to make every hour of work pay more.

With a 90-cent minimum wage increase, food stamps, and the EITC, a family of four with a full-time, year round minimum wage worker would be lifted above the poverty line. Simply, a $5.15 minimum wage would provide every American the simple guarantee that they could raise a family out of poverty, if they were willing to fulfill their side of the bargain: to work hard and play by the rules.

The critics claim, though, that an increase in the minimum wage will not guarantee a brighter future for working Americans, but will cost jobs for exactly the people that the President is trying to help. But their criticism is off-target. Over a dozen studies have found that increases in the minimum wage have had an insignificant effect on employment. Several of these studies even extended previous ones that had claimed that raising the minimum wage decreases employment and these studies, when updated, no longer find a significant impact. This "new view" is gaining support among economists: Professor Robert Solow, a Nobel laureate in economics, commented: "When the minimum wage has deteriorated so much in purchasing power, there are probably enough people who would be worth the higher wage and would not lose their jobs." Solow also notes that, "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small." And in a recent review of the literature, Professor Richard Freeman of Harvard, a widely respected labor economist, wrote: "At the level of the minimum wage in the late 1980's, moderate legislated increases did not reduce employment and were, if anything, associated with higher employment in some locales."

If the minimum wage doesn't cost jobs, critics say, then it certainly doesn't help the neediest workers. They base their views on the conclusion that the typical minimum wage worker is a middle-class high school student. The facts suggest otherwise. Only one in 14 workers earning between \$4.25 and \$5.15 per hour is a teenaged student from a family with above-average earnings. Fully 47 percent of workers who would be affected by the President's proposal have family earnings in the bottom 20 percent of all working families; families that earn less than \$360 per week. The average worker who would be affected by the President's proposal brings home half of his or her family's earnings; 38 percent of those affected are the <u>sole</u> <u>breadwinner</u> in their family.

Despite the criticism in some corners, the minimum wage has traditionally had bipartisan support. In 1989, the minimum wage increase passed the House by a vote of 382 to 37 (with 135 Republicans voting for the bill), and 89 to 8 in the Senate (with support of 36 Republicans).

The current situation -- with the real minimum wage heading for its lowest real level in 40 years and with more and more workers finding that full-time work doesn't pay -- is unacceptable. And a reasonable remedy is at hand.

3C. THE FAMILY AND MEDICAL LEAVE ACT OF 1993

"Family and medical leave is a matter of pure common sense and a matter of common decency. It will provide Americans what they need most: peace of mind. Never again will parents have to fear losing their jobs because of their families."

President Clinton
Remarks on the Signing of the
Family and Medical Leave Act
February 5, 1993

Actions to Date

President Clinton signed the Family and Medical Leave Act into law on February 5, 1993, fulfilling his pledge to "treat families right."

- The Act guarantees 12 weeks of unpaid, job-guaranteed leave for childbirth, adoption, or illness of the employee or a family member.
- The Department of the Treasury estimates that 42.5 million American workers are covered under the new legislation.
- The General Accounting Office estimates that up to 2.539 million workers were likely to need unpaid leave in 1993.

Background

Until President Clinton signed the Family and Medical Leave Act (FMLA) on February 5, 1993, the United States was the only country in the industrialized world -- with the exception of South Africa -- that did not provide family leave protection to workers. The FMLA replaced measures twice vetoed by former President Bush.

The Initiative

"I know that men and women are more productive when they are sure they won't lose their jobs because they're trying to be good parents, good children. Our businesses should not lose the services of these dedicated Americas. And over the long run, the lessons of the most productive companies in the world, here at home and around the world, are that those that put their people first are those who will triumph in the global economy."

President Clinton
Remarks on the Signing of the
Family and Medical Leave Act
February 5, 1993

The Family and Medical Leave Act promotes "family values" in the fullest sense by enabling an estimated 40 to 50 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.

The Family and Medical Leave Act 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 leave are more than offset by savings realized from lower turnover, higher productivity, and reducing or avoiding the costs of training new employees.

Despite sensational predictions by FMLA opponents that the Act would prove ruinous to business, the experience of the first year and a half indicates that the federal legislation has caused little disruption or expense to employers. As many companies have discovered, providing family and medical leave is not only the right thing to do; it is also cost-beneficial.

For example, the software and computer services company Compuserve had a policy similar to FMLA in place two years before the Act went into effect and found it relatively easy and inexpensive. And it paid off handsomely in company loyalty. Other companies have had similar experiences. According to the New York Times, attrition at Aetna Life and Casualty dropped from 23 percent in 1986 to 9 percent in 1990 after the firm adopted a family and medical leave policy.

The Family and Medical Leave Act 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 the 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 and 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.

In the first year-and-a-half that the Act has been in place, most employers have demonstrated that they want to do the right thing, once they understand what is required. The vast majority (91%) of valid complaints have been easily resolved, usually over the telephone, without the need for litigation or any complex administrative procedure.

Case Study:Employee Terminated for Attending to Critically-Ill Husband in Intensive Care

"Jane Smith" and her husband, "Joe," were both involved in a serious car accident and taken by ambulance to the hospital. Although Jane was treated and released, her husband was admitted to the intensive care unit. When Jane asked her employer for leave to care for her husband, she was told to take "whatever time she needed." Each day she called in to work and let her supervisor know the current situation. When Jane called in on the seventh day and reported that her husband's condition had worsened, she was told to report to work immediately. Leaving the bed side of her critically-ill husband, she arrived at the office to be informed that she was being terminated because of "excessive absences." A desperate Jane called the Department of Labor (DOL), the federal agency responsible for enforcing the FMLA. A DOL official explained the law to the employer's lawyer, who understood that Jane was entitled to Family and Medical Leave while her husband was seriously ill. Jane was immediately reinstated and granted leave.

Case Study: Employee on Cancer Surgery Leave Terminated Because Employer Feared Increase in Insurance Rates

Following her cancer surgery and treatment, "Maria Lopez" had been recovering at home for a month and four days. Now she was feeling much better and had been cleared by her doctor to return to work. But when she advised her employer that she was ready to come back, the employer terminated Maria, instead of restoring her to her job. Maria contacted the Department of Labor, which discussed the situation with her employer. The firm readily acknowledged that Maria was an excellent employee, but had fired her anyway because they were self-insured and feared rising insurance rates if Maria had a relapse.

The Department of Labor explained that under the FMLA, the employer was required to grant leave to an eligible employee with a serious health condition -- such as Maria's -- and to reinstate her to the same or a comparable position when she returned. The employer agreed to reinstate Maria, but fired her three weeks later. DOL once again contacted the employer and advised the firm that employees may not be discriminated against for filing FMLA complaints. Maria was not only reinstated, but was also compensated for the pay she lost during the time she was not allowed to return to work.

3D. WELFARE-TO-WORK

Last year I introduced the most sweeping welfare reform plan ever presented by an Administration. We have to make welfare what it was meant to be -- a second chance, not a way of life. We have to help those on welfare move to work as quickly as possible, to provide child care and teach them skills if that's what they need for up to two years. And after that, there ought to be a simple hard rule: anyone who can work must go to work.

President Clinton
State of the Union Address
January 24, 1995

Actions to Date

- To date, the Clinton Administration granted welfare reform waivers to 25 states -- more than the previous two administrations had granted in 12 years. These waivers cut through federal rules and red tape so that states can launch their own initiatives to reform welfare.

- After a year of bipartisan consultation with state and local officials, members of Congress, reform experts, citizens, and people on welfare, the Administration introduced a sweeping welfare reform plan in June 1994. The New York Times called the Clinton plan "a genuine attempt to impose the toughest work requirements ever attached to welfare, the first serious effort by any President, Democrat or Republican, to stop the disastrous generational cycle of America's dole society." (NYT Magazine, 7/31/94)

- President Clinton has pledged to launch a National Campaign Against Teen Pregnancy. The welfare reform plan the Administration proposed in 1994 included challenge grants for teen pregnancy prevention programs at 1,000 schools around the country. The President has also challenged business, civic, and religious leaders, foundations, and parents to join in an initiative outside government to attack the growing problem of teen pregnancy and births outside marriage.

- President Clinton hosted a national bipartisan working session on welfare reform in January 1995 with leading governors, members of Congress, and local officials from both parties. The session produced a bipartisan agreement to work together to pass sweeping welfare reform legislation this year that will move people from welfare to work, discourage teen pregnancy and encourage responsible parenting, set the toughest possible national standards for child support enforcement, and give states more flexibility in return for more accountability.

Background

"Last year I introduced the most sweeping welfare reform plan ever presented by an Administration. We have to make welfare what it was meant to be -- a second chance, not a way of life. We have to help those on welfare move to work as quickly as possible, to provide child care and teach them skills if that's what they need for up to two years. And after that, there ought to be a simple hard rule: anyone who can work must go to work."

President Clinton
State of the Union Address
January 24, 1995

There is near universal consensus that the present welfare system is broken. The public disdain is clear in polls and talk shows alike. And the harshest critics of all are the supposed beneficiaries -- welfare recipients themselves. They talk of a system which isolates and stigmatizes. A system that seems to penalize them when they try to go to work, and sends the message that welfare recipients should not work.

President Clinton has been on the forefront of the effort to fix the welfare system both as a State Governor and as President. As Governor he led the effort, along with Senator Moynihan, to pass the Family Support Act of 1988 (FSA). As President he has led the way with the introduction of the Work and Responsibility Act of 1994.

The 1988 reform reflected a growing expectation that welfare should be a transitional period of preparation for work and self-sufficiency. For those without sufficient work skills or education it would provide the necessary education, training and job search assistance activities through the Job Opportunities and Basic Skills (JOBS) Training program. For many welfare recipients, the JOBS program has worked, and they have moved off welfare and into the workforce. Unfortunately, the FSA did not change the welfare system as much as was intended. Many states did not have the ability to draw down the full amount of available funds as a weak economy in the initial years after enactment put additional demands on state budgets and AFDC caseloads mushroomed. Broad exemptions also limited the program participation. Even after 1988, the welfare system was primarily a system designed to get money to people who were not working, rather than one designed to move people to self-support.

As the President has pledged, it is time to end welfare as we know it, and to create a system that is based on work and responsibility designed to help people help themselves. We need to move beyond the old debates and offer a simple compact that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives people hope and structure and meaning to their daily lives.

Responsibility is the value that will enable individuals and parents to do what programs cannot -- because governments don't raise children, people do. And ultimately, we need to change the very culture of welfare offices, from writing checks to helping people move off welfare. It's time for the welfare system to reflect our values as Americans.

The Initiative

The Administration vision is straightforward: People should not have children until they are ready to support them. Parents - both parents - have responsibilities to support their children. Government has an important role to give people a hand up and give people access to the skills they need - but we can and should expect work in return. And support should be limited to a maximum of two years of cash assistance during which time the recipients should be in job placement or training or education so as to move off aid as quickly as possible. After two years people should be expected to work, preferably in the private sector, but in community service jobs if necessary. Anyone who is willing to work ought to be able to support their family. But those who are able but not willing to work, should not be eligible for welfare.

In June of 1993, President Clinton formed a Working Group to develop a welfare reform plan. The Working Group actively sought input from State Governors, State administrators and the public. Five hearings were held throughout the country in Illinois, Washington, D.C., New Jersey, California and Tennessee. Members of the Working Group and staff met with some 250 different organizations and took testimony from 150 groups. The Working Group visited many welfare offices to observe first hand the problems with the existing system and to discuss these problems with caseworkers. Most importantly, perhaps, the Working Group sought input from those most affected by welfare reform - welfare recipients themselves. The Working Group met with over 100 welfare recipients and heard about the struggles they endure daily: with poverty, with the welfare system that is often demeaning, stigmatizing and isolating, and with the difficulties in leaving welfare and finding work that can support their families.

The plan, which was introduced in Congress in June, 1994 as the Work and Responsibility Act of 1994, has four major principles: 1) work, 2) responsibility, and 3) reducing teen pregnancy and births outside of marriage; and 4) state flexibility and accountability.

1. Work

Making Welfare a Transition to Work: The plan the Administration proposed last year changes the focus of welfare to helping people get jobs, not writing them checks for life. From the first day, the new system would focus on making recipients self-sufficient. Working with a caseworker, each recipient will develop an employability plan identifying the education, training, and job placement services needed to move into the workforce. Participants who are job-ready would be immediately oriented to the workplace. Parents who refuse to stay in school, look for work, or attend job training programs would be sanctioned. For the first time, time limits would be imposed - receiving welfare cash benefits, without work, would end after two years. (While there would be appropriate exceptions for the disabled or those with disabled children, existing exemptions would be reduced.)

Those people unable to find work at the end of two years must go to work, preferably in the private sector, but in a community service job if necessary. People would be paid for the hours they work - this is work, not workfare.

Supporting Working Families: The EITC, Health reform, Child Care and Minimum Wage. -- Work must pay so that a person leaving welfare for work is better off than on welfare. The earned income tax credit (EITC) expansion, enacted by the Administration in 1993, is one important way to help support working families. Under the welfare reform proposal, four states would be able to work with the Treasury Department to issue the EITC on a monthly basis. Health care reform remains vitally important - we have to ensure that those leaving welfare for work don't lose health care coverage. We should expand child care for those leaving welfare for work and for low-income working families. Finally, increasing the minimum wage would make every hour of work pay more and guarantee that a worker willing to work hard can raise a family out of poverty.

2. Responsibility

"We should demand responsibility from parents who bring children into the world, not let them off the hook and expect the taxpayers to pick up the tab for their neglect."

President Clinton
National Association of Counties
March 7, 1995

Parental Responsibility. -- Both parents have a responsibility to support their children. The plan calls for the toughest child support enforcement measures in the history of this country. This includes universal paternity establishment efforts and education and outreach efforts aimed at stressing the importance of paternity establishment. Young people should be taught that parenting a child brings real responsibilities, and that they should not become parents until they are able to nurture and support their children. The plan also provides for regular awards updating, a national child support clearinghouse to track delinquent parents across state lines, and tough enforcement measures such as license revocations.

Accountability for Taxpayers. -- To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor receipt of benefits through a national public assistance clearinghouse and state tracking systems.

Performance, Not Process. -- The plan the Administration proposed last year demands greater responsibility of the welfare office itself, existing programs will be better coordinated and simplified and improved incentives will be directly linked to performance. Under a separate initiative developed by Vice President Gore, States will be encouraged to move toward Electronic Benefit Transfer, leading to reduced fraud and substantial savings in administrative costs. The plan also calls for increased state flexibility - allowing states to try innovative approaches within broad parameters designed to ensure that children are appropriately protected.

3. Reducing Teen Pregnancy

> *"We must discourage irresponsible behavior that lands people on welfare in the first place. We must tell our children not to have children until they are married and ready to be good parents."*

President Clinton
National Association of Counties
March 7, 1995

Preventing Teen Pregnancy. -- To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. The President has called for a National Campaign Against Teen Pregnancy, with a national clearinghouse on teen pregnancy, mobilization grants and demonstrations in middle and high schools, and most important, an initiative outside government that brings parents, religious, civic, and business leaders, and foundations together to change the signals we send the next generation.

A Clear Message for Teen Parents. -- Teenagers who have children will face responsibility - they will be required to stay in school, live at home or with a responsible adult, and identify the fathers. At the same time, caseworkers will work closely with them, offering them encouragement and support, assisting them with living situations, and helping them access services such as parenting classes and child care.

4. State Flexibility and Accountability

> *"In the last two years we made a good start in continuing the work of welfare reform. Our Administration gave two dozen states the right to slash through federal rules and regulations to reform their own welfare systems, and to try to promote work and responsibility over welfare and dependency."*
>
> President Clinton
> State of the Union Address
> January 24, 1995

As a former governor, President Clinton has worked hard to give states the flexibility they need to reform the welfare system. In its first two years, the Clinton Administration granted welfare reform waivers to 25 states -- more than the previous two administrations had granted in 12 years. These waivers cut through federal rules and red tape so that states can launch their own initiatives to reform welfare.

The welfare reform plan the Administration proposed last year provided unprecedented flexibility to the states. Under the plan, many initiatives that currently require a waiver -- such as expanding work incentives, removing penalties for two-parent families, and denying additional benefits for additional children conceived on welfare -- would become options that states could carry out on their own, without having to ask special permission from Washington.

The Clinton Administration is committed through welfare reform and many other initiatives to giving the states much greater flexibility, and changing the way Washington works to begin holding the states accountable for real results, instead of dictating all the processes by which states achieve those results.

The plan the Administration proposed last year would dramatically change the nature of the welfare system from one that just writes checks to one that helps people get paychecks. By the year 2000, under this reform proposal, 2.4 million adults would be subject to the new rules, including time limits and work requirements; almost one million people would either be off of welfare or working; 873,000 recipients would be in school or training programs leading toward employment; and federal child support collections would more than double to $20 billion. Most importantly, children will be better off.

Case Study: Ohio's "State of Opportunity" program

Ohio received approval from the Clinton Administration to implement its "State of Opportunity" welfare reform program on March 7, 1995. The goal of the new project is to increase the incentives for welfare recipients to go to work. The key elements of the State of Opportunity program include working with the private sector to create wage-supplemented jobs for welfare recipients, expanding eligibility for two parent families, extending transitional child care for those moving from welfare to work, increasing earnings disregards, and encouraging education by requiring school attendance for dependent children. The project builds on Ohio's Learning, Earning and Parenting (LEAP) Program, implemented in 1989, in which teen parents are encouraged to stay in, or return to school. The demonstration will operate for five years.

Case Study: Florida's Family Transition Program

Florida's Family Transition Program is testing time limits for achieving financial independence, combining the threat of benefit loss with intensive case management and assistance in preparing for and finding work. The project encourages families to work and get off of welfare by increasing earnings disregards and asset limits, and extending transitional medical care and child care benefits. To encourage parental responsibility, the demonstration requires dependent children to be immunized and attend school regularly. The Family Transition Program began operating in February of 1994.

Case Study: Indiana's Manpower Placement and Comprehensive Training Program (IMPACT)

Indiana's IMPACT embodies President Clinton's ideal that welfare should be a transitional support system, not a way of life, which provides opportunity, but demands responsibility in return. Through IMPACT, Indiana is promoting work and responsibility by imposing time limits on cash benefits; requiring recipients to create a personal responsibility plan; increasing asset limits and earnings disregards; extending transitional support services, including case management; eliminating the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program; and requiring children to stay in school and be immunized. Indiana's welfare reform program, approved in December, 1994, makes work pay and provides assistance families need to move from dependence to independence.

3E. CHILD SUPPORT

We have to make responsibility a way of life. If deadbeat parents paid all the child support they should in this country, we could immediately move over 800,000 mothers and children off welfare.

President Clinton
Radio Address
March 18, 1995

Actions to Date

In June 1994, President Clinton introduced the Work and Responsibility Act of 1994, which contains the toughest child support enforcement measures ever in the history of the country. The plan would collect billions more in support, and send a clear signal that both parents have a responsibility to raise the children they bring into this world.

The plan would:

1) require that AFDC mothers fully cooperate with efforts to establish paternity before they can receive welfare benefits;
2) expand outreach and education programs aimed at voluntary paternity establishment;
3) streamline the paternity establishment process and impose tough paternity establishment requirements on the states;
4) ensure fair child support award levels that are regularly updated;
5) create a more uniform and service-oriented program by giving all states the effective enforcement tools and techniques that the best states have used and proven to be successful -- such as denying drivers and professional licenses to parents who refuse to pay;
6) create a National Clearinghouse to track delinquent parents across state lines and ensure that states can efficiently collect support in these cases;
7) create a state option to make money available for work and training programs for noncustodial parents who earn too little to meet their child support obligations.

In February 1995, the President signed an executive order to crack down on federal employees who owe child support.

In 1993, the federal government collected a record $9 billion in child support -- a 12% increase over the previous year.

Background

Almost everyone agrees that the child support system is badly in need of overhaul. According to a recent Urban Institute study, there is a gap between what is currently received in child support and what could potentially be collected of $34 billion dollars annually. Child support enforcement is vitally important for millions of families - in 1991, 14.6 million children lived in a female headed family, almost triple the number in 1960, and 56 percent of them lived in poverty.

The present child support system, initiated in 1975, involves a joint federal and state effort. The Federal government provides partial funding for state child support enforcement programs, and the Federal Office of Child Support Enforcement provides technical assistance to states and operates the Federal Parent Locator Service. States are required to provide child support enforcement services, although the way they do this varies tremendously.

The Family Support Act of 1988, championed by then Governor Clinton, strengthened the Child Support program considerably. The Omnibus Reconciliation Act of 1993, signed by President Clinton, requires states to implement in-hospital paternity establishment programs, a proven cost-effective way of establishing paternity.

These recent legislative initiatives are having an impact, but they still don't ensure that millions of parents who should be paying child support are doing so. In 1989, of the over ten million women potentially eligible for child support, 42 percent did not even have an award, and another 12 percent had an award, but actually received nothing. Indeed only 26 percent of those potentially eligible both had an award and received the full amount. Thus, millions of noncustodial parents do pay support, often because they care deeply about the well being of their children. But many more do not pay, or pay less than they should. Unfortunately the child support system seems to be sending the message in all sorts of ways that once a parent ceases living with their child, their responsibilities for supporting and nurturing the child end.

One of the major reasons for this failure is the lack of paternity establishment. Paternity is established in only about one-third of cases, in large part because efforts do not keep up with the continuing increase in out-of-wedlock births. Because the enforcement systems are often weak, many noncustodial parents who do not pay support have been able to elude state officials, leaving a perception that the system can be beat. Interstate cases, which represent about one-third of all child support awards, continue to pose a major problem because states do not have similar laws governing essential functions, and there is no effective way to track delinquent parents across state lines.

Child support must be treated as a central element of social policy, not only because it will save welfare dollars, but also because children have a fundamental right to--and need for-- support from both their parents. It is central to a new concept of government, one where the role of government is to aid and reinforce the proper efforts of parents to provide for and nurture their children, rather than the government substituting for them.

The Initiative

President Clinton introduced his child support reform plan to Congress as part of his welfare to work proposal, the Work and Responsibility Act of 1994. The plan truly does contain the toughest child support enforcement measures ever in the history of the country. It will collect billions more in support. And it contains a few simple elements.

Paternity Establishment. The first principle is that paternity establishment ought to be the starting point for child support that works. We need to send a clear message to parents - especially young parents - that bringing a child into this world brings with it real responsibilities. For fathers this means that fathering a child will bring real and immediate financial consequences. Paternity establishment ought to be seen as a right of the child - a right to financial support, absolutely - but perhaps even more importantly, a right to the emotional connection and the chance for a nurturing relationship with the father.

And mothers should cooperate in establishing paternity. Our system should say to mothers, "Help us identify and locate the father, or you cannot get public aid, because parents have the primary responsibility for supporting their children." But at the same time, we also need to hold the state child support agencies responsible, and if the mother has done her part, they should be held accountable for having effective programs to get paternity established.

The child support plan builds on the in-hospital paternity establishment programs passed as part of the Omnibus Reconciliation Act of 1993. The plan requires that AFDC mothers fully cooperate with efforts to establish paternity before they can receive welfare benefits. It expands outreach and education programs aimed at voluntary paternity establishment and promoting the importance of paternity establishment as both a parental responsibility and a right of the child. It streamlines the paternity establishment process so that paternity can be established more quickly and easily. Performance incentives will encourage states to establish paternity for all births.

Fair Awards. Once paternity is established, we need to ensure that the child support award amount is fair. This means that it considers the needs of the child first, but that it also reflects the current ability of the noncustodial parent to pay support. A commission will study whether national awards guildelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Tough penalties to ensure collection. And once a fair child support obligation is established it ought to be paid - no exceptions, no excuses, no way out. Once fair child support awards are set they will be collected through a more uniform and service-oriented program. All states will be given the effective enforcement tools and techniques that the best states have used and proven to be successful. States will be able to use central registries of child support orders to track cases, making use of economies of scale and modern technology to handle routine cases in volume. Wage withholding orders will commence immediately at the time the obligor is hired and states will withhold drivers and professional licenses if parents who are able to pay support refuse to do so. Changes in the funding and incentive structure would encourage and reward states for good performance.

Interstate tracking. Finally, interstate cases ought to receive the same attention as other cases. We need the capability to track parents across state lines so that people are unable to evade their responsibility simply by moving to the next state.

Under the President's plan, the federal government will assist in tracking the interstate cases to ensure efficient location and enforcement when people cross state boundaries. A National Clearinghouse will track delinquent parents across state lines and uniform laws for interstate cases will ensure that states can efficiently collect support in these cases.

Work requirements. The reform plan would, for the first time, create a state option to make money available for work and training programs for noncustodial parents who earn too little to meet their child support obligations. Ultimately, anything we ask of mothers we should also ask of fathers. States can choose to make these programs mandatory - so that noncustodial parents work off what they owe. At the same time, demonstration grants for parenting and access programs - providing mediation, counseling, education, and visitation enforcement - would foster noncustodial parents' ongoing involvement in their children's lives.

Case Study - Maine

The State of Maine recently enacted a "Deadbeat Dads" bill to withhold licenses from parents who are delinquent on their child support obligations. The State found that the threat of suspension is really the most powerful deterrent, absent parents usually pay after receiving warning letters. "The Maine plan is designed not to suspend thousands of licenses," says State representative Sean Faircloth, "but rather to create a credible sanction that will motivate deadbeat parents to pay up." Maine's program expects to collect an additional $4.7 million biennially for AFDC families and $12 million for families not on welfare. The Clinton plan would give every state the authority to follow Maine's lead in denying driver's and professional licenses to those who refuse to pay the child support they owe.

4. LIFELONG LEARNING

Introduction

> *"We can do all these things -- put our economic house in order, expand world trade, target the jobs of the future, guarantee equal opportunity -- but if we're honest, we'll admit that this strategy still cannot work unless we also give our people the education, training, and skills they need to seize the opportunities of tomorrow."*
>
> President Clinton
> State of the Union Address
> January 25, 1994

Pre-School and Parenting, so that every child starts school ready to learn.

- Reformed Head Start to create tough new quality standards, reduce child-to-teacher ratios, expand services, and create the new Early Head Start for infants and toddlers.
- Expanded Head Start to enable over 130,000 more children to participate in 1995 than in 1992 -- with a proposed increase of 31,500 for 1996.
- Introduced the new Early Head Start for infants and toddlers.

Goals 2000 and School Improvement, to enable our K-12 students to pursue challenging academic standards--and meet them.

- Signed the Goals 2000: Educate America Act, including the Safe Schools Act, and the Improving America's Schools Act, to provide top-down support for bottom-up reform.
- Empowered teachers, principals, and parents to change the way schools work -- with cutting-edge technology, challenging academic standards for what students should know, renewed commitment to involving parents in schools, and new, flexible partnerships with states and communities -- cutting red tape so that communities can tailor their schools to meet their children's needs.
- Kicked off an anti-crime initiative inside schools to make sure students can learn in safety, not fear.

School-to-Work Opportunities, to prepare *all* young people for further education and first jobs that lead to high-wage, high-skill careers.

- Signed the School-to-Work Opportunities Act to support efforts in all 50 states to create and reform school-to-work systems. The Act has sunsets in 2001 -- a limited national catalyst for local initiatives.
- Every school-to-work initiative will enable all participants to develop high-level academic and technical skills, obtain a high school diploma and an occupational skills certificate, and move toward further training and first jobs that lead to high-skill, high-wage careers.

National Service, so young people have a change to help their communities -- and help pay for college, too.

- Signed the National and Community Service Trust Act, creating AmeriCorps, the new national service initiative.
- AmeriCorps gives young people the chance to spend a year or more in tough, direct service making our people safer, smarter and healthier -- while earning an award of nearly $5,000 per year to pay for college or job training.
- AmeriCorps already engages 20,000 Americans as AmeriCorps Members in more than 350 community efforts around the country.
- AmeriCorps relies on the initiative of communities and the support of states to change communities from the inside out -- not with bureaucracy, but with citizens helping each other and building voluntary organizations -- getting things done.

College Loans, so that every American is able to borrow the money to pay for college and pay it back on an affordable schedule.

- Signed into law the biggest change in student loans ever--a new direct lending program which takes the middlemen out of the process.
- Will enable any student to get loans for college or job training and repay them in one of four ways, including "pay-as-you-can" repayment as a small percentage of income over time. Students can change repayment plans throughout the life of their loans, and "pay-as-you-can" gives them more freedom to choose careers without repayment as a dominant concern.
- Dramatically cut back red tape, making it faster and easier for students to get the money to pay for college.
- Will save taxpayers more than $6 billion by the year 2000.

Training and Reemployment, so Americans can continuously learn to obtain better jobs and better wages.

President Clinton has signed into law major reforms in the first five areas. In the sixth, training and reemployment, he has taken major strides -- and proposed comprehensive reforms for this Congress to enact.

4A. PRE-SCHOOL: HEAD START REFORM

"Head Start reminds us that our country cannot afford to waste its young or ignore their families. We must value every child and help every parent succeed. Head Start creates the sense of community that all of us need in our lives. The dedication of thousands of volunteers, staff, and parents helps create the special relationship that defines the Head Start program. Head Start is indeed a celebration of human diversity and creativity."

President Clinton
May 18, 1994

Actions to Date

President Clinton has promised to improve and expand preschooling initiatives for America's youngest citizens. The budget reconciliation act that President Clinton signed in 1993 authorized $1 billion in new family preservation and support efforts, and on May 18, 1994, the President signed legislation reforming and enlarging Head Start, America's leading program preparing children for school. In two years, President Clinton has increased investment in our children through Head Start by more than $750 million, and taken together, his efforts will:

- Create tough new quality standards for Head Start.
- Enable Head Start programs to improve staff training and reduce child-to-teacher ratios.
- Allow Head Start Centers to expand their services to include more full-day and full-year programs.
- Create the new Early Head Start program for infants and toddlers.
- Expand Head Start to enable over 130,000 more children to participate in 1995 than in 1992 -- with a proposed increase of 31,500 for 1996 -- while also moving many students from part-time to full-time enrollment.

Background

"I've often said that governments can't raise children, that people have to do that. But parents need help in a lot of places in this country today, just like they did in 1992."

President Clinton
May 18, 1994

Launched in 1965, Head Start has helped almost 14 million children to prepare for the challenges ahead with education, health care, and parental education. Yet the world of Head Start today is very different from thirty years ago -- with more children who have lived with violence and substance abuse, and more families with linked problems of homelessness, poor education, and unemployment. The ranks of those needing help have expanded to include more single parents, and increasingly, more working parents as well.

President Clinton promised to expand and improve Head Start to meet the needs of pre-school children in the twenty-first century. In the first months of the new Administration, President Clinton and Secretary of Health and Human Services Donna Shalala convened a bipartisan team of experts to form the Advisory Committee on Head Start Quality and Expansion. Six months later, that Committee issued a Final Report -- a blueprint for reforms to come.

Echoing parents and scientific studies, the Report noted that Head Start improves the cognitive ability and school readiness of the children who participate. Yet the Report also found that quality in Head Start is uneven, and that the 30-year-old program has not entirely adjusted to the changing needs of America's families. With more parents single and more working full-time, full-day and infant and toddler programs are in rising demand. Yet Head Start has remained primarily a half-day program for three- and four-year-olds. And even in this traditional niche, demand increasingly outstrips supply: less than half of eligible three- and four-year olds participate.

The Report made three major recommendations. First, make quality the centerpiece of the new Head Start. Second, become more responsive, serving more children, but also serving them differently in a way that better answers to parents' changing needs. And third, forge new partnerships--to build on what works and build a more caring community for children and parents.

These recommendations formed the basis of the Head Start reform signed into law by President Clinton on May 18, 1994.

The Initiative

"This is not a program involving bureaucrats in Washington making decisions that individuals and families and teachers have to live by. This is a program that is built at the grassroots by families and teachers and communities."

President Clinton
May 18, 1994

Last year's reform of Head Start, the biggest change in years, makes improvements in five major areas.

First, the legislation requires tough performance standards to define the scope and quality of Head Start services. For the first time, the past performance of applicants will be a key factor in determining future funding. Head Start is demanding results, and programs that do not show them will be cut off.

Second, Head Start programs will now have the resources to raise levels of quality dramatically. Programs can invest in staff training and raise staff salaries in order to increase morale, attract qualified staff, and reduce turnover. They can increase the number of staff on site, to provide more individualized attention to both children and parents. And programs can invest in basic necessities, like quality equipment and transportation services, in order to provide more opportunities for children to grow.

Third, more children will be served under the reform. Enrollment is up 27,000 in 1994, and between 1992 and 1995, the total number of children served is rising from 621,000 to 752,000. The President's 1996 Budget proposes to increase participation in the Head Start program by an additional 31,500 children, for a total of 784,000 in 1996.

Fourth, programs gain the freedom to expand the scope of their services. Under the new legislation, Head Start centers can provide full-day, full-year services to meet the needs of parents who work full-time. More services aren't a requirement, but they are an option: the decision rests with the community itself, not the federal bureaucracy.

Finally, the reform recognizes that children from birth to age three also need positive early child development experiences. The new Early Head Start represents a turning point in America's commitment to our youngest children. Drawing on the lessons of Head Start, Early Head Start will dedicate new resources to high-quality services promoting healthy child and family development. Families and communities will have the flexibility to develop programs that meet their own needs, but also satisfy tough national standards. Early Head

Start should join Head Start in lasting well into the next century--always changing to provide high-quality, responsive, and respectful services to America's youngest children and families.

Case Study: Rachel DeBruler and her son Michael

Six years ago, Rachel DeBruler and her oldest son, Michael, began to chart a bright new future by walking through the door of a Head Start center in Olympia, Washington.

Michael quickly came to love Head Start. He told his mother that the best part was passing around bowls, family style, at lunch time. Michael liked sharing with the other children.

While her son benefitted from Head Start, Rachel DeBruler contributed to it. She was continuously engaged in improving the Head Start center. She attended parent meetings. She got involved with fundraising for her program. She even participated in Head Start's state association.

Her commitment--and the commitment of the teachers and staff in Olympia--produced real results. Today Rachel DeBruler's three children are doing very well in school. As she wrote in a letter of thanks, "I never knew that there was a program that would ask parents to be so involved in their child's education."

Case Study: The Results of Head Start Reforms

With the new resources from the Head Start reauthorization, here are a few things that Head Start programs are doing:

- Reducing average class size.
- Hiring mental health staff to work individually with children experiencing behavioral difficulties.
- Adding bus aides -- to make sure there are always two adults with every busload of children.
- Replacing outdated and potentially unsafe playground equipment and facilities.
- Expanding part-time programs to run full-day in order to meet the needs of parents who are working or in job-training.
- Hiring additional family workers to reduce unacceptably high caseloads.

Pre-School-Addendum: Family Support and Preservation

Summary

President Clinton recognizes that government doesn't raise children -- parents do. But he also knows that sometimes parents need a helping hand in their communities and has promised to support them in their efforts to raise their children. As President, he signed the Family Preservation and Family Support Act. This legislation authorizes almost $1 billion over 5 years to help states to develop a continuum of services to assist families with children at risk, including:

- Help for parents of all backgrounds to strengthen their parenting skills, before crisis hits;
- Referrals and improved access to other important services; and
- In emergencies, crisis intervention in order to prevent family breakup whenever possible.

Background

While the vast majority of parents are committed to doing right by their children, many parents can use help with child-rearing. These needs exist everywhere, but they're particularly great for parents who have few resources and little education, and face neighborhoods torn by crime, drugs, and gangs. Smart investments that teach parents to teach their children can yield tremendous dividends in the lives of parents and children alike.

While the movement to maintain intact families dates back at least to the turn of the century in the United States, the goal of helping parents moved on to the national agenda once more during the 1970s and 1980s, as incomes stagnated and millions of parents struggled to balance the demands of work and family. Starting in the 1970s, states and communities developed a range of promising initiatives to use home visits, classes, referrals, and other services to help parents with their own efforts to raise their children.

President Clinton has promised to support programs that support families. President Clinton and Mrs. Clinton know the success of these programs first-hand; in Arkansas, they helped to bring from Israel the Home Instructional Program for Pre-school Youngsters (HIPPY), now a model for family support nationwide.

Recognizing the variety of successful efforts at the grassroots, President Clinton endorsed the emerging consensus that services for families with young children ought to cover a wide continuum. At one end, programs would help parents of all backgrounds to enhance their own parenting skills in areas such as education, health and nutrition, and child safety. These "family support" services would prevent crises by helping equip parents in advance. At the other end of the continuum, for families under deep stress, family preservation efforts would offer emergency services designed to prevent imminent breakups when possible. By keeping children in the home and out of foster care whenever possible, these would save families from wrenching experiences and could also save the government money.

The Initiative

In his first months in office, President Clinton worked together with Congress to enact the Family Preservation and Support Act. Included in the Omnibus Budget Reconciliation Act signed in August 1993, the legislation authorizes close to $1 billion over 5 years for states and communities to develop a continuum of care for families. The program is designed not only to offer direct support to successful programs, but also to help states to redesign their family services--eliminating duplication, connecting efforts, and offering parents easier access to an array of services. The law brings the principles of reinventing government to bear on programs directly affecting our families and children.

Already, all 50 states are developing plans to redesign their family preservation and support services, and in future years, the funds will support a range of models. Models like HIPPY and Parents as Teachers center on home visits in which parents receive individualized help in areas like child development and education. In these programs, parents also attend classes where they can meet other parents addressing similar issues, and their children receive screening to track their developmental success. Other model programs, called family resource centers, focus on helping parents gain access to the help they need, including job search and job training, health care, and substance abuse treatment. And still other efforts, such as Homebuilders, offer intensive short-term services and access to 24-hour assistance for families in crisis.

These and other models supported by the new legislation promise to help a new generation of parents achieve their own highest hope--raising their children successfully.

4B. GOALS 2000

"Goals 2000 is a new way of doing business in America. It represents the direction our government must take with many problems in the 21st century."

President Clinton
May 16, 1994

Actions to Date

President Clinton promised to transform our public schools by offering "top-down support for bottom-up reform." In 1994, President Clinton signed the two acts that constitute the most important school reform legislation in a generation: on March 31, the Goals 2000: Educate America Act, including the Safe Schools Act; and on October 20, the Improving America's Schools Act, reauthorizing the Elementary and Secondary Education Act. These Acts are already empowering teachers, principals, and schools to change the way we teach children with:

- Challenging academic standards for what students should know and how well they should know it.
- Violence prevention initiatives inside schools to make sure that the academic environment is conducive to learning, not fighting.
- Cutting-edge technology to create new opportunities and new excitement in learning.
- Strong parental involvement so that parents help their children learn and schools reinforce parents' efforts.
- Less red tape, so communities can offer challenging and tailored opportunities to children and government can help--not hinder--their efforts.

Already, 47 states have applied for and received grants to develop plans to reform their schools -- and better educate millions of children.

Background

"Our states and communities have always taken the lead in public education, and they'll continue to do so. But the national government can do more to help.

President Clinton
February 22, 1994

Americans take pride in a public school system that strives to give all our children the education they need to make the most of themselves. Community control of schools and parental involvement in education have made America's schools uniquely successful in the world. But since the 1980s, a series of studies confirmed what many parents already knew: America's schools have not been doing their jobs.

The problems are diverse. Many schools have stopped demanding high achievement from students: in "the tyranny of low expectations," students are asked for little and deliver less. Some teachers are inadequately prepared for the demands of the classroom and inadequately assisted once inside it. The curriculum often fails to engage students or their teachers. Technology inside the schools has not kept pace with changes outside them. Violence in communities has entered the hallways and engulfed many schools. And complicated bureaucracies create a government octopus that tends to slow change down. Red tape stifles the very people--the parents--whose involvement is most essential to children's educational success.

While researchers studying schools have found the problems, educators have gone to work solving them. Governor Clinton made education the centerpiece of his program to prepare a rural state for a complex economy. He pursued comprehensive school reform--including a tough new curriculum, incentives and requirements for parental involvement, statewide testing of students and teachers, and mandatory reporting on school performance. The results were impressive: in 1992, at a time when educational performance in many states was declining, Arkansas boasted rising student scores on standardized tests and the highest high school graduation rate in the region. Other states pursuing similar reforms scored equally striking victories.

The movement for school reform picked up national support in 1988. As head of the National Governors' Association, Governor Clinton joined President George Bush to convene a national Education Summit. Participants together hammered out six goals for American education. These represent a lighthouse to guide the efforts of communities and states to improve education. (See box for the goals, now totalling eight, as formalized in law by the Goals 2000 Act passed last year.)

National Education Goals

By the year 2000:

1) School Readiness: All children in America will start school ready to learn.

2) School Completion: The high school graduation rate will increase to at least 90 percent.

3) Student Achievement and Citizenship: American students in America will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter--including English, mathematics, science foreign languages, civics and government, economics, arts, history, and geography--prepared for responsible citizenship, further learning, and productive employment.

4) Teacher Education and Professional Development: The nation's teaching force will have access to programs for the continued improvement of their professional skills and the opportunity to acquire the knowledge and skills needed to prepare students for the next century.

5) Mathematics and Science: U.S. students will be first in the world in science and mathematics achievement.

6) Adult Literacy and Lifelong Learning: Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship.

7) Safe, Disciplined, and Alcohol- and Drug-Free Schools: Every school in America will be free of drugs, violence, and the unauthorized presence of firearms and alcohol and will offer a disciplined environment conducive to learning.

8) Parental Participation: Every school will promote partnerships that will increase parental involvement and participation in promoting the social, emotional, and academic growth of children.

The Initiative

"[We set world-class standards of excellence] because we believe every child can and must learn at world-class standards of excellence. And those of us who are older believe we have a practical and moral obligation to see that you have a chance to do it."

President Clinton
March 31, 1994

President Clinton has initiated national reforms that bolster community efforts, offering "top-down support for bottom-up reform." The reforms are embodied in two key pieces of legislation, both passed with broad bipartisan support in 1994: the Goals 2000: Educate America Act, and the Improving America's Schools Act, reauthorizing the Elementary and Secondary Education Act (ESEA).

The centerpiece of the program is Goals 2000. At the national level, the Act revises and codifies the National Education Goals, making them the official benchmarks for educational excellence in America. The legislation then challenges states and local school districts to set their own high standards -- and to design plans to help all children reach them. Goals 2000 will offers financial support for the implementation of those plans -- with 90 percent of the funds going to the local level.

At the state and local level, the Act offers assistance to states and school districts to establish broad-based panels to develop reform plans for their schools. If the plans meet broad national guidelines, Goals 2000 will then offer financial support for their implementation.

The state and local provisions of Goals 2000 are voluntary and designed entirely to achieve each state's and community's own goals and challenging standards. States need not participate -- although 47 states already are. The legislation specifically prohibits federal mandates. The Goals 2000 application is a simple, four-page document with <u>no</u> accompanying regulations. And Goals 2000 gives the Secretary of Education authority to waive some federal requirements and delegate waiver authority for promising reform plans.

The key features of the reform process fall into five areas:

<u>High Standards</u>

America's students will need to meet new and challenging academic standards in order to meet the high demands of the new economy. And high standards do more than set benchmarks; they galvanize young people. The more you ask of our nation's students, the more you get back from them.

Goals 2000 encourages every state to develop challenging content standards (what students should know) and performance standards (how well students should know it).

Through the reauthorization of the Elementary and Secondary Education Act, the Administration has taken another stand for standards. For many years, economically-disadvantaged students, those helped by "Chapter 1" (now called "Title I"), were not expected to reach the same levels of achievement as other students. Instead, these students were often taken out of their regular classes, placed in remedial classes, and offered a watered-down curriculum. The new Title I raises expectations again: schools will once more expect students in the program to learn to meet challenging academic standards like all other students.

Under Goals 2000, standards should be much more than abstract ideals cut off from the day-to-day activities of the school. Rather, standards can become guidelines around which states and localities align virtually everything in their education system, including curriculum and professional development. Replacing the tangle of goals inside schools today, challenging standards can act as a fixed star to orient every effort.

Parental Involvement

Parents are the most important teachers of their children. Without dedicated help from parents, good schools will not be enough. Study after study shows that parents who play an active role in their children's learning boost their children's grades--and their lifelong commitment to education.

Parents need to be involved in both the education of their children and the life of their schools. They can talk to children about school, especially homework. They can read with children and keep books around the house. In addition, parents can take personal responsibility for their children's attendance at school--while limiting the time kids spend in front of the television. And finally, parents can get to know their children's teachers and their schools' administrators, and help to shape the way schools teach children.

The Administration is working to help parents get involved. With the strong support of the President and the national PTA, the new National Education Goals establish increased parental participation as one of two new goals. The Improving America's Schools Act requires schools participating in Title I to develop written compacts with parents that spell out the goals, expectations, and shared responsibilities of schools and parents. The Administration is supporting new initiatives designed to help parents act as teachers for their pre-schoolers (see Family Support and Preservation section). Education Secretary Riley is leading a national partnership--with an aggressive public campaign--to encourage parents to become more active. He and his staff have met with more than 125 different parent, religious, education, community-based and business groups to discuss ways to promote parental involvement in children's education.

Important as these efforts are, their limits are clear. No law nor initiative can do the work of a family. In the end, the responsibility for teaching children to learn rests with every parent.

Teacher Training

If we are going to demand high achievement from students, we have to expect a lot from teachers, too. Improving student performance means improving teacher training, too. With Goals 2000, teachers play a crucial part in developing the new standards that students will pursue. Because teachers are "in on the ground floor," reforms will reflect the needs that students demonstrate inside the classroom. And under the new legislation, teachers will also get the improved training they need to help students achieve high standards.

Technology Development

Computers and other advanced technology offer exciting ways for students to learn traditional subjects. They also provide hands-on training in the work skills that an Information Age demands. Goals 2000 funds can be used to integrate technology into school improvement efforts. And the reauthorized ESEA will help more schools get on the emerging Information Superhighway.

Safe Schools

If schools aren't safe, children aren't going to reach high standards. The Goals 2000: Educate America Act and the Improving America's Schools Act include provisions to prevent violence in schools. The programs are flexible, giving schools the power to meet their unique safety needs. One school might focus on teaching students how to resolve conflicts without violence. Another might encourage parents and community leaders to come together and stop school violence. A third school might focus on safe after-school programs for all students. All three schools could add other efforts to these, including acquiring metal detectors, hiring security personnel, and developing safe zones around school.

Case Study of High Standards: Oceanside High School, Los Angeles

The Improving America's Schools Act says that all students should aspire to challenging standards--whatever their backgrounds. Some say that's too much to ask. The experience at Oceanside High School suggests otherwise.

It wasn't long ago that a proposal at Oceanside to place disadvantaged underachievers in a college-prep course sparked fierce opposition among some teachers and administrators. Says teacher Lennie Noordhoorn, "They thought it was a disservice to the kids--that they couldn't handle" advanced classes. But the AVID program ("Advancement Via Individual Determination") has students doing better in their classes--and skeptics becoming believers.

AVID teaches underachievers how to take notes, improve their writing, participate in class discussions, and develop other skills needed to reach college and succeed there. "What they're really doing," says University of California-San Diego Professor of Education Hugh Mehan, "is teaching kids about this culture of the schools.... how to study, how to use libraries... the kind of things that middle-income kids often receive implicitly at home." Today, more than 90 percent of AVID graduates go on to postsecondary education--50 percent of those at four-year colleges.

Case Study of Technology: Christopher Columbus Middle School, Union City, NJ

As part of a comprehensive reform proposal, new computers in the classroom can transform education--for all students.

In the late 1980s, the Union City school district was in crisis, and on the verge of state takeover. This densely-populated, poor, urban, predominantly Latino district was having difficulty meeting New Jersey State education goals. At Christopher Columbus Middle School, student attendance and scores on standardized tests were well-below state averages, while dropout and transfer rates were far above the state norm.

All that began to change in the 1989-90 school year. The school developed a restructuring plan, teachers created an innovative new curriculum, staff were retrained, and extended periods for core subjects were instituted. With added money from New Jersey's Quality Education Act, the schools installed 775 computers. That was when Bell Atlantic offered to institute an intensive "technology trial" at the school. In addition to each classroom having several computers, Bell placed computers in a new media resource room, the science laboratory, and the computer laboratory. The company installed high-level computer equipment with graphics and voice capabilities in the schools and homes of all seventh-grade students and their teachers. All the computers were tied into local- and wide-area networks.

Computers are now an integral part of the curriculum, helping students learn to research and work together better. For example, when students study the American Revolution, they form teams that can conduct research in new ways: by going to the media center and using the Grolier multimedia encyclopedia; by using the computer to research George Washington through a CD-ROM information disc; and by using e-mail to access critical essays now on the network. Teams that don't finish their work in school can continue working at home, communicating by computer.

Teachers receive support for using the computers from Bell Atlantic and a local Education Development Center. They, in turn, have helped run workshops that introduce parents to the new technology.

Today, Union City students in grades K-8 are performing above-average work in math and other areas. The transfer rate is down dramatically at Christopher Columbus. Students are using the media resource room during lunch time and after school. They are actually eager to hand in their homework, neatly typed on the computer. And they're lining up before the formal school day begins, so they can start learning early.

Case Study of Safe Schools: James P. Timilty Middle School, Roxbury, MA

Because they are led by schools, not government, Safe Schools efforts can transform even the most dangerous schools into safe havens.

Timilty Middle School was once considered one of the weakest schools in Boston. Violence was rampant, and the quality of education suffered. Then a group of Timilty students, guided by their teachers, sponsored a forum to discuss ways to stop the violence. Student councils from eight schools joined and agreed that conflict resolution should become a part of the curriculum. All students and staff would make a written commitment to bring the violence under control. And with hard work, the levels of violence in the school dropped dramatically.

With the guns and gangs under control, Timilty focused on improving academic achievement. The school implemented "Project Promise," which adds 90 minutes of reading and math instruction four days a week for all students--more than twice the time many students spend in these areas. The result of these and other reforms have been the highest reading and math scores in Boston Middle Schools for the last five years.

Other innovations are now under way. The school has four clusters of 80 to 100 students, each led by a team of nine teachers who together design and offer interdisciplinary instruction. Parents serve on Timilty's management council. A staff member works half-time on parent outreach. Doctors, nurses, and engineers from Massachusetts General Hospital help students with science projects and career exploration. Three new summer programs provide continued academic instruction and community service to the elderly in the area. And an adult literacy program helps Spanish-only parents learn English.

Once a hotbed of violence, Timilty is now an engine of reform inside the Boston schools.

4C. SCHOOL-TO-WORK OPPORTUNITIES

"School-to-work is central to our efforts to guarantee lifetime learning for every citizen. In a rapidly changing world economy, what you earn increasingly depends on what you learn."

President Clinton
April 21, 1994

Actions to Date

In 1994, President Clinton's School-to-Work Opportunities Act passed Congress with bipartisan support, fulfilling his pledge to create a school-to-work system. With $250 million appropriated in 1995, the new initiative will build on efforts begun in 1994 with $100 million. School-to-Work is:

- Allowing states and communities to design diverse programs.
- Enabling all participants to develop high-level academic and technical skills, obtain a high school diploma and an occupational skills certificate, and move toward further training and first jobs that lead to high-skill, high-wage careers.
- Expanding the number of states receiving implementation funding from 8 in 1994 to 28 in 1995 to overhaul their systems to create better and broader school-to-work opportunities.
- Offering support for every state to create school-to-work opportunities by 1997.
- Will end in 2001 -- because President Clinton wanted the is program to provide a catalyst for local initiative and not a new federal bureaucracy.

Background

Too many American high school students have few options today. Not every young person wants to go straight to college after high school. 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. The wage gap between workers with and without college degrees has literally doubled. For young people without four-year degrees, this means frustration and anxiety as good jobs become more scarce. For the national economy, it means a tragic waste of talent and potential.

In America, many skilled trades have long been passed on from master to youth through a structured system of apprentices. A range of models for combining meaningful education and career paths for young people flourishes throughout western Europe and other industrialized nations. The President's school-to-work legislation not only launches new innovations in work and learning, but also reaffirms the tradition of "work-based learning."

The Initiative

The culmination of a national dialogue involving leaders from business, labor, and education as well as students, parents, and Administration officials, the School-to-Work Opportunities Act will renew for millions of Americans our nation's promise that anyone who works hard and plays by the rules can enjoy economic security.

During the last two years of high school, and typically for at least one year beyond, young people participating in school-to-work programs receive classroom instruction and structured work experience that relates to what they learn in school. They may not know at any one moment whether they are formally in "schooling," "training," or "higher education" -- but it doesn't matter. What matters is that they are following well-marked pathways between school and careers and are developing the confidence, competence and connections required to succeed in the global economy.

The school-to-work legislation is remarkable for what it contains: the framework for a national system of community work and learning partnerships. But the legislation is nearly as remarkable for what it leaves out. Rather than attempting to force change with a flood of money from Washington, or dictating a single design for all schools to follow, the Act encourages states and communities to take the lead. The federal role in School-to-Work is crucial, but limited. A joint enterprise by the Labor and Education Departments manages a pool of venture capital that empowers state and local innovators.

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 academies, and cooperative education.

The legislation ensures, however, that all school-to-work programs share four key elements. Every participant receives high-level academic and technical skills; a high school diploma that keeps the door open to college; an occupational skills certificate reflecting mastery of an industry skill; and preparation for further education and first jobs that lead to high-skill, high-wage careers.

- A *Work-based learning experience*;
- An *integrated curriculum* of academic and occupational skills;
- A *high school diploma* that keeps the door open to college;
- An *occupational skills certificate* offering access to a first job with a real future.

Small planning grants have already gone to every state. Reform is now moving forward in "waves" as individual states complete their own blueprints for change. 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 plans. 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 by 2001.

In its early stages, the school-to-work movement has yielded impressive results. At Roosevelt High School in Oregon, students choose from among six "career majors" which serve as themes for applying academic learning and open opportunities for work-based learning. The freshman dropout rate has plummeted by 62 percent. At the Rindge School of Technical Arts in Cambridge, Massachusetts, 85 percent of the youth apprentices are entering college -- compared with the district's average college placement rate of 67%. In Boston, all 38 seniors from Project ProTech who graduated at the end of the 1992-93 school year enrolled in postsecondary programs.

But the power and promise of school-to-work programs is best expressed by the

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students themselves, who testify to its impact in changing their lives. Said one graduate of the Oakland Health and Bioscience Academy, now a professional RN: "The best thing about this program is learning through high school the hands-on experience that I needed in terms of focusing on what I really wanted to do in the nursing field. It gave me exposure and clinical experience and networking with the professionals and I was able to project myself in five years -- that this was how I wanted to be and who I wanted to associate with." Or as another school-to-work participant has said, "This program taught me responsibility -- you can do anything you put your mind to."

Case Study: Siemens Stromberg-Carlson Electronics Technicians Apprenticeship Program

Siemens Stromberg-Carlson, an international company based in Germany, has years of experience training young people for high-skill, high-wage jobs. Their Electronics Technicians project in Florida translates some of the best features of the famed German youth apprenticeship model -- such as master teachers at the company, high academic standards, and employer involvement in curriculum -- to create a school-to-work opportunity that works for young Americans and their communities. The program is a partnership between local high schools and community colleges, government and industry.

The results so far have not only equaled, but actually exceeded those of the German model. For two years in a row, Siemens students in the U.S. have scored the highest of all Siemens apprentices worldwide. In fact, despite having five months less training, American Siemens apprentices outscored their German counterparts on the same exam.

[001]

Case Study: P6/(b)(6)

When P6/(b)(6) decided to drop out of school, it seemed like a logical step. The South Boston native was so turned off by school he rarely made it to any classes. But he saw that his friends who had dropped out were sweeping floors and stocking grocery shelves -- and not making enough money to pay the rent. He wanted something better.

So instead of leaving school for good, P6/(b)(6) found his way into the Project ProTech school-to-work program in financial services. For the first four months, he learned the basics of banking and what work was all about. Then he started to work part-time in the "large currency" department at Fleet Financial Group, one of the nation's largest banks. The job required him to pay close attention to detail, communicate with other branch offices, use a computer to enter data and retrieve information. In the afternoon, he would attend classes that were set up to relate to his job -- learning math and English with lessons on word processing, data bases, and spreadsheets.

In the process, P6/(b)(6) started to see the connection between work and school and, as he says, once he "got a taste of the business world, something just clicked" for him. He is now in college, where he is studying business administration.

Case Study: AmeriCorps Cadet Program

A unique partnership among the New York City Police Department (NYPD), the John Jay College of Criminal Justice, and the Corporation for National Service, AmeriCorps Cadets enables young people to fight crime in their communities and become police officers themselves. The Cadet term is similar to the Reserve Officer Training Corps (and the Police Corps, discussed elsewhere). During the school-year, Cadets attend classes full-time, including those of the police academy, and serve with the NYPD part-time. During the summer, they serve full-time in their communities. On completing both their college education and their AmeriCorps experience, the Cadets become sworn police officers.

The AmeriCorps Cadets program builds on the existing Cadet program of the NYPD, but it adds an especially strong commitment to community-based problem-solving, using insights from the community policing movement. Teams of six to eight cadets are assigned to 15 of the highest crime precincts in New York City. There, they work with police officers and community members to address specific problems. Projects include reducing "quality-of-life crimes" in Lower Manhattan by cutting loitering and drug and alcohol violations; establishing a "Safe Corridor" for commuting schoolchildren in mid-Manhattan; taking back a drug-infested block in East Harlem by recruiting blockwatchers, enlisting landlords, and coordinating patrols; patrolling parks across Brooklyn to report and reduce crimes; and more.

During the 1994 "Summer Of Safety" (SOS), a pilot for the AmeriCorps program, the first 100 AmeriCorps Cadets made striking advances against crime in New York City. The positive accomplishments are many, but the most notable is something that didn't happen: for the first summer in memory, there were no sexual assaults reported at New York City's public swimming pools, thanks largely to AmeriCorps Cadet patrols there. All 100 SOS Cadets, as diverse as New York City itself, have re-enrolled this year.

Case Study: P6/(b)(6)

When P6/(b)(6) sees teachers send children to the corner for bad behavior, he tells himself, "That was me." After his parents split up in his early childhood, P6/(b)(6) struggled. Teachers said P6/(b)(6) was learning disabled and placed him in special education classes. In an example of the "tyranny of low expectations," P6/(b)(6) recalls teachers telling him he "wasn't going to make it." For a long time, P6/(b)(6) believed-- them and scored poorly.

One key figure in P6/(b)(6) life was a fourth grade teacher who took a special interest in him and taught him, for the first time, to enjoy learning and believe in himself. P6/(b)(6) graduated from high school and went on to attend Austin Community College, where he is currently a sophomore. Still inspired by his former teacher's example, P6/(b)(6) has become a teacher himself, as part of the AmeriCorps for Math and Literacy program in Austin, Texas. There, P6/(b)(6) teaches basic skills like reading, writing, and mathematics to disadvantaged children--the kinds of children he once was.

P6/(b)(6) is passionate about giving back the caring and inspiration given him in his childhood. He says his goal this year is to change as many lives as he can. One life he is sure to change is his own. P6/(b)(6) will use his education award next year when he transfers to the University of Texas to begin pursuing a degree in environmental studies with a concentration in water quality.

joined the Peace Corps at its height.

Designed with bipartisan support in the Congress and from the Governors, AmeriCorps is simple enough. Anyone over age 17 may participate, although in practice most AmeriCorps Members are young people. Members agree to make a significant commitment to service--either a year or two full-time, or a longer period part-time. Through their service, they meet important needs in four areas: education, public safety, the environment, and human needs (including health and housing). Service ranges from improving our schools, housing the homeless, and making our streets safe and our environment clean. In return for their service, they earn a small stipend and, at the end of their service, an education award worth nearly $5,000 per term--nearly the average cost of a year at a four-year, public university. The education award can be used to repay existing loans or to pay for current or future expenses at any accredited four-year, two-year, or vocational institution.

As the first program of its kind in a generation, AmeriCorps had to be on the cutting-edge of reinventing government. And it is. The Corporation for National Service--a combination of existing agencies, not a new one--oversees the effort. The idea, as Corporation Chief Executive Officer Eli Segal says, is to "translate national service from the poetry to the prose." The Corporation sets broad standards, tracks cost-effectiveness, and monitors progress toward basic goals. But the real power is in the hands of states and communities, which design programs to meet their own special needs.

Today, in more than 350 communities around the country, nearly 20,000 Americans are getting things done right now. They are from every state in the union and every background under the sun. What they share is a commitment to helping themselves and improving our country--not with the heavy hand of government, but with the helping hand of service. In Texas, AmeriCorps Members have helped immunize more than 200,000 infants, saving taxpayers millions of dollars--and saving untold lives. From the floods in California to the fires in the Pacific Northwest, AmeriCorps Members have helped limit the toll of natural disaster and helped the displaced get back on their feet. And in Kentucky today, AmeriCorps Members are raising reading levels from two years behind to one year ahead of standards.

Beyond these direct results, AmeriCorps helps transform communities. AmeriCorps Members develop the skills and the spirit to make a lifetime of active citizenship. And their communities come together again as well. When AmeriCorps Members help a church set up regular neighborhood cleanups or tutoring programs, neighbors get to know each other again. And they learn that they don't need to wait for anyone else to help them--that they can help themselves. AmeriCorps is helping bring America together and move America ahead--neighborhood by neighborhood, and block by block.

Too often today, young people speak about rights, but not about responsibilities. Yet an ethic of entitlement without obligation doesn't work--and it certainly isn't what has always made America great. A program of national service shows those who serve and those who don't that Americans can--and should--give back to their communities and country.

And in return for their contribution to our country, those who make a long-term commitment to service can get something in return for themselves. This idea is reciprocity: more opportunity in return for more responsibility. And for young people near the beginning of their careers, there is no greater source of opportunity than education. The model here is the GI Bill, passed during World War II to enable returning veterans to get a college education. Through the GI Bill, millions of Americans contributed to their own future and to America's productivity at the same time. National service here at home offers a new way for young people who help others to help themselves.

A final important principle is that national service ought to strengthen the voluntary associations that have always made America strong. In recent years, social scientists and community leaders alike have worried that Americans are working together less than we once did. National service can provide a steady source of new help for America's civic organizations, helping them to solve community problems from the grassroots up. And those participating can help to draw other community members back into service. The program becomes a catalyst for communities to come together, draw new volunteers and support from the community, and solve problems.

The Initiative

"National service recognizes a simple but powerful truth, that we make progress not by governmental action alone, but we do best when the people and their government work at the grassroots in genuine partnership."

President Clinton
March 1, 1993

President Clinton's pledge to create a "domestic Peace Corps" excited as much interest as any proposal. Young people were especially energized; in the first 100 days of the Clinton Administration, the White House was flooded with thousands of postcards and phone calls about the shape of the new program. On the 100th day, President Clinton detailed his program to fulfill that promise, and a few months later, Congress passed the National and Community Service Trust Act creating the new program, dubbed "AmeriCorps." Today, in its first year, more people are participating in AmeriCorps than

Background

"The lesson of our whole history is that honoring service and rewarding responsibility is the best investment America can make."

President Clinton
March 1, 1993

"I believe.... that national service will remain throughout the life of America not a series of promises, but a series of challenges, across all the generations and all walks of life, to help us to rebuild our troubled but wonderful land."

President Clinton
September 21, 1993

America has a long tradition of civic service. The nation was founded by citizens who came together in order to build a foundation for freedom. "A debt of service," said Thomas Jefferson, "is owed by every [citizen] to [our] country." In the 19th century, Alexis de Tocqueville found that in America as nowhere else, people joined in religious, educational, and civic organizations in order to solve problems.

Programs of service organized at the national level have built on this rich tradition. During the Great Depression, Franklin D. Roosevelt created the first major national service program, the Civilian Conservation Corps (CCC). Four million young people joined--restoring the nation's parks, revitalizing our economy, and supporting their families and themselves. A generation later, President Kennedy created the Peace Corps as the concrete embodiment of his most famous words: "Ask not what your country can do for you, ask what you can do for your country." Responding to that call, thousands of Peace Corps Volunteers have left the comforts of home and traveled to the poorest corners of the globe, building schools where none existed, helping farmers feed the hungry, and creating hospitals to care for the sick.

In developing a program of national service for a new generation, President Clinton has drawn on two vital principles from these programs. First, service is important because there is a lot of work to do right now in America. If national service is to meet any other objective, it first has to meet real needs: ensuring immunizations for infants, teaching children to read, making neighborhoods safe for families, and keeping the elderly safe in their homes.

Second, a new program of national service should strengthen the spirit of citizenship.

4D. NATIONAL SERVICE

"Beyond the concrete achievements of AmeriCorps, beyond the expanded educational opportunities those achievements will earn, national service will help us to strengthen the cords that bind us together as a people--to remember in the quiet of every night, that what each of us can become is to some extent determined by whether all of us can become what God meant us to be."

President Clinton
September 21, 1993

Actions to Date

President Clinton promised to enable Americans to earn money for education by engaging in service to America. On the 100th day of his administration, President Clinton sent to Congress the National and Community Service Trust Act. With bipartisan majorities, Congress passed that Act, and on September 21, 1993, President Clinton signed the legislation and created AmeriCorps. With a $300 million first-year investment, AmeriCorps fulfills his promise by:

- Giving young people the chance to spend a year or more making our people safer, smarter, and healthier--while earning an award of nearly $5,000 per year to pay for college or job training.

- Engaging 20,000 Americans as AmeriCorps Members in its first year--more than the Peace Corps at its height.

- Combining existing Federal agencies and relying on communities to design their own initiatives.

4E. INDIVIDUAL EDUCATION ACCOUNTS/COLLEGE LOANS

"We already give Americans looking forward to their retirement the chance to save in what we call an Individual Retirement Account. Now, we offer people at the beginning of their careers the chance to pay for college in what we call Individual Education Accounts."

President Clinton
October 21, 1994

Actions to Date

College has always been a gateway to the American Dream, but in the 1980s, college costs soared while students dropped out because they couldn't repay their loans. President Clinton has promised to reform the system--so all Americans could borrow the money for college and repay it as a percentage of their income over time. As part of the budget reconciliation passed by Congress and signed by the President in 1993, President Clinton fulfilled his commitment and enacted the biggest change in student loans ever. The reform is already in place at 104 schools, and will eventually be available to every student in college, graduate school, or job training nationwide--over 20 million Americans. Under President Clinton's plan, over the next five years:

- Any student can get loans for college or job training, and repay them in one of four ways, including "pay-as-you-can" repayment as a small percentage of income over time.
- Defaults will decline--they are already down from $2 billion to $1 billion per year--because borrowers have better service and more flexibility to repay their loans at a manageable pace.
- Borrowers can choose among different repayment schedules and change schedules over the life of their loan--reducing the burden of debt on the choice of a career.
- Red tape and loan-processing time are cut back dramatically as students can borrow directly through their schools, not from multiple "middlemen."
- Taxpayers are saving more than $6 billion--with another $5 billion in savings planned in the 1996 budget.

Background

"I got interested in this because I got tired of hearing young people in my own state tell me they were going to drop out of college because they couldn't afford to take out another loan; or tell me that they wouldn't go until they had some money because they knew they'd never be able to repay the loan. And I think we've changed all that now."

President Clinton
November 1, 1994

Higher education has enabled millions of Americans to step into the middle class. And now more than ever, getting a college education is a key to getting ahead in the world economy. Today's new technologies and global competition make high demands on workers' skills, driving an economic wedge between those who have more education and those who don't. In 1994, the average unemployment rate for Americans without a high school diploma was 12.6 percent; in 1992, the average income, less than $22,000. For Americans with a four-year college degree, the unemployment rate dropped to 2.9 percent, while the average income shot up to more than $57,000.

Because nothing is more important to America's economic future than college opportunity, nothing could be more troubling than key trends in higher education during the 1980s. At a time when middle-class incomes were stagnating, college costs were rising far faster than inflation--even more rapidly than health care costs. The college dropout rate climbed to more than twice the high school dropout rate, with many of the casualties leaving school because they just couldn't afford it any longer. As always, families struggled and sacrificed to pay for the cost of a single child's higher education. But for many, the cost was just too great.

Throughout this period, the student loan system made matters worse. Thousands of banks, secondary markets, and guaranty agencies formed a maze that made borrowing as complicated as any college exam. These "middlemen" imposed enormous burdens and inefficiencies--with billions of dollars in costs passed along to taxpayers. Rigid repayment schedules and high monthly payments often forced borrowers just out of school to change their career decisions--forsaking rewarding work in public service for less interesting jobs that might pay more. Those decisions didn't serve America's young people, and the defaults didn't help America's economy, either.

President Clinton promised to reform the student loan system so that all Americans would have the opportunity to borrow for college and pay off their loans on a manageable timetable--as a small percentage of their income over time. Rather than make repayments according to a fixed schedule linked only to the size of their loan, young people fresh from college could pay less at first, when they were likely at their lowest levels of income, and more in subsequent years, when they might be earning more. This idea was not new. As early as 1949, Nobel laureate Milton Friedman advocated such "income-contingent" or "pay-as-you-can" repayment of student loans.

The second component of Clinton's program called for the Federal government to lend money directly to students, bypassing "middlemen" and passing along savings to both students and taxpayers. On a limited scale, the Federal government began "direct lending" in 1959 through the Perkins Loan Program. And beginning in the 1980s, Senators Durenberger, Bradley, and Simon, along with Congressman Petri, proposed a much broader direct-lending program along with income-contingent repayment. In 1992, Congress established a small demonstration to test the idea; it was superseded by President Clinton's initiative, introduced in 1993 and passed as part of the budget reconciliation act of that year.

The Initiative

Under the new program, students set up Individual Education Accounts to pay for education. These enable borrowers to pay off their loans in one of four ways--and to switch plans as their financial situations change. With the new options, borrowers have greater freedom to take risks and pursue personal interests that eventually benefit us all. They can start their own businesses. They can accept lower-paying public service jobs--as teachers, nurses, or police officers. Or they can take time off to care for a child or sick relative. The new options promise to bring defaults down while dramatically expanding opportunities for young people to pursue their dreams.

With Individual Education Accounts, standard, fixed payments over ten years are still available. But in addition, borrowers can choose two other repayment plans that allow them to extend payments over 12 to 30 years. (One requires fixed payments, the other offers lower payments at first that increase over time.) And borrowers can also choose the "pay-as-you-can plan" that links a borrower's monthly payment to his or her annual income and loan amount.

Individual Education Accounts are part of the new Direct Student Loan program that offers a variety of other benefits to students and taxpayers. The system eliminates seas of red tape and enables borrowers to obtain loans directly through schools. This way, students need only deal with one institution--"one-stop shopping" for student loans. Borrowers will pay only one loan servicer and receive one monthly statement throughout the life of their loans.

Because of its simpler structure, the new program will save more than $6 billion by the year 2000. Savings are already being passed along to students through lower fees and interest rates. And that means millions of Americans will have an easier time paying for college.

Already, 104 colleges and schools are participating in the Direct Loan Program, with more than 300,000 students receiving loans totalling $1.2 billion. By Fall 1995, about 40 percent of new student loan volume will be in the new program. Individuals also are now able to consolidate their federal student loans in Individual Education Accounts. Over the next five years, every post-secondary student -- over 20 million Americans -- will have the opportunity to participate in the Direct Loan program.

Early reports on the effort are very positive. Colleges and universities--and the U.S. Department of Education--have implemented the program by reassigning staff, needing little or no new hiring. The President of the University of Michigan has reported that loans are up 43 percent on his campus. "With one-stop shopping," he says, "students have been able to obtain their loans in record time." And the American Council on Education says the reforms "will benefit millions of American students and their families for years to come. In the final analysis, they will help ensure that the United States has a more highly-educated citizenry and a work force better prepared for the challenges the nation will face in the next century."

Comments from Students

On November 1, 1994, at the University of Michigan's Dearborn campus, a group of students (including Stacy Tenderson, Alex Vincent, and Charles Tisdale) discussed the new program with President Clinton. Here are selections from their comments.

"The new system is much easier. It works out great. I particularly appreciate the income contingency of repayments. I'm going into the library profession, and as everybody knows, it's not as lucrative as some of the other fields. I'd like to start out by repaying my loans that way, and the move to a more standardized payment plan as my salary potential increases."

"Plans change, and in order to move with the things that happen in your life, having the options is always a plus."

"It's less cumbersome, as far as getting your checks."

"From my perspective, it's what allowed me to dedicate my life to education and community service within higher education."

"One of the nice things about this new process and this new procedure is that there's a lot less paperwork. In the years before, we had a lot of paperwork; we had a lot of things to fill out -- a lot of forms. It was very cumbersome.... With less paperwork, I can manage my own time. I'm able to take more classes. I have a part-time job now."

"It has really made a difference in my life and I've seen it made a difference in a lot of other young Americans lives."

Four Repayment Options

- *Pay-As-You-Can Plan:* A borrower's monthly payment is based on his or her annual income and loan amount. Since repayment is a fixed percentage, repayments rise when income goes up and decline when income decreases.

- *Standard Repayment Plan:* Borrowers can still choose the standard fixed payments over ten years.

- *Extended Repayment Plan:* Borrowers can extend their repayments over 12-30 years depending on loan amounts.

- *Graduated Repayment Plan:* Borrowers have lower monthly payments initially, with payments increased every two years over a period of 12-30 years.

Composite Borrowers with Better Options under IEA

1. **Entrepreneur**. Jane Smith, a recent graduate with a degree in computer science and $25,000 in loans, wants to start her own business. Jane realizes that she will have high start-up costs for the first few years, and chooses to draw a minimal salary of $12,500.

Without IEA under the *standard repayment* plan, Jane would face monthly payments of about $300--nearly 30 percent of her income.

With IEA, she can still choose standard repayment, but also has three additional options:

Pay-as-you-can, with monthly payments around $85, which is a little more than 8 percent of her income.
Graduated payments, with initial monthly payments that are less than $160, but gradually increase to almost $300 near the end of the 20-year repayment period.
Extended repayment, with monthly payments of about $200 for 20 years.

2. **Teacher**. David Blackwell, a teacher, graduates from a private university. He borrowed $35,000 to finance his undergraduate and graduate degrees, and his starting salary as a teacher is $30,000.

Without IEA under the *standard repayment* plan, David's monthly payment would be $415 over ten years, or almost 17 percent of his initial income.

With IEA, he can still choose standard repayment, but also has these other choices:

Pay-as-you-can, with initial monthly payments of about $270 (less than 11 percent of his initial income) would retire his loan in about 13 years.
Extended repayments with monthly payments of about $280 for a 20-year term.
Graduated payments with initial payments of about $220 that gradually increase to a little more than $400 per month near the end of the 20-year term.

3. **Professional with Temporary Hardship**. A lawyer, Shirley Anderson, borrowed $60,000 to finance her undergraduate and law degrees. She easily managed her $700+ monthly payment while working at a law firm. After several years, she chooses to work part-time for $20,000 annually in order to care for an ailing relative.

Without IEA, Shirley would have to continue the high monthly payments.

With IEA, she can change to a *pay-as-you-can* plan requiring monthly payments of only $250. Shirley would pay more when her income rose again, and she could change plans again to accommodate a new job situation.

4F. NEW SKILLS FOR NEW ECONOMY

> *"We do not need all of these separate government programs telling people what to do. We ought to just give you the money if you're eligible for it and let you bring it and get a good education."*
>
> President Clinton
> Remarks at Sandburg Community College
> January 10, 1995

Actions to Date

President Clinton has aggressively deployed existing authority and resources to begin building a reemployment system. **Reemployment reforms already achieved include:**

- About half of the states -- empowered with federal grants -- are planning or assembling networks of one-stop career centers.
- Funding for reemployment services has increased 150 percent from 1993 to $1.3 billion this year, increasing the number of workers who receive support to find new jobs from 297,000 in 1993 to 679,000 in 1995.
- Workers applying for unemployment insurance are getting individual assessments of their skills, so that each can quickly find the kind of help they need for rapid reemployment.
- Administration-sponsored changes in unemployment insurance are encouraging laid-off workers to start their own businesses.

Building on this progress, President Clinton has proposed a plan to provide every American worker who is willing to learn and work with the tools to build a better future. **Specifically, the President 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 tax deductions so that working Americans can afford the training they need 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.

Background

In the closing years of the 20th century, America's workforce is riding a roller-coaster of economic change. New technologies and global competition are changing the growth centers on the industrial landscape, from muscle-driven mass production plants producing uniform goods, to brain-driven flexible firms producing customized goods and services. This is mostly good for America: overall, we are well-equipped to prosper in a fast-paced, increasingly integrated world economy.

But the unfortunate truth is that America's workforce is increasingly divided according to skills. 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. That's the story: for the most part, well-educated and skilled workers are prospering, with the American dream of upward mobility still within their grasp. But those whose skills don't match the changing economy contemplate their prospects with anxiety. And Americans without education or skills drift further and further away from the economic mainstream. Partly because so many Americans are unprepared for the new economy, between 1973 and 1993 the average hourly wages of all workers actually fell.

In today's economy, 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.

We have many resources to offer new training. Our country is blessed with a rich array of learning institutions to deliver the skills that workers want. And more and more firms are finding that the surest path to competitive advantage is embedding learning in the workplace.

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.

It's time to change the system and make sure that every American worker has access to the training and information they need. If we do, America's workers and families will reap the reward: for all who continue to learn and work, a sure path to higher wages and rising living standards.

The Initiatives

Already, President Clinton has aggressively deployed existing resources to begin building a reemployment system.

- 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.

- Changes the Administration sponsored in unemployment insurance laws encourage laid-off workers to start their own businesses.

But these accomplishments are only a beginning. President Clinton has called upon Congress to join with him and transform the nation's employment and training systems, root and branch. His plan will take money out of bureaucracies and empower workers by putting resources and information in their hands. And it will replace the disorganized welter of education, training, and job search assistance with an efficient, effective system.

Principles of reinventing government inspire President Clinton's initiative. It will dramatically consolidate Federal programs and hold them newly accountable, and offer new flexibility to states to tailor their employment systems. The effort will empower the workers who know better than any bureaucracy just what they need. And it will make business and labor full partners in the reform program.

The first part of President Clinton's initiative aims to put the resources to obtain training and find jobs in the hands of America's workers. His initiative will create individual Skill Grants for dislocated and low-income workers and job seekers. Valued at up to $2,620 per year, these grants will be payable toward whatever certified training that America's workers believe they need. And the grants will be supplemented with the right to student loans guaranteed through President Clinton's already enacted Individual Education Account program. Together with the skill grants, Individual Education Accounts ensure that workers can get the training they need--and repay their loans on an flexible, affordable schedule.

While President Clinton's reform puts new money in the hands of workers, it will consolidate some 70 Federal programs. In place of the old bureaucracies, the proposal empowers states to redesign training programs and delivery systems. Cumbersome regulations will disappear, and states that eliminate bureaucracies will be able to plow the money back into training. Within five years, every State is expected to have completed its reform plan and begun implementation of an efficient, effective system.

The new systems will make sure workers have the information about training and jobs that they need to make smart choices. The proposal speeds implementation of the One-Stop Career Centers that will provide comprehensive data about jobs and training. And it will offer workers new ways to gather this information to make intelligent job and training decisions, such as interactive computers.

The President's reforms break down the artificial lines dividing different types of training programs. The new system will link adult training opportunities to school-to-work initiatives that are already underway. States will be able to eliminate duplication, use funds more flexibly, and build cross-cutting partnerships with businesses, higher-education institutions, and community services.

The system brings the best practices of the private sector to government. The business and labor communities will help each state to design its strategic plan and ensure the highest level of quality. Private firms will be encouraged to form consortia to provide training, and companies that upgrade worker skills in innovative ways will receive special awards to highlight their successes.

This is not a traditional federal program. Because workers will get "consumer reports" on the quality and track records of training programs, institutions that don't work won't survive. States will develop standards of excellence that their programs must meet, and Federal standards will ensure that unqualified institutions and programs are not approved, and unsuccessful ones are not continued.

The President's initiative will arm every American worker with the tools to learn new skills, find good jobs, and earn higher wages at more rewarding work. It will be up to individual Americans to make the most of this opportunity--in their own way, to build a better life for themselves and their families. In every generation, Americans have risen to that challenge, and we will do so again. With new skills for a new economy, Americans will take responsibility for restoring the tradition of middle-class prosperity--and for passing it on for generations to come.

Case Study: P6/(b)(6)

P6/(b)(6) dropped out of high school in the tenth grade to get married. When her marriage ended a few years later, she found herself responsible for supporting her three children. She worked first as a cook and next in a textile factory. But then her company's fortunes soured and P6/(b)(6) was laid off. And finding a new job was difficult. She didn't have a high school diploma, and most of her skills were fit for an industry that was losing jobs. So P6/(b)(6) enrolled in a local job training program, where she earned her GED -- which gave her the momentum to then earn a certificate in office and computer skills from a local college. Now P6/(b)(6) is a sales and service representative for a railroad, responsible for pricing nearly half of all commodities the railroad hauls. Her current salary is four times what she earned in her first job. P6/(b)(6) says that when she finishes putting her final two children through college, she'll return to college herself to pursue an Associates Degree.

Case Study: Antonio Dodero

P6/(b)(6) was a 30-year veteran of the defense industry when--like many of his colleagues in southern California--he lost his job and knew it was gone for good. "I did a little soul searching," P6/(b)(6) wrote in a letter to the President, "and decided it was time for a change. I'm at what you could call a difficult age, too young to retire but too old to start all over."

He enrolled in a new-skills program that was part of our emerging reemployment system. He chose courses in refrigeration, heating, and air conditioning repair that allowed him to apply some of the skills he already had. And he supplemented his experience with extensive classroom training in this new line of work.

P6/(b)(6) graduated from his program with honors -- and thanks to job search assistance provided by his reemployment program, he quickly landed a good job as a service technician at a local heating and air conditioning company, then an even better job at a similar firm.

5. INTERNATIONAL TRADE

Introduction

> *"The truth of our age is this -- and must be this: open and competitive commerce will enrich us as a nation... And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat."*
>
> President Clinton
> American University
> February 26, 1993

We live in a new global economy in which people, products, money and ideas criss-cross the world with blinding speed, disregarding national boundaries. More than ever before, the growth of the American economy and the quantity and quality of the jobs it produces are tied to our ability to compete in this new economy.

Every day, the lives of most Americans are touched by the flows of commerce. Forty years ago, imports and exports accounted for about $1 in every $10 of our Gross National Product. Now they represent $1 in every $5 of GNP. Nearly three-quarters of what we produce in America is subject to competition at home or abroad from foreign producers. And some 7 million Americans work in export-related jobs.

In recent years, American companies have reemerged as the most competitive in the world. Once again, we are the world's largest automobile producer and the leading seller of computers and telecommunications. From movies to microchips, beef to biotechnology, the world wants to buy the goods and services we produce. Given the opportunity, American companies can succeed in the global economy.

But to have that opportunity, our companies must be allowed to compete freely and fairly. That basic assumption lies at the heart of President Clinton's international trade agenda. During its first two years in office, the Clinton Administration conceived and implemented a dynamic trade strategy. That strategy has two parts: first, tearing down the barriers that deny our companies the opportunity to compete fairly while enforcing our trade laws which ensure that American firms are not disadvantaged by foreign practices; and second, helping our companies take advantage of these opportunities through a vigorous National Export Strategy.

The United States already has the most open markets in the world. Foreign companies have great opportunities in our country, but American firms face more limited opportunities abroad. In just two years, the Clinton Administration radically leveled the playing field. It reduced worldwide trade barriers by completing the Uruguay Round of the General Agreements on Tariffs and Trade -- the largest, most comprehensive trade agreement ever. It opened markets in our own hemisphere by winning passage of the North American Free Trade Agreement -- which already has increased American exports to Mexico 20% and created more than 100,000 jobs. And the Administration secured commitments to make trade more free in Asia and Latin America -- the world's fastest growing regions -- at the Asia Pacific Economic Cooperation Forum and the Summit of the Americas.

To take advantage of these new openings, the Administration also launched a National Export Strategy. At the heart of this strategy lies a coordinated effort by all of the government's economic agencies to advocate aggressively on behalf of American business. The Administration assisted firms with 100 major contracts worth more than $20 billion in exports -- from a multi-billion dollar Saudi Arabian telecommunications procurement to a major contract to build an Indonesian power plant. These exports are expected to support over 300,000 American jobs. Many of these jobs are in small and medium sized companies, who act as suppliers for major overseas projects. The Administration also acted aggressively and effectively to provide loans and financial guarantees to U.S. exporters. It streamlined the export licensing system, eliminating over $30 billion of outmoded controls that handcuffed American business without benefiting our national security. And it reorganized the way we provide our services to make them more readily accessible to small and medium sized businesses.

Two years ago, the United States stood at a crossroads on how we were going to deal with the risks and uncertainties of the new global economy. Many Americans wanted to go backward on the issue of free and open trade. But the Clinton Administration chose to reach out, not retreat. As a result, we are creating new high paying jobs in the United States for millions of Americans and making our workers stronger for the century ahead.

5A. TEARING DOWN TRADE BARRIERS

Actions to Date

For forty years, the United States has had the most open economy in the world, while facing unfair trade barriers in foreign markets. The status quo gave foreign countries and companies the freedom to compete freely and fairly with American business in the United States, while limiting opportunities for our companies abroad. In two years, President Clinton led the most successful market opening effort ever. As a result of these efforts, the Administration:

- Successfully concluded the Uruguay Round of global trade negotiations under the General Agreements on Tariffs and Trade round after seven years of negotiations. The largest, most comprehensive trade agreement ever signed, GATT will level the playing field between the U.S. and its major trading partners by slashing tariffs and taking down barriers to trade that had unfairly penalized American business. GATT creates the largest tax cut in the history of the world through its tariff reductions.

- Put into effect the North American Free Trade Agreement, which has allowed American companies to increase sales of U.S. goods and services to the emerging Mexican market. In just one year, American exports to Mexico increased by 20%, and exports to Mexico and Canada created more than 100,000 new jobs.

- Secured a commitment to achieve free trade in the fastest growing regions of the world, Asia and Latin America, at the Asia Pacific Economic Cooperation Forum and at the Summit of the Americas.

1. OPENING WORLD MARKETS -- GATT

"No country can escape the global economy, and the greatest, largest, most powerful country in the world cannot escape the global economy. We must lead it in a direction that is consistent with our values, consistent with our interests, consistent with what is necessary to keep the American Dream alive. That's really what GATT is all about."

President Clinton
December 8, 1994
Signing of the Uruguay
Round Agreement Act

Background

In the aftermath of the First World War, there were strong pressures in the United States to withdraw from the world -- politically and economically. The United States raised barriers and ushered in an era of economic isolationism and protectionism which exacerbated the Great Depression and helped provoke worldwide economic collapse. The United States and the other major trading nations learned their lesson and, at the end of the Second World War, took a the first bold step to establish an open, liberal trading regime: The General Agreements on Tariffs and Trade ("GATT").

Through successive "rounds" -- a series of negotiations among all its members -- the GATT has reduced tariffs worldwide by 85 percent. Nonetheless, the U.S. historically has maintained the most open markets in the world while other nations were allowed to preserve higher barriers to trade or to play by different rules. The average U.S. tariff was 4 percent; other countries maintained tariffs as much as ten times higher. U.S. products -- some of the most competitive products in the world -- faced an unfair disadvantage, an extra tax, when exported to another country.

President Clinton was determined to complete the GATT and at long last make the playing field more level for American business.

The Initiative

The new GATT agreement will make trade more free and more fair for American business. GATT will:

- Cut foreign tariffs on manufactured products by more than one-third -- a $744 billion worldwide reduction in tariffs, the largest international tax cut in history;

- Protect from piracy the patents, trademarks and copyrights of some of our most competitive industries, including pharmaceuticals, entertainment and software;

- Tear down barriers to aid U.S. companies that export services such as accounting, advertising, architecture, engineering and construction;

- Greatly expand export opportunities for U.S. farmers by limiting the ability of foreign governments to distort agricultural trade through tariffs, quotas, subsidies and other domestic policies and regulations.

- Ensure that the fast-growing economies in the developing world live by the same trade rules as the advanced industrialized countries.

Under the agreement, all quantitative restrictions will be converted to tariffs and capped -- preventing other countries from further raising their barriers to U.S. exports. This will provide about $43 billion in increased export opportunities each year in sectors ranging from computers to furniture, pharmaceuticals to paper. For example, Japan and Korea are opening their rice markets for the first time ever.

Taken together, the increased export opportunities generated by this agreement will create hundreds of thousands of high-paying jobs -- jobs that pay 13%-17% more on average than non-export related jobs. When fully implemented, it will add $100-200 billion to the U.S. economy each year.

Case Studies

- For American workers who produce farm machinery, GATT is a giant step forward. Right now, farm machinery imported into the U.S. faces a "zero" tariff -- no extra taxes. However, tariffs on U.S. farm machinery exports to Europe range from 3.5 to 9 percent, resulting in an almost two-to-one trade deficit in favor of European manufacturers. GATT eliminates all tariffs on farm machinery, saving American exporters tens of millions of dollars and allowing them to compete more effectively in the world marketplace.

- The U.S. exports crops grown on about 1 out of every 3 acres of our cropland. Because domestic demand for farm products does not grow as fast as farm productivity, expanding export markets is vital to our farmers' livelihoods. In 1993, U.S. agricultural exports totaled $42.5 billion. Twenty percent of these exports went to markets that impose some form of non-tariff trade barrier. Almost 60 percent were commodities that face subsidized export competition. And many markets were almost totally inaccessible to U.S. exports. Now, for the first time, agricultural trade will be brought under GATT rules. Subsidized exports must be reduced by 21 percent in volume and 36 percent in value over 6 years. Since the European Union subsidizes its exports much more than the United States, it will have to cut back its subsidies much further than we do.

GATT's successor, the World Trade Organization, will now turn its attention to fully implementing the GATT obligations, resolving issues not adequately addressed by the GATT -- for example, financial services -- and taking up new issues on the international trade agenda.

2. OPENING MARKETS NEXT DOOR -- THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

"In a fundamental sense, this debate about NAFTA is a debate about whether we will embrace these changes and create the jobs of tomorrow, or try to resist these changes, hoping we can preserve the economic structures of yesterday."

President Clinton
September 14, 1993
Washington, D.C.

Background

The North American Free Trade Agreement (NAFTA) went into effect on January 1, 1994. But the potential for developing new markets and free trade with Mexico and Canada has been increasingly apparent for years.

Under the 1988 bilateral free trade agreement with Canada, our largest trading partner, U.S. merchandise exports have increased by nearly 60 percent.

In 1986, Mexico undertook a revolutionary program to open its economy. It privatized industry after industry, cut its budget deficit, and slashed inflation. And it began -- unilaterally -- to reduce its trade barriers. By 1992, our exports to Mexico -- more than $40 billion -- and the jobs they supported -- some 700,000 -- had tripled.

But despite Mexico's more open economy, barriers to many U.S. goods and services remained high. For example, Mexico's average tariff rate was 10% -- a ten cent tax on every dollar of U.S. exports. The average U.S. tariff on Mexican exports was only 4% and half of Mexico's exports to the U.S. came in duty-free. And U.S. exporters of services -- including telecommunications, insurance, banking and advertising -- were not allowed to compete on equal terms with their Mexican competitors.

Republicans and Democrats alike saw Mexico's potential. President George Bush began NAFTA negotiations with Mexico and Canada in 1991, and completed negotiations on trade provisions in August of 1992. President Clinton pledged to support NAFTA -- so long as it provided adequate protections for workers, farmers and the environment. The Clinton Administration proceeded to negotiate path-breaking side agreements on labor, the environment and sudden surges in imported goods. Working with a bipartisan coalition, President Clinton won approval for NAFTA in November, 1993.

The Initiative

NAFTA went into effect on January 1, 1994, and Mexico began to sweep away decades of protection and over-regulation. Half of all U.S. exports to Mexico were immediately made tariff-free. This included some of our most competitive products: semiconductors; machine tools; aerospace equipment; telecommunications equipment; and medical devices. Within five years, two-thirds of U.S. industrial exports will enter Mexico duty-free. After ten years, almost all goods traded between the U.S. and Mexico will be duty-free.

NAFTA also requires Mexico to open its market to U.S. service exports. And it rolls away layers of red tape in Mexico, removing licensing requirements that hampered U.S. exporters. U.S. services exporters will now be able to provide most services cross-border, without having to establish operations in Mexico or Canada, as in the past.

A year after NAFTA entered into force, the results speak for themselves. U.S. exports to Mexico are up 22% compared to 1993 -- an average of $1 billion a week. NAFTA has created tens of thousands of U.S. jobs. Exports to Mexico and Canada now support 2.7 million U.S. jobs. More than 100,000 of those jobs have been created since NAFTA went into effect.

NAFTA sets a long-term course for our relations with Mexico. Despite its recent financial difficulties, the Mexican economy remains fundamentally sound and will continue to grow as a major market for our goods and services. Mexico's 90 million citizens spent 70 cents of every import dollar on goods made in the U.S. -- even before NAFTA gave Americans a leg up on our European and Asian competition. NAFTA locks in place important reforms, including the elimination of tariff taxes on U.S. exports.

Recognizing Mexico's growing importance to the United States, President Clinton took decisive action to help Mexico overcome its financial crisis before it deepened and spread to other countries that also buy billions of dollars worth of our goods and services. The President's plan helped stabilize Mexico in a moment of difficulty -- preserving a huge export market for American business, securing American jobs, protecting our borders from an increase in illegal immigration and preventing the crisis from spreading to other emerging economies.

Case Studies

- In Toledo, Ohio, auto workers are producing thousands of Jeeps for export to Mexico. In fact, Chrysler sold more vehicles to Mexico in the first three months of 1994 than in all of 1993. Because of NAFTA, Ford is shifting production of its Mexico-bound Thunderbirds and Cougars from Mexico to Lorain, Ohio. The Big Three anticipated sales of 55,000 vehicles to Mexico in 1994, compared to 9,479 in 1993.

- In Washington State, apple farmers are benefiting from NAFTA's elimination of tariffs and import licenses. They exported 4.1 million boxes of apples to Mexico in the first four months of 1994, compared to only 2.7 million for all of 1993.

NAFTA's success has spread far beyond the borders of the United States, Canada and Mexico. At the Summit of the Americas in December 1994, Chile -- the fastest growing economy in Latin America over the past decade -- began the process of joining NAFTA. Throughout the hemisphere, NAFTA has motivated other countries to liberalize their own trade regimes. In fact, all of the democratic nations of the hemisphere have agreed to negotiate a hemispheric free trade area by 2005. In a very real sense, NAFTA is a gateway to a continent of opportunity.

3. OPENING REGIONAL MARKETS -- THE SUMMIT OF THE AMERICAS AND APEC

"The United States has concluded agreements to push for regional free trade in the two fastest growing areas of the world -- first, at Bogor in Indonesia with the Asian Pacific economies, and [then] with the free trade agreement at the Summit of the Americas. These things, along with the implementation of GATT and the expansion of the NAFTA agreement, will set the agenda for world trade for years to come, in ways that benefit ordinary American families, that generate more high-wage jobs in this country and more opportunity in the countries of our trading partners."

President Clinton
December 12, 1994
Miami, Florida

Background

As we approach a new century, we must rethink our traditional notions about trade priorities. While markets in Europe and Japan will continue to be important, the future lies in the developing economies of Latin America and Asia. The Western Hemisphere already is our most important export market, with 1994 exports totaling $207 billion, one third of our world-wide total. And nearly another third of our exports now go to Asia, supporting more than two million jobs. As the countries in these regions develop, their demand for U.S. goods and services will rise dramatically, which will support millions of jobs throughout the United States.

But our competitors in Europe and Japan also seek to develop these markets. And significant barriers to free trade remain. One of the greatest challenges we face in the trade arena is opening the door for U.S. exporters to these emerging markets of the future.

The Initiative

Two major U.S. initiatives demonstrate the Administration's commitment to opening the markets of tomorrow.

The Summit of the Americas

"This is more than words; this is a commitment to deeds. Free trade in our

hemisphere has been talked about for years, but because of this process we've launched this weekend it will now become a reality. Free trade will yield dramatic benefits in terms of growth and jobs and higher incomes . . . and reaffirm our commitment to promote the rights and interests of our workers so that all our people have the chance to benefit from free trade."

President Clinton
December 11, 1994
Miami, Florida

Over the next decade, American companies have exceptional opportunities in Latin America. In preliminary studies, the World Bank estimates that Latin America will need infrastructure investment on the order of $24 billion for power generation, $14 billion for transport, $12 billion for water and sewerage, and $12 billion for telecommunications in each year for the rest of the decade. Adding investments in natural gas, flood control and other urban infrastructure brings the total of needed investment to more than $60 billion per year. And Latin America is a region where the U.S. has a leg up on the competition. The countries of Latin America already import 43% of their goods from the U.S., compared to 13% from Asia and 20% from Europe. By the year 2000, it is likely that Latin America alone will be a larger customer for U.S. exports than Western Europe.

Over the past few years, Latin America has embarked on a historic effort to liberalize its economies. Despite great strides, much of the region's potential remains locked behind the walls of tariffs and other barriers. For example, Chile's average tariff -- the border tax it applies to U.S. goods -- is around 11%. That's more than 250% higher than the average U.S. tariff. Argentina maintains average tariffs of 10%; Brazil 14%. These are major markets, but U.S. access is disadvantaged compared to local producers. New trade agreements could bring down barriers to U.S. exporters.

Trade topped the agenda in December 1994, when President Clinton hosted the democratically elected leaders of the Western Hemisphere at the "Summit of the Americas" -- the first meeting of hemispheric leaders in three decades. At the Summit, the President secured agreement from all 34 nations to negotiate a "Free Trade Area of the Americas" by 2005. Hemispheric integration would create the world's largest free trade area -- a $13 trillion market with more than 850 million consumers by 2003. The nations of the hemisphere used the Summit to adopt an action plan for achieving this goal. Trade ministers from each of the participating countries will meet in June to discuss and adopt concrete steps for moving forward.

As a first step toward integration, the United States, Mexico, Canada and Chile at the Summit of the Americas announced their intention to extend NAFTA's benefits to Chile. With its high economic growth, low inflation and commitment to high labor and environmental standards, Chile represents a valuable opportunity to U.S. exporters. In addition to opening a key emerging market, successfully completing a free trade agreement with Chile would send an important signal to the hemisphere that economic and political liberalization pays real dividends.

- **<u>The Asia Pacific Economic Cooperation (APEC)</u>**

  "We want the Pacific Ocean to unite us, not to divide us . . . We sought to give this incredibly diverse Asian Pacific region a common identity rooted in a common purpose, committed to free trade and investment."

  President Clinton
  November 16, 1994
  Jakarta, Indonesia

Asia boasts the fastest growing economies in the world. Between now and the year 2000, Asia will account for one-third of the global growth in imports. U.S. workers and farmers are particularly well-positioned to take advantage of this growth. Already, the region absorbs $135 billion, or nearly one-third, of all U.S. merchandise exports and supports more than 2 million U.S. jobs. Increasing our market share by just 1% in Asia would create more than 100,000 new U.S. jobs.

That's why President Clinton -- through the Asia Pacific Economic Forum -- has made Asia a top priority for our economic engagement. At the 1993 APEC meeting hosted by the President in Seattle, the leaders of the 15 APEC member economies sought to give this extraordinarily diverse region a common purpose: that of a community committed to free trade and investment. At the 1994 APEC summit in Indonesia, President Clinton led the effort to transform the vision set out in Seattle into reality by securing a commitment to achieve free trade and investment in the Asia Pacific region by 2020.

Two examples among many underscore the importance of President Clinton's initiative.

- By the year 2020, auto sales in Indonesia, Malaysia, Thailand and the Philippines will equal the current market in Canada and Mexico combined and exceed the current market in the UK. However, tariffs on autos being imported into these countries range as high as 60%. The APEC initiative -- by eliminating these tariffs -- will allow American companies to compete fairly for their share of this huge market.

- Between now and 2020, APEC countries have plans to construct $1.1 trillion in infrastructure projects -- or the entire annual Gross Domestic Products of Greece, Portugal and Ireland combined. Once completed, the APEC agreement will reduce the barriers facing U.S. exporters of products that are essential to building these projects.

In the months ahead, APEC members will develop a blueprint for achieving free and open trade and investment throughout the region. The Leaders will review this blueprint at their next meeting in November 1995 in Osaka, Japan.

5B. HELPING AMERICAN BUSINESS DO BUSINESS

> *"I have long believed that America has a bright future in this rapidly changing global economy. We are now positioning ourselves to compete for new markets and the jobs they will create at home as never before. The implementation of NAFTA and the passage of the GATT are critical to opening markets abroad. The National Export Strategy is essential to make sure that we do in fact take advantage of those openings."*
>
> President Clinton,
> October 1994
> National Export Strategy Report to Congress

Actions to Date

Opening new markets for American business around the world is only half the story of the Clinton Administration's international trade initiative. Through its National Export Strategy, the Administration has also done more than any of its predecessors to help American business take advantage of these new opportunities.

<u>The Clinton Administration's National Export Strategy:</u>

- Supports U.S. bidders in global competition through a coordinated government advocacy program. The program ensures that U.S. companies receive a full and fair hearing as they compete for contracts around the world.

- Improves trade finance by facilitating our companies' access to loans, loan guarantees, and feasibility study funding while successfully fighting foreign "tied aid" that unfairly handicaps U.S. business.

- Reduces and eliminates counterproductive export control regulations -- freeing more than $32 billion of high technology exports from restrictive and outdated controls.

- Establishes U.S. Export Assistance Centers which provide comprehensive export financing and marketing information to small and medium sized firms in "one-stop shops" throughout the U.S.

1. SUPPORTING U.S. BIDDERS IN GLOBAL COMPETITION

"[We are] changing the culture of our [government] and getting [it] in country after country much more involved in trying to promote commercial activities... We will continue to work hard at home and abroad to help our people thrive in the global economy."

President Clinton
February 16, 1994

Background

The competition for major contracts by foreign countries is fierce. Most of our major trading partners -- including Japan, Germany, France and many others -- aggressively help their firms expand exports, especially by using high level officials as advocates to close a deal. Until the Clinton Administration took office, the United States was the exception to this rule. As a result, American business was losing billions of dollars in sales every year, largely because U.S. government advocacy efforts were not as effective as those of foreign governments.

The Initiative

Recognizing the crucial role government can play in helping American business reap the many benefits of the new world economy, the Clinton Administration launched a comprehensive advocacy program to give American bidders a full and fair opportunity in global competition. Since November, 1993, this program assisted American firms competing for over 120 major contracts -- contracts that are worth over $24 billion in U.S. exports and support more than 360,000 jobs in the United States.

None of these deals would have advanced if the companies in question did not offer top quality products and services, and without their hard work and skillful marketing. But the American government was able to play an important -- and sometimes crucial -- supporting role in helping these companies close their deals or move them forward despite strong competition.

The advocacy program coordinates resources from across the U.S. government in a full court press on behalf of American business. American ambassadors, commercial attaches and visiting officials go to bat for our companies with foreign governments and businesses. A new Advocacy Center established at the Department of Commerce works closely with U.S. bidders. Its computer database tracks pending projects around the world. When assistance on a particular project is needed, interagency teams are quickly mobilized to develop project-specific strategies.

All of the government's economic agencies -- including the Departments of Commerce, Treasury and State and the Export/Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency -- meet on a regular basis to develop and coordinate strategies for American companies seeking help. And top Administration officials, starting with the President and his Cabinet, have demonstrated an unprecedented willingness to lend their support -- including face-to-face meetings with foreign decision-makers both here and abroad -- American exporters competing for major overseas contracts.

Case Studies

- With the help of the Trade and Development Agency, last May, Hughes Space & Communications Company signed a multi-million dollar deal with Malaysia for the East Asia Satellite. The project supports jobs for about 400 people at Hughes' facilities in El Segundo, California.

- With strong personal support from President Clinton, Secretary of State Christopher and Secretary of Commerce Brown, AT&T won a $4 billion contract to modernize Saudi Arabia's telecommunications system -- beating out major competitors from Germany, France, Canada and Sweden. The majority of manufacturing for the project will take place at AT&T's plants in Oklahoma City, OK, Andover, MA and Columbus, OH. Software for the system will be created at facilities in Illinois and New Jersey.

- Following a trade mission to Brazil, Argentina and Chile led by Secretary Brown and 20 American CEOs, contracts and deal memos worth more than $1.7 billion were signed -- including a $1.4 billion Amazon rain forest protection program contract awarded to Raytheon Corp., a defense contractor moving into non-defense related activity. The Commerce Department's International Trade Administration and the National Oceanic and Atmospheric Administration provided technical and scientific expertise and critical links to Brazilian agencies to help Raytheon win the contract, and the U.S. Export-Import Bank provided a critically important competitive financing package for the deal.

- With the help of sustained advocacy by the Clinton Administration, in the six months from March to August 1994, American firms won 34 major contracts in Asia -- from turbine generators in China to waste incinerator technology in Taiwan. These contracts will generate $5.3 billion in U.S. exports and support 85,000 jobs across the United States.

In addition to these advocacy efforts, we are targeting our export promotion efforts on those regions with the greatest growth potential for American exporters. We will focus on the big emerging markets -- Argentina, Brazil, Mexico, the Chinese Economic Area, India, Indonesia, South Korea, Poland, Turkey and South Africa -- that are expected to account for over 40 percent of total global imports over the next 20 years. To improve our competitive position in these markets, we will establish bilateral forums to discuss commercial cooperation; open new U.S. Commercial Centers to provide U.S. exporters easy access to the full array of government export promotion and financial services for small to medium sized exporters and larger companies as well; expand cabinet and sub-cabinet travel to these markets to strengthen commercial ties; and craft long term export strategies for each country, to be directed by interagency teams.

2. IMPROVING TRADE FINANCE

Background

The availability and terms of trade financing often play a decisive role in securing export contracts. Foreign governments give their companies a leg up through subsidies, loans and loan guarantees. They also provide "tied aid" -- loans or grants that are only available to recipient governments if they buy goods and services for the project in question from the donor country. In 1994, tied aid totaled $7 billion worldwide and seriously handicapped American companies bidding for foreign capital projects.

Working together through the National Export Strategy, the Clinton Administration's trade and economic agencies have responded to this challenge. As a result, companies have easier access to more capital. And the Administration has taken effective action to counter financing practices by other countries that make trade unfair.

The Initiative

The Administration increased the Overseas Private Investment Corporation's project financing limit from $50 million to $200 million and doubled its per project insurance limit to $200 million. The higher limits have already made support available for 15 major projects -- in power, energy, telecommunications and transportation -- that OPIC might not otherwise have been able to support. All told, these and other projects OPIC supported in 1994 are expected to produce more than $3 billion in U.S. exports over the first five years of the lives of those projects.

The Administration also initiated innovative cooperative ventures with state and local governments to take advantage of new opportunities. Last year, four U.S. Export Assistance Centers were opened in Baltimore, Miami, Chicago, and Long Beach to co-locate the marketing, counseling and trade finance services of Commerce, the Small Business Administration, and the Export/Import Bank. Eleven more "one-stop shops" will open in 1995, creating a comprehensive national network. The Small Business Administration now co-guarantees export loans with state and local governments. These arrangements leverage both SBA and the local finance entities' guaranty capacity and allow the SBA to benefit from local expertise and loan-packaging capabilities. The Export/Import Bank's City/State Program assists small and less experienced exporters through the entire export financing process: from counseling to drafting proposals to securing commercial bank loans and guaranties. In FY 1993, the program supported $75 million in U.S. exports.

By reinvigorating and consolidating funding for feasibility studies in the Trade and Development Agency, the U.S. government has enabled American business to become more easily involved in the planning stage of infrastructure projects. The studies include advice to a host country about the availability of appropriate U.S. equipment and services -- advice that often leads to follow-up contracts for the feasibility contractor and to U.S. exports during the project's implementation.

In tandem with its efforts to improve access to capital, the Administration worked within the Organization for Economic Cooperation and Development to adopt new tied aid guidelines. As a result, tied aid has decreased dramatically -- from $15.5 billion in 1992 to $7 billion in 1994. To eliminate trade distortions arising from the use of tied aid credits, the Administration established the Tied Aid Capital Projects Fund. The Fund, managed by the Export/Import Bank, does not initiate tied aid credits -- indeed, Export/Import seeks to convince foreign countries not to provide trade distorting tied aid. Nonetheless, the Fund is available to counter tied aid used by foreign competitors which disadvantages American competitors.

Case Studies

- OPIC supported dozens of projects in Central Europe, including the International Paper Company's acquisition of a major mill in Poland and U.S. West's venture to bring cellular telephones to Hungary. These two deals will each generate about $30 million in U.S. exports and support hundreds of jobs in America.

- With the support of a joint SBA/State of California loan guaranty, Laub Engineering, a 15-employee producer of liquid filling systems, secured a contract to supply its technology to a major motor oil plant in Indonesia. As a result, the company doubled its work force, and all the new employees will stay on after the contract is completed.

- Armed with $300,000 from the Trade and Development Agency to help fund a feasibility study on health care in the Republic of Tatarstan, Russia, HCR, a Rochester, NY company, generated orders to purchase medical equipment from several U.S. suppliers and is pursuing several spin-off projects as a result of the study.

This year, the Administration will concentrate on a new initiative with the potential to help increase exports. Project finance, a type of financing where repayment is based on the revenue flow of the project rather than external guarantees, is becoming a significant method of funding major projects, especially in emerging markets where infrastructure investment is a priority. OPIC and Export/Import Bank are arranging new ways to provide project finance to support U.S. exporters.

3. REMOVING OBSTACLES TO EXPORTING

"We have on too many occasions, for too many years, not had a coordinated, effective [export control] strategy... Streamlining unnecessary controls will make the rest of the system more responsive and more efficient."

President Clinton
September 29, 1993
Remarks announcing a National Export Strategy

Background

Over the course of the Cold War, the United States imposed export prohibitions and licensing requirements on thousands of products that could be of strategic value to communist countries. Successive administrations sought to balance national security concerns against the burden these restrictions placed on American business.

While our security interests require that we maintain some export controls -- for example, to prevent the proliferation of nuclear materials -- with the end of the Cold War, many licensing restrictions became obsolete and counter-productive. They imposed additional costs on American companies and hindered their ability to fill orders as rapidly as their competitors, without benefit to America's national security.

The Initiative

In just one year, the Clinton Administration has made major progress in eliminating unnecessary and ineffective export controls and in streamlining the licensing process for those products that still require an export permit. As a result, the value of goods requiring an individual export license already has dropped from $6 billion per quarter to $2 billion -- an annualized reduction of more than $16 billion.

The computer industry was one of the major beneficiaries of the liberalization of export controls. The United States had required a license to sell computers operating at a processing speed of over 12.5 MTOPS. This covered virtually every computer above the level of a desktop personal computer and even restricted the export of some desktop models that are available in most electronics stores. The Administration raised the MTOP ceiling to 1000 -- this will free some $30 billion of American computer exports per year from licensing requirements.

Reducing the number of licenses required has had the added benefit of eliminating gridlock for those products that still require export permits. To further streamline the licensing process, the Administration will continue to simplify regulations and further improve interagency coordination, which would speed decision making at all levels of review and reduce the maximum processing time by 25 percent.

Case Study

Before the liberalization of export controls that began in 1993, the licensing lead time for exports by Silicon Graphics, a computer software maker, averaged 150 days. Within a year, the lead time dropped to less than thirty days, enabling the company to double its volume shipped.

6. BUILDING SAFER COMMUNITIES

Introduction

100,000 New Police Officers

- President Clinton's landmark Crime Bill, signed on September 13, 1994, is putting 100,000 new police officers on our streets, funded by savings realized through reducing federal employment by 272,900. Already, the President's plan has helped half the nation's law enforcement agencies hire nearly 17,000 new officers.

The Brady Act

- President Clinton supported and signed the Brady Act, an historic piece of legislation, which requires a five-day waiting period during which all potential purchasers are required to submit to a background check. A one-year progress report on the Brady Act estimates that approximately 41,000 fugitives, felons and other prohibited purchasers have been stopped from buying a handgun.

- The President also won passage of the Brady Act Implementation Program to upgrade state criminal history records. This will ensure that states can comply the Act, that sales are not made to ineligible purchasers, and that the national instant check system can become a reality. $100 million dollars has been appropriated in FY 1995, and another $50 million is authorized for the next fiscal year. Already, 5 states with few or no automated criminal history records have received up to $1 million each.

Assault Weapons Ban

- The President successfully fought for the historic Assault Weapons Ban, which was included in the Crime Bill. The law prohibits the manufacture, transfer, or possession of semiautomatic assault weapons not lawfully possessed under federal law on the date of enactment. The ban covers 19 military-style assault weapons, assault weapons with specific combat features, and "copy-cat" models. The Act specifically exempts over 600 firearm models used for hunting and sporting purposes.

Stiffer Penalties for Violent Offenders

- The President's program for imposing stiffer penalties on violent criminals was also embodied in the Crime Bill. It:

    - Imposes the death penalty for more than 60 federal offenses, making it available for most homicides prosecuted in federal court;

    - Makes "three strikes and you're out" the law of the land, requiring this punishment for repeat violent offenders;

    - Authorizes $10 billion for new state and local prisons to house violent criminals -- with half the funding reserved for states that work towards tough, "truth in sentencing" guidelines.

Violence Against Women Act

- Finally, the President won passage of the Violence Against Women Act as part of the Crime Bill. The act includes four key components:

    - Safe Streets for Women -- Funding more prosecutions and police patrols to combat sexual assaults against women, and increasing penalties for such crimes;

    - Safe Homes for Women -- Launching programs to combat domestic violence, and to give battered women a safe place to go;

    - Civil Rights for Women -- Giving women who are the victims of gender-based attacks the right to sue their attackers;

    - Safe Schools for Women -- Promoting sex assault prevention on college campuses, and making campuses safer with common-sense answers like more and better lighting.

- On March 21st, the Justice Department awarded $26 million -- up to $426,000 for each state -- to bolster law enforcement, prosecution and victims' services related to violence against women.

National Police Corps

- The Crime Bill also includes the Police Corps Act, setting up a national Police Corps program which offers a maximum grant of $30,000 to each student, with an average of $7,500 per year. Students who receive the scholarships must commit to four years of service with their state or local police.

6A. 100,000 NEW POLICE ENGAGED IN COMMUNITY POLICING

"When I signed this crime bill, we [took] a big step toward bringing the laws of our land back into line with the values of our people."

President Clinton
Signing of the Crime Bill
September 13, 1994

Actions to Date

President Clinton fought for and won passage of the Violent Crime and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994.

- The Crime Bill will put 100,000 new police officers on our streets, funded by savings realized through reducing federal employment by 272,900.

- Already the program is under way: awards for more than 16,000 new police officers have already been granted. Smaller towns are allowed to file one page applications for their new police officers; bigger cities are being given grants to get officers out of headquarters and back on the streets.

- On December 19, 1994, President Clinton named a 20-year police veteran, Police Chief Joe Brann of Heyward, California, as the Director of the Community Oriented Policing program -- the COPS program. Under Chief Brann's leadership, plans to put the 100,000 police on our streets will be implemented with efficiency and intelligence.

Background

In the 1950s, there were three times the number of police as there were violent offenses. But today, the ratio is reversed: in 1993, there were four violent crimes for each officer.

Notwithstanding this fact, the federal government did nothing during the 1980s to reverse these two terrible trends. In fact, in 1981, the Reagan administration cut all federal aid to local police departments by more than 80%. While the Congress gradually upped such aid (now known as the Byrne Grant program) over the course of the 1980s, these funds were not used to hire more police officers. Thus, at the start of the Clinton Administration, there was no federal effort in place to do anything to reverse the dramatic erosion of our effective police strength in America's cities. Nor was there any substantial effort to expand or promote community policing around the country.

While Washington ignored the problem, local officials did not have the same luxury. They stretched their resources where possible to put more police on the streets, and developed innovative ways to deploy the limited number of police on their forces. One of the innovations, started by creative police leaders like Chief Rueben Greenberg in Columbia, South Carolina, and Chief Lee Brown in New York, became known as "community policing." The idea was to have cops "walk the beat:" patrol local communities, get to know the residents, and get involved with the neighborhood. An old-fashioned idea whose time had come again, community policing helped prevent crimes by finding trouble spots -- and trouble makers -- before they got worse.

President Clinton articulated a clear vision for reversing these trends. In a speech in March of 1992, he noted the declining ratio of police to crimes in our country, and offered a clear answer: the federal government should put 100,000 more police on our nation's streets. Moreover, in his speech at the Democratic National Convention in July, he linked it to another promise: his pledge to cut the federal bureaucracy by 100,000 workers. Why not, Clinton asked, cut 100,000 bureaucrats in Washington, and use the savings to put 100,000 more police on the streets? The idea, which won popular support, was doubted by the cynics who thought that as President, Clinton would never deliver on the pledge.

But President Clinton's vision did not end there. As he stressed time and again, the 100,000 new police would be engaged in community policing -- not stuck behind desks or in squad cars. As a result, these 100,000 new officers would represent almost a one-fifth increase in the number of street level cops in this country.

The Initiative

We must take serious steps to reduce violence and prevent crime, beginning with more police officers and more community policing. We know right now that police who work the streets, know the folks, have the respect of the neighborhood kids, focus on high crime areas, we know that they are more likely to prevent crime as well as catch criminals.

President Clinton
State of the Union Address, 1/25/94

Shortly after taking office, in March of 1993, the President had an unexpected opportunity to launch a small beginning to his plan: he won funding in a Supplemental Appropriations bill for a program to begin hiring 2,000 new police officers. By November, the first round of grants -- for the first new police officers hired with federal assistance in more than 15 years -- where on their way.

Winning Congressional passage of the larger program was more difficult, of course. The President offered an initial plan to hire 50,000 new police officers over five years in a comprehensive anti-crime bill in August of 1993; it passed the House a month later. Still, the program provided only one-half the promised officers -- and its funding was uncertain.

Following Vice President Gore's Reinventing Government report, and passage of Congressional legislation to implement the President's recommendation that government employment be cut by 250,000, the opportunity to make the President's original vision a reality reemerged. In November of 1993, Senate Democrats and Republicans jointly approved a plan to take the savings from the 250,000 reduction in government employment and put it in a Trust Fund to fund a comprehensive Crime Bill -- including the President's plan to put 100,000 new community police officers on the street.

It took almost another year of wrangling to get the Bill finally passed by Congress. Some wanted the money shifted to other purposes; others wanted to strip away assurances that more police would be hired. But in the end, in September of 1994, President Clinton signed the landmark Violent Crime and Law Enforcement Act, which embodied his pledge to put 100,000 more police on the streets, in community policing, paid for by cuts in the federal workforce over the next six years.

The commitment was now law. But much work was left to be done to implement that promise. Just one month later, the first grants of 2,800 new police officers were made. In December of 1994, 4,700 more police were awarded -- the program was well on its way. Smaller towns were allowed to file one page applications for their new police officers; bigger cities were given grants to get officers out of headquarters and back on the streets. In February of 1995, additional awards were announced which will enable smaller cities and towns to add 7,100 officers.

And on December 19, 1994, President Clinton named a 20-year police veteran, Police Chief Joe Brann of Heyward, California, as the Director of the Community Oriented Policing program -- the COPS program. Under Chief Brann's leadership, plans to put the 100,000 police on our streets will be implemented with efficiency and intelligence.

Case Study: Ocean City, Maryland

One of the first cities to win a police hiring grant from the Clinton Administration was Ocean City, Maryland -- a small resort town with a population that ballooned during summer months. Just a few weeks after the first of the three new officers given to that town were on the job, the results were clear.

On an early July day, one of the police on patrol as a result of the grant, Officer Bill Stamps, was on bike patrol in Ocean City. Hearing a noise, he rushed to the scene of an assault on a young woman. The man Officer Stamps arrested in the attack turned out to be a serial rapist, wanted in a large number of sex crimes in the area.

Case Study: Albany, Georgia

Another early winner of a police hiring grant was the mid-sized town of Albany, Georgia. Albany, like many smaller cities, was experiencing serious crime problems: the emergence of gangs, a growth in youth violence, more burglaries -- problems that needed to be attacked before they got worse.

Albany got a police hiring grant in November 1993, and had 12 new officers on patrol by early the next year. Albany's new cops proved to be heroes beyond just fighting crime. After just a few months on the job, Albany found itself with another deluge -- the terrible 1994 floods that decimated many cities and towns in the South. Albany's new community police officers pitched in, fighting the floods with sandbags, and helping to save much of the small city's beleaguered downtown.

6B. THE BRADY ACT

This is the only country, the only advanced country in the world, the only country I know of where we would permit children access to weapons that make them better armed than police forces. So I'll tell you what we ought to do. I've asked the Congress to pass the Brady Bill, which would give us a national system, a waiting period to check the backgrounds of people for age, criminal records, and mental health before we sell them weapons.

President Clinton
October 3, 1993

Actions to Date

After stalling for several years in Congress, the Brady Bill became law under the leadership of President Clinton.

- Signed by the President on November 30, 1993, the Brady Act requires a five-day waiting period during which potential handgun purchasers are required to submit to a background check.
- The Brady Act also provides funding to upgrade state criminal history records.
- $100 million dollars has been appropriated in FY 1995, and another $50 million is authorized for the next fiscal year to upgrade and automate state criminal history records.

Background

On March 3, 1981, during an assassination attempt against President Reagan, Press Secretary James Brady was tragically and critically shot in the head. His arduous road to recovery brought well wishes and support from all Americans. But Jim Brady and his wife Sarah felt that there was more to be won than just one man's survival, or one family's recovery. At stake was nothing less than a national commitment to conquer the unreasonable and unimaginable proliferation of violence in America. And so they set out to seek Congressional passage of a five-day waiting period and background check for the purchase of handguns, so that guns would not be put in the hands of criminals and mentally unstable individuals. On February 4, 1987, Congressman Ed Feighan of Ohio introduced the Brady Bill.

The Brady Bill became a lightning rod for organized gun lobbies and others who opposed any meaningful anti-crime legislation. And in 1988, 1991 and 1992, the Brady Bill could not muster enough votes for passage because of the powerful chilling effect gun lobbies and others had on the Congress and the President.

The challenge was to build the sort of coalition required to overcome the special interests and obstructionists. The coalition took shape when President Clinton assumed the mantle of leadership and announced during his campaign his commitment to a partnership with law enforcement to "make the people of this country safer, and to make our policies saner, and to bring us closer to the kind of country we ought to have by supporting law enforcement, and doing the things we know will work" -- such as the Brady Bill.

The President told the American people the hard facts about violence in our nation. He made clear that it was simply unacceptable that one person is gunned down every 20 minutes by gunfire; and that it was unacceptable that in the seven years that Sarah and Jim Brady had fought for reform, more than 150,000 Americans had been killed with handguns, and countless others wounded.

The coalition gained momentum when states and law enforcement began to see the clear difference a waiting period and background check could make. Under the existing gun control statute there were several categories of persons who were prohibited from purchasing or owning firearms. However, there was no way to determine whether a prospective handgun purchaser fell within one of the prohibited categories. Sales were made on the honor system. By the time the Brady Bill had finally been passed, four states who had already enacted versions of the Bill, had in four years, prevented some 50,000 people from buying a handgun because they were legally forbidden to purchase such weapons.

Congress finally passed, and the President triumphantly signed into law the Brady Bill on November 30, 1993. Efforts were already underway to improve the Act by upgrading the criminal history record keeping systems and expanding the categories of persons prohibited from possessing firearms to include those convicted of domestic violence or subject to a restraining order for alleged acts of domestic violence. This was accomplished in the 1994 Violent Crime Control and Law Enforcement Act.

The Initiative

The Brady Law, an historic piece of legislation, requires a five-day waiting period during which potential hand gun purchasers are required to submit to a background check. And it works. A recently-completed Bureau of Alcohol, Tobacco and Firearms' ("ATF") survey of 30 law enforcement authorities reveals that from March 1994 through January 1995, **more than 15,500 persons in** the surveyed jurisdictions who applied to purchase handguns had their applications denied. The officials polled constitute a cross section of the national law enforcement scene. Drawn from every region of the country, they represent communities large and small, rural and urban.

The "bad guys" blocked by the Brady Act from obtaining handguns included:

- 4,365 convicted felons;
- 945 fugitives;
- 97 persons under indictment;
- 649 illegal drug users;
- two juveniles; and
- 63 persons under restraining order for alleged stalking, harassment or other forms of domestic threats or intimidation.

The more than 15,500 Brady applications denied represent **only 3.5 percent** of the total number of applications submitted in the surveyed jurisdictions (more than 440,000). Further, ATF has confirmed through discussions with the firearms industry that the overall volume of handgun sales remained relatively constant during that time. **This suggests that the Brady Law is doing what it was designed to do -- keeping handguns out of the reach of that small percentage of persons who use handguns criminally, while not unduly**

infringing on the rights of legitimate handgun owners.

National estimates of the number of prohibited persons who were prevented by the Brady Act from purchasing a handgun in states affected -- based on information supplied by the FBI's criminal history data base **was approximately 41,000** from March 1, 1994 through January 31, 1995. This estimate was corroborated generally by a CBS News public polling unit which estimated that more than 44,000, or approximately two percent, of the applications to purchase handguns submitted during the one year period following the Brady Law's effective date were denied.

The Brady Law also provided funding to upgrade state criminal history records. This will ensure that states can comply with Brady, that sales are not made to ineligible purchasers, and that the national instant check system can become a reality. $100 million dollars has been appropriated in FY 1995, and another $50 million is authorized for the next fiscal year.

This grant program gives preference to states with the lowest level of automated complete records. The reality is that under half of all states have fully automated records systems, and four state systems are not even partially automated. The success of the Brady Law and other crime fighting provisions such as the "Three Strikes" law depend upon quick access to criminal history records.

Guidelines have been published and states may now apply for these grants and for the National Criminal History Improvement Program (NCHIP), which will help states speed up their connections with the FBI's National Instant Criminal Background Check System. This will permit firearm dealers to obtain immediate information about potential handgun purchasers to see if they are disqualified by law. Already, 5 states with few or no automated criminal history records have received up to $1 million each.

The categories to limit those eligible to purchase a handgun under the Brady Law have also been expanded to include persons under restraining orders stemming from domestic abuse situations.

Case Studies: Prairie Village, Kansas and San Antonio, Texas

In March 1994, the Brady Law prevented an accused stalker in Prairie Village, Kansas, from purchasing a handgun. The attempted handgun purchase was stopped by the Prairie Village Police Department when a Brady background check revealed that the prospective purchaser, who was the subject of a restraining order for allegedly stalking his wife and threatening to kill her, was a resident of Missouri, not Kansas, as he had represented in his Brady form.

In April 1994, a suspected drug dealer was arrested in San Antonio, Texas after a Brady background check performed by the Uvalde County Sheriff's Office indicated that the alleged dealer was the subject of outstanding warrants for possession of cocaine with intent to distribute, possession of heroin with intent to distribute and failure to appear in court.

6C. ASSAULT WEAPONS BAN

Hunters must always be free to hunt. Law-abiding adults should always be free to own guns and protect their homes. I respect that part of our culture; I grew up on it. But I want to ask the sportsmen and others who lawfully own guns to join us in this campaign to reduce gun violence. I say to you, I know you didn't create this problem, but we need your help to solve it. There is no sporting purpose on Earth that should stop the United States Congress from banishing assault weapons that out-gun police and cut down children.

President Clinton
State of the Union Address, 1/25/94

Actions to Date

President Clinton fought for and won passage of the Violent Crime Control and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. Included in the Crime Bill, the Assault Weapons Ban:

- prohibits the manufacture, transfer, or possession of semiautomatic assault weapons and large capacity feeding devices not lawfully possessed under federal law on the date of enactment;

- covers 19 military-style assault weapons, assault weapons with specific combat features, and "copy-cat" models; and

- specifically exempts over 600 firearm models used for hunting and sporting purposes.

Background

America enjoys a rich tradition of sportsmanship and appreciation for the great outdoors. Part of that tradition includes the freedom to enjoy hunting and gaming at parks and reserves throughout the country. President Clinton, like so many Americans, has memories from his boyhood of taking his first shot at a can on a fencepost and learning the responsible way to use hunting and recreational weapons.

Before the Assault Weapons Ban, however, highly-dangerous weapons with no legitimate civilian use were available to the public. Along with hunting rifles, gun dealers sold uzis, street sweepers, and other assault weapons designed for rapid fire, close quarter shooting of human targets. Because of their inaccuracy, assault weapons are of no value for hunting or target practice. Their firepower and military features, though, make them of great value to criminals. Assault weapons represent only one percent of privately owned firearms in this country, yet account for eight percent of firearms traced to crime.

Assault weapons, then, pose a grave threat to public safety. Police risk being outgunned and citizens face exposure to the random spray of gunfire in America's streets.

On January 17, 1989, a deranged man wandered into a school yard in Stockton, California and opened fire with an AK-47. In just a matter of seconds Patrick Purdy had killed five children and wounded 29 others. This horrific event galvanized public opinion and inspired action. In 1989 Congress banned the importation of semiautomatic assault weapons.

Yet, the law did not effect American-made assault style weapons or copy cat versions of the foreign models. And soon after the imposition of the ban, the status quo returned, with law makers unable to overcome the gun lobby and advance the effort to get assault weapons off the gun store shelves and streets of America. A House Bill in 1991 to ban assault weapons was defeated by a 70 vote margin, even though 70 percent of Americans indicated they were in favor of gun control.

President Clinton stated unequivocally during the 1992 campaign that he favored an assault weapons ban. "We ought not to have assault weapons whose only purpose is to kill ... when the police don't have a chance. It's wrong ... And it's time we took the side of people in law enforcement." President Clinton drew upon the unified support of law enforcement. He knew full well that it was wrong to ask them to risk their lives in the fight against crime -- and then deny them the help they need.

The Initiative

The Violent Crime Control and Law Enforcement Act, signed into law by President Clinton in September 1994, prohibits the manufacture, transfer, and possession of semiautomatic assault weapons not lawfully possessed under federal law on the date of enactment. The ban covers 19 named assault weapons, copies and duplicates of such weapons, and semiautomatic rifles, semiautomatic pistols, and semiautomatic shotguns with specified features. The Act specifically exempts over 600 firearm models used for hunting and sporting purposes.

The Act also prohibits the transfer or possession of large capacity ammunition feeding devices not lawfully possessed on the date of enactment. Such devices are defined to include a magazine, feed strip, or similar device that can accept more than 10 rounds of ammunition or can be readily restored or converted to accept more than 10 rounds.

The ban on both semiautomatic assault weapons and large capacity ammunition feeding devices is subject to a sunset provision that will cause its repeal in ten years. In addition, semiautomatic assault weapons and large capacity ammunition feeding devices lawfully possessed on the date of enactment may be lawfully transferred to another individual.

Case Study: Stephen Sposato

In July 1993, a man entered a downtown San Francisco office building, and went to the 34th floor law offices of Pettit & Martin. He was carrying two 9mm Intratec TEC-9 pistols, a .45 caliber semiautomatic handgun and hundreds of rounds of ammunition. Gunman Gian Luigi Ferri, apparently motivated by a disagreement with the firm, opened fire randomly shooting at employees, and murdered eight people. One victim was Jodie Sposato, wife of Steven and mother of 10-month-old Meghan.

In the wake of this inexpressible tragedy, Steven Sposato channeled his own personal loss and worked tirelessly to fight for a ban on the type of weapon that had taken the life of his wife. "Murders like this could have been prevented," said Steven Sposato, last August in Washington. "The killer had no prior record. His first crime was his last crime, and then he killed himself... In 1991, if Congress had passed an assault weapons ban, this terrible tragedy would have been prevented."

6D. STIFF PENALTIES FOR VIOLENT OFFENDERS

"We must recognize that most violent crimes are committed by a small percentage of criminals who too often break the laws even when they are on parole. Now those who commit crimes should be punished. And those who commit repeated, violent crimes should be told, 'When you commit a third violent crime, you will be put away, and put away, and put away for good. Three strikes and you are out."

President Clinton
State of the Union Address, 1/25/94

Actions to Date

President Clinton fought for and won passage of the Violent Crime and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. The President's program for imposing stiffer penalties on violent criminals was embodied in his anti-crime legislation which:

- imposes the death penalty for more than 60 federal offenses, making it available for most homicides prosecuted in federal court;
- makes "three strikes and you're out" the law of the land, requiring this punishment for repeat violent offenders; and
- authorizes $10 billion for new state and local prisons to house violent criminals -- with half the funding reserved for states that work towards tough, "truth in sentencing" guidelines.

Background

While a wide variety of tools are needed to combat crime -- more police, more prevention programs, more efforts to help young people before they become violent -- stiff punishments for violent offenders is a vital part of the solution.

Over twenty years ago, the U.S. Supreme Court struck down the ultimate penalty -- the death penalty -- as then-existing under state and federal law. While most states responded with modified death penalty laws to permit them to reinstitute that penalty, Congress was unable to reach agreement on any such legislation.

Even many state criminal justice systems with a death penalty found themselves faced with the "revolving door" syndrome: violent criminals sentenced to apparently long terms, only to be let back out again -- and only to commit more crimes once released. Complex and ambiguous sentencing schemes accounted for some of this; a lack of adequate prison space was another factor.

As a former Attorney General, President Clinton knew how important stiff punishments for violent offenders are, as part of a comprehensive attack on this critical problem. And President Clinton had authorized the imposition of the death penalty in four cases during his tenure as Governor of Arkansas.

Consequently, President Clinton endorsed a renewed federal death penalty as part of a comprehensive anti-crime package. He also backed additional, stiff penalties for violent criminals.

Another part of this plan came into focus when, in 1993, a young girl named Polly Klass was kidnapped from her home in California, and killed by a repeat violent offender who had been released. The Klass family vowed to make sure such incidents would not be repeated, and Polly's father, Mark Klass, led a movement in California to pass the nation's first "three strikes and you're out" law -- a law to insure that three-time violent offenders serve real life in prison.

President Clinton met with Mark Klass in December of 1993, and the next month, in his State of the Union address, called on Congress to pass a federal version of that law. Early in February of 1994, the President submitted a legislative proposal to make "three strikes and you're out" the law of the land.

President Clinton fought hard to end 20 years of inaction, and six years of gridlock, to get the federal death penalty reinstated. Though four Presidents -- Nixon, Ford, Reagan, and Bush -- had proposed legislation to have a federal death penalty, none had been able to win passage of that legislation by the Congress.

The Initiative

The President's program for imposing stiffer penalties on violent criminals was embodied in his anti-crime legislation, that he fought hard to get passed by the Congress. As signed by the President in September 1994, this Violent Crime Bill:

- Imposed the death penalty for more than 60 federal offenses, making it available for most homicides prosecuted in federal court;

- Made "three strikes and you're out" the law of the land, requiring this punishment for repeat violent offenders;

- Authorized $10 billion for new state and local prisons to house violent criminals -- with half the funding reserved for states that have tough, "truth in sentencing" guidelines.

Taken as a whole, the Crime Bill signed by the President in September contains the toughest package of penalties for violent offenders in our nation's history.

6E. VIOLENCE AGAINST WOMEN

Actions to Date

President Clinton fought for and won passage of the Violent Crime Control and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. Included as part of the Crime Bill, the Violence Against Women Act includes four key components:

- Safe Streets for Women -- Funding more prosecutions and police patrols to combat sexual assaults against women -- and increasing penalties for such crimes;
- Safe Homes for Women -- Launching programs to combat domestic violence, and to give battered women a safe place to go;
- Civil Rights for Women -- Giving women who are the victims of gender-based attacks the right to sue their attackers;
- Safe Schools for Women -- Promoting sex assault prevention on college campuses, and making campuses safer with common-sense answers like more and better lighting.

Background

Since 1970, an unheralded but dramatic trend in American society has been a sharp increase in violent crimes against women. Violent crimes against women have risen at four times the rate of increase of such crimes against men -- an increase fueled by growing rates of sexual assault and domestic violence.

During the 1980s, an increasing number of women said "enough is enough." On college campuses around the country, "Take Back the Night" rallies were held to demand an end to the violence against women, and to demand action. Local governments formed special sex crimes prosecution units; others tackled the problem of domestic violence with special training for police and pro-arrest policies in such cases.

Still, the toll of these crimes continued to mount. Highly publicized instances of stalking of women, assaults against women, and even misogynistic slayings of women spurred some action -- but no comprehensive response.

Domestic violence, too, was escalating. Many women found that they were stuck in abusive homes because they had nowhere to go -- America had three animal shelters for each one battered women's shelter. Fewer than 10 cities had specialized domestic violence prosecution units.

On college campuses, a 1988 study found that rape was the number one reason that freshmen women dropped out of college not to return. And in the workplace, a 1990 study found that homicide was the number one cause of death among women on the job.

As usual, Washington was sluggish to respond. The Reagan and Bush Justice Departments offered little or nothing in the way of reaction to these developments.

In 1990, Senator Joseph Biden and then-Representative Barbara Boxer proposed the first "Violence Against Women" Act. Despite broad, bi-partisan support for the legislation, President Bush refused to endorse the bill. As a result, the bill languished for more than two years.

By contrast, President Clinton endorsed the Violence Against Women Act, and pledged to sign it as President. In August of 1993, President Clinton called on Congress to include the Act in any Crime Bill it passed -- and continued to speak out for this important law.

The Initiative

Finally in August of 1994, Congress passed an administration backed proposal that contained elements drafted by Senator Biden, Senator Dole, and the Justice Department. The President signed the legislation as part of the Violent Crime Control and Law Enforcement Act in September 1994.

The Violence Against Women Act includes four key components originally included in the Biden-Boxer proposal:

- Safe Streets for Women -- Funding more prosecutions and police patrols to combat sexual assaults against women -- and increasing penalties for such crimes;

- Safe Homes for Women -- Launching programs to combat domestic violence, and to give battered women a safe place to go;

- Civil Rights for Women -- Giving women who are the victims of gender-based attacks the right to sue their attackers;

- Safe Schools for Women -- Promoting sex assault prevention on college campuses, and making campuses safer with common-sense answers like more and better lighting.

In addition, the Act includes provisions that will insure HIV-testing of accused rapists and permit expanded use of prior crimes evidence against sex criminals.

On March 21, 1995, the Justice Department awarded $26 million -- or up to $426,000 for each state -- to bolster law enforcement, prosecution, and victims' services related to violence against women.

6F. NATIONAL POLICE CORPS

"In our toughest neighborhoods, on our meanest streets, in our poorest rural areas, we have seen a stunning and simultaneous breakdown of community, family, and work, the heart and soul of civilized society. This has created a vast vacuum which has been filled by violence and drugs and gangs. So I ask you to remember that even as we say 'no' to crime, we must give people, especially our young people, something to say 'yes' to."

President Clinton
State of the Union Address, 1/25/94

Actions to Date

President Clinton fought for and won passage of the Violent Crime and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. Included in the Crime Bill, the Police Corps Act:

- offers a maximum grant of $30,000 to each student in the Police Corps Program, for an average of $7,500 per year;

- grants each state or locality that employs members of the Police Corps $10,000 each year per hire for the life of the grant to help defray the cost of the new officers; and

- includes $20 million per year in funding due to begin in FY 1996 and to continue for the following five years.

Background

The idea for a National Police Corps existed for many years and enjoyed broad bipartisan support, but it was not until President Clinton pushed the proposal to the front of the national agenda that its legislative fate resulted in law. Over ten years ago, a former aide to Robert Kennedy first proposed the idea for a Police Corps, drawing upon the same motivations that created the Reserve Officers Training Corps (ROTC). There was and is a burning desire among young Americans to contribute to their country while, at the same time, improving their lives through higher education.

The need for an increasing number of smart, tough law enforcement officers has never been greater.

President Clinton embraced this proposal when he was still Governor of Arkansas. The idea was first expressed by him in his bid for reelection in 1990, and, in 1992, Arkansas awarded the first scholarships under its newly created State Police Corps.

The President has said many times that the American people do not only expect our police officers to shoot straight, but to think straight, too. This philosophy is also in keeping with President Clinton's long held belief that the key to America's future lies in the education and well-being of young Americans. It was in that spirit that he proposed the revamping of the student loan program and the establishment of AmeriCorps, in which young Americans serve their country in return for a college education.

This same commitment to encouraging public service and creating a highly educated and highly motivated generation of Americans is what prompted the President to identify the National Police Corps as a means of offering college scholarships if students serve as police officers in their communities. In addition to the obvious benefit of education, this program helps to facilitate the promise of 100,000 police officers on the streets of America, and communities benefit from the increased police presence in their neighborhoods.

The Initiative

On August 11, 1993, the President announced the parameters of a comprehensive anti-crime package that included the Police Corps Program. The Police Corps Act offers a maximum of $30,000 to each student, with an average of $7,500 per year. Those states and localities that employ members of the Police Corps will receive, for the life of the grant, $10,000 each year per hire to help defray the cost of the new officers.

Just over a year later, Congress passed -- and President Clinton signed -- the Police Corps Act (as part of the Omnibus Violent Crime and Control Act). Funding is due to begin in FY 1996, with $20 million designated for each of the next five years.

In return for the scholarship money, the Police Corp student must complete, in good standing, an undergraduate course or receive credit for one or more graduate courses. The student must also complete 16 weeks of a rigorous Federal law enforcement training program. And, upon receipt of an undergraduate degree, the student must commit to four years of service on his state or local police force. The Police Corps will develop a new group of well-educated police officers annually available for recruitment by police departments across the country.

7. COMMUNITY EMPOWERMENT

Introduction

> *"For a long time the government really thought that if we just had a solution designed here in Washington that was properly funded, we could solve the problems of every community in the country. Well, we learned that that wasn't true. But we've also learned ... that neglect is not a very good policy either. [There] needs to be a new partnership between Washington and the communities and the individuals of this country, and there needs to be a way of doing business in which we try to create the conditions in which people can seize opportunities for themselves."*
>
> President Clinton
> January 17, 1994
> Remarks on Empowerment Zones
> and Enterprise Communities

Empowerment Zones and Enterprise Communities

- In 1993, President Clinton's Empowerment Zones and Enterprise Communities ("EZ/EC") legislation passed Congress, offering $2.5 billion in tax incentives and $1 billion in flexible block grants to more than 100 communities. The initiative is designed to create jobs and help communities to rebuild themselves from the inside out.

- 526 communities around the country engaged in long planning processes and submitted EZ/EC applications to the Administration.

- After a lengthy and thorough review process, on December 21, 1994, President Clinton and Vice President Gore announced nine EZs and two supplemental urban zones, along with the 95 ECs, four of which received enhanced grants.

The Community Development Banking and Financial Institutions Act

- In 1994, the President's Community Development Banking and Financial Institutions Act became law, the first step to fulfilling his pledge to create a national network of community development financial institutions (CDFIs). In 1995, Congress appropriated $125 million for the initiative, and the Administration has requested an additional $375 million over the next four years.

- The Act creates a fund to provide equity investments, deposits, grants, loans, technical and training assistance to CDFIs that are starting up or expanding.

- When fully leveraged, the Act could create about $2 billion in new investments by homeowners, businesspeople and others who are building up low- and moderate-income communities.

- The Act will provide as many as 40,000 loans to entrepreneurs, expanding businesses, homeowners, and others who might not otherwise be able to obtain credit.

7A. EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

> *"I do not believe we can repair the basic fabric of society until people who are willing to work have work. Work organizes life. It gives structure and discipline to life. It gives a role model to children.... We cannot ... repair the American community and restore the American family until we provide the structure, the value, the discipline and the reward that work gives."*
>
> President Clinton
> November 13, 1993
> Memphis, Tennessee

Actions to Date

In 1993, President Clinton persuaded Congress to approve his Empowerment Zones and Enterprise Communities legislation, realizing his pledge to help revitalize distressed urban and rural communities across America. The legislation called for the designation of 9 Empowerment Zones (EZs) and 95 Enterprise Communities (ECs), which will receive $2.5 billion in tax incentives and $1 billion in flexible block grants.

- To assist in the implementation of the EZ/EC initiative, the President signed on September 9, 1993, a memorandum establishing the Community Empowerment Board, which is chaired by the Vice President and comprised of the heads of 15 federal agencies.

- In January of 1994, applications were sent out to communities interested in applying for designation as an EZ or EC. Within six months, 526 places from across the country had submitted EZ/EC applications to the Administration.

- After a lengthy and thorough review process, on December 21, 1994, President Clinton and Vice President Gore announced nine EZs and two supplemental urban zones, along with the 95 ECs, four of which received enhanced grants.

  Urban Empowerment Zones: Atlanta, GA; Baltimore, MD; Chicago, IL; Detroit, MI; New York, NY; and Philadelphia PA/Camden NJ.

  Urban Supplemental Zones: Los Angeles, CA; and Cleveland, OH.

  Rural Empowerment Zones: Kentucky Highlands; Mid-Delta Mississippi; and Rio Grande Valley Texas.

  Urban Enhanced Enterprise Communities: Boston, MA; Houston, TX; Kansas City KS/Kansas City MO; and Oakland, CA.

Background

"While the great battles of the decades ahead are likely to be economic, the greatest challenge to our economic strength is certainly not competition from the Pacific Rim or Europe. No; the greatest challenge to our economic strength is here at home -- where the decaying cores of too many inner-cities and the poverty-stricken heartlands of rural America threaten to erode our dynamic regional economies from within. That is what we intend to change. I believe we can do it."

Vice President Al Gore
December 6, 1993
Boston, Massachusetts

Many American communities today badly need to renew themselves. As traditional industries have shut down and emerging firms have located in suburbs, crime and drugs have replaced jobs and hope in many of America's cities. For rural areas with inadequate electricity or sewage, the reality of poverty has changed little in the past generation. Child care may be available for some children and job training for some adults, but services are seldom coordinated to meet neighborhoods' specific needs. Communities with powerful resources in their schools and religious institutions may not fully use them. In areas where citizens working together could create jobs and renew hope, individuals on their own aren't able to make the most of themselves.

The concept of Enterprise Zones first originated in Britain in the late 1970s as a free-market approach to urban revitalization to allow entrepreneurs in targeted areas to pursue profit with minimum governmental restrictions. Evaluations of the British enterprise zone combination of tax incentives and regulatory relief found it to be a slightly helpful but not decisive tool for distressed communities. The lesson for the Clinton Administration was that free-market incentives standing by themselves could not revitalize distressed urban communities.

The experience of state enterprise zones in America reinforced this lesson. During the 1980s, many states initiated their own enterprise zone programs. By 1993, 37 states had enterprise zone legislation in place, producing more than 3000 zones across the country. The number of zones in each state range from one in Michigan to 1,553 in Louisiana, with some states designating entire counties and others having zones as small as 50 acres. The results with state enterprise zones have been mixed as well. The most successful state zone programs required strong development potential in the targeted areas, public/private cooperation and the availability of other development tools beyond tax incentives. Local managers of state enterprise zones found that the power of the zone concept lay not in the tax incentives, but in the usefulness of zones as a catalyst for attracting a wide variety of tools and commitments to support growth in a targeted area.

The Clinton Administration developed its EZ legislation with these lessons in mind. Prior to enactment of the Clinton EZ bill, Congress had debated enterprise zones bills annually since 1982. The Clinton bill was the first federal enterprise zone bill with tax incentives to become law.

The Initiative

Thirteen years after the first federal enterprise zone legislation was introduced, President Clinton signed Empowerment Zone legislation that included $2.5 billion in tax incentives and $1 billion in flexible block grants that would spur local communities to address barriers to economic growth beyond tax costs -- such as crime and worker skills.

The Clinton Administration embraced empowerment zones as a catalyst and framework for bringing new and existing resources and partnerships into a new partnership in support of a common vision for change in each community. To be selected under the Clinton EZ program, communities had to submit a strategic plan for revitalization of their targeted area developed with participation of the entire community. Community residents, private and non-profit sectors, schools and universities, churches and local and state government were asked to participate.

Recognizing that all of these partners have assets to offer, the application required communities to think comprehensively. How could their fragmented economic, human and physical development resources be coordinated and integrated to support common goals for economic growth and job creation? Rather than addressing a laundry list of concerns, applicants had to develop a vision of what their community could become -- for example, a center for emerging technologies or an export center for farm products -- if they built upon the unique assets already in place. The communities also had to set goals and benchmarks for how they would achieve this vision and measure progress toward their goals.

To enhance federal agency commitment and responsiveness to community needs, on September 1993, the President used his executive powers to create the Community Empowerment Board with Vice President Gore as chair.

The Board has worked to identify additional resources available for community revitalization and to grant waivers to help communities achieve their vision. Given the cost of the initiative, the Administration also focused the experiment on a limited number of places. Nine empowerment zones (six urban and three rural) receive the bulk of the tax incentives as well as block grants of $100 million and $40 million each, respectively. A second tier of communities -- 95 Enterprise Communities -- receive tax-exempt financing for certain zone activities and block grants of approximately $3 million. In addition to these benefits, EZ and EC designees receive priority consideration for existing federal programs and special assistance in removing bureaucratic red tape, regulatory and statutory barriers that prevent innovative uses of existing federal dollars.

Summary of Benefits

Empowerment Zones. The 9 EZs will each receive the following benefits:

- **Social Services Block Grant.** Social services block grants of between $40 million and $100 million.
- **Wage Credits.** To encourage hiring, businesses located in an EZ will receive a wage credit of up to $3000 per year per employee for the cost of wages and training for employees who are zone residents.
- **Tax Deductions for Capital Investments.** To encourage capital investment, smaller zone businesses can claim extra expensing tax deductions for the cost of plant and equipment.
- **Tax-Exempt Bond Financing.** Access to tax-exempt bond financing for certain private business activities in the targeted communities.
- **Federal Partnership.** Priority consideration for existing federal programs and special assistance in removing bureaucratic red tape, regulatory and statutory barriers that prevent innovative uses of existing federal dollars.

Enterprise Communities. The 95 ECs will receive:

- **Social Services Block Grant.** Social Services block grants of approximately $3 million.
- **Tax-Exempt Bond Financing.** Access to tax-exempt bond financing for certain private business activities in the targeted communities.
- **Federal Partnership.** Priority consideration for existing federal programs and special assistance in removing bureaucratic red tape, regulatory and statutory barriers that prevent innovative uses of existing federal dollars.

Supplemental Zones and Enhanced ECs. These communities will receive additional **economic development grants** ranging from $22 to $125 million.

Communities had six months to develop their strategic plans. By June 30, 1994 -- the application deadline -- over 500 places from across the country submitted EZ/EC applications to the Administration. An interagency review team of over 100 federal executives from the agencies of the Community Empowerment Board thoroughly analyzed the applications. Using the results of this review process, Secretary Cisneros of the Department of Housing and Urban Development selected the urban EZ/ECs and Secretary Espy of the Department of Agriculture selected the rural EZ/ECs.

The overwhelming majority of applicants reported that the six-month planning process forged unprecedented strategies and partnerships for community renewal that made all the applicants winners, whether or not they were designated. The effort brought together diverse groups which had rarely cooperated in the past. Many communities have for the first time developed a "holistic" approach to economic revitalization which encompasses both capital formation strategies and the provision of social services such as child care, job training, education and health care. And new public-private partnerships will be a force for change far into the future. A few examples of the commitments from the EZ/EC initiative:

- In Detroit, more than $2 billion in private sector commitments have been pledged. Major automobile companies will train and hire EZ residents. Growing industries will locate and expand in the Detroit zone. Banks will invest more than $1 billion in homeownership and small businesses in the zone. Lawyers and accountants will donate their services to start-up businesses locating in the zone.

- Baltimore's plan leverages $8 in outside resources for every $1 of federal funds. Six local banks have committed over $50 million for a variety of business and residential loans to the targeted zone. Seven foundations have committed 1% of the value of their assets for each of the next 5 years for activities within the zone.

- In Boston, seven banks have committed $5 million each for commercial lending in the proposed zone and will provide $625,000 for minority and small business technical assistance. Boston Edison will offer deep utility discounts to new businesses that commit to employ zone residents.

- 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.

7B. CREATING A NATIONWIDE NETWORK OF COMMUNITY DEVELOPMENT BANKS AND FINANCIAL INSTITUTIONS

> *"I've long admired the way [Community Development Financial Institutions] steered private investment into previously underprivileged neighborhoods, to previously undercapitalized and underutilized Americans, proving that a bank can be a remarkable source of hope and still make money in the free enterprise system."*
>
> President Clinton
> September 23, 1994
> Signing the Riegle Community Development and Regulatory Improvement Act of 1994

Actions to Date

In 1994, the President's Community Development Banking and Financial Institutions Act ("CDBFI Act") became law, the first step to fulfilling his pledge to create a national network of community development financial institutions. Banks and community development financial institutions have a primary mission of providing loans and basic banking services in low and moderate income communities.

With $125 million already appropriated for 1995, and $500 million requested in the President's Budget over four years, the Act:

- provides financial and other assistance to create and expand new and existing Community Development Financial Institutions ("CDFIs") across the country.
- provides financial incentives to traditional insured depository initiatives to increase lending and other financial services to distressed communities and to make investments in CDFIs.
- creates the CDFI Fund, which will provide equity investments, deposits, grants, loans, and technical and training assistance to CDFIs that qualify for funding; and will administer the incentive program for traditional lenders.
- will, when fully leveraged, create about $5 billion in new investments in low and moderate income communities.
- will provide as many as 40,000 loans to entrepreneurs, expanding businesses, homeowners, and others who might not otherwise be able to obtain credit.

Background

Across the country, many rural and urban communities are starved for affordable loans, investment capital, and basic banking services. Millions of Americans in low- and moderate-income neighborhoods have no bank where they can cash a check, borrow money to buy a home, or get a small loan to start a business or keep one going. They live in neighborhoods with no ATM machines and no bank branches. Instead, they are forced to deal with cash-checking operations that charge exorbitant fees for simple services.

Most commercial lenders shun low-income communities because small loans have lower profit margins. Profitable lending in low-income communities can also require specialized expertise, credit products and loan counseling. In addition, studies suggest that racial discrimination leads some lenders to avoid doing business in minority areas.

As a result, in too many low- and moderate-income neighborhoods, loans are unavailable for even the most credit-worthy housing and business purposes. A recent study found $360 million in unmet demand for credit-worthy small business loans in Oakland alone. In New York City's distressed communities, individuals and institutions with several billion dollars in demand for housing loans that would qualify for federal insurance could not find lenders. Economic revitalization cannot take root in communities where good risks and sound businesses cannot get loans.

In a few fortunate low and moderate income communities, comprehensive development institutions like the South Shore Bank of Chicago, and the Elkhorn Bank in Arkansas, have developed successful, for-profit and not-for-profit affiliates that meet acute borrowing, banking and counseling needs. In addition, they develop affordable housing and commercial space for small businesses in their communities. Following the pioneering work of the Grameen Bank of Bangladesh, these institutions are based on a simple idea. Low- and moderate-income people will build their future and pay back loans on a timely basis if given the counseling and small loans they need to get ahead.

In addition to the few comprehensive community development banks and credit unions in the country, many enterprising communities have created a variety of promising alternatives to provide credit in underserved communities. Community development credit unions -- financial cooperatives owned and operated by low-income people -- provide banking services and small loans to their members. Hundreds of community development corporations and loan funds, while not taking deposits, focus on providing equity, bridge loans, or below-market financing for affordable housing, revitalization of retail stores and small businesses in low-income communities.

Passage of the "Community Development Banking and Financial Institutions Act of 1994" fulfills the President's commitment to build on these efforts by supporting the creation of a network of community development financial institutions.

The Initiative

"This bill is not about bureaucracies [or] distributing handouts. It's about new opportunity for people to assume responsibility to make good lives for themselves by making the private sector work in places where it had not gone before."

President Clinton
September 23, 1994
Signing the Riegle Community Development and Regulatory Improvement Act of 1994

Signed by President Clinton, the Community Development Banking and Financial Institutions Act creates a Community Development Financial Institutions Fund that will invest in community development banks and other institutions whose primary mission is development and lending to distressed, underserved communities. The Fund will promote the CDFI industry by serving as an information clearinghouse and provide assistance to CDFIs in the form of equity, credit union shares, grants, deposits, or technical and training services.

Capital assistance from the fund is only seed capital, and must be matched with private funds. All types of new and existing CDFIs will be eligible for assistance, including community development banks and credit unions, micro-enterprise and revolving loan funds, minority-owned banks and community development corporations. The legislation authorizes $382 million or such higher sums as necessary over four years. The President's budget requests funding of $500 million over four years for this program. Congress has appropriated $125 million for 1995.

The bill also authorizes a new financial incentive program, built largely on Congressman Floyd Flake's Bank Enterprise Act, to provide incentives to traditional insured lenders and insured community development banks to increase lending and services in economically distressed communities and to increase equity investments in CDFIs. Based on qualified increases in such activity, these lenders may receive direct incentive payments from the CDFI Fund.

Currently, the community development financial institution industry is capitalized with approximately $700 million and has extended more than $2 billion in loans. The $500 million requested for the CDFI program will greatly expand the capacity of the CDFI industry and, when fully leveraged, will:

- Create approximately $5 billion in new credit for economically distressed communities.
- Support as many as 75 new insured community development banks and credit

unions.

- Support as many as 900 new, well-capitalized community development corporations and over 4,000 community development loan funds.
- Support nearly 40,000 in new loans to individuals and small businesses.
- Result in as many as 150,000 new jobs in low-income communities.

Case Study: The Self Help Credit Union of North Carolina

When the Self-Help Credit Union in Durham, North Carolina began in 1983 with funds from a bake sale, its founders Martin Eakes and Bonnie Wright had no idea the Credit Union would make over 1300 loans totalling over $50 million by 1994. Self Help, as a "community development bank" serves the kind of borrowers traditional lenders shun. Beginning with a specialty in lending to employee-owned companies, Self-Help lends to small rural and other businesses that otherwise would have difficulty accessing credit. Self-Help has also expanded into many other areas of need. Working with the State, it developed a program to lend to low-income homebuyers, offering them low-down payments. It lends to urban and rural microenterprises, enabling many low-income women to start or expand a small business with a loan as small as $500. Self-Help also helps non-profit organizations finance the construction of community facilities such as group homes for the homeless. In addition, Self Help is an active real estate developer, having developed over 225,000 feet of space. Its buildings now house more than 45 non-profits and 30 small businesses, serving as incubators that allow organizations and businesses to share space and ideas.

Operating statewide and focusing on building the wealth of its clients, Self-Help has expanded the definition of acceptable lending -- with negligible loan defaults. It also serves as a bank and has attracted deposits from individuals, religious groups and other organizations across the country. As a result, Self-Help is a self-sustaining, non-profit entity that is an engine of growth in North Carolina.

Case Study:
The Workers Owned Sewing Company of Rural Eastern North Carolina

The Workers Owned Sewing Company (WOSCO), located in rural Bertie County, is a cooperative owned primarily by African-American women employees of the company. Founded by Tim Bazemore, when the company started, its "cut-and-sew" business came primarily from overflow work from other clothing companies. This type of business proved sporadic, unpredictable, and highly competitive, operating on very thin margins. In 1985, WOSCO was in trouble. In order to survive, the company needed to grow and by-pass middlemen to bid directly to retailers. But they needed credit for necessary materials and supplies. A small, local bank had helped WOSCO manage its business with a $10,000 line of credit. This small line of credit was cut off, however, when a large regional bank acquired the local bank. WOSCO's President, Tim Bazemore, turned to the Self-Help Credit Union. Self-Help gave WOSCO a $50,000 loan and assistance in marketing, financial management and business planning. Today, WOSCO's 80 working women are all proud owners of the second largest private employer in Bertie county. WOSCO has secured contracts with Sears and K-Mart and sales are increasing. Each year the company has been able to distribute profits back to its owner-workers.

8. HEALTH CARE

Introduction

Health Care Reform

- The President sent Congress a comprehensive health care reform proposal in November of 1993. The President's plan would have preserved what is right about our health care system -- that we have the highest quality of care, talented and dedicated health professionals, and some of the most advanced research institutions in the world. At the same time, the plan would have fixed what is wrong -- by controlling skyrocketing health costs, increasing the ability of Americans to choose their own doctor, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have rewarded hard-working families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.

- Over the next two years, the President will continue his fight for meaningful health care reform. He remains firmly committed to guaranteeing health insurance for every American and to containing health care costs for families, businesses and governments. He will work with Democrats and Republicans in Congress and take a step-by-step approach toward these goals. This year, we can reform the insurance market -- so that people do not lose their insurance when they lose their job or change jobs or a family member falls ill, and so that small businesses can afford to buy insurance for their workers; make coverage affordable for children and workers who lose their jobs; give self-employed workers the same tax treatment as other businesses, and help families provide long-term care for a sick parent or disabled child.

WIC

- The President has increased funding for WIC in each of his budgets.

- More than one million nutritionally-at-risk, low-income infants, children under the age of five, and pregnant, breast-feeding and postpartum women have been added to the program since fiscal year 1993.

Immunization

- The President has built a comprehensive vaccination delivery system by providing free vaccines to certain categories of needy children, improving the public immunization delivery infrastructure in States and local communities, and educating providers and parents about the importance of getting children the right vaccine doses at the right ages.

- Over the next two years, the Administration will continue to work to improve immunization rates. By 1996, at least 90 percent of two-year-olds in this country will be immunized with the most important vaccines. By 2000, the goal is to fully immunize at least 90 percent of all two-year-olds.

HIV/AIDS

- The President has increased resources for research, prevention and treatment, focused national attention on the need for a comprehensive and coordinated strategy in the fight against HIV/AIDS, and provided opportunities for greater involvement of local governments and community-based organizations in responding to the epidemic.

Women's Health

- The President has taken an unprecedented and comprehensive approach to improving the health of American women through research, education and treatment for health and disease in women. This has included dramatic funding increases for research as well as prevention and education programs on breast cancer.

8A. HEALTH CARE REFORM

"Our families will never be secure, our businesses will never be strong, and our government will never again be fully solvent until we tackle the health-care crisis."

President Clinton
February 17, 1993
Joint Session of Congress

Actions to Date

- In November 1993, the President sent Congress a comprehensive health care reform proposal. The proposal would have preserved the high quality medical care that is the hallmark of the health care system in this country, while controlling skyrocketing health costs, increasing choice, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have guaranteed private insurance to all Americans -- rewarding hard-working American families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.

- The President remains firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses, and governments. He has asked both Democrats and Republicans in the new Congress to work with him to take the first steps toward achieving these goals.

Background

"And let me say again, the most expensive thing we can do is nothing. The present system we have is the most complex, the most bureaucratic, the most mind-boggling system imposed on any people on the face of the Earth. The present system we have has the highest rate of inflation with the lowest rate of return."

President Clinton
October 27, 1993
Remarks to Congress on
the Health Security Act of 1993

Nearly sixty years ago, President Franklin Delano Roosevelt proposed to reform the health care system as part of his Administration's ground breaking Social Security legislation. His efforts failed, however, when powerful special interests mobilized to defeat the health care reform portion of his legislation.

Since FDR, every President -- Democrat and Republican -- has pledged to address the problems in the American health care system. A proposal for comprehensive health reform has been introduced in every Congress since 1943. But every time a President or Congress has tried to make the health care system work for ordinary Americans, powerful special interests have defeated the effort. As far back as fifty years ago, wealthy opponents of President Truman's health reform legislation spent the equivalent of $30 million in today's dollars on efforts to defeat reform. Last year, special interests spent over $100 million to defeat President Clinton's efforts to enact comprehensive health care reform legislation.

And while the efforts to strengthen the system and improve access and affordability have gone unrealized, the twin problems of rising health costs and increasing insecurity keep growing.

Millions of Americans are at risk of losing health insurance if they lose their jobs or of losing their savings if they get sick. Up to 30 percent of all workers are locked into the jobs they have now because they fear losing their health insurance -- often because they or someone in their family has been sick and has what insurers call a preexisting condition. And on any given day, over 40 million Americans, most of them working people and their children, have no health insurance at all.

Even though so many Americans have no coverage at all, medical costs continue to grow faster than the rate of inflation, and the United States spends over a third more of its income -- 14 percent of GDP -- on health care than any other nation. Health care costs are eating away at our wages, our savings, our investment capital, and our ability to create new jobs in the private sector. Hard working Americans keep spending more and more on the same health care benefits, while their take-home wages stay the same. And American companies trying to compete in global markets are severely disadvantaged.

Rising costs are particularly troublesome for small businesses -- the engine of entrepreneurship and job creation in America today. Administrative costs for health care premiums for small businesses are often 8 times higher than they are for large businesses. And many small businesses cannot find insurers that will offer them coverage at any price.

We have not only the costliest, but also the most wasteful system in the world. Today we have more than 1,500 insurers, with hundreds and hundreds of different forms. No other nation has a system riddled with paperwork like ours. In recent years, the number of hospital administrators in this country has grown four times more rapidly than the number of doctors. Our nation's health care dollars often go to those who push paper, not those who provide care.

The Initiative

1993-1994

In November 1993, the President sent Congress a comprehensive health care reform proposal. The proposal would have preserved the high quality medical care that is the hallmark of the health care system in this country, while controlling skyrocketing health costs, increasing choice, and reducing bureaucracy and paperwork for patients, doctors and hospitals. And, most importantly, it would have guaranteed private insurance to all Americans -- rewarding hard-working American families by extending coverage to millions of uninsured Americans and giving millions more the security of knowing that they would never again risk losing coverage.

The President's bill spurred an unprecedented debate as Congress and Americans across the country began to discuss widely the problems facing the health care system. This debate produced a consensus on several key points. Almost all of the health reform proposals -- Democrat and Republican -- introduced last year contained comprehensive insurance market reforms, including provisions that would have: prevented insurers from denying coverage to people who change jobs or lose their job; stopped insurers from turning people away just because they are sick or old; prohibited insurers from dropping people from coverage when they get sick; and prevented insurers from jacking up prices for small businesses or sick individuals.

Many bills also expanded coverage to uninsured low- and middle-income Americans. This would have made health care available to those who today have no insurance and must wait until their illnesses are serious and costly before seeking care -- which, in turn, would have reduced cost-shifting onto private premiums. The bills also included various market-based solutions to address the problem of escalating health care costs by increasing competition and choice.

Congressional committees held nearly 200 hearings on various issues, including market reforms, coverage, and long-term care. After several months of debate, and for the first time in history, a congressional committee voted for comprehensive health reform legislation -- in fact, four Committees did so. And, in August 1994, for the first time in history, the Senate brought a comprehensive health reform bill to the floor for debate. In the end, however, Congress could not pass legislation.

The Current Initiative

Without health care reform, American families, business and governments will continue to suffer from problems in our health care system:

- *Health costs per person will rise by more than 50 percent by the end of the decade*, from about $3,300 in 1993 to over $5,000 by the year 2000.

- *More Americans will lose coverage, including many working Americans.* The number of uninsured Americans rose by more than one million in 1993. Eighty-four percent of the uninsured in 1993 were in working families, and more than 55 percent lived in families headed by full-time workers.

- *People will continue to be locked into current jobs out of fear of losing coverage*, even when faced with opportunities to move to better jobs. Up to one-third of workers surveyed are afraid to leave their jobs for fear of losing health coverage.

- *Businesses will continue to face rising health costs.* Total health benefit costs per employee rose 8 percent in 1993, nearly three times the rate of general inflation. Small firms, in particular, suffer under the current system; insurers charge them up to eight times more than large firms for administrative costs. Many small firms pay exorbitant amounts for insurance or cannot obtain it at any price, and many often cannot afford to provide any choice of health plans to their employees.

- *Health care will continue to consume a larger share of federal, state, and local government budgets*, leaving fewer resources for such other priorities as education and job training, transportation and telecommunications infrastructure, and research and development. In fact, over the next five years, almost 40 percent of the growth in total federal spending will come from health care spending.

That is why the President remains committed to health care reforms that will guarantee insurance coverage to every American and contain health care costs for families, businesses and Federal, State and local governments. The President has asked Democrats and Republicans in Congress -- in both a letter to the Congressional Leadership in December 1994 and the State of the Union Address in January 1995 -- to work with him to take the first steps toward achieving these goals. This year, the President believes Republicans and Democrats can:

- *Reform the insurance market.* Americans should no longer risk losing coverage when they change or lose a job, or a family member falls ill. Small businesses should have access to affordable insurance that is currently only available to large businesses -- and Congress should provide assistance to states to establish voluntary purchasing pools to help small businesses purchase affordable insurance.

- *Make coverage affordable for, and available to, all children.* The United States should act responsibly -- as its major competitors already do -- and ensure that its children have health care when they need it. Nearly 10 million American children are without health insurance today -- many of them in working families. When these children get sick or hurt, their parents cannot always afford to take them to get the proper care. Quite often, they do not get treatment until their illnesses become serious and even more expensive.

- *Help workers who lose their jobs keep their health insurance.* Workers should not have to risk losing their health insurance when they are temporarily out of work. In today's economy, when hard-working Americans lose their jobs, they often lose their health insurance. Even workers who are allowed to keep the coverage they had when they were working have to pay the full cost of that insurance policy when they lose their jobs.

- *Level the playing field for the self-employed by giving them the same tax treatment as other businesses.* The self-employed should be able to deduct their health care expenditures from their taxable income, just as other businesses do. Today, self-employed individuals not only often pay more for health insurance, but also have to pay for most of their health care costs with after-tax dollars, putting them at a significant disadvantage against other business owners.

- *Help families provide long-term care for a sick parent or a disabled child.* Millions of middle-class American families who provide long-term care for family members at home -- frequently at enormous costs -- should get some assistance through tax incentives and expanded State-administered programs. In the current system, only the poor have access to long-term care, often in institutions, while middle-class families struggling to care for sick parents or disabled children at home often bear the full burden of the costs on their own.

As he continues to fight for health care legislation, the President believes that we can and should improve existing health care programs. For example, efforts are underway to reduce regulatory burdens for health care providers and consumers and to expand managed care options for Medicare and Medicaid beneficiaries.

Case Study: P6/(b)(6)

Seven year old P6/(b)(6) worries about getting sick and not being able to afford to see a doctor. Her mother, P6/(b)(6) worries that her third shift job as a temporary employee will not cover the costs of medical care for her or her daughter, neither of whom have health insurance. P6/(b)(6) works hard and refuses public assistance that would give her daughter health benefits. Instead, P6/(b)(6) has gotten quite good at providing home remedies for most of P6/(b)(6) ailments.

Case Study: P6/(b)(6)

P6/(b)(6), her husband and five teenage children live in P6/(b)(6) Pennsylvania. Last year, P6/(b)(6) husband was laid off from his manufacturing job of 16 years, and their health care coverage was discontinued. Although she worked part time, she received no benefits, and the family was unable to afford insurance on their own. After putting off doctor's visits, P6/(b)(6) eventually was diagnosed with breast cancer. Because she was unable to afford treatment, she was forced to quit her job and go on public assistance in order to receive care. P6/(b)(6) says, "In May of 1993, my husband lost his job and with his job, our health insurance. Until that time, we never realized how vulnerable our family was to falling between the cracks in our health care system."

8B. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC)

" . . . [L]et us remember that there are certain fundamental national needs that should be addressed in every State, North and South, East and West -- immunization against childhood disease, school lunches in all our schools, Head Start, medical care and nutrition for pregnant women and infants; all these things are in the national interest."

President Clinton
January 24, 1995
State of the Union

Actions to Date

The Clinton Administration has provided strong and consistent support for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) Program.

- President Clinton has increased funding for WIC in each of his budgets. As a result, more nutritionally-at-risk, low-income infants, children under the age of five, and pregnant, breastfeeding and postpartum women are being served than ever before. More than one million participants have been added to the program since fiscal year 1993 -- an 18.2 percent increase in participation. Approximately seven million women and children are expected to benefit in 1995.

- The legislation reauthorizing WIC for fiscal years 1995 through 1998 also provided increased funding for breastfeeding promotion and funding to improve WIC's infrastructure-- clinic space, equipment, and management information systems.

Background

The WIC program began in 1972 to provide supplemental nutrient-dense foods to low-income women and children. Today, the WIC Program continues to provide food packages in order to prevent nutrition-related health problems during pregnancy, infancy, and early childhood, and has two additional important missions. WIC also offers nutrition education and helps identify and refer women and children to other needed health and social services.

- **Supplemental foods.** WIC foods are intended to supplement a participant's diet. WIC foods include iron-fortified infant formula, iron-fortified cereal, vitamin C-rich fruit and vegetable juice, eggs, milk, cheese, peanut butter, and dried beans and peas. Seven different monthly food packages are available to participants, based on their age, category of eligibility and nutritional needs. Special foods are also available for women who breastfeed their infants.

- **Nutrition education.** WIC nutrition education teaches WIC participants about the connection between proper nutrition and good health. WIC nutrition education also encourages women to breastfeed (unless it is medically contra-indicated) and informs them about the risks of tobacco, alcohol and other drug use.

- **Health care referrals.** During individual nutritional assessments of participants, WIC program staff make referrals to other health and social services, including prenatal care, well baby care, substance abuse counseling, and other nutrition assistance programs. Because so many WIC participants do not have health insurance or adequate access to medical care, these referrals may be their only source of ongoing health care services. WIC has been a leader in efforts to promote pre-school immunizations.

WIC is an essential investment in the health, development and nutritional well-being of the most vulnerable segments of our population. WIC participation is associated with a lower incidence of low birth weight and very low birth weight infants and with a lower incidence of infant mortality. WIC has also been instrumental in helping children enter school ready to learn.

And this investment produces savings. There is a direct link between participation in WIC and lower health care costs. Recent studies by the USDA have found that Medicaid-eligible, low-income women who participate in WIC during pregnancy have healthier babies and lower Medicaid costs than Medicaid-eligible, low-income women who do not participate in WIC; every dollar spent on pregnant women in WIC saves between $1.77 and $3.13 in Medicaid costs from birth through the first 60 days after delivery.

The Initiative

The President has shown his commitment to WIC by seeking increased funding in each year since taking office. Appropriations have increased by $610 million from fiscal year 1993 to fiscal year 1995. These increases will permit more than one million new participants to receive supplemental food, nutrition education and health care referrals. In fiscal year 1995, on average seven million needy women, infants and children are expected to be served each month.

Fiscal year	Clinton's Budget (in billions)	Actual Appropriation (in billions)	Average Monthly Participation (in millions - rounded) Women	Infants	Children	Total
1993	$2.84	$2.86	1.37	1.74	2.81	5.92
1994	$3.29	$3.21	1.50	1.79	3.19	6.48
1995	$3.56	$3.47	estimated total participation:			7.0
1996	$3.82	Pending	estimated total participation:			7.4

At the same time, the Administration has worked to improve quality and increase efficiency in the program. For several years state WIC Programs have used competitive bidding systems for rebates on infant formula. To date, 70 WIC State agencies have infant formula rebate contracts in place with manufacturers. For fiscal year 1995, the projected savings are about $1 billion, which will support WIC benefits to 1.6 million participants. The National Performance Review cited these rebates as an example of a particularly effective cost containment measure.

Over the next two years, the Administration will remain vigilant to protect WIC from severe reductions in funding. In addition, the Administration will continue work on several projects.

- Through a strong partnership involving the Department of Agriculture, the Centers for Disease Control, private organizations, and State agencies, work is underway to increase immunization rates for children under the age of two. As a result of this increased coordination, on-site immunizations will be available at some WIC clinics, and WIC staff will track and refer infants and children for needed immunizations. WIC will continue to work with other agencies to improve immunization rates.

- WIC clinics now offer program applicants the opportunity to register to vote, consistent with the National Voter Registration Act. The "Motor Voter" law also makes voter registration available at Food Stamps, Aid for Families with Dependent Children, and Medicaid offices.

Case Study: Andy

Andy was born in the Gila River Indian community in Central Arizona. When his mother brought him for his two-month check-up, a WIC staff member noticed that he wasn't breathing normally and that his weight gain was below normal. The WIC staff member referred Andy first to the Special Needs Clinic and then to a hospital in Phoenix, where it was determined that Andy had cardiac problems. After treatment, WIC provided formula and food supplements, taught his mother how to prepare them and carefully monitored Andy's feeding and weight gain.

Case Study: Danny

When Danny's mother brought him to the WIC clinic, his father was unemployed and the family had not eaten in two weeks. Danny had only water during that time. Danny was immediately certified for WIC and given vouchers for infant formula, infant cereal and juice. The WIC Director also referred the family to an emergency food assistance program and to the Food Stamp Program.

8C. CHILDHOOD IMMUNIZATION

"To guarantee that our children's faith in us is justified, we must renew our commitment to protect them from deadly infectious diseases."

President Clinton
April 20, 1994
Proclamation 6675
National Immunization Week

Actions to Date

The President has launched a comprehensive effort to give our children a healthy start in life by immunizing them against preventable disease. Under the Childhood Immunization Initiative, the Administration has:

- Provided states and local governments with added support for immunization programs. Federal spending to support immunization infrastructure increased by 213%, from $45 million to $141 million.

- Started the Vaccines For Children Program which will provide free vaccines to about 60% of our nation's children.

- Helped create state information systems to see that all children are properly immunized.

- Formed innovative partnerships with private organizations that will reach target communities with an immunization message:

  - Gerber Products Company put an immunization message on the back of baby cereal boxes;

  - Kiwanis International created a national public awareness campaign, including public service announcements, billboards, and posters; and

  - McDonalds featured an immunization message in its tray liners.

- Helped thousands of health care providers improve their immunization procedures by broadcasting information via satellite to 16,000 participants in 44 states. Using this technology, the Centers for Disease Control and Prevention will have trained more providers within six weeks than it had trained in the previous ten years.

- Simplified what parents and health care professionals need to know to ensure children are properly immunized, by working with leading health professionals to get them to agree on a single recommended immunization schedule.

Background

Childhood vaccines prevent many infectious diseases -- polio, measles, diphtheria, mumps, pertussis, rubella, tetanus, hepatitis-B, and Haemophilus influenzae type B (Hib) (which causes meningitis). Children need 11 to 15 vaccine doses by the age of two, requiring about five visits to a doctor or clinic. Yet too many of America's two-year-old children do not get the full range of vaccines and full protection from illness and possible death.

The cost of immunizing a child is much higher today than it was just a few years ago. The full complement of vaccines has risen from only $28 in 1983 to about $270 in 1994. Costs are up in part because new vaccines are now recommended for all children and because the prices of some vaccines have gone up. These higher costs mean that more uninsured and underinsured families are unable to pay for vaccines out of their own pockets. In response, private providers now send more children to public health clinics for their shots, where Federal or state supplied vaccines are free. Because these referrals break the continuity of care, children miss opportunities for vaccination.

The influx of children referred from the private sector has further burdened the public clinic system. State and local government clinics often don't have the resources to track these children well enough to make sure that they get all their shots, or to offer parents the convenience of evening or weekend hours. Although measles is preventable, a failure to immunize children on time led to an epidemic of measles in 1981-91. This epidemic resulted in more than 55,000 cases of the disease, 11,000 hospitalizations, 44,000 hospital days, and 130 deaths. The epidemic cost an estimated $150 million in direct medical costs alone, without including massive indirect costs stemming from lost time on the job, lost productivity, and lost wages.

By preventing expensive treatment of diseases, vaccines save money. For every dollar spent on the measles/mumps/rubella vaccine, an estimated $21 is saved. About $29 is saved for every dollar spent on the diphtheria/tetanus/pertussis vaccine.

The importance of immunization for young children must be reinforced at every opportunity. In addition, cases of disease need to be detected early to identify under-immunized populations and to institute disease control efforts. But, surveillance systems often have been inadequate to detect cases of measles early enough. As a result, vaccine-preventable diseases have spread too rapidly, especially within populations that are at greatest risk.

The Initiative

The President's Childhood Immunization Initiative is building a comprehensive immunization system that marshals the public and private sectors, health care professionals, and volunteer organizations to increase vaccination rates. First, states and local governments will improve and expand immunization efforts using added Federal funds. Second, uninsured children can be immunized by their private physicians through this program. Third, an enormous outreach effort will help providers and families to understand the importance of immunization and to know which vaccines are needed and when.

The Initiative's goal is to immunize at least 90 percent of two-year-olds in this country with the most important vaccines by 1996 and at least 90 percent of all two-year-olds with the full series of vaccines by 2000.

The Childhood Immunization Initiative will:

1. Improve the quality and quantity of vaccination services:

In 1994, the Federal government sent $129 million ($83 million in new Federal resources) to states and local health departments to improve existing services based on plans they developed. Each area uses its own discretion to allocate these funds to meet local needs -- whether by lengthening clinic hours or automating records. Locally tailored systems mean that parents can visit an immunization clinic at more convenient times and be assured of prompt, quality service. Automated record-keeping creates easy reminders for providers and parents that vaccinations are due.

2. Reduce vaccine costs for parents:

The Vaccines for Children program will reach more children with free vaccine than ever before, including many at their own doctor's offices. Sixty percent of our Nation's children will benefit, including the uninsured, those on Medicaid, Native American children, and children served by federally qualified health centers. States can buy vaccines at reduced Federal prices to provide universal access to vaccine for all children in their state. The Federal government will assist states to purchase vaccines. As a result, cost of vaccines will no longer be a barrier for our neediest children, and parents can get their children vaccinated by their family doctor.

3. Increase participation, education, and partnerships in communities:

The Administration's plan sends outreach consultants around the country to increase awareness of the importance of vaccinating children and to encourage health care providers to use every opportunity to vaccinate children in their care. Health departments, community and business groups, private and public providers, religious and service organizations, schools, and the media are joining community-based networks to increase infant vaccination efforts. We are encouraging our immunization partners to take advantage of National Infant Immunization Week (in late April each year) to focus attention on the vaccination needs of infants and young children.

4. Better monitor diseases and vaccinations:

We are creating a better system to monitor vaccine-preventable diseases so that we can spot problems early and prevent cases from escalating into epidemics. The Centers for Disease Control and Prevention is working with state and local health departments to pinpoint the populations that are not receiving the benefits of infant vaccination.

5. Improve vaccines and how they are used:

We are increasing applied research into new vaccines in an effort to reduce the number of shots children must receive and to ensure safe and effective vaccines. We developed a single childhood immunization schedule by working with the Advisory Committee on Immunization Practices, the American Academy of Pediatrics, and the American Academy of Family Physicians. This single schedule allows what parents and providers to know what is needed to properly immunize children. In addition, although available vaccines are very safe and effective, the Centers for Disease Control and Prevention is working with states and selected providers to enhance systems to detect rare adverse events following vaccination.

Case Study: Kathleen

Kathleen, a single parent living in Santa Fe, New Mexico, was worried about juggling her work schedule to take her young son for vaccinations at the Santa Fe County Health Office. "I'm a single parent trying to raise a child alone, and it is not easy to get off work to take him for shots."

To her pleasant surprise, when she called to find out which day the clinic offered immunizations, she discovered that the Santa Fe County Health Office clinic was now offering immunizations five days a week and had extended their hours. In 1993, New Mexico, along with other states and some urban areas, received an increase in Federal funds to improve their vaccine delivery infrastructure. Santa Fe County chose to use some of the funds to increase the number of days it offered vaccinations to children. Nurse Manager Laurie Spiegel said, "We're trying to be more accessible and people are really responding. We know that both parents may work and it's difficult to get to the clinic. Extending the immunization hours also means we've decreased the waiting time at the clinic."

Kathleen was able to vaccinate her son as recommended and wasn't forced to miss work. "It's nice to see that people realize how difficult it can be to get to the clinic during a few fixed hours. I appreciate being able to go for services at more convenient hours. Finally, a consumer-friendly state service."

8D. HIV/AIDS

Actions to Date

The President has attacked the HIV/AIDS epidemic by increasing resources for research, prevention and treatment, providing better national focus and leadership, and creating opportunities for greater involvement of local governments and community-based organizations. The Administration has:

- Increased Federal spending on HIV/AIDS activities by 30 percent.
- Increased funding for the Ryan White CARE Act by 81.9 percent, bringing that program to full funding.
- Reorganized AIDS research at the National Institutes of Health and appointed renowned immunologist William Paul, MD, to head the NIH Office of AIDS Research.
- Continued funding of research that shows that the use of AZT during pregnancy and childbirth will sharply reduce the risk of HIV infection of newborn infants.
- Required the inclusion of women in all NIH-sponsored clinical trials of HIV/AIDS drugs.
- Created a White House-level Office of National AIDS Policy to provide greater Federal focus.
- Created the National Task Force on AIDS Drug Development to identify and eliminate barriers to the development of drugs for HIV and HIV-related conditions.
- Launched the Prevention Marketing Initiative aimed at reducing HIV transmission among young adults (ages 18-25).
- Established HIV/AIDS workplace education training for all Federal employees.

Background

HIV/AIDS continues to devastate American society. Since the epidemic began in 1981, more than 400,000 Americans have been diagnosed with AIDS and nearly 250,000 have died. In 1994 alone, nearly 81,000 Americans were diagnosed with AIDS and more than 40,000 died as a result of HIV infection. While scientists, public health officials, and community-based organizations responded quickly to AIDS at the first signs of the epidemic, the Federal government's response was often disjointed and, at times, hostile. Two national commissions sharply criticized this early response and advocated a more coordinated, aggressive effort.

Racial and ethnic minorities, especially women and children, have been particularly hard hit by HIV/AIDS. For example, black and hispanic women make up 74 percent of women reported with AIDS. And 84 percent of children diagnosed with AIDS are either black or hispanic.

Adolescent Americans are one of the fastest growing populations affected by HIV. In 1994, one in two new HIV infections occurred in people under the age of 25. One in four new infections occurred in people under the age of 20. In the last two years, AIDS has become the leading cause of death in Americans between the ages of 25 and 44, surpassing cancer, homicide, and accidental death.

The Initiatives

The President identified AIDS spending as one of his top priority investments and has consistently provided funding increases for research, prevention, treatment, and direct services. Between fiscal year 1993 and fiscal year 1995, the President increased AIDS spending as follows:

Category	% Increase
HIV/AIDS Research	+17.0%
HIV/AIDS Prevention and Education	+15.0%
HIV/AIDS Services (Ryan White)	+81.9%

The Ryan White CARE Act was enacted in 1990 to enable states and metropolitan areas hard hit by the AIDS epidemic to provide direct services to people living with HIV/AIDS. But the program was funded at less than half of the levels authorized by Congress in the original legislation. This underfunding prevented thousands of people living with HIV/AIDS from receiving the services needed to maintain their health. The National Commission on AIDS urged full funding of the Ryan White CARE Act in its final report to the President.

In two years, the President fully funded the Ryan White CARE Act by increasing its resources by 81.9 percent. In his fiscal 1996 budget, the President proposed a 14 percent increase in Ryan White CARE funding, bringing the three-year increase to 108 percent. The additional investment has allowed the Ryan White CARE Act to provide funding to an additional 17 cities, providing services to more than 300,000 individuals living with HIV/AIDS. Those funds have also provided new services including drug assistance; services for women, children, and other special needs populations; and expanded rural services.

The Administration will continue to fight for reauthorization of the Ryan White Care Act. In addition, the President will continue to fund research, prevention, education and services to work toward finding an effective vaccine and a cure for HIV/AIDS, reducing the number of new HIV infections, and assuring that all people with HIV have access to needed treatment.

In addition to new resources, the President sharpened the federal government's focus on the HIV/AIDS epidemic. Following the recommendations of the National Commission on AIDS, the President established a White House Office of National AIDS Policy to advise him directly on the proper response to the epidemic. An Interdepartmental Task Force on AIDS will assure coordination of the Federal response.

In 1993, the President signed the NIH Revitalization Act, which created a permanent Office of AIDS Research (OAR) at the National Institutes of Health. Immunologist William Paul, MD, was recruited to head the new OAR and has quickly established a five-year plan for AIDS research centered on basic research. Recently, NIH-funded researchers reported that the use of AZT during pregnancy and childbirth can dramatically reduce the risk of HIV infection of an unborn child. This seminal research may be the first step toward blocking the transmission of HIV.

The Centers for Disease Control and Prevention have fundamentally restructured HIV prevention programs to put more control in the hands of local government and community-based AIDS organizations. Rather than a top-down approach to prevention programming, CDC now uses a bottom-up method that tailors programs to local needs. Members of the AIDS community are also participating in a number of Federal advisory groups, helping to shape policies that affect their lives.

In order to maintain national focus on the fight against HIV/AIDS, the White House Office of National AIDS Policy is developing a national plan on research, prevention, education and services for HIV/AIDS.

Case Study: Stephanie and Reyna

Stephanie is a 27-year-old woman living in California. During a routine prenatal care visit, she found out she is HIV-positive. Stephanie read about the results of NIH-sponsored research indicating that the use of AZT during pregnancy and childbirth would reduce the chance of her baby being born HIV-infected. Stephanie followed the guidelines set out by that research and her baby girl, Reyna, was born HIV-negative and remains healthy today. On December 1, 1994, Stephanie and Reyna visited with President Clinton to help commemorate World AIDS Day.

Case Study: Debbie

Debbie is a 27-year-old woman living with AIDS in a rural part of South Carolina. Until recently, few doctors in Debbie's hometown were willing to treat AIDS patients in part because so many were uninsured. With funding from the Ryan White CARE Act, the County Health Department opened the CHANGES clinic in Orangeburg, which operates six days a month with a rotating staff of five physicians and three nurses. The clinic's staff taught Debbie's mother to care for her daughter at home. When Debbie is too sick to come to the clinic, the staff come to her home. Not only has the clinic prevented more costly hospitalizations, it provides Debbie and her mother peace of mind. Debbie's Mom calls the staff her "guardian angels."

8E. WOMEN'S HEALTH

"[W]hen it comes to health care research and delivery, women can no longer be treated as second-class citizens."

President Clinton
October 18, 1993
National Breast Cancer Coalition

Actions to Date

President Clinton has taken an unprecedented and comprehensive approach to improving the health of American women and ending the inequities that have plagued research, clinical practice and education about health and disease in women.

- The President's 1996 budget for the Public Health Service (PHS) included $2.0 billion for programs directly targeting women's health, an increase of $551 million since fiscal year 1993.

- Since President Clinton took office, federal funding for breast cancer research at the National Institutes of Health (NIH) has increased 65%, to $377 million in 1995 alone.

- To ensure the reliability of mammograms, the Food and Drug Administration has issued quality standards for mammography facilities.

- To combat physical and sexual violence against women, the President's crime bill established a National Domestic Violence Hotline, tripled federal funding for battered women's shelters, and authorized over $200 million for competitive grant programs to fund rape prevention and education programs. The President also created a new Violence Against Women Office at the Justice Department and announced an initial $26 million in grants under a new program to combat violence against women.

- The President acted swiftly to protect the reproductive health of American women by repealing the "Gag Rule" that restricted abortion counseling at federally funded family planning clinics, revoking the import ban on RU-486, and reversing the ban on abortion services at military hospitals.

Background

"In medical research, women have been on the sidelines too long, [there has been] too little research into the causes and cure of breast cancer and osteoporosis. Heart disease is the number one killer of women, but until recently, all of the search for a cure was centered only on men. The simple fact is that we've paid too little attention to the unique problems of women ... We're trying to change all that in this administration."

President Clinton
May 6, 1994
Remarks on Women's Health Care

Heart disease killed approximately 360,000 women and in 1992 was the leading cause of death in women. Breast cancer killed approximately 46,000 American women in 1993, and it is estimated that 1.5 million new cases will be diagnosed in the 1990s. That means that one in eight American women will develop breast cancer in her lifetime, up from one in 20 twenty years ago. And women's health is threatened not only by deadly diseases but also by an epidemic of physical and sexual assault; 20 to 30 percent of women's visits to emergency rooms are for treatment of injuries caused by domestic violence.

Not only is the incidence of acute and chronic illnesses greater among women, but women have poorer "health outcomes" than men. For example, the one-year post-heart attack survival rate is over one-half in men, but less than one-third in women.

Historically, women's health concerns have not been addressed adequately by the nation's medical research institutions and in the delivery of health care services. Research on diseases that affect women has been underfunded, and women have been underrepresented in clinical research studies.

The Initiative

In the [first] three minutes . . . of this talk, another American woman will be diagnosed with breast cancer. If I speak for 12 minutes, another woman will die of it during the course of the remarks. And yet we know that one in every three American women does not receive the basic services, like mammograph[y], which can help to detect breast cancers and that the cost of not dealing with this amounts to about $6 billion a year to this country over and above all the human heartbreak involved.

Now that means that this is another one of those terrible American problems that is not only tearing the heart out of so many [American] families but also has left us again with no excuse for why we would spend so much money picking up the pieces of broken lives when we could spend a little bit of money trying to save them.

President Clinton
October 18, 1993
National Breast Cancer Coalition

The Clinton Administration has worked to improve women's health through a multi-faceted effort involving research, training, education, service delivery programs and collaborations with the private sector. To coordinate activities on women's health, the President appointed the first Deputy Assistant Secretary for Women's Health at the Department of Health and Human Services.

Illustrating the strength of the Administration's commitment to women's health, the Public Health Service's fiscal year 1995 budget for women's health was $1.9 billion, an increase of almost $147 million over 1994 levels and $409 million since 1993. Almost half of these funds support research at the NIH on breast, cervical and ovarian cancer, on pregnancy, contraception and reproductive health, on osteoporosis, on lupus, and on female-controlled chemical barriers to protect women against HIV and other sexually transmitted diseases. The Administration will continue to invest in these critical areas.

Breast Cancer

The Administration has launched an attack against this deadly disease on a variety of fronts. The 1995 budget included $387 million for breast cancer research at NIH; the Department of Defense has already distributed $240 million to fund 450 research and training grants and will award an additional $150 million allocated in the 1995 budget.

Early detection is a crucial weapon in the fight against breast cancer. The Administration has worked to improve the quality of breast cancer screening and to promote its use.

•The Food and Drug Administration (FDA) implemented quality standards for mammography facilities to ensure reliable mammograms. Working with the FDA, the Agency for Health Care Policy and Research (AHCPR) has developed and publicized guidelines on mammography to inform health care professionals and consumers about how to obtain a high quality mammogram.

•The PHS Office on Women's Health and the National Cancer Institute are facilitating collaborations among government, academia and industry to apply imaging technology (currently used by the defense, space and computer graphics industries) to the early detection of breast cancer.

•The Administration has continued to support the Centers for Disease Control and Prevention's National Breast and Cervical Cancer Early Detection Program, through which CDC collaborates with States, the American Cancer Society and other organizations to provide greater access to screening and follow-up services, especially for low-income, elderly and minority women. With continued support, comprehensive early detection programs will reach women throughout the nation.

•First Lady Hillary Rodham Clinton has joined with the Health Care Financing Administration and the PHS Office on Women's Health to launch a campaign to educate Medicare beneficiaries and health care professionals about the availability of mammography benefits under the Medicare program and about the importance of regular breast cancer screening for older women. The goal of this nationwide campaign is to increase significantly the number of older women using this lifesaving benefit.

In addition to this activity, the PHS Office on Women's Health is coordinating the National Action Plan on Breast Cancer, a framework for action to prevent, diagnose, treat and ultimately to eradicate breast cancer through activities in three major areas: health care delivery, research, and policy. The action plan, formulated during a national breast cancer conference convened by the Secretary of the Department of Health and Human Services seeks to meet its goals by drawing on resources in both the private and public sectors; it involves consumer, health care professional, scientific organizations and private industry as well as the federal government.

In the next two years, the action plan expects to implement projects including:

•A screening test for the newly discovered breast cancer gene, accompanied by appropriate counseling procedures.

•The availability of breast cancer prevention, early detection and treatment information on the "information superhighway."

•The creation of a national patient tissue bank for easier testing of the reaction of breast cancers to certain chemicals.

Ensuring Equity in Medical Research

An important effort underway to redress the gender inequity in medical research is the NIH Women's Health Initiative, the largest clinical research study ever conducted. This initiative is an exploration of the major causes of death, disability and frailty in post-menopausal women: heart disease, breast and colon cancer, and osteoporosis. The multi-year study is also investigating strategies to prevent disease and promote good health for older women; for example, researchers are examining the effects of diet and vitamin supplements and of hormone replacement therapy.

The Office on Research on Women's Health within NIH is working to assure that women's health issues become an integral part of research throughout the scientific community. During the next year, the Office intends to support research on: lung cancer, urological disease, and auto-immune disease in women; reproductive health; occupational health hazards for women entering previously male-dominated jobs; mental and addictive disorders in women; and risk factors for disease in women of different racial, ethnic and socioeconomic groups. Over the next several years, the Office will focus its efforts on research on special health problems faced by women living in rural areas or in poverty.

Also over the next several years, NIH will be examining reproductive problems facing American women, such as endometriosis and uterine fibroids with the hope of finding better ways to prevent or treat these conditions so that fewer hysterectomies are necessary.

Minority Women

In 1993, the President signed the NIH Revitalization Act of 1993, requiring that women and minorities be included in all clinical research supported by NIH. Other efforts to address the health needs of minority women include the first National Minority Women's Conference cosponsored in 1994 by HHS, and several health education projects for women of color sponsored by the PHS Office on Women's Health. Upcoming efforts include an AHCPR project to evaluate ways to prevent low birth weight among minority and high-risk infants. In addition, the Administration and the Association of American Medical Colleges are developing a culturally appropriate women's health curriculum to be distributed to all medical schools. The new curriculum will present information that is currently omitted from medical school education.

Other Activities and Initiatives

- President Clinton has taken a number of important steps to protect women's reproductive health. In the first week of his Administration, he issued an Executive Order ending the prohibition on abortion counseling at family planning clinics. The President also reversed the ban on abortion services in military hospitals and lifted the import ban on RU-486 (a drug already available in France, the United Kingdom and Sweden that terminates pregnancy without surgery). Testing of RU-486 is now underway in this country.

- The Administration has mobilized to fight violence against women. The President's crime bill created a National Domestic Violence Hotline to provide information and assistance; tripled the federal funding for battered women's shelters to a total of $325 million over six years; and authorized $200 million for programs to fund rape prevention programs and to educate and train health care professionals. The President also created a new Violence Against Women Office at the Justice Department and announced an initial $26 million in grants under a new program to combat violence against women. In addition, the Centers for Disease Control and Prevention has embarked upon an initiative aimed at developing effective measures for reducing the threat that women face of physical and sexual assault at the hands of partners, acquaintances and strangers. The CDC will continue to work with States and public and private organizations to track violence against women, support education for providers and the public, and evaluate ways to prevent the violence.

- Concerns about environmental threats to women's health motivated the PHS Office on Women's Health to establish an interagency committee to evaluate and promote work on this issue. Over the next two years, agencies including the Department of Defense, the Department of Health and Human Services and the Environmental Protection Agency will foster initiatives to explore how pollutants at home, in the workplace and in the atmosphere damage women's health and to develop strategies to eliminate these environmental hazards.

- PHS has developed the "Put Prevention into Practice" program to improve the delivery of clinical preventive services including immunizations, Pap smears and other screening tests and counseling. The program provides health care professionals with a kit of materials to assist them in the performance of a broad range of preventive services for their patients as well as forms for patients and medical office staff to use to track needed preventive care.

- The Administration has developed a National Women's Resource Center to provide information about the prevention and treatment of substance abuse and mental illness.

Case Study: Georgia Ayres

When First Lady Hillary Rodham Clinton met recently with 250 elderly South Florida women at the Joseph Meyerhoff Senior Center, Georgia Ayres, a 66-year-old member of the National Council of Negro Women, participated with her in a panel discussion. Mrs. Clinton told the audience that the risks of getting breast cancer increase with age and that Medicare covers regular mammography screening that could save their lives. The group also talked about the mammography procedure itself and the reasons for the reluctance of some women to get mammograms. After Mrs. Clinton's visit, Ms. Ayres told the Ft. Lauderdale Sun-Sentinel, *"I've never had a mammogram. I've been afraid because I watched my daughter-in-law die of breast cancer. But now after this talk, I will go and make an appointment to have a mammogram."*

Case Study: Dr. Laura Esserman

When Dr. Laura Esserman began clinical work with breast cancer patients at the University of California, she realized that vaccine research she had previously conducted might be applied to the treatment of breast cancer. She hoped this would lead to safer, non-toxic treatments for breast cancer that could be used to treat the disease when it was first detected. The medical community found her ideas promising, and many scientists agreed to participate in her research. However, Dr. Esserman was unable to launch the project because, without preliminary data, she could not obtain a grant from traditional funding sources. She then found out about the Innovative Development and Exploratory Awards -- a part of the Clinton administration's breast cancer research program -- which awarded her two years of start-up funding. Her research is now underway and, while it is too soon to tell if it will lead to treatment breakthroughs, Dr. Esserman says that: *"Without the grant, I would never have gotten the opportunity to find out."*

9. ENVIRONMENT AND PUBLIC HEALTH

Introduction

> *We seek to set our course by the star of age-old values, not short-term expediencies; to waste less in the present and provide more for the future; to leave a legacy that keeps faith with those who left the Earth to us. That is the American spirit.*
>
> President Clinton
> Earth Day 1994

Accomplishments:

The modern era of environmental protection began 25 years ago in 1970 with the first Earth Day, the passage of landmark legislation and the creation of the Environmental Protection Agency. The results are a great American success story, but much remains to be done. To succeed in the next 25 years, President Clinton is reforming health and environmental programs to make them work better and cost less, to better protect public health and to provide lasting opportunity for generations to come -- and standing up to those who would roll these programs back.

This introduction includes short descriptions of the President's main environmental accomplishments, as well as a brief description of this year's priorities. Following the introduction are three sections that describe the President's record in more detail.

- **Reinventing Environmental Regulation.** On March 16, 1995, the President announced a comprehensive set of 25 actions to make environmental protection work better and cost less, including a 25 percent cut in paper work to comply with environmental standards and a 6 month enforcement grace period for businesses which act in good faith.

- **Northwest Forest Plan.** Put Northwest communities back to work again, while conserving ancient forests for future generations.

- **Common Sense Initiative.** Launched an effort to make health protection cleaner, cheaper and smarter by focusing on results rather than one-size-fits-all regulations.

- **California Bay-Delta Water Agreement.** Negotiated a consensus plan that will protect the most valuable economic and environmental resource of the state of California. The San Francisco Bay and Delta estuary, which supports 120 species of fish, is also a critical link in a system that supplies drinking water to two-thirds of the state's people and provides irrigation for 45% of America's fruits and vegetables.

- **Recycling.** Signed an executive order to promote recycling, cut solid waste and create jobs.

- **Community-Right-to-Know.** Expanded requirements that companies disclose information about toxic releases in their area, putting power back into the hands of the people.

- **Protection for the California Desert.** Fought for and then signed the California Desert Protection Act, the largest single designation of parks and wilderness areas ever in the lower 48 states.

- **Environmental technology.** Supporting initiatives that increase American productivity and encourage innovative new solutions to tough environmental problems.

- **Fisheries Management.** Responded to developing fisheries crises on both coasts with improved management programs and economic assistance to families whose livelihoods are threatened by declining fish stocks.

- **Air Pollution.** Implemented an unprecedented measure to reduce by 90 percent the toxic air pollutants emitted from chemical plants by 1997.

- **Restoration of the South Florida Everglades Ecosystem.** Formed a partnership with the State of Florida that broke a six-year legal logjam and allows the country to restore the unique ecosystem of South Florida including the Everglades and Florida Bay.

- **Wetlands Reform.** Reformed the wetlands program to cut red tape, increase fairness and flexibility for landowners, and protect and enhance the nation's wetlands.

The President's priorities for 1995 include:

- **Reinventing Government.** Following through on a top-to-bottom reform of environmental regulation to create a new system based on achieving environmental results, not just complying with bureaucratic procedures.

- **Superfund.** Building on a historic coalition that included everyone from the Chemical Manufacturers to the Sierra Club, to work with Congress again this year to reform Superfund to clean up toxic sites faster, more fairly and more efficiently.

- **Safe Drinking Water.** Reforming the Safe Drinking Water Act to help local water systems protect their citizens' health and give people tap water they can trust, while ensuring that the law that governs our drinking water supply is as affordable as it is effective for our communities.

- **National Parks.** Returning the Park Service to a sound financial footing and making the parks the best that they can be without burdening taxpayers, by reforming concessions practices and revising fee policies.

9A. PROTECTING PUBLIC HEALTH

"Preserving the environment is at the core of everything we have to do in our own country. Building businesses, creating jobs, fighting crime and drugs and violence, raising our children to know the difference between right and wrong, and restoring the fabric of our society."

President Clinton
Earth Day 1994

Actions to Date

In his first two years in office, President Clinton took the following actions:

- **Reinventing Environmental Regulation.** On March 16, 1995, the President announced 25 actions to make environmental protection work better and cost less, including a 25 percent cut in paperwork to comply with environmental standards and a 6 month enforcement grace period for businesses who act in good faith.

- Expanded **Community-Right-to-Know** reporting to require companies to tell people about toxic releases in their area. People will have information about nearly twice as many chemicals as before.

- **Common Sense Initiative.** Launched an effort to make health protection cleaner, cheaper and smarter by focusing on results rather than one-size-fits-all regulations.

- **Promoted recycling**, with actions such as an executive order directing the Federal government -- the largest purchaser in the world -- to buy recycled products.

- **Cut toxic air pollution.** The Clinton Administration took an unprecedented action to reduce by 90 percent the toxic air pollutants emitted from chemical plants.

Background

"I want to see a different approach. I want a government that is limited but effective, that is lean but not mean, that does what it should do better and simply stops doing things that it shouldn't be doing in the first place, that protects consumers and workers, the environment, without burdening business, choking innovation or wasting the money of the American taxpayers."

President Clinton
Announcing "Reinventing Environmental Regulation"
March 16, 1995

Twenty-five years ago our nation created from scratch the most advanced system of environmental protection in the world. The result is a system that is envied and copied around the globe. Where 25 years ago the roads were littered with boxes and beer cans, today we find 5,000 community recycling programs. Lead levels in our children's blood are down 70 percent. And the bald eagle soars again.

But much remains to be done, and while the current system of environmental protection has accomplished a great deal, it is reaching its limits. Over the years, environmental programs evolved into a complex and court-driven system of prescriptive regulation that often leaves little room for common sense. Increasingly, we pay too much for too little protection.

The answer is not to roll back health and environmental standards and return to the smoke and smog of yesteryear. The answer is not to add another layer of complex and inflexible requirements on top of the existing system -- or to create even more opportunity for lawsuits. People don't want a government that spends more of their money in order to get less done. People want a government that works better and costs less.

It is time to draw upon the lessons we have learned over the last 25 years and reinvent environmental protection. We have learned that the American people are deeply committed to a clean and healthy environment for their children and communities. We have learned that pollution is often a sign of economic inefficiency and business can make money by preventing it. We have learned that better decisions result from a collaborative process with people working together, than from an adversarial process that pits them against each other. And we have learned that standards that provide flexibility -- but demand accountability -- can provide greater protection at a lower cost.

To meet the challenges of the next 25 years, President Clinton is making common sense reforms to environmental programs to make them work better and cost less. He is working hard to protect our families' health and to provide lasting economic opportunities for generations to come. He is cutting through the bureaucracy to focus on results -- and allowing flexibility along the way. He is moving toward a system based on performance standards, flexibility and accountability. He is encouraging innovation and common sense.

The Initiatives

> *"Just as we yearn to come together as a people, we yearn to move beyond the false choices that the last few years have imposed upon us. For too long we have been told that we have to choose between the economy and the environment; between our jobs; between our obligations to our own people and our responsibilities to the future and to the rest of the world; between public action and private economy."*
>
> President Clinton
> Earth Day 1993

The Clinton Administration is making environmental programs work better and holding the line against those who would eliminate them. President Clinton is expanding the Community-Right-to-Know program to put power back into the hands of the people, promoting recycling, cutting air pollution and increasing job-creating investments in "green" technologies. He is moving away from the prescriptive regulations of yesterday to the results-oriented programs of tomorrow.

Reinventing Environmental Regulation. On March 16, President Clinton announced a sweeping set of 25 reforms to make environmental protection work better and cost less. With this package, the President will expand the use of market-based emissions trading programs, make a 25 percent cut in the paperwork associated with meeting environmental standards -- a move that will save businesses and communities 20 million hours of work, cut the reporting system down to one step, create centers to help small businesses comply with environmental programs and give them a 6 month enforcement grace period when they act in good faith, give more responsibility to states, tribes and local governments, and save taxpayers billions of dollars by refocussing priorities for safe drinking water and hazardous waste. In addition to improving the current system, the President proposed fundamental reforms -- environmental protection for the 21st century. These reforms include **Project XL** -- for excellence and leadership -- a pilot project where EPA will allow 50 companies or communities to replace current regulatory requirements with an alternative system of the company's design if the company can do it cleaner, cheaper. In other words, if you've got a better way to do it, you can throw out the EPA rulebook.

Common Sense Initiative. The Environmental Protection Agency's Common Sense Initiative is both the name of a major program and a reflection of President Clinton's environmental philosophy. It is a reform to move from one-size-fits-all regulations to a system based on real results, the first program in the next generation of environmental protection. The approach will achieve results that are cleaner, cheaper and smarter -- cleaner for the environment, cheaper for business and taxpayers, and smarter for our children's future.

Community Right-To-Know. President Clinton expanded Community Right-to-Know laws to protect public health by requiring companies to disclose information about toxic chemical releases to the public. EPA added 286 harmful chemicals -- nearly doubling the current amount -- to the Toxic Release Inventory (TRI). The TRI program lists chemical releases and makes the data available to the public through outlets such as public libraries. At the same time, EPA made it easier for small businesses to provide information by creating a shorter, less time-consuming reporting form. The Community Right-to-Know program puts power back into the hands of the people.

Environmental Technology. The President's environmental technology initiatives are helping American business compete more effectively in the fast-growing global markets for "green" technologies, increasing American productivity, and encouraging innovative new solutions to tough environmental problems. Vice President Al Gore recently unveiled a new Rapid Commercialization Initiative to test and verify the performance of innovative technologies and get them to the market faster.

Air Pollution. The 100 million Americans who live in areas with polluted air will be able to breathe more easily. The President is working with States to develop common sense solutions to our nation's air quality problems and to implement strong new rules under the Clean Air Act, such as an unprecedented action to cut toxic air pollution from chemical plants 90 percent by 1997.

Leadership on Risk Analysis. The Clinton Administration is committed to basing its regulatory decisions on sound scientific evidence and ensuring that the benefits of its actions justify the costs. The President's executive order on Regulatory Planning and Review is the cornerstone of these efforts. The President recognizes that there is an important role for regulation in protecting public health, safety, and the environment for the American people. At the same time, he insists that government has a basic responsibility to govern wisely and carefully, regulating only when necessary and only in the most cost-effective manner.

Enforcement. EPA reformed its environmental enforcement program. In conjunction with the DoJ, EPA will get tough with polluters who threaten public health, but work with those who act in good faith. The reforms include small business assistance centers and a 6 month enforcement grace period for small businesses who move quickly to correct violations.

Recycling. To boost recycling, promote environmental technologies, save taxpayers money and reduce the burden on landfills, President Clinton signed an executive order directing Federal agencies to purchase recycled and environmentally preferable products. The Federal government is the largest purchaser of goods and services in the world, and the Clinton Administration is putting that enormous purchasing power to work for recycling.

Leading by Example -- Toxics Reduction. President Clinton signed an executive order directing Federal agencies to cut their use of toxic substances 50% by 1999 and report those remaining emissions under Community Right-to-Know laws -- a move to open government that previous Administrations refused to make.

Leading by Example -- Energy and Water Efficiency. President Clinton signed an executive order directing Federal agencies to improve energy and water efficiency wherever it is cost-effective -- a move estimated to cut the government's taxpayer-funded utility bills $1 billion annually by the year 2005.

Clean Cars. The Partnership for a New Generation of Vehicles is a historic new partnership between government and industry. This strategy will strengthen U.S. competitiveness by developing technologies for a new generation of vehicles up to three times more fuel efficient than today's -- a significant technological challenge that will require the introduction of entirely new technologies, rather than incremental improvements. This initiative will create jobs, spur economic growth and help Detroit continue to lead the world in auto technology, while reducing oil consumption and air pollution.

Case Study: Reinventing Environmental Protection

The Clinton Administration has launched an ambitious new pilot program that is revolutionizing the way we approach environmental protection. The current system of environmental regulation has accomplished a great deal, but it is reaching its limits. EPA is initiating a pilot program to develop a common sense system for the next generation of environmental protection.

Through EPA's Common Sense Initiative, we are bringing business, community groups, state and local representatives, and local environmental leaders together to find common sense, consensus strategies for addressing environmental problems.

This program will help us move beyond confrontation to consensus in solving this nation's environmental problems. Instead of a focus on specific problems caused on specific problems cause by individual pollutants, we are comprehensively looking at the overall environmental impacts of entire industries.

The six industries participating in the first phase of the Initiative -- automotive, computers and electronics, iron and steel, metal finishing, petroleum refining and printing -- form a sizable piece of the American economy. Comprising over 11% of the U.S. Gross Domestic Product and employing nearly 4 million people, these industries also account for 12.4% of the toxic releases reported by all American industries in 1992. The six industries share a key attribute: each is committed to working with the EPA and with national and grassroots environmental groups to find cleaner, cheaper, smarter ways to protect public health and our environment.

The Common Sense Initiative reflects the Clinton Administration's commitment to setting strong environmental standards while encouraging common sense, innovation and flexibility in how those standards are met.

This new approach to environmental protection is designed to achieve results that are cleaner, cheaper and smarter. Cleaner for the environment, cheaper for business and taxpayers and smarter for America's future.

Incineration. The Clinton Administration announced a tough new incineration policy that makes safety the number one priority, encourages industry to reduce waste, strengthens oversight of existing combustion facilities and tightens requirements for permitting new ones. New standards for municipal incinerators will result in a 95 percent reduction in emissions of dangerous pollutants.

Pesticides and Food Safety. The President is taking aggressive action to protect children and reduce the use of pesticides on food. At the same time, his Administration is working to move safer substitutes onto the market more quickly.

Greening of the White House. The President's initiative is making the White House a model for all Americans to follow -- demonstrating practical steps people can take to protect the environment, improve the comfort of their surroundings and save money. Specific actions include energy-efficient lighting, appliances, heating and cooling, as well as recycling and water conservation -- each of which improve the local environment and save taxpayers money.

Superfund. President Clinton proposed a major reform of Superfund, the bill that cleans up toxic dumps. One in four Americans still lives near a toxic dump site 14 years after Love Canal. Contaminated, neglected land costs communities jobs, development and their tax base. In the past, too much money that should have gone to clean up toxic dumps was spent on lawyers instead. Last year, President Clinton brought together in support of his Superfund reform an unprecedented array of interested parties, from environmental groups, insurers, businesses and communities. The Administration will work with Congress again this year to strengthen the Superfund law based on the following principles: cleanups must be faster, fairer and more efficient; we must promote economic redevelopment in our communities; less money should go to lawyers and more money should go to cleanups; and the polluter should pay.

Case Study:
EPA's Brownfields Program -- P6/(b)(6)

"Poor neighborhoods in our cities suffer most from toxic pollution. Cleaning up toxic waste will create new jobs in these neighborhoods for those people and make them safer places to live, to work, and to do business."

President Clinton
Earth Day, 1993

In his first Earth Day message, President Clinton committed to revitalize urban communities by cleaning up abandoned pieces of contaminated land that are a blight to our communities, a threat to our health, and a terrible obstacle to economic growth.

The EPA Brownfields program is an innovative Administration initiative that awards grants to cities to redevelop contaminated land -- creating jobs and returning the land to productive community use. With the money provided by the grants, cities can promote economic development the way the local community believes it will work best. The program brings together people who live near contaminated land, businesses that want to get land cleaned up, community leaders, investors, lenders and developers.

Like many hard working Americans, P6/(b)(6) had a difficult time when his company relocated and he was unemployed for eight months. A forty year old man with three children depending on him, P6/(b)(6) felt discouraged and had few prospects in Cleveland's depressed economy.

As part of a Brownfields grant to the City of Cleveland, P6/(b)(6) now works P6/(b)(6) He is filling one of one hundred new trucking and warehouse jobs created by the redevelopment of contaminated, abandoned property in Cleveland. P6/(b)(6) and its sister company hope to employ another 100 people within the next year.

This initiative captures the best of what we can do together to revitalize the cities of this country. It is a common sense, cost-effective way to redevelop contaminated land and return it to productive community use, create jobs and preserve the green area outside our cities.

Safe Drinking Water. Safe drinking water is easily the biggest environmental concern of America's working families. Across the country, people are worried that they can no longer take the safety of their drinking water for granted. A year ago, millions of residents of major U.S. cities -- such as Milwaukee, New York and Washington, DC -- were ordered to boil their water. One year after thousands of people got sick and 100 died after drinking contaminated tap water in Milwaukee, President Clinton proposed to reform the Safe Drinking Water bill to help local water systems protect their customers' health and give people tap water they can trust. The Administration will work to ensure that the law that governs our drinking water supply is as affordable as it is effective for our communities. The President will work with Congress again this year to improve the Safe Drinking Water Act and provide resources to communities so that they can do the job of keeping their citizens safe.

9B. TAKING RESPONSIBILITY FOR OUR LAND AND WATER

"All across this country, there is a deep understanding rooted in our religious heritage and renewed in the spirit of this time that the bounty of nature is not ours to waste. It is a gift from God that we hold in trust for future generations. Preserving our heritage, enhancing it, and passing it along is a great purpose worthy of a great people."

President Clinton
Earth Day 1993

Actions to Date

During his first two years in office, President Bill Clinton:

- Developed a **Northwest Forest Plan** to put communities back to work again and conserve ancient forests for future generations.

- Developed reforms to **exempt small landowners** from wetlands and endangered species laws.

- Reached an agreement with the state and water users over **California Bay-Delta Water**, the most valuable environmental and economic resource in the State of California.

- Reached an agreement with the State of Florida to **restore the Everglades**, home to more than 50 threatened or unique species, including the Florida Panther.

- Signed the **California Desert Protection Act**, the largest single designation of parks and wilderness areas ever for the lower 48 states.

- **Reformed the Wetlands Program** to cut red tape, increase fairness and flexibility for landowners, and protect and enhance the nation's wetlands.

Background

"If there is one commitment that defines our people, it is our devotion to the rich and expansive land we have inherited. From the first Americans to the present day, our people have lived in awe of the power, the majesty, and the beauty of the forest, the rivers, and the streams of America."

President Clinton
Earth Day
April 21, 1993

The American conservation ethic dates back to the very first days of our country's history and to the farmers, hunters and fishermen who made our country great. Americans have always understood that if they want their children to continue farming or fishing at a living wage, they must look after the land and the water. And we have always felt a deep, moral duty to be responsible caretakers of the Earth for those who come after us.

A century ago, Congress created the world's very first national park at Yellowstone. As American as baseball and jazz music, national parks are an idea that virtually every nation has since copied. The national parks are one of America's greatest treasures; their beauty is unsurpassed.

A century later, resource management of our land and water requires a new approach beyond simply setting it aside. We can use our resources both for economic development today and to fulfill our responsibilities to the future, but only with careful planning and commitment. Where economic needs and environmental imperatives come into conflict, it is usually the result of poor management or a failure to make tough decisions until a situation gets so bad it can no longer be ignored.

President Clinton inherited a number of these poorly managed situations -- looming crises brought on by the Federal government's refusal to assume its share of the responsibility for looking after our nation's land and water. In the Pacific Northwest, the Federal government failed to set up a responsible old-growth forest management plan, and a judge blocked all timber cutting on those lands -- a drastic blow to timber-dependent families. In New England and the Northwest, fisheries collapsed following years of pollution, overfishing and changes in climate patterns -- a drastic blow to the men and women who were dependent on the industry.

President Bill Clinton is standing up for those families. Rather than ignoring these crises, President Clinton went to work and addressed them directly. Issue after issue -- from California water use to the Florida Everglades -- he is finding solutions where others had seen only problems.

The Initiatives

"If we have the vision, the will and the heart to make the changes we must, we can still enter the 21st century with possibilities our parents could not even have imagined and enter it having secured the American Dream for ourselves and for future generations."

President Clinton
February 17, 1993

President Clinton promised that he would take responsibility for our places of natural beauty and ecological significance; that he would look out for our national parks, national marine sanctuaries, wilderness areas, old growth forests and wetlands; that he would support programs that put people to work today and contribute to a better world tomorrow. During his first two years in office the President developed a forest plan for the Northwest, helped fishermen get back on their feet again, reached a historic agreement to manage California water and signed the California Desert Protection Act.

Northwest Forest Plan. For years, mismanagement and conflict over timber cutting in public forests threatened the livelihood of people in the Pacific Northwest. To put an end to the gridlock and put people back to work, President Clinton convened the Forest Conference in Portland, Oregon, shortly after taking office. For the first time, he called on environmentalists, timber companies and citizens as well as states, tribes and local governments to come together around one table to hammer out a solution. The President's Northwest Forest Plan is forcing government agencies to work together to restore the economic health of the region's communities and the vitality of the region's ancient forests. The Administration is awarding more than $1.2 billion in grants and loans over five years to more than 100 communities throughout the region to help people through their period of transition, and putting people to work with more than 600 watershed restoration projects to protect the environment for years to come. The President's Forest Plan was recently upheld by the judge who earlier blocked all cutting. That means that for the first time since 1991, forest management is out of the courtroom and back in the communities where it belongs.

California Bay-Delta Water Agreement. In a triumph of common sense over politics-as-usual, the President recently reached an agreement with the State of California and farmers, urban interests and environmentalists to protect the San Francisco Bay and Delta. Under the agreement, the state will set water quality standards to protect the health of the natural environment and the health of the region's communities. The agreement is a boost for the regional economy, bringing a reliable water supply to water users across the state. The agreement comes after decades of conflict over water, most critical of Western resources. The Bay-Delta estuary is a critical link in a system that supplies drinking water to two-thirds of the state's population and provides irrigation water for 200 crops, including 45 percent of the nation's fruits and vegetables. This estuary, which supports 120 species of fish, is one of the Nation's most diverse wetlands habitat.

Restoration of the South Florida Everglades Ecosystem. The Administration and the State of Florida launched an unprecedented partnership in 1993 to restore the Everglades, Big Cypress, and Lake Okeechobee. The tourism-based economy of South Florida depends significantly on the health of this natural environment. The area is home to five million people and more than 50 endangered or threatened plants and animals, including the Florida Panther, the Bald Eagle and Audobon's Crested Caracara. In recent decades, wetland habitat areas have declined 50 percent and populations of wading birds such as the Snail

Kite and Wood Stork have declined 90 percent. Public water supplies along the coast are increasingly vulnerable to salt water intrusion due to losses of fresh water. Commercial and recreational fisheries in Florida Bay have declined dramatically in recent years. This partnership ends years of litigation and will improve both the quality and the quantity of water -- helping to preserve these national treasures and keep the Florida economy strong.

California Desert Protection. In October 1994, the President signed the historic California Desert Protection Act, to preserve for future generations a resource of extraordinary and inestimable value. It is the first time since 1980 that the United States has set aside so rich and vast an area -- public desert lands that include broad vistas, rugged mountain ranges and unique archeological sites. The Act designates 7.7 million acres of federal lands as wilderness and adds three million acres to the National Park System, including magnificent lands next to the Death Valley and Joshua Tree National Monuments, both of which now become National Parks.

Building Sustainable Fisheries. President Clinton responded rapidly to developing fisheries crises in New England and the Pacific Northwest. To help communities in the short run, he is taking the unprecedented step of providing economic adjustment assistance to several thousand people whose jobs are affected by the crises. For the long run, the effort includes an improved fisheries conservation program to manage the stocks and ensure lasting work for fishermen.

Wetlands Reform. The President developed a bold reform package for the nation's wetlands protection program that reflects the vital need for effective protection and restoration of the nation's wetlands, and includes much needed reforms to increase the fairness and flexibility of Federal regulatory programs for landowners. Significantly, the reforms essentially relieve homeowners of the need to apply for wetlands permits to build or modify their homes. The reform also includes a more active role for states, tribes and local governments. Finally, the Administration set a goal not only of "no net loss" of wetlands, but also of restoring wetlands that had been previously lost. Wetlands filter and cleanse water, buffer against flooding, and are among the most prolific ecosystems in the world; we have lost more than one-half of the wetlands in the lower 48 states since Colonial times.

Case Study:
Northwest Forest Plan --Economic Revitalization

"It is time to break the gridlock that has blocked action and bring all sides together to craft a balanced approach to the economic and environmental challenges we face."

President Clinton
March 10, 1993

When President Clinton convened the Forest Conference in Portland, Oregon in April 1993 he did it to break the gridlock over forest management that had tied up the region's economy for years. His forest plan is protecting public forests for future generations and giving new life to local communities. With the Northwest Economic Adjustment Initiative of the forest plan, he is helping people hurt by the forest crisis get back on their feet.

The Initiative is comprehensive. President Clinton's program is putting people to work, providing worker training, and giving assistance to families, communities and businesses. The result is better government that works for people:

In Sweet Home, Oregon, dislocated timber workers are receiving training, on-the-job experience, and family wages as they work to restore valuable watersheds.

In Weaverville, California, Federal grants and loans are at work building a new sewage treatment system that will protect the community's health and provide for a more certain economic future.

In Forks, Washington, money from state sources and Federal agencies is helping to build a secondary wood products manufacturing center that will breathe new life into this traditionally timber-dependent community's economy.

In Douglas County, Oregon, an area hit hard by the decline in timber harvests, the Roberts Creek Water District has lacked an adequate supply of treated water. As a result, the District placed a moratorium on new development in 1992, making it hard for people to go back to work in new jobs and making it hard for the District to provide acceptable fire protection to the area. With assistance from the forest plan and from the state the District will now be able to fund the water treatment plant expansion. Already, the Ingram Book Company has committed to locating in the District -- a commitment that will translate into 200 new jobs.

AmeriCorps -- National Service and the Environment. Young people in AmeriCorps, President Clinton's national service program, are giving more than 10 million hours of direct service in environmental protection. Nearly one-third of the 20,000 AmeriCorps members are working in urban neighborhoods and rural landscapes to eliminate environmental hazards and conserve natural resources.

Recovery of the Bald Eagle. On July 4, 1994, the Administration proposed to take the bald eagle off the endangered species list. This success story reflects 30 years of hard work to save the bald eagle -- the symbol of America's freedom.

Strengthening the National Parks. The President is taking strong action on behalf of America's National Parks. He proposed a funding increase of 18 percent for the Park Service operations in his first budget, and is pushing to reform concession contracts to give taxpayers a fair share of the profits made by vendors in the parks. Currently, the average concessionaire pays less than 3 percent of revenues for the exclusive right to sell products to park visitors -- a rate far below what most businesses would be willing to pay. Raising that rate by a small amount would bring millions into the parks.

Reform of Endangered Species Protection. Our Nation's plants and animals are treasures we hold in trust for future generations. When environmental protection has collided with economic growth, the cause has often been poor administration of laws such as the Endangered Species Act. The President is committed to innovative administration of these laws to avoid crisis management and make them work, without burdening small landowners. For instance, 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.

Case Study:
P6/(b)(6) -- AmeriCorps

"In our own lives, in our own ways, each of us has something to offer to the work of cleaning up America's environment. And each of us surely has something very personal to gain."

President Clinton
Earth Day 1993

P6/(b)(6) is working in low-income areas in and around El Paso, Texas, along the Mexican border. He is joining other AmeriCorps members and the Retired Senior Volunteer Program to clean up the area's water and protect his neighbors' health.

"AmeriCorps has provided me a great opportunity to get hands-on training in the field of environmental protection," he says. "It also allows me to participate in our community, something I believe in firmly."

P6/(b)(6) turned down a full scholarship at M.I.T. in order to stay in El Paso and help provide for his mother, a new U.S. citizen with a third grade education, who works at a maquiladora for the minimum wage. He studies chemistry and engineering full-time at the University of Texas El Paso, dedicates himself to serving his community through AmeriCorps and holds down an additional job to provide for his mother.

"I can't thank AmeriCorps enough for this opportunity," he says. "I feel like I belong to something that's very important, something that's much bigger than me."

The region's two million people rely on groundwater sources of drinking water that are increasingly contaminated. According to local health officials, a large number of the health problems they see appear to be caused by polluted water. P6/(b)(6) and the AmeriCorps members are working to change that and to protect the health of his community.

Flood Prevention. The Administration is examining new approaches to flood damage reduction and flood plain management, the need for which was highlighted by the recent floods in the Midwest, the South and California. Our goal is to protect the safety of all

Americans in flood-prone areas and reduce economic damages associated with floods in an environmentally sensitive manner.

9C. INTERNATIONAL LEADERSHIP

"The nations of the world are working together to achieve what is now called 'sustainable growth' -- growth that meets the needs of the present without sacrificing the needs of the future. It's an ethic as modern as microprocessors and as old as the Scriptures."

President Clinton
Earth Day 1994

Actions to Date

During his first two years, the President:

- Expanded U.S. **environmental technology exports** to put Americans to work cleaning up the global environment.

- Helped forge international consensus on a global plan to **slow population growth**.

- Created the **GLOBE** program to give students a better way to learn about science.

- Signed the **Biodiversity Treaty** to preserve irreplaceable genetic resources from the world's plants and animals.

Background

"We have to work to stop famine and stabilize population growth and prevent further environmental degradation . . . None of us can live without fear as long as so many people must live without hope. That's why we're working around the world to protect fresh water resources, to preserve forests, to protect endangered species, leading a fight for strong environmental protection in our global negotiations on trade."

President Clinton
Earth Day 1994

With the end of the Cold War, tension over scarce natural resources and environmental degradation is increasing, threatening to erupt into regional conflicts that could harm US interests. While computers move more than a trillion dollars through the world's financial markets every day, one billion of the world's citizens live in abject poverty, more than two billion people have no access to sanitation, and every day 40,000 human beings -- mostly children -- die of hunger, malnutrition or unsafe drinking water.

At current rates, 90 million people will be added to the world every year -- the equivalent of a New York City every month. Although we have made great strides in protecting our natural environment, air and water pollution, deforestation, declining fish catches and the loss of biodiversity continue to be grave problems. If the poorer nations of the world grow to match resource-use patterns of the developed world, we would need 10 times the current amount of fossil fuel and approximately 200 times the mineral wealth. Meanwhile, soil scientists have estimated that an area equal in size to China and India combined have experienced soil deterioration since World War II. In a world of increasingly scarce basic resources, conflict is more likely. It is in every American's best interest for the United States to assume a position of global leadership in protecting the international environment.

The Initiatives

"Working together, we can ensure that the world we leave to the future holds the same promise and opportunity as the one we inherited from the past."

President Clinton
March 14, 1994

President Clinton and Vice President Gore have helped ensure that America lead the world, not follow, on global environmental issues.

Environmental Technologies Export Strategy. For the first time, U.S. firms can rely on support from the Federal government in opening overseas markets for environmental technologies. The President's strategy is to work with business, accelerate technology development, improve export financing, and coordinate the 20 or so federal agencies who currently have roles in this area. The strategy targets specific markets such as Mexico, where the elimination of 20 percent tariffs on environmental technologies through NAFTA and an urgent need for environmental solutions are creating strong demand.

Population. At the 1994 International Conference on Population and Development in Cairo, the United States helped forge a historic consensus on a global program to slow population growth. The approach includes increased availability of family planning services, a commitment to improving women's health, the empowerment of women, and a reduction in infant and child mortality.

GLOBE. Vice President Al Gore launched the Global Learning and Observations to Benefit the Environment (GLOBE) program to give schoolchildren a better way to learn about science. GLOBE will create a worldwide network of K-12 students who will work under the guidance of teachers to make environmental observations near their schools, report their data to a GLOBE processing facility and view images created from worldwide GLOBE data in their classrooms.

Case Study: Environmental Technology Exports

"There is now a $200 billion to $300 billion market for environmentally-conscious products . . . Last October, we started our strategy to help American companies, large and small, get their share of that market. If your company makes a product or offers a service that will protect the environment all over the world, you can find capital, customers and expert advice."

President Clinton
Earth Day 1994

On September 28, 1994, Radian Corporation won a $2.5 million contract in Thailand, thanks in large part to the President's initiative to promote environmental technology exports. With the bid, Radian will provide equipment, systems integration and support services for the first eight ambient air monitoring stations in Thailand.

Radian won the contract with effective export promotion assistance -- six Federal agencies combined to provide key promotional, financial and advocacy to help them close the deal. As a result of the contract, Radian may be able to open a Southeast Asia regional office to expand its Asia sales.

Whale Conservation. The United States succeeded in gaining support to create a whale sanctuary in the Southern Ocean around Antarctica, where commercial whaling will be prohibited. The 11.8 million square mile area covered by the sanctuary is adjacent to an existing Indian Ocean sanctuary; together these two sanctuaries are home to three-quarters of the world's whales. Programs such as these work -- the California Grey Whale was recently removed from the Endangered Species List because the population has returned to pre-whaling levels.

Climate Change Action Plan. The Administration is implementing a comprehensive national strategy to reduce greenhouse gas emissions to 1990 levels in the year 2000 -- a commitment previous administrations were unwilling to make. The Climate Change Action Plan saves government and industry money and spurs economic growth. In one Department of Energy program, more than 800 of the nation's electric utility companies have already signed voluntary pledges to limit greenhouse gas emissions under the Action Plan.

Biodiversity Treaty. Winning praise from environmentalists as well as the agriculture, pharmaceutical and biotechnology industries, the President signed the Convention on Biological Diversity, an international agreement to stem the extinction of species and preserve irreplaceable genetic resources for medicines and other valuable products.

Ocean Dumping. The United States took the lead among the world's nuclear powers and achieved a global ban on ocean dumping of radioactive waste at the London Convention. The U.S. was the first of the nuclear powers to advocate the ban.

NAFTA. The President negotiated a strong side agreement to protect the environment and helped pass NAFTA with the support of a large portion of the environmental community. The treaty sets a new environmental standard for trade agreements. Innovative "green" provisions will help protect the environment and improve the quality of life on both sides of the border.

Development Financing. The United States is leading the fight for environmental reforms in the World Bank and other multilateral financial institutions. One result is a new World Bank policy that gives affected people access to information and environmental assessments on major projects. The United States also put forward the blueprint for restructuring the Global Environmental Facility, making it more democratic and more accountable.

Summit of the Americas. The Summit of the Americas focused on three central themes: strengthening democracy, expanding hemispheric economic integration, and promoting sustainable development. Economic prosperity and social progress can only be achieved if the health of the people is protected and natural resources are used responsibly. The President forged historic agreements with all leaders in the Americas to achieve lasting opportunities for all.

Desertification. On October 14 the United States signed the United Nations Convention to Combat Desertification. The Convention marks an important step for the U.S., France and other developed countries in our efforts to work with Africa and other developing areas to rebuild and protect their resources as they develop a sustainable economy.

10. A STRONGER, HI-TECH, DEREGULATED ECONOMY

Introduction

The Clinton Administration has moved on a variety of fronts to build the kind of high-investment economy that will secure this nation's economic leadership as we near the threshold of a new century. The Administration is pursuing a broad-based strategy that (i) improves the physical infrastructure that serves as the arteries of our economy; (ii) promotes the development of cutting-edge technology, including the information superhighway; (iii) removes unnecessary regulations in a variety of businesses from interstate banking to local trucking; and (iv) champions the interests of small business.

In its first two years, the Clinton Administration has made important strides:

- **Infrastructure.** It has increased public investment in infrastructure while cutting the federal budget deficit for three years in a row, increasing core highway and mass transit grants, rail transportation in the Northeast Corridor, facilities and equipment for the air traffic control system, and assistance to help states improve their environmental facilities.

- **Information Superhighway.** It is working to promote competition and to remove regulations in the high-technology communications business, speeding the development of an information superhighway that will connect our businesses, classrooms, libraries, hospitals and clinics as we approach the 21st century.

- **Technology for Economic Growth.** It has promoted the development of technology through incentives for private sector investment, establishing government-industry partnerships in crucial technologies, and maintaining our historically strong support for basic research.

- **Interstate Banking.** It has lifted the outdated, artificial restrictions on interstate banking, boosting the competitiveness of the banking industry, while enhancing efficiency, and the supply of credit and customer service.

- **Intrastate Trucking.** It has extended the deregulation of the trucking industry from interstate deregulation, which began in 1977, to intrastate deregulation, reducing paperwork and increasing competition within state markets.

- **Small Business.** It has advanced the cause of small business through a four-part strategy focussed on improving access to capital; creating incentives for investment; improving the regulatory environment; and expanding access to new markets.

10A. IMPROVING THE NATION'S INFRASTRUCTURE

Actions to Date

- The President has **increased federal funding for infrastructure** investment while **cutting the budget deficit** for three years in a row. Federal funding increased for investments in:

  - core highway and mass transit formula capital grants,
  - research on "smart cars/smart highways" that use advanced technology to reduce congestion and speed traffic flow,
  - rail transportation in the Northeast Corridor,
  - facilities and equipment for the nation's air traffic control system,
  - assistance targeted to environmental facilities on our borders and in cities that meet stringent criteria.

- To speed modernization of the Nation's air traffic control system, the Administration proposed that the Federal Aviation Administration (FAA) **transfer its air traffic control service to a wholly-owned government corporation.** Exemptions from many federal procurement, personnel and budget restrictions would provide much needed flexibility.

- In December 1993, the Clinton Administration submitted legislation to designate a **National Highway System** (NHS). The NHS would focus federal resources on an interconnected system of high-priority highways to serve both economic and national security needs.

- The Clinton Administration has fought to **expand State Revolving Funds** so that states and localities could better meet the requirements of the Safe Drinking Water Act.

Background

"A smoothly functioning transportation system is a fundamental building block of a growing economy and a prosperous society. The ability to move people and materials safely and efficiently affects the price of goods in our markets, our ability to sell products overseas, and the lives and livelihoods of all Americans. The decisions we make now in transportation will serve as the catalyst for improving both the safety and quality of life for our citizens for decades to come."

President Bill Clinton
May 16, 1994
Proclamation 6689
National Transportation Day

President Clinton has worked to increase the public investment that is crucial to our nation's economic well-being. Like private investment, public spending on infrastructure -- such as roads and highways, water resources projects, and environmental facilities -- lowers firms' costs and increases their productivity, thereby improving their ability to compete in the global economy.

Public infrastructure investments also promote our quality of life in a variety of ways, such as protecting our environment. Between 1972 and 1992, the percentage of waterways that met the goals of the Clean Water Act rose from about 30 percent to about 60 percent, largely because of investments by federal, state and local governments in wastewater treatment facilities.

The Initiative

"This new era requires a new way of thinking about transportation needs. The challenges we face in today's transportation arena involve making what we have already built work better. By reinforcing and modernizing the existing infrastructure, we can create jobs, spur even more technological development, and fuel long-term economic growth."

President Bill Clinton
May 16, 1994
Proclamation 6689
National Transportation Day

In the next two years, the Administration will seek fundamental changes in federal programs designed to improve the nation's infrastructure facilities. These changes would give States and localities far greater control over the use of federal infrastructure grants, and focus the efforts of federal agencies on their core missions.

The most fundamental changes would occur in our transportation program. The Administration's proposal includes complementary components that would further the core principles of the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) -- providing State and local communities with the flexibility that they need to use Federal transportation funds most efficiently; and integrating all forms of transportation into a seamless web that will serve America well into the next century.

The principal components in the Administration's proposal include:

- *Unified Transportation Grants.* The Unified grant would give States and local communities unprecedented flexibility in deciding how to invest the bulk of Federal transportation funds. More than 30 categorical grants would be consolidated into a single program that could be used for the construction or repair of any highway, mass transit system, passenger or shortline-freight rail, or airport facility. Instead of tying all funding to specific types of transportation, and forcing State and local communities to choose transportation solutions based on available funding, the Unified grant would allow States and localities to tailor the mix of transportation investments to the particular needs of each community. The program would secure essential Federal interests through a limited number of set-asides (one set-aside, for example, would ensure the maintenance and improvement of the Interstates and the new National Highway System.) A transition program would honor commitments made under current programs for specific state and local projects.

- *State Infrastructure Banks (SIBs).* Federal grants that capitalize a network of SIBs would allow States and localities to leverage public and private resources, thereby achieving a greater level of infrastructure investment from a given amount of federal spending.

  Under the Administration's proposal, the Federal government would provide SIBs with seed money of $2 billion per year. SIBs would be allowed to leverage these Federal funds not only by issuing bonds secured with Federal grant money, but also by using the funds to support public-private partnerships. With Federal capitalization grants, SIBs would be able to institutionalize public-private partnerships and to provide the specially-tailored financing that such partnerships need to succeed.

- *Discretionary Grants.* These funds would be targeted at strategic transportation projects of national or regional significance that States and localities could not initiate without Federal aid or coordination. Retaining these discretionary funds at the Federal level would advance national projects that otherwise might be stymied by inadequate local resources or the inability of multiple jurisdictions to resolve their differences without Federal assistance.

The Administration will press for action on other infrastructure programs:

- The Administration will seek enactment of its legislative proposal to modernize the **air traffic control** system by transferring it from the FAA to a wholly-owned government corporation, free from unnecessarily restrictive procurement, personnel and budget rules.

- The Clinton Administration will seek $1 billion over 10 years to maintain a modern U.S. Merchant Marine at levels needed to protect U.S. national security interests.

- The Administration will continue to seek Congressional authorization to capitalize State revolving funds that would be used to finance the State and local facilities needed to meet the requirements of the **Safe Drinking Water** Act.

- To meet rural needs more effectively, the Administration will propose providing more flexibility in the allocation of loans and grants for **rural water and wastewater disposal**. This should enable State Directors to target Federal assistance to the highest priority programs.

- The Bureau of Reclamation will shift its emphasis from construction to resource management.. For example, the Bureau's construction program would include funds to **promote water conservation and help restore native fisheries** on the Columbia and Snake Rivers in the Pacific Northwest and the rivers of California's Central Valley.

- Based on a comprehensive review of all **small watershed projects**, the Department of Agriculture will fund only those projects that have local support, meet high environmental standards, and achieve high economic and ecological returns. In addition, the Administration will seek legislative changes that allow the small watershed program to emphasize nonstructural measures to restore waterways, water quality, riparian habitats, and wetlands.

10B. THE INFORMATION SUPERHIGHWAY

"...we must also work with the private sector to connect every classroom, every clinic, every library, every hospital in America into a national information superhighway...instant access to information will increase productivity, will help to educate our children...provide better medical care ...[and] create jobs."

President Clinton
January 25, 1994
State of the Union

Actions to Date

- The President gave a boost to the wireless industry by signing into law the Emerging Telecommunications Technology Act. By giving the FCC the ability to auction spectrum, this legislation will reduce the deficit by more than $12 billion while creating new wireless industries and over 300,000 new jobs.

- The White House is now "on-line." Using the Internet, Americans can send e-mail to the President and Vice President, take a virtual tour of the White House, and access any one of 3,000 White House documents. Over 400,000 people used this service in the first two months that it was available to the public. Over 10,000 people access the White House Web Server every day.

- The Administration is working with Congress to reform the Communications Act of 1934. By promoting competition between telephone companies and cable companies and eliminating outdated regulations, this legislation will lower prices for services, give customers more choice, and accelerate private sector investment in the information superhighway.

- The President and Vice President have set a goal of connecting every classroom, library, hospital and clinic to the information superhighway by the year 2000. This challenge has already motivated communities across the country to form partnerships between the private sector and government to meet this goal.

- The Administration is promoting applications of this technology in areas such as health care, education, training, manufacturing, and delivery of government services, and is working to ensure that these applications are accessible in rural communities as well as the inner cities. This is being accomplished through programs like the Telecommunications Information Infrastructure Assistance Program.

- The Administration is continuing to invest in the High Performance Computing and Communications Program, a research initiative designed to keep America at the cutting-edge of these 21st century technologies.

Background

For many years, the U.S. telecommunications system was dominated by a private monopoly. American consumers bought their phone equipment, residential telephone service, and long-distance service from a single company. With the break-up of AT&T in 1982, this began to change. The market for telecommunications equipment became much more competitive. Companies such as MCI and Sprint began to compete against AT&T. Since divestiture, prices for long-distance service have fallen by 50 percent, investment in a digital, fiber-optic network has been accelerated, and U.S. consumers have more and better choices. The challenge now is to introduce competition in those markets still dominated by monopoly, such as local telephone service and cable television.

The U.S. infrastructure for communications is moving far beyond traditional telephone networks. The Internet computer network, which was started by the Defense Department's Advanced Research Projects Agency in the late 1960's, now connects 20 to 30 million users all over the world. People use this network to send and receive e-mail, share information through specialized news groups, and browse through on-line electronic libraries. Although this network was originally funded by the federal government for research and education purposes, the Administration has encouraged the private sector to take the lead in expanding the network on a commercial basis.

These two trends -- competition and the development of new services and new technologies -- will accelerate as we move toward the 21st century. The "information superhighway" will eventually allow us to send and receive voice, video and data over high-speed networks. President Clinton and Vice President Gore believe that these new information and communications technologies will revolutionize the way Americans work, learn, live, and communicate with each other. The information superhighway will be composed of: high-speed networks, devices such as computers, interactive televisions, and video-phones, the information and services available over these networks, and the skills that are required to build and use these networks.

The implications of the information superhighway go far beyond 500 channels of TV. In some areas:

- Students can tap into digital libraries open 24 hours a day, and collaborate on science projects with other students all over the world;
- Americans in rural areas have access to the best medical advice in the country through telemedicine;
- Workers can acquire new skills through on-line, interactive courseware;
- Citizens have easy access to government information and services, making government open, responsive, and user-friendly; and
- New industries are spurring economic growth and the creation of high-wage jobs.

The Initiative

Unlike the Interstate Highway System, the information superhighway is being built, owned, and operated by the private sector. The role of government is to act as a catalyst.

The Clinton Administration is taking a number of important steps to promote the information highway:

- The Administration is working with Congress to reform our nation's communications laws. By promoting competition between telephone companies and cable companies and eliminating outdated regulations, this legislation will lower prices for services, give customers more choice, and speed up private sector investment in the information superhighway. The Council of Economic Advisors estimates that passing legislation could increase GDP by $100 billion over the next decade, while generating 500,000 new jobs.

- The President and Vice President have set a goal of connecting every classroom, library, hospital and clinic to the information superhighway by the year 2000. This challenge has already motivated communities across the country to form partnerships between the private sector and government to meet this goal.

- The Administration is promoting applications of this technology in areas such as health care, education, training, manufacturing, and delivery of government services.

- The President gave a boost to the wireless industry by signing into law the Emerging Telecommunications Technology Act. By giving the FCC the ability to auction spectrum, this legislation will reduce the deficit by more than $12 billion while creating new wireless industries.

- The federal government is now "on-line." Using the Internet, Americans can send e-mail to the President and Vice President, take a virtual tour of the White House, and access any one of 3,000 White House documents. Students and teachers can get educational resources, such as information on student loans and the Administration's Goals 2000 initiative. Entrepreneurs seeking to start or expand small businesses can get information on financing offered by the Small Business Administration, or on technologies being developed at our National Labs.

- The Administration is continuing to invest in the High Performance Computing and Communications Program, a research initiative designed to keep America at the cutting-edge of these 21st century technologies.

Case Study:
Making Learning Exciting -- Preparing Our Children For The 21st Century

The Administration is expanding the use of the information highway in the classroom by putting more information on-line, encouraging states and communities to use technology as a powerful tool for educational reform, and funding pilot projects to demonstrate that technology can improve student performance. Initiatives at the Department of Education and the National Telecommunications and Information Administration are helping schools connect to the Internet and other on-line services.

Fortune recently concluded that "from Harlem to Honolulu, electronic networks are sparking the kind of excitement not seen since the space race...In scores of programs and pilot projects, networks are changing the way teachers teach and students learn."

Access to computer networks is already making a real difference in many schools. Students can take "virtual" field trips to art galleries and museums, "do" real science instead of just reading about it, and collaborate with their peers all over the world. Teachers can exchange lesson plans and keep parents more informed about the progress of their children. Listen to an educator in rural Texas on the impact networks are having in the classroom:

"Since we are trying to prepare kids for a world of which we can't conceive, our job as educators MUST be to teach kids how to learn, how to access information, and how to accept change...Many of the school districts in my region are small and lack the resources and specialized personnel of the larger districts. TENET (Texas Education Network) can help balance those scales. The smaller districts can now access NASA, leave messages for the astronauts, browse around in libraries larger than any they will ever be able to visit, ...discuss world ecology with students in countries around the world, read world and national news that appears in newspapers that are not available in their small towns, work on projects as equals and collaborators with those in urban areas, and change the way they feel about the size of their world. This will create students that we could not create otherwise. This is a new education and instruction."

Case Study:
Empowering Americans With Disabilities

In 1994, the Commerce Department awarded a grant to the World Institute on Disability to expand access to the information superhighway for Americans with disabilities. Working with industry, the Institute and its partners will help ensure that new information technologies will be designed to expand access for Americans with disabilities. This can make all the difference.

"I am a C5 quadriplegic living in Silicon Valley and...have been disabled for ten years from a motor vehicle accident in 1983. I use computer telecommunications daily in numerous different functions. Telecommunications has opened up a new world, allowing me to communicate via e-mail with colleges, government agencies, and organizations. The future success of telecommunications is phenomenal, especially for the disabled community. It not only allows a person unable to go out into the community to access endless amounts of information, but also permits disabled persons, such as myself, to eventually return to the workforce (via telecommuting) and become productive citizens again."

"I have a dream of some day starting a nationwide bulletin board for attendant care for the disabled community. It would be an attendant registry that would permit disabled persons to hire attendants anywhere in the United States and find qualified and compatible employees."

10C. TECHNOLOGY FOR ECONOMIC GROWTH

"Investing in technology is investing in America's future: a growing economy with more high-skill, high-wage jobs for America's workers; a cleaner environment where energy efficiency increases profits and reduces pollution; a stronger, more competitive private sector able to maintain U.S. leadership in critical world markets; an educational system where every student is challenged; and an inspired scientific and technological research community focused on ensuring not just our national security but our very quality of life."

President Clinton
Vice President Gore
February 22, 1993

Actions to Date

The Administration has:

- Created incentives for private sector investment in research and development and new businesses, with a targeted capital gains tax exclusion for small businesses and extension of the research and development tax credit.
- Maintained strong support for basic research through agencies such as the National Science Foundation.
- Expanded support for civilian technology programs such as Advanced Technology Program and Manufacturing Extension Partnership.
- Established partnerships with industry in areas such as environmental technologies for sustainable development, flat panel displays, and the Partnership for a New Generation Vehicle.
- Formed the National Science and Technology Council to improve effectiveness of federal R&D investments.

Background

Historically, the federal government has funded research and development in basic research, and R&D related to specific government missions, such as defense, space, and health. The rationale for doing this was clear. The federal government funds defense R&D to maintain American military superiority, and it funds research in health to combat disease and to improve our quality of life.

In the post-World War II era, U.S. companies benefitted from technology "spin-offs" from government-funded R&D in defense and other areas. American companies dominated advanced technology markets such as semiconductors, computers, machine tools, and aerospace. In the 1970's and 1980's, however, the United States began to lose its industrial and technological leadership. The old paradigm of relying on "spin-offs" from mission-related R&D began to break down. In many instances, the civilian sector was more technologically advanced than the defense sector. Although the United States often had a lead in basic research, other countries were more successful at moving new ideas from the laboratory to the market-place.

Although many leaders in business, labor and academia recognized that a new model of cooperation was needed, previous Administrations either failed to act or provided few resources for action. Government officials found it difficult to initiate new programs or re-direct old ones.

President Clinton recognizes that technology is the engine of economic growth. He promised to implement a technology policy that would create jobs, increase productivity, and allow U.S. firms to compete and win in today's global marketplace.

The Initiative

President Clinton has acted decisively to:

- Maintain U.S. leadership in basic science;
- Shift federal R&D investments towards the development and diffusion of civilian technology;

- Maximize the contribution that science and technology can make towards national goals such as economic growth, job creation, a cleaner environment, and a leaner, more efficient government;

- Make the United States the best environment in the world for investment, innovation, and job creation.

This strategy is essential to improving our quality of life, generating high-wage jobs, and enhancing our ability to compete and win in today's global market-place. The President has made significant progress in the first two years by:

Establishing incentives for private sector investment and innovation:

As part of his economic package, the President proposed a permanent extension of the Research and Experimentation (R&E) tax credit and a 50 percent reduction in capital gains taxation for investments in small businesses held for more than five years. Congress extended the R&E tax credit for three years (one year retroactively and two years prospectively), and supported the Administration's tax incentive for small businesses. The incentive for small businesses will encourage long-term investments in "start-up" companies, one of the engines of innovation and entrepreneurship in the U.S. economy.

Increasing the level and effectiveness of our investment in civilian and dual-use technology:

The President has pledged to increase the share of the federal R&D budget devoted to critical technologies, improve the management of our technology policy, and leverage existing investments in the National Labs. As a result:

- Funding for the Advanced Technology Program, which funds industry-led technology development, has increased from $68 million in FY93 to $431 million in FY95. This program has been hailed by industry as one of the most effective tools for industry-government partnerships. Industry takes the lead in deciding which new technologies should be explored. Industry is required to put up at least 50 percent of the funding, which leverages scarce federal funds and ensures that industry is committed to commercializing the new technologies.

- The President has created the National Science and Technology Council to help define and achieve science and technology goals.

- Government-industry partnerships have been launched in critical technologies such as flat-panel displays, the Partnership for a New Generation of American Vehicles, partnerships with the construction industry, semiconductors, and environmental technologies necessary for sustainable economic development.

- The share of R&D that participating agencies devote to the Small Business Innovation Research program is being doubled from 1.25 to 2.5 percent of the R&D budgets of participating agencies.

Creating a national network of manufacturing extension centers:

The Commerce Department's Manufacturing Extension Partnership is a nationwide, grassroots network that is helping manufacturers to sharpen their competitiveness and improve prospects for their workers by learning about modern technology solutions. This initiative, which is managed by the National Institute of Standards and Technology (NIST), is designed to help the 370,000 manufacturers in the United States with fewer than 500 employees which generate more than 75 percent of new manufacturing jobs. Many of these companies need to upgrade their use of manufacturing technology and adopt world-class manufacturing practices. Some of the MEP services include access to technical experts, demonstrations of manufacturing equipment and software, performance benchmarking, and technical training.

These centers are having a significant impact on the bottom-line of the companies that they work with. Manufacturers that worked with NIST's first seven centers estimated a total of $320 million in benefits during the first 4 years of the program, a return of $7 for each federal dollar invested in the centers. The Administration is on track to help fund over 100 manufacturing extension centers by 1997.

Reforming antitrust law

President Clinton signed legislation in 1993 which extends the National Cooperative Research Act of 1984 to cover joint production ventures. This allows firms to share costs and pool risks, which is increasingly necessary given the escalating costs of state-of-the-art manufacturing facilities.

Case Study: The Manufacturing Extension Partnership

Prime Tube, a small automotive supplier in Livonia, Michigan, with 45 employees, was recently chosen as a "tier-one" supplier by Chrysler. Prime Tube has worked closely with NIST's Midwest Manufacturing Technology Center. The company participated in one of the center's "continuous improvement" user groups, which gave Prime Tube and 5 other automotive suppliers an opportunity to meet regularly to address specific operational issues, share ideas and experiences, and track each others' progress on specific continuous improvement projects. Prime Tube also tapped the center's expertise to undergo a comprehensive evaluation of its entire business and its current market. Working with the MTC, Prime Tube has acted on a number of recommended improvements, including implementing a preventive maintenance program and automated inspection system, reconfiguring the plant into work cells, and determining literacy and skill requirements for all manufacturing jobs.

These measures are paying off. Prime Tube President Frank Firek says that "Some of the programs resulting from that work with the MTC are a strong part of the reason we were chosen" as a tier-one supplier to Chrysler. Firek also says that "If we had not implemented the changes recommended by the MTC, we would have been forced to shut our doors."

10D. INTERSTATE BANKING

"American banks have shown over the last several years that they can combine high quality service for all with strong financial performance. Enactment of the interstate bill . . . will help them continue that record."

President Clinton
September 13, 1994
Statement on Senate Action
on Interstate Banking Legislation

Actions to Date

In September 1994, President Clinton signed into law the Riegle-Neal Interstate Banking and Branching Efficiency Act, a long over-due step to eliminate artificial geographic restrictions on bank operations and customer service. By allowing the banking industry to diversify geographically, the new legislation will:

- Benefit consumers by allowing banks to offer services at lower cost and greater convenience.
- Strengthen the banking system by making it easier for banks to geographically diversify their loans and deposits and thereby reduce their exposure to local economic downturns.
- Improve the supply of credit to businesses and consumers by letting banks more easily move funds to the localities that need it most.
- Reduce bank costs by allowing institutions to consolidate their operations and more easily comply with regulations.
- Make the banking industry more competitive by allowing banks to compete more efficiently nationwide.

Background

"By joining the House in passing the Interstate Banking Bill, the Senate has gone beyond gridlock to eliminate unnecessary barriers to the competitiveness and efficiency of our banking system..."

President Clinton
September 13, 1994
Statement on Senate Action on
Interstate Banking Legislation

The United States is the only industrialized country in the world that places geographic limits on its banks. Since the McFadden Act of 1927, federal law has effectively barred U.S. banks from branching across state lines. This restriction may have been appropriate when enacted, but America's financial system has changed a lot since the early part of this century. Today's financial system is national, indeed, international, in scope. Bank consumers work and travel across state lines. Businesses operate nationwide. But obsolete federal laws have kept the banking industry from evolving efficiently to meet the changes in America's economy and the demands of financial services consumers.

Geographic limits also weaken the banking system, heightening its vulnerability to regional economic downturns. In the 1980s, the collapse of New England's real estate market and the energy sector in Texas had disastrous effects on the financial institutions operating in those areas. Many reduced their lending -- particularly to small businesses.

From the first days of the Presidential campaign, President Clinton has stressed the need to work with banks to increase their efficiency and improve the supply of credit. Americans need loans to go to school, to build their homes, and to start their businesses. Few things can better expand opportunities for Americans than improving their access to credit.

The Administration has consistently acted to reduce government-imposed burdens on the banking industry wherever such action supports a strong banking system and benefits consumers of financial services, both businesses and individuals. Ending the restrictions on interstate banking satisfies both of these criteria.

For over 20 years, voices within and without the banking industry have called for an end to the geographic barriers. Each of the past four Administrations tried to eliminate the restrictions. But not until 1994, led by the Clinton Administration, with wide bipartisan support, did Congress enact the Interstate Banking and Branching Efficiency Act. The Act phases out all federally-imposed geographic restrictions on America's banks by 1997.

The Initiative

The Interstate Banking and Branching Efficiency Act will, by September 1995, allow bank holding companies to acquire subsidiary banks nationwide. The Act also eliminates, by June 1997, the federal laws that keep banks from establishing branches in more than one state. This new, deregulated environment will benefit consumers, banks, and the Nation's economy.

Consumers will benefit from more convenient banking services. The benefit will be most obvious for those who regularly cross state lines. For example, a customer of a bank in New Jersey located near his or her home may not be able to obtain convenient banking services at an affiliated bank in New York City, where he or she works. Allowing affiliated institutions to consolidate into a single bank will make it much easier for customers to conduct transactions at any branch throughout the entire service area of the bank, irrespective of state lines.

Consumers also will benefit from lower prices and the availability of a wider range of services. Smaller banks that consolidate with affiliated institutions can obtain access to technology and expertise they could not afford on their own. This will allow small institutions to offer new services and reduce the cost of providing existing services. By allowing banks to compete efficiently nationwide, the Interstate Banking and Branching Efficiency Act affirms a core tenet of our economic system -- that competitive markets benefit consumers.

American taxpayers will benefit from the increased stability that geographic diversification brings to the banking system. Interstate banking will allow banks to diversify their loan portfolios better, making them less vulnerable to local economic downturns. It will also allow banks more diversification in their deposit base, diminishing their reliance on higher-cost, less stable funding sources. And it will allow banks to move funds more easily to the localities that most need them -- making a future "credit crunch" less likely. Better geographic diversification of loans and deposits will strengthen the banking system, thereby reducing risk to the deposit insurance system and the taxpayers that stand behind that system.

Interstate banking will also enhance the banking industry's safety and soundness by reducing bank operating costs. By permitting affiliated banks to roll up their operations into branch banks spanning state lines, the Act paves the way for dramatic streamlining of industry operations. Specifically, the Act allows the industry to eliminate thousands of unnecessary bank charters, boards of directors, management structures, computer systems, and back-office operations. Moreover, these consolidated banks will have to deal with far fewer regulators, file fewer regulatory reports, and process fewer requests for information from their remaining regulators.

While it eliminates obsolete federal restrictions on America's banks, the Act recognizes and preserves the essential rights of the states to regulate their banking systems. The Interstate Banking and Branching Efficiency Act gives states until May 31, 1997, to opt out of interstate branching. The Act preserves the rights of the states to regulate banks that operate within their borders, particularly with respect to laws regarding community reinvestment, consumer protection, and fair lending. Deposit concentration limits will ensure that no bank dominates a state or regional market.

Case Study: UMB Financial Corp.

Although full interstate branching will take effect in 1997, the Interstate Banking and Branching Efficiency Act allows banks located along state lines to relocate their main offices across state lines immediately, retaining their original offices as branches. This freedom is especially valuable in metropolitan areas that span state lines. Shortly after the Act became law, UMB First National Bank (UMB National) exercised this freedom to benefit itself and its customers.

Located in Collinsville, Illinois, UMB National sat just across the river from its sister bank in St. Louis, United Missouri Bank of St. Louis, N.A. (UMB St. Louis). But even though the two banks were commonly owned, customers of one bank could not conduct business at the other -- a significant inconvenience to thousands of UMB customers who commute to work every day across state lines. For the banks themselves, the federal prohibition on branching was inefficient and wasteful: even though they served the same metropolitan area, under common ownership, they had to retain duplicate management teams, duplicate boards of directors, duplicate computer systems, submit duplicate regulatory reports, and host duplicate annual examinations by bank regulators.

UMB National used the new law to move its main office to St. Louis, keeping its Illinois offices as branches. Once in Missouri, UMB National merged its operations with UMB St. Louis. The results: a single bank with an interstate branch system, more efficient bank operations, less risk to the banking system, and better service to bank customers. When fully phased in, the Interstate Banking and Branching Efficiency Act will allow other institutions to duplicate this success throughout the country.

10E. TRUCKING DEREGULATION IN 1994

Actions to Date

With President Clinton's strong support, Congress enacted legislation in 1994 to deregulate intrastate trucking, thereby ending a patchwork of confusing and burdensome state regulations that imposed high costs on consumers of American goods. The legislation eases entry restrictions and removes state controls on rates and routes, producing substantial benefits to the nation, such as:

- Savings to the economy of $3 to $8 billion annually through lower prices and more reliable service;
- Improvements to the environment and reduced congestion through elimination of circuitous routing;
- Enhanced manufacturing competitiveness through service improvements, such as just-in-time delivery.

With President Clinton's support, Congress also passed legislation that will greatly reduce the paperwork burden and expenses of trucking firms as they enter the industry and make their prices known to their customers.

Finally, President Clinton's FY96 budget proposes that Congress eliminate the Interstate Commerce Commission, an obsolete agency established in 1887 to leash the monopoly power of the "robber baron" railroads.

Background

Under the leadership of President Carter, Congress enacted legislation in 1977 and 1980 that eliminated most Federal controls over the air cargo and trucking industries, providing opportunities for thousands of new firms with no loss of service to remote communities and no degradation in safety. Today, there are well over half a million new jobs in trucking alone, and many new trucking companies are run by women and minorities who were "frozen out" under the regulated regime.

The Brookings Institution estimates that consumers are saving about $20 billion each year in lower prices. Other experts say the savings are many times that, because freight delivery service is so reliable that stores and their suppliers can use "just-in-time" manufacturing and inventory systems that reduce the volume of parts and finished products they have to keep on hand.

While the 1980 law eliminated most Federal controls, the reforms only applied to trucking companies when they carried goods from one state to another, and not between points within the same state. Some 41 states continued to impose business regulations on truckers, blocking competition and hampering innovation.

The Initiative

Building on the gains brought about under Carter, in 1994, the Clinton Administration strongly supported two pieces of legislation that have dramatically liberalized business practices in the trucking industry.

One bill, which went into effect January 1, 1995, removes all State economic controls on the trucking industry, such as entry restrictions and limits on rates, routes and services. Economists estimate that this deregulation will save consumers $3 billion to $8 billion a year through lower prices and more reliable service. It will also create tens of thousands of jobs, enhance manufacturing competitiveness by facilitating just-in-time delivery, and strike a blow for the environment through improved transportation efficiency. It is reinventing government at its best.

The other bill substantially reduces the trucking regulatory functions of the Interstate Commerce Commission. Now, people who want to begin trucking companies will only have to show that they are safe and carry insurance, rather than go through a convoluted applications process at the ICC. Once they are in business, they will not have to inform the ICC about their prices, so long as they set the prices independently, without collusion. These changes will save millions of dollars in costs by eliminating needless red tape.

Further, now that many of the ICC's functions have been eliminated, the President has proposed in the fiscal year 1996 Budget that the ICC be eliminated. Any necessary ICC functions would be transferred to other federal agencies. The net savings to the Federal taxpayer would be $100 million by the year 2000.

Case Study:
False Teeth in Detroit

In some states, before enactment of the legislation supported by the Clinton Administration, entering the trucking industry -- or even expanding an existing trucking operation -- was an adversarial procedure of great length and expense. In Michigan, for example, when a small dental delivery service transporting dentures within a 25-mile radius of Detroit wanted to expand its service another 25 miles, it was met with a barrage of protests from companies already providing the service in that area. After a year of hearings at the public service commission, the courier service eventually won the authority, but not before ten dental lab presidents were asked to testify, and 600 pages of documents were added to the public docket. Now, that same dental delivery service only has to comply with state safety and insurance requirements, with no need to jump through bureaucratic hoops.

Case Study:
Appliances in Texas

The Stewart Company, a Dallas, Texas, consumer electronics and appliance distributor, chose to operate its own fleet of delivery trucks, rather than hire a trucking company to haul its goods. This action saved consumers $90 per refrigerator because it exempted the transport from State regulation that artificially elevated rates.

Three major appliance manufacturers -- Whirlpool, GE and Kitchenaid -- all moved their warehouse operations from Texas to Arkansas. They did this so that transport of their goods would be classified as interstate commerce, exempt from Texas state regulations that restricted routes and raised prices.

Now, these appliance manufacturers do not have to go out of their way simply to avoid inefficient state regulations. The Stewart company can focus on its main line of business -- manufacturing electronics and appliances, without having to operate a delivery service on the side if it chooses. Whirlpool, GE and Kitchenaid can locate warehouses where it makes the most sense from a business perspective, unimpeded by the interference of obsolete and burdensome government restrictions.

10F. SMALL BUSINESS

> *"Small business owners, managers and employees have been the driving force behind an economic comeback in America. [Small business] is where America turns for our best new ideas -- from technological breakthroughs to redefining the way we work."*
>
> President Clinton
> Video Address to White House
> Conference on Small Business

Actions to Date

Over the last two years, the Clinton Administration has focused on four priorities for small businesses:

Access to Capital:

- In 1993, the Administration revised bank regulatory policies to encourage commercial lending, particularly to smaller firms: from 1993 to 1994, commercial and industrial lending increased by an estimated 8 percent.
- The Administration expanded the Small Business Administration's primary loan guarantee program by more than 40 percent: in 1994, SBA guaranteed about $8 billion in loans.
- In the longer term, the Administration's program to establish new community development financial institutions will stimulate new lending to small businesses and bring new investors into small-business lending markets.

Incentives for Investment:

- The President's economic plan increased by 75 percent the amount a small business can deduct as expenses for equipment purchases, and created new tax incentives to encourage investments in small businesses.
- Under the revised Small Business Investment Company program, dozens of new venture capital firms will provide billion of dollars in equity financing for start-ups and growing firms.

Rationalizing Regulations:

- The President convened a Regulatory Reform Forum, bringing together regulated businesses and regulatory agencies to develop comprehensive proposals for reducing regulatory burdens on small businesses.
- The Administration has pushed for judicial review under the Regulatory Flexibility Act, a measure that will ensure that the interests of small firms are taken into account as agencies develop new regulations.

Access to New Markets:

- Under the President's leadership, federal, state, and local agencies have established one-stop export assistance shops to provide technical and financial assistance to firms interested in reaching new markets.
- The Administration pushed for and obtained an overhaul of the government procurement system -- including dramatic changes that will enhance the ability of smaller firms to compete for government contracts.

Background

President Clinton often calls small business "the heart of America." Since the founding of the Republic, small businesses have played an important role in both the building of our economy and the development of our communities. These firms play a particularly critical role in the new American economy. Smaller firms are more flexible and responsive -- essential features in today's dynamic economy -- and are a rich source of invention and innovation.

Recognizing the importance of small business and the need to ensure that those businesses have a voice in today's policy debates, President Clinton was the first President to accord the Cabinet-level status to the Administrator of the Small Business Administration. He also provided that the Administrator would be a member of the National Economic Council. Finally, the President has actively supported the White House Conference on Small Business -- a series of more than sixty conferences held across the nation and culminating in a four-day meeting in Washington, D.C., in June, 1995.

The Initiative

One of the President's most significant accomplishments for small business was institutional. Under the leadership of Administrator Erskine Bowles, the SBA was successfully reinvented, changing from a beleaguered bureaucracy into a modern example of government that works better and costs less. Reforms were implemented reducing paperwork and turnaround times, while increasing responsiveness and innovation. Administrator Philip Lader continues the reinvention effort by creating opportunities for a more efficient agency which serves more small businesses at a lower cost to the taxpayers.

Substantively, the Administration has focused on four policy priorities.

Improving access to capital. Because the term "small business" encompasses everything from the corner store to the next Microsoft or Federal Express, improving access to capital requires a range of efforts addressing debt and equity financing, as well as long-term and short-term needs.

One of the President's first actions was to change regulatory practices in order to encourage banks to revise their lending practices and make more money available for small businesses. Recognizing that some firms still had difficulty obtaining loans, the President also dramatically expanded SBA's loan guarantee programs while cutting the paperwork required for most SBA loan guarantees from a stack the size of a small telephone book to a single, two-sided sheet of paper.

The Administration made a special effort to reach out to women- and minority-owned firms -- the most rapidly growing group of small businesses. As a result, SBA-guaranteed lending to those firms rose more than 50 percent between 1992 and 1994.

For firms in need of equity financing, the Administration and Congress created new tax incentives to encourage investment in small businesses and in investment companies that serve minority-owned small businesses. Moreover, under the revised SBIC program, new venture capital firms will provide start-ups and growing firms with several billion dollars in patient capital.

Increasing incentives for investment. The Administration encouraged businesses to invest in new equipment, increasing by 75 percent the amount a small business can deduct for equipment purchases. In addition, the Administration's Empowerment Zone/Enterprise Community program offers significant tax incentives for businesses within selected regions, and SBA will establish One Stop Capital Shops to promote and sustain economic development.

Improve the regulatory environment for small business. Beginning with the National Performance Review, the Administration has taken measures to rationalize regulations and improve the regulatory process. For example, the Administration supported a small-business exemption to the Nutrition Labeling Act, pressed for expedited resolution of Superfund claims against smaller firms, and convened the first ever Forum on Regulatory Reform for Small Business. The Administration has also actively supported judicial review under the Regulatory Flexibility Act, a measure that will ensure that the interests of small firms are adequately considered every time an agency promulgates a new regulation.

Access to the world's fastest-growing markets. The President has taken the lead in creating the architecture of the global economy -- pressing for and securing the NAFTA and Uruguay Round agreements, and the APEC commitments. At the same time, the Administration has implemented dramatic changes, such as an overhaul of export controls and a reinvention of export assistance, that allow even the smallest of firms to reach out to global markets. At home, the President and Vice President have championed reform of the federal procurement system, enabling small business around the country to compete for thousands of government contracts.

All of these changes reflect the President's deep and ongoing commitment to small business. These firms play a critical role in today's economy. Globalization changes production values, making mass production less important, while shorter product cycles, flexibility and innovation become more important. All of these changes favor smaller firms. Likewise, the shift toward an information-based economy also favors smaller firms. Just as small "cottage industries" led the transition to a manufacturing economy, so small firms will lead the transition to the information economy. All of these trends mean that -- now more than ever -- small businesses *are* the heart of America.

Case Study:
Low Documentation Loan Program

The SBA's new Low Documentation (LowDoc) Loan Program makes applying for an SBA loan guarantee more user friendly than it's ever been. Using a one-page application, a small business will get usually get a response from SBA loan officers in less than a week. LowDoc applies to loans of under $100,000 made by banks and guaranteed up to 90 percent by the SBA.

This new program was put to good use by Charles and Margaret Hardin, native North Carolinians who have wanted to open their own restaurant for years. "When my banker told me he was going to pursue an SBA guarantee for my loan," said Hardin, "I thought 'Oh, no, government red tape!' But it wasn't like that at all." Hardin said, "the one page loan application was faxed in and we had approval within four days." The Hardins used their LowDoc Loan of P6/(b)(6) to start the Parkway Cafe.

"Mr. Hardin had the acumen and ability to run his own restaurant," said Mark Trivette, Vice President of Centura Bank in nearby Boone. "However, without the SBA guarantee, we would not have been able to offer a longer term and lower payments on their loan."

11. PROTECTING OUR NATION'S SECURITY

Introduction

The President has no more important responsibility than to safeguard the security of all Americans from foreign threats -- today, and for generations to come. This challenge was self-evident during the Cold War, when we faced massive Soviet forces and nuclear missiles targeted at our citizens and cities. With the disintegration of the Soviet Union, some argue the time has come to claim victory and quietly withdraw from our engagement around the world. We must resist this temptation. The end of the Cold War has not lessened our nation's security needs -- protecting the lives and personal safety of Americans, maintaining our freedom and independence, and providing for the well-being of all our citizens. Rather, it has changed the ways we must go about meeting them.

The situation created by the collapse of the Soviet empire has created new challenges. Direct threats to our security are posed by states such as Iraq and Iran, by the proliferation of weapons of mass destruction, such as nuclear or chemical weapons, and by terrorists who strike at the heart of New York. Local conflicts that risk spilling over across borders represent another kind of threat, as do international narcotics trafficking, large scale environmental degradation, rapid population growth, and massive refugee flows onto our shores.

At the same time, the post-Cold War world offers tremendous new opportunities to enhance the security of all Americans. America stands as the preeminent world power. Our values of democracy and free markets captured the imagination and inspired historic actions of people around the globe. Hundreds of millions of people have cast aside communism, dictatorships, or apartheid. And former adversaries are now cooperating with us on global problems. We have seized these opportunities by forging new international partnerships, dramatically reducing the threat of nuclear war, and enlarging the community of nations with which America trades, and in which America invests.

We face a choice. We can retreat, leaving our nation unprepared to face the new challenges and to seize the new opportunities. Or we can remain engaged and help shape a world more conducive to our interests, more consistent with our values, and more secure for our children.

The decision we make will have concrete and far-reaching consequences. It will determine whether future generations will live in a world where nuclear, biological, and chemical weapons have fallen into dangerous hands; whether our country will continue to have unimpeded access to oil; whether American citizens will be targets of terrorist groups; and whether our children will enjoy uncontaminated air, fisheries, water, and arable land.

For President Clinton, the choice is clear. From the day he took office, he has exerted America's leadership abroad to make the world safer and Americans more prosperous. These goals lie at the heart of his national security strategy. To promote them, and in addition to our efforts to open markets and revitalize our economy, he has taken bold actions on seven critical fronts.

- **Keeping our military strong and ready to fight**, so that we are able to defend American interests whenever necessary.

- **Reducing the threat of nuclear weapons and other weapons of mass destruction** to increase our safety and the safety of American men, women, and children.

- **Advancing regional security** to enhance stability in areas vital to our safety.

- **Acting as an effective peacemaker and mediator** in order to defuse conflicts before they become significant crises.

- **Promoting democracy** to check global threats before they threaten our territory and interests and to enhance economic opportunities.

- **Confronting transnational threats** to preserve America's way of life and protect its future.

- **Promoting defense reinvestment** to encourage the development of an integrated defense and civilian industrial base.

President Clinton and his Administration already have made substantial progress in all seven areas. These accomplishments are improving the lives of every American.

11A. KEEPING OUR MILITARY STRONG AND READY TO FIGHT

"Our forces are the finest military our nation has ever had. And I have pledged that as long as I am President, they will remain the best equipped, the best trained, and the best prepared fighting force on the face of the Earth."

President Clinton
State of the Union
January 25, 1994

Actions to Date

From the day he took office, President Clinton has fought hard to keep the military strong and to use it effectively when necessary. The Administration has:

- Obtained congressional passage of defense budgets that reflect the President's strong commitment to military readiness.
- Increased its initial funding plan for defense three times, and requested and received defense supplementals three times as world events have unfolded -- ensuring that our armed forces have the funds they need to carry out their missions.
- Recently proposed a $25 billion increase in our military spending plans over the next 6 years.
- Implemented a strategy and maintained sufficient forces for our military to fight two major regional conflicts nearly simultaneously.
- Improved the quality of life -- including pay raises and child support care -- for our men and women in uniform and their families.
- Used force decisively and effectively when necessary -- as in Iraq and Haiti.

Background

A strong defense is the best safeguard of our country's security. We jeopardize all of our other efforts to enhance our nation's well-being if we do not have the military capability to defend our vital interests. Our military must deter our adversaries and reassure our friends and allies that America is prepared to put force behind the defense of our interests. And, when we commit them to combat, our military forces must prevail decisively. That is why we devote more than 90% of all our expenditures for defense and foreign policy to our armed forces.

In today's world of diverse dangers, our armed forces also must be prepared and trained to confront new threats -- newly aggressive regional powers, the spread of weapons of mass destruction, terrorism and urgent humanitarian needs. President Clinton's actions guarantee our readiness to meet the challenges of the post-Cold War era. Our successful military operations of the past two years have demonstrated the President's commitment to our national security and the unsurpassed abilities of our armed forces.

The Initiative

- **Defense Budgets to Maintain and Strengthen Military Readiness**

  "...I am determined to take the steps necessary to keep our Nation secure. We will keep our forces ready to fight. We will work to head off emerging threats, and we will take action when action is required."

  President Clinton
  Address to the Nation
  June 26, 1993

The President's actions to strengthen our national defense build on clear principles: we must invest all necessary resources to defend our security; we must adapt our armed forces to the challenges of the post-Cold War era; and we must be prepared to use force decisively where our vital interests are at stake. The President's persistent efforts to put resources into training and readiness, and his willingness to back diplomacy with force meet these objectives. The exceptional performance of our armed forces from Haiti to the Persian Gulf have demonstrated that our military remains the best trained, the best prepared, and the best equipped fighting force in the world.

Keeping our forces ready to fight wherever and whenever necessary is the President's first defense priority. In 1993, the Administration increased its original defense budget by $13 billion to cover funding shortfalls inherited from the prior Administration. In 1994, the President added $11.4 billion to the defense spending plan. And last December, the President proposed a "Defense Funding Initiative" that will provide for an additional increase of more than $25 billion for the defense program over the next six years. These funds will ensure that we maintain the readiness of our armed forces at the highest level, and provide the resources needed to equip our forces with the next generation of defense hardware.

- **Quality of life improvements**

Because the Clinton Administration recognizes that our men and women in uniform are the backbone of our defense, the Defense Funding Initiative also includes funds to improve the quality of life for our troops and their families. It will support pay raises to the maximum extent possible under the law, provide military personnel with compensation levels that are competitive with the private sector, and increase military community and family support, including more child care and family counselors. Providing resources to bolster our armed forces is a price the President is committed to pay to protect the physical and economic safety of all Americans, today and for generations to come.

- **The "Bottom Up Review"**

> *"I directed that our Armed Forces be ready to face two major regional conflicts occurring almost simultaneously. Since then, I have repeatedly resisted calls to cut our forces further, to cut our budget below the levels recommended in that bottom-up review, and I have drawn the line against further defense cuts."*
>
> President Clinton
> Statement on Defense Readiness
> December 1, 1994

An effective defense also means one that is suited to today's strategic environment. To adapt our military to the challenges of the post-Cold War era, and at the President's direction, the Department of Defense carried out the Bottom-Up and Nuclear Posture Reviews. The Bottom-Up Review examined the structures and strategies of our conventional forces and recommended a plan to deter and, if necessary, fight and defeat aggression by potentially hostile regional powers. It underscored the need for forces that can be deployed quickly and that can support U.S. forward-deployed forces to halt an invasion and defeat an aggressor. Today, in concert with our allies, our forces are prepared to fight -- and win -- two conflicts, each the size of the Gulf War, that might happen almost simultaneously.

To adapt our military to current conditions also means closing unneeded military bases. To assist the economic redevelopment of communities affected by these closures, the Administration is implementing a $20 billion defense reinvestment and conversion plan to help hard hit workers, communities, and businesses. The President also directed the Administration to speed the transfer of base property for economic development, provide transition assistance, and invest necessary resources for the environmental clean-up of defense sites.

- **Using force when necessary**

"During these past two years, our military has time and again demonstrated its readiness and its war-fighting and peacekeeping capabilities. From Korea to Macedonia, to Rwanda and Haiti, we have placed great burdens on our men and women in uniform, and they have responded magnificently. They have demonstrated a truly outstanding ability to deploy quickly, provide security, and to help ensure stability."

President Clinton
Statement on Defense Readiness
December 1, 1994

In the end, our national security is only as strong as our ability to back persistent diplomacy with the credible threat of force, and to act decisively when necessary to defend our interests. The President's willingness to use force and the performance of our military in the past two years - in Iraq, in Haiti, or in Rwanda - have made our country safer and stronger.

- In the Persian Gulf, swift and decisive military action kept Iraq from repeating its aggression against Kuwait and forced Iraq to withdraw its threatening troop deployment from the Kuwaiti border.

- In Haiti, the ruling generals agreed to give up power peacefully only once they knew the President had ordered U.S. armed forces into action. Since then, our military's performance and each phase of Operation Uphold Democracy -- from planning to intervention to our work today -- has achieved its major objectives. A carefully planned, well-executed strategy led by the American military has succeeded in creating a secure and safe environment for the people of Haiti.

- In Rwanda, the U.S. provided its unique logistical capabilities at a time when the crisis overwhelmed the United Nations and non-governmental organizations and when our help was essential. Operation Support Hope helped save the lives of tens of thousands of people. Our mission has been accomplished, and our forces have now turned over responsibility for humanitarian aid to non-governmental relief agencies.

11B. REDUCING THE THREAT OF NUCLEAR WEAPONS AND OTHER WEAPONS OF MASS DESTRUCTION

"More than a score of nations likely possess [weapons of mass destruction], and their number[s] threaten to grow. These weapons destabilize entire regions. They could turn a local conflict into a global human and environmental catastrophe. We simply have got to find ways to control these weapons and to reduce the number of states that possess them ..."

President Clinton
Address to the United Nations General Assembly
September 27, 1993

Actions to Date

Reducing the threat posed by weapons of mass destruction is critical to our security. The Administration has made significant strides by shrinking existing arsenals of nuclear weapons. It has also achieved considerable gains in preventing more countries from building nuclear weapons and in curbing the development of chemical and biological weapons. Over the past two years, the Clinton Administration has:

- Brought the START I treaty into force, which will eliminate bombers and missile launchers carrying over 9,000 Soviet and U.S. strategic nuclear weapons -- a reduction of 40% -- and opens the door to ratification of START II, which will make even deeper cuts.

- Concluded an agreement that unblocked the process of eliminating nuclear weapons from Ukraine and provided funds to facilitate the elimination of nuclear weapons in Ukraine, Belarus and Kazakhstan.

- Worked to strengthen the protection, control, and accounting of nuclear materials in the former Soviet Union.

- Reached an agreement with Russia to stop targeting missiles at each others' citizens and cities.

- Secured an agreement with North Korea that will eliminate that country's threatening nuclear program.

- Secured commitments from Russia, Ukraine, China, and South Africa to control the transfer of missiles and related technology.

- Submitted for Senate ratification, the Chemical Weapons Convention, which will ban these weapons, and promoted new measures to strengthen the Biological and Toxin Weapons Convention.

Background

By the end of the Cold War, the United States and the Soviet Union had amassed huge arsenals of nuclear weapons. The end of the East-West conflict brought a chance to make deep cuts in these forces. But the collapse of the Soviet Union created an obstacle to rapid progress in nuclear arms control; a significant part of the Soviet Union's strategic forces was stationed in republics that acquired independence after the collapse of communist power. That raised the question of whether several states with nuclear weapons would succeed the one that had existed before. That also left in doubt whether serious arms reductions would be possible in such a changed world -- or whether more nuclear rivalries would arise.

The post-Cold War period has also made preventing the spread of nuclear weapons even more difficult. Due to advances in technology and the demise of the Soviet Union, nations and even terrorist groups now have better opportunities for getting hold of the materials needed to build a nuclear weapon. Material from dismantled weapons is in danger of being diverted, and the fear has grown that impoverished scientists might sell their expertise to the highest bidder.

The possibility for proliferation of nuclear as well as biological and chemical weapons now poses a major threat to our national security. These weapons can destabilize entire regions. They could turn a local conflict into a global human and environmental catastrophe.

To enhance America's safety, we must reduce the number of nuclear weapons that already exist and prevent other countries or terrorists from acquiring them. We must also prevent the spread of other weapons of mass destruction, such as chemical, and biological weapons.

The Initiative

- **Reducing the number of nuclear weapons**

  "Because of the agreements we reached with Russia, with Belarus, with Kazakhstan, with Ukraine ... Americans can go to bed at night knowing that nuclear weapons from the former Soviet Union are no longer pointed at our children."

  President Clinton
  January 12, 1995
  White House Conference on Trade and Investment in Central and Eastern Europe

When President Clinton took office, he vowed to do everything in his power to reduce the danger posed by nuclear weapons. While there is still much to do, the American people worry less about nuclear war than at any time since the dawn of the nuclear age.

Because of determined efforts by the President, last year the leaders of Russia, Ukraine, Belarus and Kazakhstan all joined with the President to bring into force the START I agreement, which had been negotiated by Presidents Reagan and Bush. The treaty will make deep cuts in the global arsenal, eliminating the missiles and planes in U.S. and former Soviet forces that carry 9,000 warheads. Already, both sides are dismantling weapons well ahead of schedule. Entering the treaty into force paves the way for prompt ratification of the START II treaty, which would further reduce our nations' nuclear stockpiles to one-third their Cold War strength. What's more, Ukraine, Belarus and Kazakhstan have all forsworn nuclear weapons entirely and signed the Non-Proliferation Treaty.

Only a year ago, nearly 8,000 nuclear warheads from the former Soviet Union were aimed at the United States. Today, because of an agreement between President Clinton and President Yeltsin of Russia, our nations no longer target each other's cities or citizens. Even in the very unlikely event a Russian missile were accidentally launched, it would not hit our country.

Our arms control progress has served our security interests in allowing us to reduce our strategic programs. That has enabled us to shift resources to efforts such as putting our economic house in order by reducing the budget deficit and boosting the readiness of our conventional forces.

- **Controlling the spread of nuclear weapons**

President Clinton has also made containing the spread of nuclear weapons a top priority and has proposed a comprehensive approach to controlling fissile materials. Since the greatest danger comes from theft of bomb materials in the stockpiles of the former Soviet Union, the U.S. is helping Russia and other newly independent states transport, safeguard, and destroy nuclear weapons. Those efforts have been possible because of farsighted legislation by Senators Nunn and Lugar to dismantle the nuclear arsenals of the former Soviet Union and to help employ nuclear scientists in nonmilitary projects.

At the same time, we are reducing the total amount of material needing protection. Under an agreement reached by the Administration with Russia last year, 500 tons of highly enriched uranium will be converted to low enriched uranium for reactor fuel that cannot be used for nuclear weapons. In a major operation called "Sapphire," the U.S. also arranged for the airlift of more than half a ton of highly enriched uranium -- enough to make dozens of nuclear weapons -- from Kazakhstan to safe storage in the United States. These were smart investments in our future, for tightened control over nuclear materials and weapons greatly enhances the security of America's citizens.

- **Eliminating the North Korean nuclear program**

"Our patient but hardheaded diplomacy has secured an agreement with North Korea on nuclear issues that is clearly and profoundly in our interest ... The deal stops North Korea's nuclear program in its tracks. It will roll it back in years to come."

President Clinton
January 12, 1995
White House Conference on Trade and
Investment in Central and Eastern Europe

For at least the past ten years, the world has known that North Korea had an active nuclear program. Because of the risks of a nuclear-armed North Korea, rising tensions on the Korean peninsula and even war, the Clinton Administration entered talks with Pyongyang.

Thanks to the President's tough diplomacy, the Framework Agreement that we reached means that North Korea has halted and will eventually eliminate its plutonium production program. Our agreement with Pyongyang is not built on trust. Instead, it sets up a system of international monitoring -- and the inspectors have already confirmed that North Korea's program is frozen. Plutonium that could have been processed into weapons material will be put under the supervision of the International Atomic Energy Agency. Construction on reactors that would have produced more such material has ended. If at any time North Korea fails to meet its obligations, we will withdraw the benefits of the agreement. Similarly, the Clinton Administration is maintaining the international coalitions necessary to isolate and prevent both Iraq and Iran from advancing their nuclear weapons programs.

- **Chemical and biological weapons**

The Gulf War demonstrated the range of new dangers that confront us in the Post Cold War era -- among them chemical and biological weapons and long-range missiles that can attack our forces and our allies. To confront these challenges, the Clinton Administration is:

- Urging the Senate to ratify the Chemical Weapons Convention, which will advance us toward the goal of eliminating chemical weapons under rigorous inspection.

- Working to negotiate legally binding measures to strengthen compliance with the Biological and Toxin Weapons Convention, which outlaws these weapons.

- Strengthening the Missile Technology Control Regime. Already, we have commitments from four key potential missile suppliers -- Russia, Ukraine, China and South Africa -- to control the transfer of ballistic missiles and related technology.

In the months and years ahead, President Clinton will build on the immense progress that has been made thus far. He has set an ambitious -- and necessary -- agenda for the future.

First, the U.S. will try to raise the barrier against developing new generations of nuclear weapons by negotiating a Comprehensive Test Ban Treaty, which would end the practice of detonating nuclear devices for weapons purposes. To help secure that treaty, the President has extended the U.S. moratorium on nuclear testing. Second, we will continue to work to prevent more nations from building their own nuclear weapons by leading the charge for indefinite and unconditional extension of the Non-Proliferation Treaty, which is the cornerstone of our efforts to prevent nuclear weapons proliferation. Third, we will work to cut even deeper into the global arsenal by pushing to ratify START II. Fourth, we will press ahead with a number of other efforts to stop the spread of all weapons of mass destruction, including an international agreement to ban the production of fissile material for nuclear weapons use.

In a world with too many weapons of mass destruction, President Clinton is seizing the opportunity to do something about them. His initiatives offer the most wide-ranging and concrete efforts to reduce the danger from these weapons and give the American people the security they want.

11C. ADVANCING REGIONAL SECURITY

> *"...We must remain engaged in world affairs. That's the only way we can...protect our nation and keep small problems today from growing into dangerous crises tomorrow."*
>
> President Clinton
> Radio Address from the Kremlin
> January 15, 1994

Actions to Date

In the post-Cold War world, as old rivalries between nations have reemerged, making the United States more secure and prosperous depends on our ability to preserve stability in regions vital to our interests. To advance regional security the Clinton Administration has:

- Initiated the process of bringing Europe's new democracies into NATO and created the Partnership for Peace to promote military and political cooperation among European nations.
- Undertook actions with NATO allies and the United Nations to contain the conflict in Bosnia, alleviate civilian suffering, tighten sanctions against Serbia and the Bosnian Serbs, and enforce a no-fly zone.
- Successfully halted an Iraqi military threat to Kuwait and the Persian Gulf.
- Enhanced stability in our hemisphere by removing Haiti's military rulers and restoring that nation's democratic government.

Background

History teaches that the United States must stand ready to step in and protect friends and allies in order to defend our own national interests. Our interests are jeopardized by regional instability, and by the actions of aggressor states. Preserving regional stability serves our long-term security goals by preventing the spread of conflict. It also safeguards economic stability and helps generate more jobs for Americans at home and investment opportunities abroad. Success on these fronts largely depends on America's ability to forge durable security relations with other nations.

The Initiative

- **Europe**

"[O]ver time,...European and transatlantic institutions, working in close cooperation with the United Nations, can support and extend the democracy, stability, and prosperity that Western Europe and North America have enjoyed for 50 years. That is the future we are working to build."

President Clinton
December 5, 1994
Conference on Security and
Cooperation in Europe

European stability is vital to our own safety, a lesson we have learned twice this century at great cost. With the collapse of the Soviet empire and the emergence of new democracies in its wake, the United States has an unparalleled opportunity to help create a stable, free, and unified Europe. President Clinton is determined to seize this chance.

In the last year, the Clinton Administration has made good progress in building and adapting institutions of European security. First, President Clinton took steps to strengthen NATO, the historic guarantor of peace and stability in Europe. During his trip to Europe in July, the President reaffirmed his commitment to NATO's future expansion. NATO expansion will promote our interests by reducing the chance of conflict in Central and Eastern Europe -- the starting point of two world wars and the Cold War. The prospect of NATO membership will build confidence in the new democracies and provide them with a powerful incentive to consolidate their political and economic reforms. NATO allies will agree in 1995 on the process and objectives of NATO's expansion.

Second, the President has continued to build and strengthen links between NATO and other European nations. At the President's initiative, the January 1994 NATO Summit approved the Partnership for Peace -- the first security arrangement that can encompass all the countries of Europe. To date, 23 countries, including Russia, have joined the Partnership, paving the way for a growing program of military cooperation and political consultation, all of which increases our own security.

Third, the United States has repeatedly taken the initiative to prevent conflicts and smooth the way for a new and peaceful era in Europe. For example, we worked closely with Russia, Latvia, and Estonia to facilitate agreements on the complete withdrawal of Russian troops from the Baltics. This, coupled with the final withdrawal of Russian forces from Germany, means that for the first time since the end of World War II, no Russian troops remain in Central and Eastern Europe.

In addition, the United States has led efforts by NATO and the United Nations to prevent the conflict in the former Yugoslavia from spreading into a broader European war. We have taken action to alleviate human suffering and encourage the parties to negotiate. While we have not succeeded in achieving a political settlement, the Clinton Administration has led the fight to tighten international economic sanctions against Serbia and the Bosnian Serbs, and has established the United Nations War Crimes Tribunal, which is beginning to prosecute its first cases. American leadership also paved the way for NATO's decision to enforce a no-fly zone and for its ultimatum ending Serb shelling of Sarajevo. And the troops we sent to Macedonia have helped prevent the Bosnian conflict from spreading.

The Administration will continue to play an active role in seeking to build a truly integrated Europe, one in which the new democracies of Central Europe and the former Soviet Union enjoy the security, prosperity, and individual liberty that Western European countries have enjoyed since the end of World War II. At the same time, the Administration will continue to play an active role in supporting democratization and economic reform throughout the former communist world, in close partnership with the European Union. An expanded community of economically-dynamic democracies will mean greater security for the United States and growing trade and investment opportunities -- to the benefit of all Americans

- **Middle East**

> *"From the first days of our Revolution, America's security has depended on the clarity of this message: Don't tread on us....There should be no mistake about the message we intend these actions to convey to Saddam Hussein, to the rest of the Iraqi leadership, and to any nation, group or person who would harm our leaders or our citizens. We will combat terrorism. We will deter aggression. We will protect our people."*

President Clinton
June 26, 1993
Address to the Nation on the strike
on Iraq Intelligence Headquarters

In the Middle East, President Clinton demonstrated his commitment to America's leadership role. The immediate dispatch of troops to Kuwait stopped renewed Iraqi aggression dead in its tracks, safeguarding vital U.S. interests in the region. Operation Vigilant Warrior illustrated once again the need and our ability to respond quickly to threats to our allies. The Administration will continue to enforce the no-fly zones and help protect the Kurdish minority.

The President is committed to preventing the emergence of another threat to our regional interests. To that end, he has implemented a strategy aimed at containing both Iraq and Iran, and will maintain America's long-standing presence in and near the Persian Gulf.

- **The Western Hemisphere**

Thanks in part to America's efforts, the Western Hemisphere is close to becoming the first entirely democratic hemisphere in the world -- Castro's Cuba is the sole exception. President Clinton's decisive action to restore democracy to Haiti and his hosting of the historic Summit of the Americas illustrate his determination to see the hemisphere become a region of stability, democracy, and growing economic opportunity.

Acting on his conviction that the situation in Haiti posed dangers to the United States and the hemisphere, President Clinton pursued this goal in the face of strong political opposition. Haiti's military rulers, who had long defied the will of the Haitian people and of the international community, backed down when they learned that the 82nd Airborne was enroute. By backing diplomacy with force, we achieved peacefully what we were prepared to do with force. Since then, our forces have successfully led an international coalition to restore democracy in that country.

At the Summit of the Americas, President Clinton and the other 33 democratically elected leaders of the hemisphere began to map out a course to open new markets and create a free trade area throughout the Americas; to strengthen democracy in the region; and to improve the quality of life for its inhabitants. This new hemispheric dialogue and action plan -- which the President calls a "Partnership for Prosperity" -- will produce jobs, opportunity, and prosperity for our children and future generations.

We will also continue to cooperate with the countries of Latin America to enhance regional security and combat narcotics trafficking and terrorism. We will also be working with friends to help resolve the underlying causes of the recent border conflict between Peru and Ecuador. The United States, Argentina, Brazil, and Chile acted together in timely fashion to help contain the hostilities when they broke out early this year and we will work equally energetically to prevent their recurrence.

- **Asia and the Pacific**

The United States also has vital security interests in Asia and the Pacific, a region in which we fought three wars in this century. Increasingly, America's security and prosperity are tied to this region. President Clinton has maintained America's active military presence in Asia -- including our forward presence in South Korea and our bilateral security agreements -- to deter regional aggression and secure our national interests. He also has supported new regional exchanges -- such as the ASEAN Regional Forum -- to enlarge the regional security dialogue, promote transparency of defense policies, and improve communications on security issues.

- **Africa**

There is a new spirit of democracy and self-reliance throughout Africa. Our strategy embraces this new spirit because Africa matters -- as evidenced by high level visits by the Vice President, the National Security Adviser and the Deputy Secretary of State. Africa matters because of the huge potential of its people and its economies, potential that is already being realized to create jobs and exports for our own country. It matters because of the historic ties that bind our peoples, including 25 million African Americans. And it matters because the great global challenges of tomorrow -- promoting sustainable development, protecting human rights, stopping environmental decline, ensuring reasonable population growth, preempting ethnic tensions, and integrating the rich spiritual heritage of Islam into the demands of modern states -- can be seen in the challenges facing Africa today.

Throughout Africa, the Clinton Administration has supported democracy, sustainable economic development, and conflict resolution through negotiation, diplomacy, and peacekeeping. In the past two years, America has worked hard to enhance stability, particularly in Southern Africa. We helped bring an end to two decades of brutal civil war in Angola and Mozambique. We have fostered new cooperation with South Africa and provided assistance to that nation's historic transition to democratic rule. Under the innovative leadership of the U.S. Agency for International Development, we have launched a new initiative in the Horn of Africa to anticipate and address the causes of potential famine that threatens 25 million people. We have helped relieve the crushing burden of debt for many African nations. And we have responded to humanitarian crises in Rwanda, Liberia, Angola, Sudan, and elsewhere.

11D. ACTING AS AN EFFECTIVE PEACEMAKER AND MEDIATOR

"Who, a decade ago, would have dared predict the startling changes in South Africa, in the Middle East, in Ireland: the stunning triumph of democracy and majority rule; the redemption of the purpose of Nelson Mandela's life; the brave efforts of Israel and its Arab neighbors to build bridges of peace between their peoples; the earnest search by the people of Northern Ireland and Great Britain and Ireland to end centuries of division and decades of terror. In each case, credit belongs to those nations' leaders and their courageous people. But in each instance, the United States and other nations were privileged to help in these causes."

President Clinton
UN General Assembly
September 26, 1994

Actions to Date

Because of its moral leadership and stature, the United States enjoys a unique ability to help broker peace, thereby preventing regional conflicts from threatening our security. President Clinton has played a key role in resolving long-standing international disputes, including rivalries that were once considered intractable. Since taking office, the President:

- Helped Israel and the Palestinians implement their historic accord.
- Helped Israel and Jordan achieve a landmark peace treaty.
- Worked for the unprecedented cease-fire and negotiations for peace in Northern Ireland.
- Encouraged the peaceful resolution of crises in Africa -- including South Africa, Liberia, Angola, and Mozambique.
- Developed a comprehensive framework for U.S. policy on peacekeeping and peace-enforcement in the post-Cold War era.

Background

Too often, regional conflicts persist until they develop into crises with serious security implications for the United States or its allies. The best examples are in the Middle East, where enduring conflict between Israel and its Arab neighbors has brought us to the brink of direct military engagement.

That is why our presidents historically have been involved in efforts to mediate between seemingly irreconcilable adversaries. President Clinton stands firmly in that tradition. Through his personal engagement, he has helped resolve and mediate some of the most intractable regional problems of our time.

The Initiative

- **Brokering Peace**

"The United States has been proud to serve as a full partner in the search for peace [in the Middle East] not by imposing peace or making life and death decisions for others; that must be the responsibility of the leaders and the people of the region. Rather, [America's] role is to facilitate negotiated compromise and to underwrite reasonable risk-taking. And that is exactly what we've done."

President Clinton
August 24, 1994
Teleconference with the B'rith Convention

For almost half a century, administrations of both parties have understood America's vital interests in the Middle East: to ensure Israel's security and to guarantee unimpeded access to oil. Experience has taught us that events in the region can directly influence our well-being -- by raising the price of oil and threatening our economy, or by fueling the kind of terrorist extremism witnessed in the World Trade Center bombing in New York. As a result, American soldiers have risked their lives in Operation Desert Storm and other efforts defending our vital national interests. And the United States has worked tirelessly to achieve a comprehensive peace between Israel and its Arab neighbors. Never before have we been closer to that goal.

We have witnessed extraordinary progress in the Middle East. Credit belongs to the leaders and courageous people of the nations of the region. But in each of these instances, countries have looked to America's leadership to help move them towards a peaceful settlement. President Clinton has been actively involved in the handshake of peace between

Israeli Prime Minister Rabin and PLO Chairman Arafat on the White House lawn; the peace treaty between Israel and Jordan; progress on ending the Arab boycott of Israel; a package of international assistance to help finance the difficult task of peace-building; and new ties between Israel and a growing number of Arab states. The United States also facilitated serious negotiations between Israel and Syria and between Israel and Lebanon. The President will continue to give his full support to the peace process, press the Arab League to end the boycott of Israel, and help create new structures of cooperation on arms control, regional security, and economic progress.

In Northern Ireland, the President helped achieve a historic cease-fire by both the Irish Republican Army and loyalist paramilitaries that has given new hope for a lasting political settlement. To support the people of Northern Ireland as they move towards reconciliation, this May he will sponsor a White House Conference on Trade and Investment in Ireland. The United States, and the millions of Americans who care deeply and have strong ties to Ireland and Britain, will continue to play an important role in supporting peace and expanding economic opportunities in the region.

In other regions, the United States recently has played a major, and in some cases decisive, role in facilitating negotiated compromise. We helped South Africans rid themselves of apartheid and played a leading role in bringing an end to two decades of civil war and promoting national reconciliation in Mozambique and Angola. Elsewhere in Africa -- in Liberia and Sudan -- the United States encouraged peaceful resolution of internal disputes, and we sent troops to Rwanda to promote reconciliation. Seeking to avert a major escalation of ethnic violence in Burundi, the United States has actively encouraged national reconciliation and enhanced our aid program to that effect. Throughout, the President has acted as an effective peacemaker whose actions have contributed to changing the lives of individuals in Africa, Europe, and the Middle East.

- **Peacekeeping**

"The reason we have supported [peacekeeping] missions is not, as some critics in the United States have charged, to subcontract American foreign policy but to strengthen our security, protect our interests, and to share among nations the costs and effort of pursuing peace. Peacekeeping cannot be a substitute for our own national defense efforts, but it can strongly supplement them."

President Clinton
Address to the UN General Assembly
September 27, 1993

Most of our efforts to broker peace or mediate conflict do not involve U.S. forces. However, there are times when our forces, along with those of other nations, are needed to keep the peace. Every President from Truman and Eisenhower to Reagan and Bush has crafted such efforts to advance America's interests. Under President Clinton's leadership, for example, the United States has deployed more than 700 peacekeepers in the Former Yugoslav Republic of Macedonia to prevent an expansion of the Bosnian conflict that could imperil stability in Europe. There, as elsewhere, peacekeeping operations can effectively support our national security interests.

But President Clinton is determined to improve the way these international efforts are conducted. On the basis of a comprehensive review, Reforming Multilateral Peace Operations, the U.S. will make disciplined choices about where and when we support multilateral peace operations. President Clinton will ensure that our engagement abroad remains selective, focused on the challenges that are most relevant to our interests, and that United Nations peace operations are carried out with clear objectives and a definite endpoint in mind. The President will also reduce our share of UN peacekeeping payment from 30% to 25% of the total UN peacekeeping budget this year, and get other countries to shoulder their fair share.

America's willingness to work for negotiated compromise and contribute to maintaining the peace builds on a common-sense principle: Our national security is better protected when we help resolve potentially dangerous conflicts before a conflict erupts. By acting as a peacemaker and mediator when asked, and by contributing to peacekeeping efforts when appropriate, the United States advances its interests while sharing the burden with our allies.

11E. PROMOTING DEMOCRACY

> *"Our efforts to help build more democracies will make us all more secure, more prosperous, and more successful as we try to make this era of terrific change our friend and not our enemy."*
>
> President Clinton
> Address to the UN General Assembly
> September 26, 1994

Actions to Date

Strengthening and expanding the community of democratic nations advances our national interests and is consistent with American ideals. During the past two years, the United States has:

- Assisted the newly independent states of the former Soviet Union, including Russia and Ukraine, to make progress toward democracy and market reforms.
- Supported the democratic and free market transformation of former communist states in Central and Eastern Europe.
- Helped restore democracy and stability in Haiti.
- Assisted in South Africa's transition to democracy by providing support for elections and development.
- Hosted the Summit of the Americas, the first hemispheric summit in nearly 30 years -- an unprecedented gathering of the leaders of 34 democratic nations.

Background

All of America's strategic interests -- from promoting prosperity at home to checking global threats before they threaten our territory -- are served by enlarging the community of democratic and free market nations. Democratic nations are less likely to wage war. They are more likely to promote open markets and free trade. They are also more likely to provide people with the economic and political tools to build a future in their own countries. Expanding the community of democratic nations enhances the physical and economic security of all Americans: it reduces the risk that the United States will have to use military force to defend itself or its allies, stems the flow of refugees to our shores, and ultimately increases opportunities for U.S. exports.

Helping build more democratic nations also marries our self-interest with our values; Americans gain as freedom and liberty expand their reach around the globe.

In the past few years, numerous nations have broken the shackles of repressive government and turned toward democracy. The Clinton Administration's strategy is to help democracy and markets survive and expand in countries where we have the strongest security concerns and where we can make the greatest difference: in nations with large economies, nuclear weapons, critical locations, or the potential to generate major flows of refugees into our nation. The United States has a pragmatic commitment to help freedom take hold where it will help us most.

Over the past two years, President Clinton has taken decisive steps to support democracy in some of the most vital parts of the world -- in Russia and in other states of the former Soviet Union, in Central and Eastern Europe, and in our own hemisphere. At the same time, the President has sought to increase respect for fundamental human rights in all states.

The Initiative

> *"Democracy is rooted in compromise, not conquest. It rewards tolerance, not hatred. Democracies rarely wage war on one another. They make more reliable partners in trade, in diplomacy, and in the stewardship of our global environment. Democracies with the rule of law and respect for political, religious, and cultural minorities are more responsive to their own people and to the protection of human rights."*
>
> President Clinton
> September 27, 1993
> Address to the UN General Assembly

The Clinton Administration has strongly supported the democratic and free market transformation of the nations emerging from the former Soviet bloc because America has a tremendous stake in the success of this historic process. The course of events in Russia, Ukraine, other newly independent states and nations in Central and Eastern Europe, will have a critical impact on our nation.

While recognizing that Russia's historic transformation will experience ups and downs, the President has not wavered from the course of patient, responsible support for Russian reform. The President's reasons are clear: if reform succeeds, we can turn a former foe into a valued diplomatic and economic partner. We can prevent the buildup or spread of nuclear weapons and the theft of materials to build them, and ensure compliance with international non-proliferation accords. Reducing our nuclear arsenal, in turn, allows us to devote more resources to domestic priorities, including job creation, education, and crime prevention.

Two World Wars and a Cold War bear witness to our enduring commitment to Europe. As history has shown, the stakes are high in this part of the world. Over the last few years, the people of Central Europe, who suffered for two generations under the yoke of communism, displayed extraordinary courage in their pursuit of freedom.

The Clinton Administration recognized the importance of helping them transform their nations into democratic states. Their successful integration into an expanding democratic community would show the way to other nations of the post-communist world, enhance our security and create new opportunities for trade.

To strengthen democracy, encourage market reform, and enhance security in the former Soviet Union and Central and Eastern Europe, the Clinton Administration has:

- Intensified our economic, security and political cooperation with the new democracies, beginning with the President's Prague Summit in January 1994 and continuing through the Riga and Warsaw visits in July and the Budapest trip in December;
- Created a commission, led by Vice President Gore and Russian Prime Minister Chernomyrdin, to expand economic and commercial ties with Russia and promote mutually beneficial cooperation in science, space, and the environment;
- Secured a comprehensive assistance package for the newly independent states to help them develop market economies and become attractive partners for American trade and investment;
- Greatly expanded relations with Ukraine, Kazakhstan and other newly independent states;
- Launched an intensive effort to promote trade and investment in Central and Eastern Europe, beginning with the Trade and Investment Conference for Central and Eastern Europe held in Cleveland in January, 1995.

Closer to home, the President has taken steps to consolidate democracy and free markets in our hemisphere. As a result, regional stability has increased and trade opportunities have multiplied.

In Haiti, a combination of vigorous diplomatic pressure and the threat of overwhelming U.S. military power convinced the Haitian generals to depart. Then, the United States led a multinational coalition that peacefully restored President Aristide and his constitutionally established government. American and other coalition troops have now created a secure environment for the Haitian people which has ended the dangerous flight of refugees to our shores. Our success has helped Haitians breath life back into the political institutions of their fragile democracy. Debate has replaced dictatorship and the government is seeking to serve all the citizens, not just the elites who have dominated Haiti for so long. The United States and others are working with Haitians to train a new police force, build judicial institutions, and hold free and fair elections.

At the end of March 1995, we will turn over responsibility to a United Nations peacekeeping force that will include about 2,500 U.S. troops. The UN force will help see Haiti through the parliamentary elections this spring and the presidential elections in December, and finish the job of training and deploying Haiti's civilian police. With democracy twice validated through elections and a new security force in place, the UN mandate will be complete and American troops will leave Haiti by February of 1996.

Last year, President Clinton also brought together all 34 democratically elected leaders of the Western hemisphere at the Summit of the Americas. The Summit's numerous initiatives and particularly its agreement on free trade will help deepen the democratic trend and enhance stability in the Americas. In Cuba, the Administration will pursue its efforts to help promote a peaceful transition to democracy so that, at long last, the Cuban people can join the community of free nations.

The President has been steadfast in his support for democracy in other vital areas. The Clinton Administration played an aggressive role in South Africa's transition to democracy and in its efforts to overcome the divisions of the past, helping to turn it into a powerful model for democratic reform in Africa and beyond. The United States supported the country's first free, multiracial elections with $435 million in aid. Following President Mandela's election, the Administration reaffirmed its commitment with a $600 million trade and investment package. This support will benefit not only South Africans but Americans as well, for it will generate increased trade and export opportunities in a dynamic market. The United States also encouraged nations like Mozambique and Cambodia along the path to democracy, and worked to help stop a democratic reversal in Guatemala.

Because there can be no democracy absent respect for human rights, President Clinton has also promoted human rights throughout the world -- without arrogance but without apology. At the 1993 United Nations Conference on Human Rights, the U.S. forcefully and successfully argued for a reaffirmation of the universality of such rights. The United States has voiced its concerns on numerous occasions and will continue to do so both on a bilateral basis and in multilateral settings like the United Nations. To demonstrate our own willingness to adhere to international human rights standards, we ratified the international convention prohibiting discrimination on the basis of race, and the Administration is seeking Senate consent to ratification for the convention prohibiting discrimination against women.

11F. CONFRONTING TRANSNATIONAL THREATS

"...[T]here are still dangers in the world: rampant arms proliferation, bitter regional conflicts, ethnic and nationalist tensions in many new democracies, severe environmental degradation the world over, and fanatics who seek to cripple the world's cities with terror. As the world's greatest power, we must, therefore, maintain our defenses and our responsibilities."

President Clinton
January 25, 1994
State of the Union address

Action to Date

Today, we face a new generation of threats to our security and our way of life -- threats that know no national boundaries. We need to confront these transnational threats head on lest they jeopardize our safety and the well-being of future generations. Since taking office, the Clinton Administration has:

- Frozen the assets in the United States of terrorist organizations that threaten to disrupt the Middle East peace process, and prohibited any financial transactions with these groups.
- Tracked down and begun to prosecute the alleged bombers of the World Trade Center.
- Carried out a massive humanitarian mission in Rwanda that saved tens of thousands of lives.
- Put an end to the massive influx of Cuban and Haitian migrants to the United States.
- Negotiated and signed the Desertification Convention, which will help preserve the world's arable land and prevent further expansion of deserts.
- Asserted world leadership on environmental and population issues, playing a key role at the International Conference on Population and Development in Cairo.

Background

In today's world, we face a number of transnational problems that jeopardize international stability, America's security, and the long-term well-being of our citizens. These threats might not appear as immediate as direct military challenges. But they can each pose a devastating danger.

Problems such as terrorism, international crime, alien smuggling, humanitarian catastrophes, environmental degradation, natural resource depletion and unsustainable population growth have both short and long-term security implications for every American. If our generation does not tackle these problems, they will threaten America's way of life and future prosperity. That fundamental reality governs President Clinton's strategy.

The Initiative

- **Confronting terrorism**

"This year I'll submit to Congress comprehensive legislation to strengthen our hand in combating terrorists, whether they strike at home or abroad. As the cowards who bombed the World Trade Center found out, this country will hunt down terrorists and bring them to justice ... We cannot permit the future to be marred by terror and fear and paralysis."

President Clinton
January 24, 1995
State of the Union address

As the World Trade Center bombing and repeated terrorist actions in the Middle East remind us, international terrorism threatens our national security interests -- including the physical safety of our citizens. President Clinton is committed to tracking down and prosecuting terrorists and deterring them from striking again. Once it was clear that Iraq had plotted an assassination attempt against former President Bush, President Clinton ordered a cruise missile attack against the headquarters of Iraq's intelligence service. We are increasing pressure on states that sponsor terrorists, and coordinating stepped-up anti-terrorist efforts with our allies. And the United States obtained convictions against defendants in the bombing of the World Trade Center.

This year, the President will send to the Congress comprehensive anti-terrorism legislation that will strengthen our ability to prevent terrorist acts, identify those who carry them out and bring them to justice. As part of that effort, the President signed an executive order to freeze terrorist organizations' assets in the United States. The President's action provides the Administration with a new tool to combat fund-raising by organizations that use terror to undermine the Middle East peace process.

We will continue to maintain international sanctions against Libya that were imposed in response to the bombing of Pan Am Flight 103. These sanctions help isolate Libya, prevent it from pursuing aggressive policies and send a message to other would-be state sponsors of terrorism. They will be maintained until Libya allows the alleged perpetrators of this terrorist act to stand trial. And we will also pursue our policies of "dual containment" against Iraq and Iran. The international sanctions against Iraq prevent it from rebuilding its defense establishment and from threatening its neighbors. Our efforts to isolate Iran seek to block it from acquiring weapons of mass destruction or undermining the peace process in the Middle East.

- **Fighting narcotics and international crime**

Under President Clinton's leadership, the United States is confronting other transnational problems head on -- international crime, drug trafficking, and alien smuggling. The United States is insisting that other countries prosecute international fugitives or extradite them to the U.S. to ensure that convicted criminals serve tough sentences. We are mobilizing law enforcement authorities around the world against the drug cartels and using foreign aid to promote legal alternatives to opium poppy and coca cultivation. To prevent the possible criminal diversion of material from dismantled nuclear weapons, we reached an agreement with Russia to convert 500 tons of highly enriched uranium into non-weapons grade material and airlifted more than half a ton of highly enriched uranium from Kazakhstan to the United States for safekeeping.

- **Addressing humanitarian and refugee crises**

Humanitarian catastrophes present yet another case of a global issue that can spill over across borders, result in massive population transfers, and destabilize entire regions. While the United States cannot and will not be the world's policeman, the President will take appropriate steps to contain crises and alleviate their impact. In Rwanda, the tragedy of civil war and the mass flight of the population dwarfed the ability of civilian relief agencies to respond. The need for relief was urgent. Our troops acted decisively, saving tens of thousands of lives. We delivered more than 1,300 tons of equipment, food, water and medicine. We increased safe water production and distribution from nothing to 100,000 gallons a day. In Bosnia as well, our forces came to the help of people caught in an unimaginable tragedy, carrying out the longest humanitarian air-lift in history, and helped lift the siege of Sarajevo.

In Haiti and in Cuba, our vigorous responses to crises allowed us to fulfill both our humanitarian and immigration control objectives. The United States protected our borders while providing a safehaven to Cuban and Haitian migrants at Guantanamo and elsewhere. Then, by establishing security and restoring democracy in Haiti, the United States made it possible for more than 20,000 Haitian migrants to leave our facilities and return home. The once massive outflow of refugees -- which reached a high of 16,000 in July -- has stopped, sparing American taxpayers the cost of dealing with massive immigration and ensuring regional stability.

- **Protecting our environment**

"Let us also work far more ambitiously to fulfill our obligations as custodians of this planet, not only to improve the quality of life for our citizens and the quality of our air and water and the Earth itself but also because the roots of conflict are so often entangled with the roots of environmental neglect and the calamity of famine and disease."

President Clinton
Address to the UN General Assembly
September 27, 1993

A range of environmental problems jeopardize our security -- deforestation, uncontrolled population growth, industrial pollution, loss of biodiversity, ozone depletion, and global climate change. Confronting these challenges requires forging partnerships among governments and exercising forceful international leadership. The Clinton Administration has done both. In the past two years, the United States negotiated and signed the Desertification Convention, which establishes general obligations for all governments to cooperate in stemming the tide of desertification. The health of our environment, the availability of resources, and the elimination of famine and malnutrition all depend on our efforts to prevent the encroachment of deserts. The United States also signed the Biodiversity Convention which addresses a wide range of critical issues -- from preservation and sustainable use of the world biodiversity to the safety of biotechnology.

During the Cairo conference on Population and Development, the U.S. played a key role and asserted world leadership on population issues. The conference's Program of Action will lead to increased availability of voluntary family planning and reproductive health services, a strengthening of family ties, and the empowerment of women.

The United States will be pursuing a number of significant initiatives over the coming year. 1995 is the year of the First Meeting of the Parties to the Climate Change Convention. We hope that this meeting will launch the beginning of a new round of negotiations for actions beyond the year 2000. We are also engaged in a number of separate negotiations on forest issues, oceans and fish, transportation of hazardous waste, and ozone layer depletion. In addition, the U.S. is engaged in an effort to realign and reform the international organizations involved in the environment and sustainable development. The Clinton Administration has taken the lead in the world community on these issues, crafting solutions and building coalitions to meet the challenges of this new generation of transnational problems.

11G. DEFENSE REINVESTMENT: MEETING THE CHALLENGES OF DEFENSE DOWNSIZING

> *"...these changes had to come...If we take bold action, we can be the beneficiaries of change...Clearly, defense...[transition]...can be done and can be done well, making change our friend and not our enemy. But in order to do it we must act, act decisively, act intelligently, and not simply react years after the cuts occur."*
>
> President Clinton
> March 11, 1993
> Remarks to Westinghouse Employees

Actions to Date

Although the defense budget has been falling since 1986, previous administrations had no strategy for making the transition to a post-Cold War economy. President Clinton promised to change that. In March 1993, President Clinton announced a five-year, $20 billion Defense Reinvestment Initiative designed both (i) to maintain our technology edge with a smaller defense budget; and (ii) to ease economic adjustment for those who have relied on defense spending for their livelihood.

Implementing a "dual-use technology strategy" to promote greater integration of our commercial and defense industries, the Pentagon has:

- Worked with Congress to overhaul procurement law and scrapped outmoded specifications and standards, enabling the military to take advantage of state-of-the-art commercial technology.
- Invested $4 billion to advance "dual-use" technologies crucial to our military, such as high-performance computing and flat-panel displays.
- Supported the commercialization of defense technologies such as "stealth" composites and precision lasers, to make them more affordable to the military.

Acting to ease the economic adjustment of workers, firms and communities which have relied on defense spending:

- DoD reduced its civilian workforce in 1993-94 by 105,000, all but 7,200 by providing early retirement benefits and other incentives for voluntary separation.
- The Department of Labor awarded $177 million to 99 locally-run projects for retraining 52,000 defense workers.
- DoD is facilitating the reuse of property from closing military bases by local communities by discounting the price of property used for job-creating economic development.

CHALLENGE #1: INTEGRATING THE DEFENSE AND COMMERCIAL SECTORS

Background

Superior technology was the basis of America's military advantage throughout the Cold War. We must continue to maintain that technological edge in a post-Cold War era that still includes threats to our interests, values and security -- but we must do it on a tighter budget and in a world of global competition. Maintaining our edge in this new environment requires fundamental changes in the way the Department of Defense acquires the technology to support its weapons systems.

DoD must break down the barriers created over the last 30 years between the defense and civilian sectors. DoD's overreliance on military specifications and its cumbersome procurement system have led many commercial firms to refuse to do business with DoD altogether, while those that do often wall off their defense production. As a result, DoD has become reliant on an increasingly segregated defense industrial base.

Such a strategy is inappropriate. First, the cost of supporting a segregated defense industrial base has become prohibitive. Unit production costs of weapons systems have increased 5 to 7 percent a year since World War II -- *not counting inflation.* For example, the military is paying $10 for computer chips virtually identical to chips sold commercially for $1.

Second, in many important technologies, the defense industry is no longer the leader. Indeed, the new technologies most critical to our military advantage -- software, computers, semiconductors, telecommunications, advanced materials and manufacturing technologies -- are all being driven by fast-growing *commercial* demand. Because of their isolation and shrinking market, defense firms are not investing in new technology at rates comparable to those of their commercial counterparts that face global competition.

As a nation, we can no longer afford to maintain two distinct industrial bases. We must move toward a single, cutting-edge, national technology and industrial base, serving military as well as commercial needs.

This "dual-use technology strategy" represents a new way of doing business. Most important, it will allow the Pentagon to exploit the rapid rate of innovation by commercial firms to meet defense needs. Moreover, this strategy will allow the Defense Department's continuing investments in technology to contribute more to our nation's commercial performance and economic growth.

The Initiative

President Clinton's strategy for ensuring that the military has affordable, leading-edge technology can be summed up as: acquisition reform plus investment in dual-use technology.

Fundamental **reform of the defense acquisition system** is the essential foundation for DoD's dual-use strategy. At the Administration's urging, Congress passed the landmark "Federal Acquisition Streamlining Act of 1994," which will significantly improve the way the government buys $200 billion worth of goods and services a year, from software to jet aircraft.

To complement congressional reforms, Defense Secretary Perry in June 1994, announced a dramatic reversal of the Pentagon's longstanding policy toward "milspecs," instructing the military services to use commercial rather than military specifications and standards "unless no practical alternative exists." This new policy will mean the end of the $500 coffeepot and the $10 computer chip.

Acquisition reform will also help defense firms diversify into commercial markets, where -- freed from the weight of government red tape and special requirements -- they can be globally competitive. Such diversification will help these firms preserve high-paying jobs and will assure the survival of the industrial base we need to maintain our national security and strengthen our economy.

Building on this foundation, DoD's new **dual-use strategy** has three key pillars.

First, the Pentagon is bolstering its support for dual-use R&D to exploit the potential of advanced commercial technologies to meet defense needs. DoD's Advanced Research Projects Agency (ARPA) is targeting investments in focused "thrust areas" -- computers and software, electronics, sensors, simulation, and manufacturing -- to ensure that commercial firms in this country can supply the superior technologies that will maintain our military advantage.

The Technology Reinvestment Project (TRP), managed by ARPA with extensive participation by the military services, is DoD's largest dual-use initiative. Unveiled by President Clinton in early 1993, the TRP has awarded cost-shared grants totaling $820 million to about 250 projects involving more than 2,000 firms, universities and other participants. Winning projects -- selected from thousands that applied -- were chosen solely on the basis of technical merit.

A key to the TRP's success is its emphasis on industry partnerships and cost sharing. Winning projects have matched every federal dollar with $1.33 of non-federal funds -- a total of about $1.1 billion. This cost share ensures industry's commitment to projects and lays the foundation for industry to assume the full cost of product development.

TRP projects are directed at meeting military needs in a range of areas: **low-cost night vision,** that will allow U.S. troops to "own the night" through use of infrared sensors made 10 times cheaper by leveraging new commercial technology; **high-density data storage,** vastly increasing the immediate access of our front-line soldiers to the best information and intelligence; **battlefield casualty treatment,** using new sensors and information systems to help rapidly find, diagnose and treat injured soldiers on the battlefield; **affordable composite aircraft structures,** using lightweight, polymer composites for aircraft engines to increase the performance and range of military aircraft, while lowering the cost of repair and maintenance; **detection of chemical and biological agents,** through the use of sensors, to protect our troops in the battlefield.

The second pillar of DoD's dual-use strategy is the **integration of defense and commercial production**. The Pentagon is pursuing this goal in two ways: (i) supporting efforts to transition defense technologies to commercial applications, to make those technologies more affordable and accessible to the military; and (ii) helping U.S. manufacturers become more flexible, so they can produce custom military products alongside commercial versions of the same product.

To illustrate, a few years ago, DoD pursued MIMIC (microwave monolithic integrated circuit) technology for military radar as a strictly military development, but the high costs prohibited widespread defense use of the devices. Now, DoD encourages contractors to pursue commercial applications -- for example, in collision avoidance systems for automobiles, satellite communications, and signal processing for air traffic control -- making the devices more affordable for the Pentagon. A joint venture between Hughes Aircraft and Delco Electronics produces the military device and a commercial version on the same production line, with a changeover time of less than two hours.

The third pillar of the dual-use strategy is DoD's investment in initiatives that encourage **"insertion" of commercial technologies and products in** the development, production and support of **military systems**. Successful insertion requires that weapon systems be designed from the outset to incorporate commercial rather than defense-unique materials, technologies and components. An example: in 1994, when DoD solicited proposals to develop an unmanned aerial vehicle, contractors were told only a maximum cost ($10 million each) and what the vehicle had to do; it was up to them to determine <u>how</u> to meet these requirements. Given this cost ceiling, an ambitious deadline and a streamlined acquisition process, contractors proposed designs that relied heavily on existing commercial technology, often forming partnerships with commercial companies. Fourteen teams submitted proposals -- a sign of industry's enthusiasm for this innovative program.

CHALLENGE #2: EASING THE TRANSITION

Background

"...[W]e must [act so as not to] leave the men and women who won the Cold War out in the cold.

President Clinton
March 12, 1993
Radio Address to the Armed Forces

The defense budget peaked in 1986 and has been declining ever since. The result is that from Southern California to Long Island and Connecticut, communities, companies and workers who depended on defense are struggling to find new ways to earn their livings.

This drawdown is smaller than those following World War II, Korea and Vietnam, and its economic impact may be masked by our robust job growth during the past two years (nearly 6 million new jobs). But the impact on regions where defense firms are concentrated or where bases are closing is severe.

Still, these hard-hit communities have real strengths to exploit. Regions where defense industry is concentrated -- like aerospace in Southern California, lasers in Orlando, or electronics in Silicon Valley -- can draw on a flexible and adaptable network of subcontractors and specialized supplier firms; a large pool of scientists and engineers, technicians and skilled blue-collar workers; and advanced capabilities in universities and specialized research institutes. With the right assistance, including reform of the federal acquisition system, many of these centers of defense industry have the potential to compete in emerging dual-use industries such as environmental and biomedical technology, medical instruments, advanced transportation equipment and communication systems.

Communities where military bases are closing frequently lack the technological capabilities of defense industrial regions, but they possess other assets that can provide the basis for charting a new economic future. An airfield, a port, or the land, buildings, furniture and equipment on a base can be the catalyst for local economic development. Civilian base employees represent a skilled, dedicated, and trainable workforce. And the closure of the base itself can sometimes provide new market opportunities -- such as the need for environmental cleanup.

The Initiative

Diversification. To speed economic adjustment, the Clinton Administration's defense reinvestment initiative includes substantial investments in advanced technologies as well as more targeted support for defense-dependent workers, firms and communities. However, defense-dependent regions must take the lead in developing their own diversification strategies. The Federal government's job is to contribute resources with which workers, firms and communities can pursue these strategies.

This approach is working. In Silicon Valley, for example, local defense firms are diversifying into commercial markets in communications systems, advanced computing, and environmental and sensing technologies. Groups such as "Joint Venture: Silicon Valley" -- a public-private consortium established in 1992 -- are brokering partnerships between defense and commercial firms, putting entrepreneurs in touch with financial, technical and business resources, and providing retraining and job placement for displaced defense workers. To help support these activities, the Commerce Department awarded a small grant to Joint Venture: Silicon Valley, and the Labor Department is funding local retraining efforts. Several Silicon Valley firms that are developing flat panel displays, high-density data storage devices and other dual-use technologies have won cost-shared awards from DoD, through the Technology Reinvestment Project. These awards -- which are made strictly on merit, with no regard to region -- illustrate the strengths possessed by regions that build up talents and technologies to meet defense needs.

Reemployment and retraining. To provide for adjustment and training of defense workers and DoD military and civilian personnel, the Clinton Administration has, among other things:

- Provided extensive assistance to 300,000 separating military service members and their families at 330 military installations worldwide through Operation Transition, and made aggressive use of early retirement benefits and other incentives, to avoid involuntary layoffs.
- Awarded $177 million in Department of Labor funds for 99 locally-run projects targeted at retraining some 52,000 defense-dependent workers. Of these, 19 are demonstration projects to avoid layoffs or to train workers for new occupations.
- Launched the "Troops to Teachers" program to place former service members and other defense workers as teachers or teachers' aides, primarily in low-income districts, and pay part of their salaries for 5 years.

Base Closings. To speed the economic recovery of communities where bases are closing, the President in July 1993, announced a five-point program whose key goals are rapid redevelopment and the creation of new jobs through:

- allowing DoD to transfer base property at low cost or no cost
- fast-track environmental cleanup
- assigning "transition coordinators" to every major base
- making larger economic planning grants
- easy access to transition help for workers and communities

And the Administration lost no time putting this plan into action. For example, it:

- Dispatched an interagency "SWAT" team to every community with a major facility on the list of bases selected in 1993 for closure. Department of Labor staff worked with each community to design a customized training and reemployment plan for civilian base employees as well as separating military personnel. Reemployment centers were established up to two years in advance at major bases scheduled for closure.

- Awarded planning grants to all 29 of the most seriously affected communities on the 1993 base closure list, through DoD's Office of Economic Adjustment. The awards, on average, were made within two weeks of receiving complete applications.

Congress endorsed the President's approach by enacting the Base Closure Communities Assistance Act. Among other things, this Act allows base property to be transferred at a discount to local redevelopment authorities, provided that any profits on subsequent sales and leases be shared with the federal government.

The President's plan has already produced results:

- Residents of Rantoul, Illinois took advantage of federal assistance programs in the Departments of Defense, Transportation, Labor and Commerce to transform Chanute Air Force Base into an asset for economic growth. They created 1,200 jobs on the base within a year of closure.

- At Sacramento Army Depot, with the assistance of DoD and Labor placement and training programs, the Pentagon eliminated all 3,000 civilian jobs with no involuntary terminations. By early 1995, Packard Bell will be manufacturing computers in the former Army facility. The company plans to employ 1,300 new workers.

- At the Philadelphia Naval Shipyard, new rules that permit 10-year leases, leasing of

Navy equipment and hiring of former shipyard workers enabled a New Jersey machine shop to move onto the site, retain a $2 million contract, and create 200 new jobs.

Shipbuilding. The Administration has also implemented an aggressive Shipbuilding Initiative to enable U.S. shipyards to reenter commercial competition. This initiative has:

- Provided increased funding and more generous financing terms under the Ship Financing program, allowing U.S. yards to compete for international business for the first time in nearly 30 years. In August, the President announced approval of two applications for loan guarantees and the receipt of two other applications which, when executed, will result in the preservation of 7,100 U.S. shipbuilding jobs.

- Secured passage of the five-year, MARITECH program, with funding of over $200 million, to support R&D on ship design and construction. Transportation Secretary Pena awarded the first $30 million in matching grants in May 1994.

- Concluded an agreement at the OECD (Organization for Economic and Cooperative Development) to end longstanding foreign shipbuilding subsidies.

- Increased export promotion efforts on behalf of U.S. yards.

- Will reintroduce legislation to make U.S. shipyards more globally competitive by bringing U.S. construction standards in line with international standards.

Case Studies
Selected TRP Projects:
Dual-Use Technology to Meet Defense Needs

Infrared Sensors

Cooled infrared sensors helped U.S. forces in Desert Storm "own the night." Even the less expensive variety of sensors (uncooled), however, are too expensive at this point for wide adoption by combat forces. But, with upgraded performance and lower cost, uncooled sensors could have a wide array of military uses -- from missile guidance systems, to "lights out" night driving, to equipment that would allow our soldiers to fight under cover of night, fog or smoke. Thus, the Pentagon places a high priority on their development.

But to generate the kind of R&D necessary to upgrade performance and lower cost, commercial applications must be promoted. Such applications could include finding power line leakages, seeing through smoke during fires and, eventually, aiding all night drivers.

The TRP Infrared Sensor project is aimed at improving performance and lowering costs at least tenfold through commercial approaches to development and eventually through economies of scale. As costs fall and the market expands, the armed services will be able to meet their needs from an integrated civilian-military base, adding its particular requirements to purchases from an active industry.

TRP projects are supporting three different technical approaches for improvement of uncooled infrared sensors, in teams led by Loral, Texas Instruments, and Inframetrics.

Casualty Care

The first hour after injury on the battlefield is critical. A wounded soldier's chance of recovery depends on whether he receives prompt diagnosis and care. The proportion of wounded who survive this "Golden Hour" has not altered since the Civil War.

TRP projects support development in two areas of modern technology that hold out the hope of greatly improving the proportion of survivors: sophisticated sensors and displays that can allow accurate monitoring of an injury and the making of a diagnosis; and modern information systems, and their management and distribution.

The goal is for every soldier going into combat to have sensors and an identifier (like a bar code) in place. If the soldier is wounded, doctors away from the battlefield will get the information needed for diagnosis, and will be able to give treatment instructions to medics on the scene. Remote diagnosis and linkage can also help paramedics save civilian lives at the scene of accidents.

The TRP projects on casualty care would meet military needs while also integrating civilian and military medical technologies more fully.

The TRP approach to casualty care is evident in a project on a Digital X-Ray System for Trauma and Battlefield Applications. General Electric has teamed with EG&G in a 2-year program to develop such a system. It will allow direct digitization of the X-Ray, with no use of film, and will enable immediate transmission of the X-Ray to doctors remote from the battlefield or accident scene. Besides its great benefits for wounded soldiers and injured civilians, digital X-Ray promises a competitive advantage for GE by the year 2000.

Case Study:
The Massachusetts Strategic Skills Programs:
A Job-Savings Defense Diversification Strategy

Beginning early in 1993, six small and medium-sized defense firms in Massachusetts took part in a retraining project for managers and workers to help fit them for competitive performance in the world of commercial production. It was an uphill climb for most of them -- especially the managers -- but it was worth it. As of early 1995, all of the firms have found new commercial customers and none have had to lay off workers. Several of the firms have added workers.

The project was supported by a $367,000 grant from the Department of Labor and carried out by the Massachusetts Industrial Services Program (ISP). The project is part of a small DOL demonstration program on defense diversification, which is testing ways to avoid layoffs in defense firms and create job opportunities for defense workers.

The training was based on up-to-date concepts of the high-performance work place, involving team building, worker responsibility and participation, cross-training for flexible work teams, and management that relies on leadership rather than top-down command. Training also included worker skills such as good basic reading and math, advanced measurement techniques, and computer literacy and applications; as well as management skills in quality issues, financial resources, and new product planning.

The companies that have already found new commercial customers took advantage of core abilities in turning defense technologies to commercial applications. For example, a firm expert in making minuscule electronic devices started making small electronic components for medical instruments. Another, which made indestructible furniture for military outposts has used this technology in making products for fast food restaurants and hospitals.