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**THE MINIMUM WAGE:
INCREASING THE REWARD FOR WORK**

March 2000

A REPORT BY THE NATIONAL ECONOMIC COUNCIL
WITH THE ASSISTANCE OF THE COUNCIL OF ECONOMIC ADVISERS
AND THE OFFICE OF THE CHIEF ECONOMIST, U.S. DEPARTMENT OF LABOR

EXECUTIVE SUMMARY

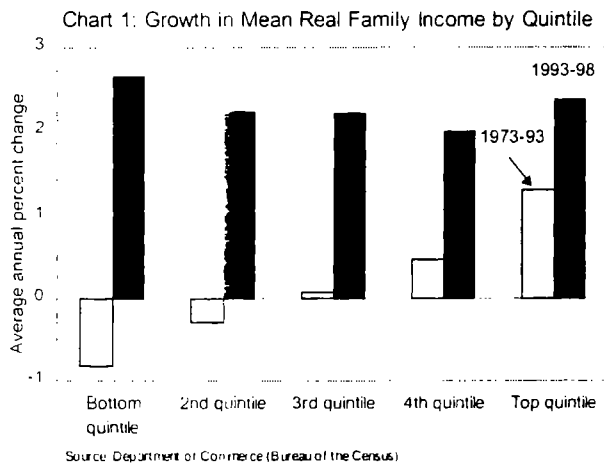
- **Raising the Minimum Wage by \$1 to \$6.15 an Hour Would Potentially Benefit More than 10 Million American Workers—Most of Whom are Adult Workers.** An analysis of labor market data shows that in 1999, 10.1 million hourly paid workers made between \$5.15 and \$6.14 an hour, and thus would potentially benefit from a \$1 increase in the minimum wage. About 69 percent of these workers are adults (age 20 or over), about 60 percent are women, about 45 percent worked full-time, and about 33 percent were parents with children under 18 years old. In 1997, the earnings of average minimum wage workers accounted for 54 percent of their family's total earnings.
- **Raising the Minimum Wage to \$6.15 an Hour Would Restore the Real Value to What It Was in 1982.** Since it was first established in 1938, the minimum wage has been increased 19 times. Between January 1981 and March 1990, the minimum wage was fixed at \$3.35 an hour, while prices rose by nearly 50 percent. The proposal to raise the minimum wage by \$1 over two years would restore the real value of the minimum wage to what it was in 1982.
- **Increasing the Minimum Wage Would Help Hard-Pressed Families Pay for Groceries, Rent, and Other Necessities.** Raising the minimum wage from \$5.15 to \$6.15 would raise the annual earnings of a full-time worker by about \$2,000 a year. A study of spending by low-income families found that they spend on average about \$300 per month on groceries and about \$400 per month on rent. Thus, for a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent.
- **Recent Increases in the Minimum Wage Had No Discernable Negative Effect on Employment.** Since the minimum wage increase in 1996, the economy has created more than 10 million jobs and the unemployment rate has fallen from 5.2 percent in September 1996 to 4.1 percent in February 2000, near its lowest level in thirty years. Labor market trends for workers most affected by the minimum wage increase—including younger workers, workers with lower educational levels, and minorities—also show no negative impact of the minimum wage on employment. Numerous careful economic studies, including ones by David Card and Alan Krueger, have shown that increasing the minimum wage has no negative effect on employment. Recent research has even suggested that higher wages can increase employment, because they increase employers' ability to attract, retain, and motivate workers. And they benefit workers by increasing the reward to work.
- **The Minimum Wage Plays a Key Role in Ensuring That All Workers Share in a Growing Economy.** In the last seven years, incomes have grown nearly as strongly at the bottom as at the top of the income distribution, ending a decades long increase in inequality. In contrast, in the previous two decades inequality widened, as poorer families saw their incomes decline in real terms. Research has shown that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women.

- **The Minimum Wage Has Helped Reduce the Welfare Caseload.** By increasing the reward to work, a higher minimum wage attracts new workers into the workforce. An analysis by the Council of Economic Advisers showed that higher federal and state minimum wages were responsible for 10 to 16 percent of the decline in welfare caseloads between 1996 and 1998.
- **The Minimum Wage and the Earned Income Tax Credit Are Complementary.** A working parent with two children earning the minimum wage in 1993 made \$10,563 with the EITC (in 1998 inflation-adjusted dollars)—well below the poverty line. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a comparably situated family in 1998 was above the poverty line—making \$13,268—a 26 percent inflation-adjusted increase in its standard of living.

1. INTRODUCTION

The American economy is in the midst of the longest economic expansion in history. Since January 1993, the economy has created nearly 21 million new jobs. The unemployment rate in February 2000 was 4.1 percent, near its lowest level in three decades. The overall performance of the economy has only grown stronger over time. In the last four years, labor productivity has grown at a 2.9 percent annual rate and GDP has grown at a 4.4 percent annual rate. At the same time, the underlying core inflation rate in 1999 was 1.9 percent—the lowest rate since 1965.

In contrast to the previous twenty years, the strong economy of the last seven years has contributed to shared growth across all income groups and substantial poverty reduction. As indicated in Chart 1, incomes have grown nearly as strongly at the bottom as at the top of the



income distribution, ending a decades long increase in inequality. The poverty rate has fallen to 12.7 percent, the lowest level since 1979. The strong labor market has been beneficial to people across the economic and demographic spectrum. In 1999, the unemployment rates for African Americans and Hispanics fell to the lowest levels ever recorded.

Strong growth is necessary but not sufficient to produce sustained income gains and poverty reduction. Also important are policies that insure that all workers are

rewarded for their work. The Clinton Administration has consistently sought to make work pay through a range of policies, including expanding the Earned Income Tax Credit in 1993, reforming welfare in order to increase work incentives, and increasing investments in child care for working parents. And an additional key element was the 1996-97 increase in the minimum wage. These policies interact in a beneficial way for low-income families. For instance, a working parent with two children earning the minimum wage in 1993 made \$10,563 with the EITC (in 1998 inflation-adjusted dollars), well below the poverty threshold. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a comparably situated family in 1998 was above the poverty level—making \$13,268—a 26 percent inflation-adjusted increase in their standard of living.

This report examines the role that the minimum wage plays in increasing the reward to work and boosting incomes for workers at the bottom of the earnings distribution. The report also examines the recent evidence about the effect of the minimum wage on employment.

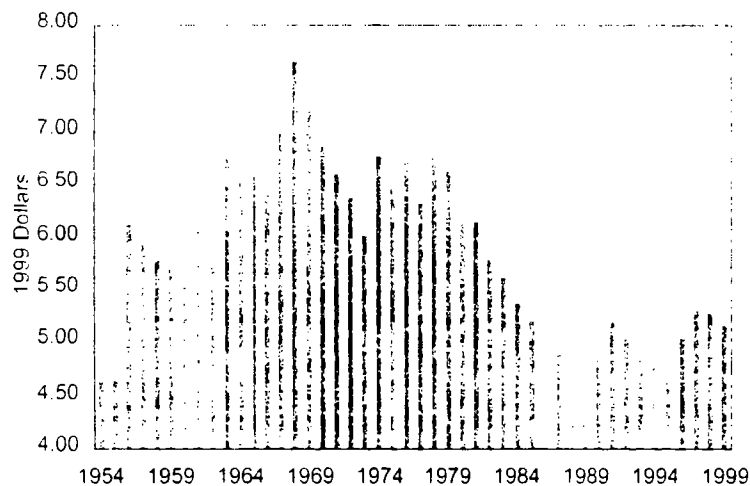
2. BACKGROUND ON THE MINIMUM WAGE

A federal minimum wage of 25 cents was first established as a part of the Fair Labor Standards Act of 1938 (FLSA). Since its inception, the federal minimum wage has been increased 19 times, and the FLSA has been amended numerous times to expand the workers covered by the minimum wage provision. In recent years, about two thirds of wage and salary workers have been covered by the FLSA minimum wage. (Workers who are exempt most often are in executive, administrative, and professional occupations.)

The federal minimum wage reached its highest value in real terms in 1968, at \$7.67 in 1999 dollars (see Chart 2). With five increases during the 1970s, the minimum wage held its value at approximately \$6.60. The last increase of the 1970s left the inflation-adjusted value at \$6.66. From January 1981 through March 1990, the minimum wage was unchanged, while at the same time prices rose by nearly 50 percent. This eroded the real value of the minimum wage at the end of the 1980s to \$4.50. The dollar level of the minimum wage was increased from \$3.35 to \$3.80 in 1990 and to \$4.25 in 1991. In real terms the value of the minimum wage was still well below the 1968 peak.

Even with the modest inflation of the 1990s, the minimum wage lost value, falling to \$4.65 in 1995. By 1996, the minimum wage adjusted for inflation was approaching a 40-year low. Inflation had largely wiped out the last increase in the minimum wage in 1990. In August 1996, Congress passed and President Clinton signed into law a two-step increase, lifting the minimum wage from \$4.25 to \$5.15. The first step of that increase went into effect October 1, 1996 and the second step on September 1, 1997. More recently, President Clinton proposed to increase the minimum wage by \$1 over two years, raising it to \$6.15. If the full increase were implemented in 2001, this would restore the real value of the minimum wage to its 1982 level, about 75 percent of the 1968 peak value.

Chart 2: Real Level of the Minimum Wage



Source: Department of Labor (Bureau of Labor Statistics)

3. THE 1996-97 MINIMUM WAGE INCREASE

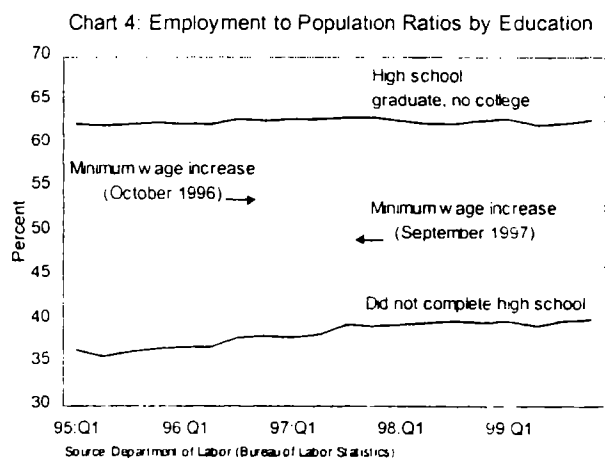
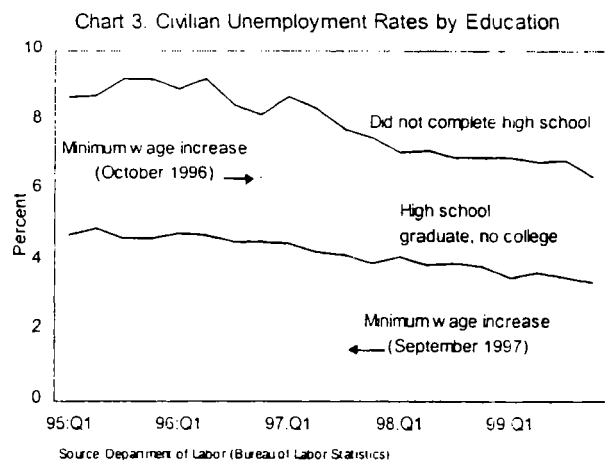
The \$0.90 increase in the minimum wage in 1996 and 1997 is estimated to have benefited almost 10 million American workers.¹ This section examines the impact of this increase on employment and the distribution of wages.

Effect on Employment

Since the 1996-97 increase in the minimum wage, the American economy—and labor markets in particular—have continued to perform very strongly. Between September 1996 and February 2000, 10.2 million jobs were created—an average of 248,000 per month, even stronger job growth than in the previous 2 years. In retail trade, which has a large concentration of minimum wage workers, there were 1.4 million new jobs. Over this same period the overall unemployment rate fell from 5.2 percent to 4.1 percent.

In addition, welfare rolls have declined 44 percent since welfare reform was enacted in August 1996. A report by the Council of Economic Advisers (1999) suggests that 10 to 16 percent of the welfare caseload decline from 1996 to 1998 was attributable to the increases in federal and state minimum wages. Other important factors were changes in welfare policy and the decline in unemployment.

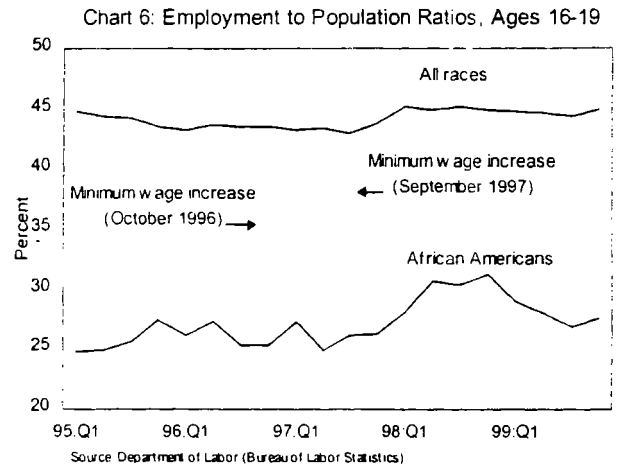
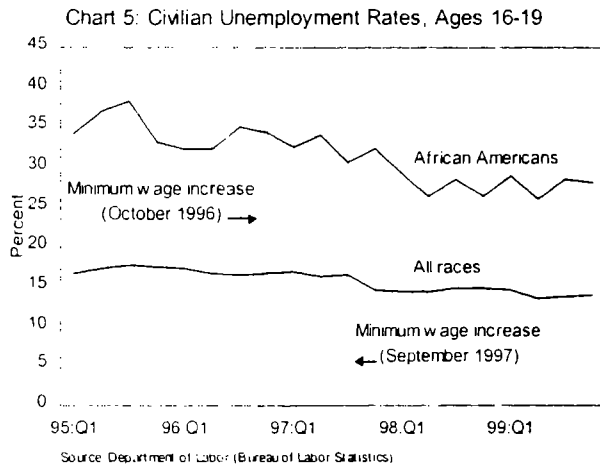
The strong labor market of the last four years, however, is not definitive proof that the minimum wage has no adverse effects on employment. Numerous other factors affect the job market, and workers paid at or near the minimum wage are a relatively small fraction of the overall workforce. A better test of the impact of minimum wage increases is the experience of workers most likely to be affected by the increases. An examination of data for these workers also shows no discernable negative effect of the last minimum wage increase. For example, adults (age 25 and above) with lower levels of education generally have relatively low wages. As Chart 3 indicates, though, quarterly unemployment rates have generally declined for both high school graduates with no college and those with less than a high school education. Chart 4 shows, similarly, that over the past five years the employment to population ratio generally held steady or increased for both groups of adults. No visible disruptions to these trends are apparent following either the 1996 or 1997 minimum wage increases. Comparable



¹ See Bernstein and Schmitt (1998).

observations pertain for teenage workers in general, and for African American teens specifically (Charts 5 and 6).²

These data provide evidence that the minimum wage increase did not have a major negative effect on employment. Still, as suggestive as this evidence is, it does not provide rigorous statistical tests that control for the myriad of factors that affect employment. Section 5 reviews the evidence from recent economic studies.



Effect on Wages for Low-income Workers

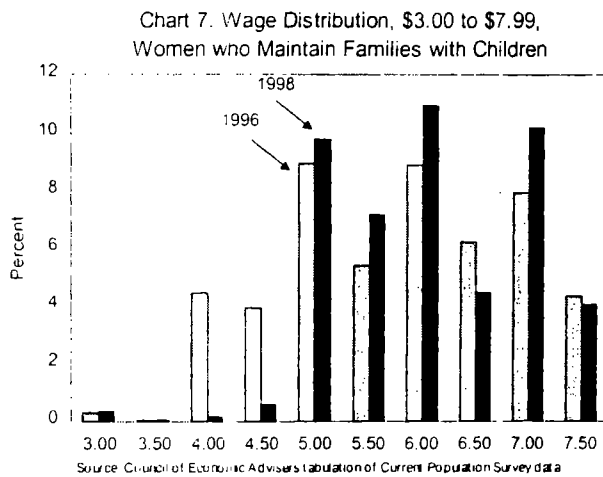
Recent increases in the minimum wage in the U.S. have improved the distribution of wages at the low end of the distribution. Fortin and Lemieux (1997) demonstrate the importance of the minimum wage in boosting wages at the low end, and reducing wage inequality. They show that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women. Card and Krueger (1995) conclude that the 1990-91 minimum wage increase reversed about 30 percent of the increase in wage inequality that occurred during the previous decade.

The effect of the recent minimum wage increase—in October 1996 and September 1997—on the wage distribution is clearly evident in wage data. Statistics tabulated from the Current Population Survey (CPS), show that in the first two quarters of 1996, when the federal minimum wage was \$4.25, about 10 percent of all hourly wage workers earned less than \$5.00.³ The minimum wage increase (to \$5.15) clearly increased wages in the low end of the distribution; by the first two quarters of 1998, the fraction of workers earning less than \$5.00 declined to 2 percent.

² One careful statistical analysis (Neumark, 1999) shows that the 1996-97 minimum wage increases had no effect on the general employment of 16-19 year olds.

³ The analysis presented in this paper excludes salaried and other non-hourly workers. Research has shown, however, that a relatively smaller number and share of salaried workers and others not paid by the hour have earnings that, when translated into hourly rates, are at or below the minimum wage. BLS does not routinely estimate hourly earnings for nonhourly workers because of data concerns that arise in producing these estimates. See Haughen and Mellor (1990) for further information.

Chart 7 illustrates the effect of the 1996-97 minimum wage increases on the low end of the wage distribution (\$3.00 to \$7.99) for just one demographic group of interest, women who maintain families and have at least one child present in the household.⁴ For 1996, the distribution of wages shows that a relatively small share of workers with hourly wages earn between \$3.00 and \$3.99.⁵ In contrast, a substantial fraction earned between \$4.00 and \$4.49. (The chart shows the distribution by 50-cent increments.) This jump, of course, reflects the clustering of workers whose wages were at or near the minimum wage. The comparable distribution for 1998 indicates a shift that was clearly due to the change in minimum wage policy. In the first two quarters of 1996, about 9 percent of these women earned less than \$5.00. By the first two quarters of 1998, this fraction declined to 2 percent.



families and have at least one child present in the household.⁴ For 1996, the distribution of wages shows that a relatively small share of workers with hourly wages earn between \$3.00 and \$3.99.⁵ In contrast, a substantial fraction earned between \$4.00 and \$4.49. (The chart shows the distribution by 50-cent increments.) This jump, of course, reflects the clustering of workers whose wages were at or near the minimum wage. The comparable distribution for 1998 indicates a shift that was clearly due to the change in minimum wage policy. In the first two quarters of 1996, about 9 percent of these women earned less than \$5.00. By the first two quarters of 1998, this fraction declined to 2 percent.

At the same time, an increasing share of workers earned wages above \$6 and \$7, suggesting that the increase in the minimum wage had spillover benefits for workers above the minimum wage. Such spillover effects have been documented more formally in research by Grossman (1983), Katz and Krueger (1992), and Card and Krueger (1994).

4. RAISING THE MINIMUM WAGE TO \$6.15: WHO IS DIRECTLY AFFECTED?

Raising the minimum wage from \$5.15 to \$6.15 would raise the annual earnings of a full-time worker by about \$2,000 a year. A study of spending by low-income families found that they spend on average about \$300 per month on groceries and about \$400 per month on rent. Thus, for a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent. This section provides a detailed examination of the workers that would benefit from a further increase in the minimum wage.

Characteristics of Minimum Wage Workers in 1999

Evidence about workers who currently earn the minimum wage is available from unpublished tabulations provided by the Bureau of Labor Statistics (BLS) based on data from the CPS. In 1999, 72.3 million workers were paid at hourly rates, representing about 61 percent of wage and salary workers. It is estimated that 3.3 million workers—4.6 percent of all workers who are paid an hourly rate—earn a wage at or below the current \$5.15 Federal minimum. Of these 3.3 million workers, about 1.1 million reported a wage at exactly \$5.15, while the remainder, 2.2

⁴ A family maintained by a woman is one in which the householder (person in whose name the housing unit is rented or owned) is female, and no spouse is present. Here we examine such households when a child under 18 is present.

⁵ The presence of workers with reported wages below the minimum wage does not necessarily indicate violations of the Fair Labor Standards Act. There are several reasons why the reported wage for a worker may be below the Federal minimum. First, certain workers are exempt from the minimum wage provisions of the law, including workers for whom tips might serve to supplement the hourly wages received. Second, there may be a misreporting or rounding in the survey responses. When the minimum wage is \$5.15, for example, a large number of workers report a wage of exactly \$5.00.

million, earned a wage less than \$5.15. A study by Bernstein and Schmitt (1998) indicated that in 1997 the earnings of average minimum wage workers accounted for 54 percent of their family's total earnings.

Selected demographic and economic characteristics for these workers are presented in Table 1. The statistics indicate that about 70 percent of workers earning \$5.15 or less were age 20 or older. 64 percent of these workers are women.

How Many Workers would be Affected by an Increase in the Minimum Wage?

Using the CPS data described above, it is possible to examine the number and characteristics of workers who would potentially receive a pay raise from a \$1.00 increase in the federal minimum wage. Table 2 presents the number of individuals who currently have an hourly wage between \$5.15 and \$6.14. This table indicates that:

- There are approximately 10.1 million workers within this wage range—about 14 percent of all workers paid an hourly rate.
- 69 percent of the affected workers are adults age 20 or older.
- About 60 percent of these workers are women.
- 16 percent are African American and 20 percent are Hispanic.
- 37 percent are the household head or a spouse who contributes to family income.

Other respected studies have looked at the question of who would potentially benefit from an increase in the minimum wage, focusing on family and income characteristics. Some highlights from these studies are:

- Parents with children under 18 years old comprise almost 33 percent of those potentially affected. (Bernstein, Hartmann, and Schmitt, 1999).
- Over 50 percent of the proposed gains would go to households with incomes less than \$25,000 per year. (Bernstein, Hartmann, and Schmitt, 1999).
- 45 percent of the gains go to families with incomes below 200 percent of the poverty level, and an additional 19 percent to families with income below 300 percent of the poverty level. (Burkhauser, 1999).

There are other workers who would also likely benefit from a \$1.00 minimum wage increase in addition to those workers that report hourly wages between \$5.15 and \$6.14. As noted above, a number of the over 900,000 workers who report a \$5.00 per hour wage are also likely to be workers currently at the minimum wage, but mis-reporting their earnings. There is also evidence, as discussed earlier, that workers who earn wages just above the new minimum can see their pay rise as a result of the minimum wage increase. To help gauge the size of this group in the event of a minimum wage increase to \$6.15, Table 2 also presents the number of workers with hourly wages between \$6.15 and \$7.14. In 1999 there were approximately 8.4 million such workers, many of whom could indirectly benefit from a minimum wage increase.

Appendix A presents a breakdown of the number of workers that would benefit by state. While the most populous states would have the greatest number of workers in these wage categories (California, for example, has almost 1.5 million workers with wages between \$5.15 and \$6.14) the evidence suggests that thousands of workers in every state would potentially benefit from a \$1.00 increase in the minimum wage.

Table 1. Employed Wage and Salary Workers Paid Hourly Rates with Earnings At or Below Minimum Wage, 1999

Characteristic	Number of workers (in thousands)		Percent distribution		Percent of workers in demographic group who earn \$5.15 or less
	Total paid hourly rates	Paid \$5.15 or less	Total paid hourly rates	Paid \$5.15 or less	
Total, 16 years and over	72,306	3,340	100.0	100.0	4.6
AGE					
16 to 19 years	6,600	1,006	9.1	30.1	15.2
20 and over	65,706	2,334	90.9	69.9	3.6
SEX					
Men, 16 years and over	36,073	1,214	49.9	36.3	3.4
Women, 16 years and over	36,233	2,126	50.1	63.7	5.9
RACE AND HISPANIC ORIGIN					
White	58,999	2,698	81.6	80.8	4.6
African American	10,126	515	14.0	15.4	5.1
Hispanic	9,402	513	13.0	15.4	5.5
FULL- AND PART-TIME STATUS					
Full-time workers	54,931	1,320	76.0	39.5	2.4
Part-time workers	17,227	2,010	23.8	60.2	11.7
FAMILY RELATIONSHIP					
Husbands	17,609	242	24.4	7.2	1.4
Wives	16,996	622	23.5	18.6	3.7
Women who maintain families	5,395	288	7.5	8.6	5.3
Men who maintain families	1,815	50	2.5	1.5	2.8
Other persons	30,491	2,082	42	62	28

Note: Data exclude the incorporated self-employed. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Also note that the distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

Source: U.S. Department of Labor (Bureau of Labor Statistics), unpublished tabulations from the Current Population Survey, 1999 annual averages.

Table 2. Distribution of Wage and Salary Workers Paid Hourly Rates, 1999

Characteristic	Number of workers (in thousands)		Percent distribution		Percent of workers in demographic group who fall in wage category	
	\$5.15 - \$6.14	\$6.15 - \$7.14	\$5.15 - \$6.14	\$6.15 - \$7.14	\$5.15 - \$6.14	\$6.15 - \$7.14
Total, 16 years and over	10,093	8,370	100.0	100.0	14.0	11.6
AGE						
16 to 19 years	3,133	1,482	31.0	17.7	47.5	22.5
20 and over	6,960	6,888	69.0	82.3	10.6	10.5
SEX						
Men, 16 years and over	4,076	3,405	40.4	40.7	11.3	9.4
Women, 16 years and over	6,018	4,965	59.6	59.3	16.6	13.7
RACE AND HISPANIC ORIGIN						
White	8,027	6,668	79.5	79.7	13.6	11.3
African American	1,602	1,336	15.9	16.0	15.8	13.2
Hispanic	1,989	1,447	19.7	17.3	21.2	15.4
FULL- AND PART-TIME STATUS						
Full-time workers	4,563	5,301	45.2	63.3	8.3	9.7
Part-time workers	5,512	3,048	54.6	36.4	32.0	17.7
FAMILY RELATIONSHIP						
Husbands	851	990	8.4	11.8	4.8	5.6
Wives	1,821	1,962	18.0	23.4	10.7	11.5
Women who maintain families	855	807	8.5	9.6	15.8	15.0
Men who maintain families	171	167	1.7	2.0	9.4	9.2
Other persons	6,396	4,445	63	53	84	58

Note: Data exclude the incorporated self-employed. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Also note that the distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

Source: U.S. Department of Labor (Bureau of Labor Statistics), unpublished tabulations from the Current Population Survey, 1999 annual averages.

5. ECONOMIC RESEARCH ON THE EFFECT OF THE MINIMUM WAGE ON EMPLOYMENT

The impact of a moderate increase in the minimum wage on employment is a key question for policymakers. Clearly, while an increase in the minimum wage benefits those workers who receive it, some have raised concerns that these direct gains may be partially or fully offset if the minimum wage increase leads to greater unemployment among lower income workers. Section 3 discussed some of the aggregate evidence from the 1996-97 experience. This section discusses the economic theory and empirical evidence behind the effects of the minimum wage on employment.

Recent Economic Theory on the Impact of the Minimum Wage on Employment

The traditional economic theory of supply and demand predicts that an increase in the minimum wage above the market rate would increase the cost faced by employers, causing them to reduce employment. Recent theoretical analyses, however, have challenged this conventional wisdom, examining reasons why some employers may respond to a moderately higher minimum wage by expanding employment. Specifically, higher wages can help firms attract better workers, motivate them to work harder, and retain them for longer periods. (While firms always have the option of increasing their pay rate, some managers leave wages unchanged because of reluctance to increase average labor costs.) At least five papers—recently published in peer-reviewed economics journals—rigorously study this logic.⁶ These papers show that a moderate minimum wage can have a positive effect on employment. In general, then, an increase in the minimum wage has an ambiguous effect on employment. The only way to determine the effect in practice is to look at the empirical evidence.

Recent Empirical Evidence on Employment Effects

In an important book, economists David Card and Alan Krueger (1995) provide a critical analysis of previous research, and present their own extensive exploration of the wide variation in minimum wages across states found in the late 1980s and early 1990s. Their work shows that there were no negative employment effects even for teenagers, the group for whom any disemployment effects should be most apparent. Similarly, their detailed analysis fails to find disemployment effects of a minimum wage in the retail trade or in employment of fast food restaurants. More recent studies confirm these results.

Employment in Fast Food Restaurants. To determine the impact of minimum wages on employment, one would like to gather data from firms prior to a minimum wage increase and see how firms adjust employment relative to other similar firms for which the minimum wage does not increase. New work by Card and Krueger (forthcoming) comes closest to doing this. In 1992, New Jersey imposed a higher minimum wage, and yet the neighboring state of Pennsylvania did not. And then in 1996 an increase in the federal minimum wage affected Pennsylvania but not New Jersey. These two episodes provide an experiment that can be used to infer the effects of a minimum wage increase on employment. Card and Krueger use the BLS's employer-reported payroll files from 1991 through 1997 to evaluate employment growth of fast

⁶ See Bhaskar and To (1999), Dickens, Machin, and Manning (1999), Lang and Kahn (1998), Manning (1995), and Rebitzer and Taylor (1995). Additional discussion of these models are found in Chapter 11 of Card and Krueger (1995).

food restaurants in New Jersey and nearby counties in Pennsylvania. They conclude that the minimum wage changes had very little (and possibly slightly positive) effect on employment.⁷

The British Experience. Dickens, Machin, and Manning (1999) studied the British experience with minimum wages. They found "...strong evidence that [minimum wages] compressed the distribution of earnings and no evidence that they have reduced employment."

6. CONCLUSION

The evidence is convincing that moderate increases in the minimum wage have provided meaningful additional earnings for many of America's most hard-pressed working families with no discernible negative employment effects. Increasing the minimum wage is one of the ways that government can help ensure that everyone continues to share in the benefits of growth. When the minimum wage was fixed from 1981 to 1990, the wages and incomes of poorer workers fell in real terms. Thanks to the 1996-97 minimum wage increase, today the minimum wage is helping to ensure that a single parent with two children does not have to raise his or her children in poverty.

The minimum wage is just one component of an overall strategy for insuring that all families benefit from the nation's economic growth. The President's proposed expansion in the Earned Income Tax Credit—to increase benefits for families with three or more children, reduce the marriage penalty, and reduce the phaseout rate—would enhance the value of a higher minimum wage, especially for families with more children and thus greater needs. At the same time, the President is committed to continuing to make important investments in people. Since 1993, the budget for education and training programs has nearly doubled and the President is proposing record increases for a number of key education programs, including Head Start, in his FY 2001 budget. Together, these policies are an investment in continued strong and shared economic growth.

⁷ While some critics of Card and Krueger expressed concern about their data collection, the most recent research uses BLS employment records and finds basically the same results.

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Appendix: Distribution of Wage and Salary Workers Paid Hourly Rates by State, 1999

	Number (in thousands)		Percent of All Wage and Salary Workers	
	\$5.15 to \$6.14	\$6.15 to \$7.14	\$5.15 to \$6.14	\$6.15 to \$7.14
Total	10,093	8,370	13.9	11.6
Alabama	202	146	18.1	13.1
Alaska	9	13	5.5	7.6
Arizona	200	157	15.2	11.9
Arkansas	130	101	20.9	16.2
California	1,463	1,023	17.4	12.1
Colorado	79	92	7.3	8.4
Connecticut	62	70	7.5	8.6
Delaware	22	21	10.8	10.0
DC	12	12	10.0	10.7
Florida	597	530	15.5	13.8
Georgia	267	248	13.1	12.3
Hawaii	47	29	15.0	9.4
Idaho	58	45	15.6	12.3
Illinois	428	354	13.2	10.8
Indiana	180	209	9.8	11.4
Iowa	103	91	11.2	9.9
Kansas	123	96	15.6	12.3
Kentucky	157	161	14.2	14.7
Louisiana	297	123	25.9	10.7
Maine	45	39	11.8	10.4
Maryland	125	137	9.5	10.5
Massachusetts	161	162	9.6	9.7
Michigan	341	312	11.3	10.3
Minnesota	115	121	8.0	8.4
Mississippi	146	74	22.7	11.5
Missouri	172	169	11.9	11.8
Montana	54	32	21.5	12.7
Nebraska	67	68	13.2	13.6
Nevada	60	60	11.2	11.3
New Hampshire	29	31	8.2	8.5
New Jersey	205	187	10.6	9.8
New Mexico	75	39	18.0	9.1
New York	566	395	14.8	10.3
North Carolina	247	223	12.4	11.2
North Dakota	34	29	18.3	15.9
Ohio	427	356	12.7	10.6
Oklahoma	170	126	19.6	14.5
Oregon	35	184	3.7	19.7
Pennsylvania	454	338	13.8	10.3
Rhode Island	37	25	13.4	9.3
South Carolina	153	116	14.9	11.3
South Dakota	33	29	15.2	13.7
Tennessee	208	216	13.6	14.2
Texas	929	653	18.5	13.1
Utah	61	84	10.1	14.0
Vermont	21	20	12.4	11.5
Virginia	218	207	13.6	12.8
Washington	180	158	10.9	9.6
West Virginia	106	60	22.2	12.8
Wisconsin	157	177	8.9	10.0
Wyoming	25	19	17.8	13.8

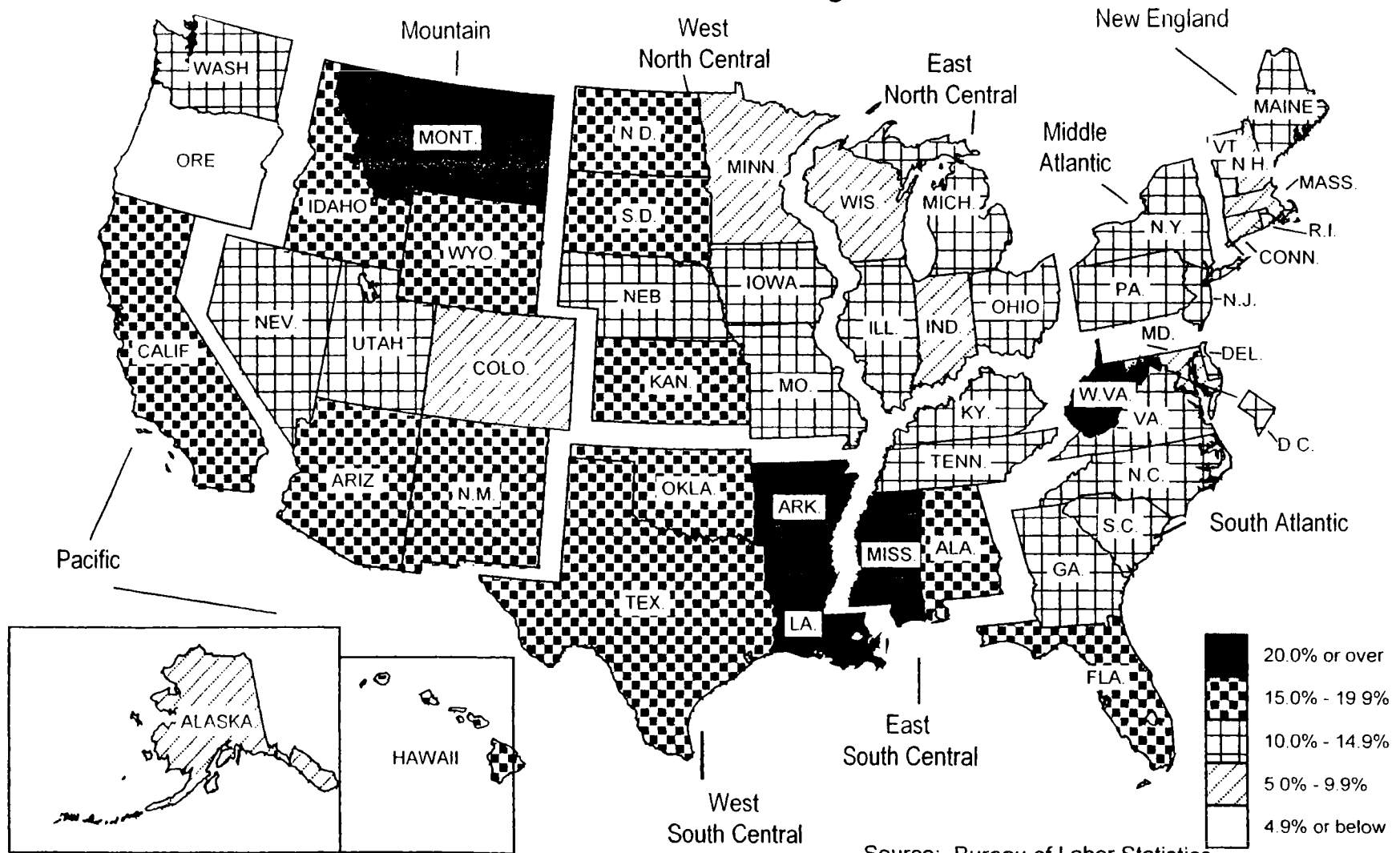
Note: Workers in the \$5.15 to \$6.14 category would be directly affected by a \$1.00 increase in the minimum wage.

Those in the \$6.15 to \$7.14 category could be affected by spillovers.

Source: U.S. Department of Labor, Bureau of Labor Statistics, unpublished tabulations from the Current Population Survey, 1999.

Percentage of workers paid hourly rates earning between \$5.15 and \$6.14 per hour, by State (U.S. percentage = 14.0 percent)

1999 annual averages



Source: Bureau of Labor Statistics

**WOMEN
AND
RETIREMENT SECURITY**

**PREPARED BY THE NATIONAL ECONOMIC COUNCIL
INTERAGENCY WORKING GROUP ON SOCIAL SECURITY**

OCTOBER 27, 1998

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EXECUTIVE SUMMARY

- **Women Have Lower Income in Retirement than Men -- And Thus Higher Poverty.** In 1997, median income for elderly unmarried women (widowed, divorced, separated, and never married) was \$11,161, compared with \$14,769 for elderly unmarried men and \$29,278 for elderly married couples. Thus, the poverty rate for elderly women was higher than that of men: in 1997, the poverty rate of elderly women was 13.1 percent, compared to 7.0 percent among men. Among unmarried elderly women, the poverty rate was significantly higher -- about 19 percent.
- **Social Security Is Particularly Important to Women.** Elderly unmarried women -- including widows -- get 51 percent of their total income from Social Security. Unmarried elderly men get 39 percent, while elderly married couples get 36 percent of their income from Social Security. For 25 percent of unmarried women, Social Security is their only source of income, compared to 9 percent of married couples and 20 percent of unmarried men. Without Social Security benefits, the elderly poverty rate among women would have been 52.2 percent and among widows would have been 60.6 percent.
- **Women Face Greater Economic Challenges in Retirement.** First, women tend to live longer: a woman who is 65 years old today can expect to live to 85, while a 65 year old man can expect to live to 81. Second, women have lower *lifetime* earnings than men do. And third, women reach retirement with smaller pensions and other assets than men do.
- **The Current Social Security System Has a Number of Features That Help Women Meet These Challenges.**
 1. Social Security provides an inflation-protected benefit that lasts as long as you live. Since women tend to live longer than men, they are in greater danger of outliving their other sources of retirement income; but it is impossible to outlive one's Social Security benefit.
 2. The progressive benefit formula provides a higher replacement rate for workers with lower earnings. For the median female retiree, Social Security replaces 54 percent of average lifetime earnings, compared with 41 percent for the median male.
 3. Social Security provides extra benefits to spouses with low lifetime earnings. The Social Security spousal benefit helps many women, even if they did not work at all outside the home.
 4. Social Security provides benefits to elderly widows; 74 percent of elderly widows receive benefits based on the earnings of their deceased spouse.
 5. Social Security provides benefits to spouses of any age who care for children under 16 if the worker (other spouse) is retired, becomes disabled, or dies; women represent 98 percent of recipients receiving benefits as spouses with a child in their care.

- **Social Security Will Continue to Be Important for Women in the Future.** As the labor force participation rates of women continue to rise, women in the future will reach retirement with much more substantial earnings histories than in the past. Therefore, the percentage of women receiving benefits based solely on their own earnings history is expected to rise from 37 percent today to 60 percent in 2060. However, this means that 40 percent of women will continue to receive benefits based on their husband's earnings.
- **Poverty Rates Among Unmarried Elderly Women -- Especially Widows Who Make up 45 Percent of All Elderly Women -- Are High.** Divorced women are a growing share of the elderly population, and their poverty rate is higher than the overall elderly poverty rate. And finally, poverty rates among elderly minority groups are unacceptably high.
- **Among Current Retirees, Women Have Much Less Pension Coverage Than Men.** Only 30 percent of all women aged 65 or older were receiving a pension in 1994 (either worker or survivor benefits), compared to 48 percent of men.
- **Pensions Received by Women Are Worth Less than Those Received by Men.** Among new private sector pension annuity recipients in 1993-94, the median annual benefit for women was \$4,800, or only half of the median benefit of \$9,600 received by men. And among women approaching retirement, pension wealth is much smaller: for example, single women had average pension wealth that was 34 percent of the single men's average.
- **Among Workers, Women's Pension Coverage Depends on Work Status.** Overall, fewer women workers have pensions through work, 40 percent of women compared to 44 percent of men. However, women in full-time jobs are equally likely to have pension coverage as men; in 1997, 50 percent of women in full-time jobs had pensions compared to 49 percent of men. It is important to note, though, that women are much more likely to work part-time or be out of the labor force than men.

WOMEN AND RETIREMENT SECURITY

Over the course of this year, the Administration, Congress, and other interested parties have engaged Americans in a national debate about ways to strengthen Social Security for the 21st Century. President Clinton and Vice President Gore attended three bipartisan Social Security forums convened by the AARP and the Concord Coalition, and the President and Vice President hosted a conference on private retirement savings in July. One issue that has arisen repeatedly throughout this process is the relationship between Social Security and women's retirement security. The purpose of this report is to inform the national debate by presenting some of the key facts and issues about women and their Social Security benefits and pensions.

I. BASIC FACTS ON WOMEN AND RETIREMENT

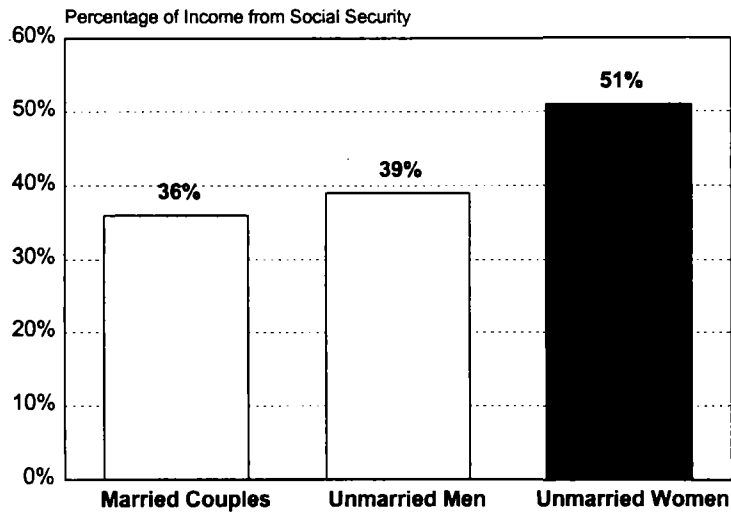
- **Women Have Lower Income in Retirement than Men Do.** In 1997, median income for elderly unmarried women (widowed, divorced, separated, or never married) was \$11,161, compared with \$14,769 for elderly unmarried men and \$29,278 for elderly married couples.¹
- **Poverty Rates Among Elderly Women Are Higher Than Rates Among Men.** The poverty rate among Americans age 65 and over has fallen from 35.2 percent in 1959 to 10.5 percent today. The poverty rate for all elderly women was 13.1 percent in 1997, compared to a 7.0 percent rate for all elderly men.² And for unmarried elderly women, the poverty rate is even higher -- around 19 percent.

POVERTY RATES OF THE FEMALE POPULATION 65 AND OVER BY MARITAL STATUS, 1997 ³				
All Elderly Women	Married	Divorced	Widowed	Never Married
13.1%	4.6%	22.2%	18.0%	20.0%

- **Nearly 60 Percent of Elderly Women Are Unmarried.** The poverty rate among unmarried women is particularly important because 59 percent of elderly women are either widowed (45 percent), divorced (7 percent), separated (2 percent), or never married (5 percent). In contrast, only 27 percent of elderly men are unmarried.⁴
- **Social Security Is Particularly Important to Women.** Elderly unmarried women -- including widows -- get 51 percent of their total income from Social Security. Unmarried elderly men get 39 percent, while elderly married couples get 36 percent of their income from Social Security.⁵

SOURCES OF INCOME FOR PERSONS 65 AND OVER, 1996 (PERCENT OF TOTAL INCOME)					
	Social Security	Pensions	Income from Assets	Earnings	Other
Unmarried women	51%	15%	20%	10%	4%
Unmarried men	39	22	16	19	4
Married couples	36	20	18	25	1
All elderly	40	18	18	20	4

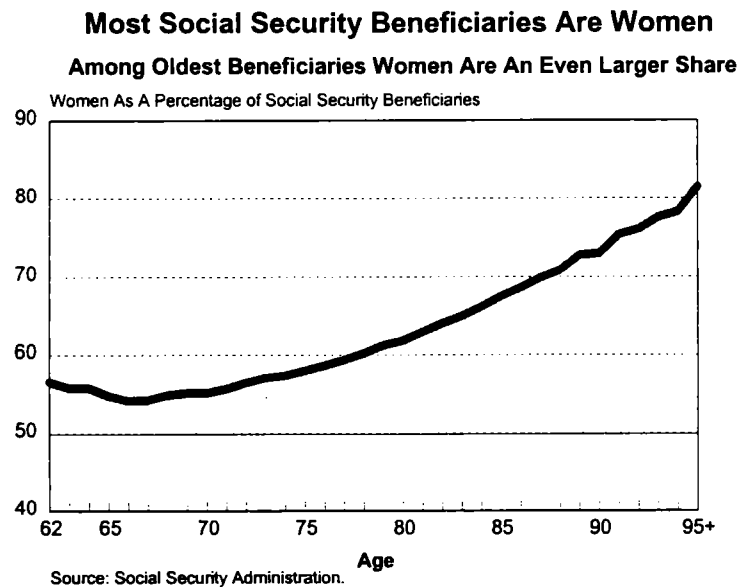
Social Security Is Particularly Important For Elderly Women



Source: Social Security Administration

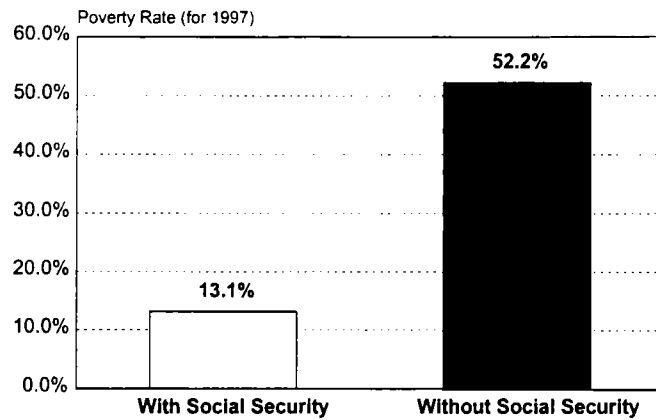
II. SOCIAL SECURITY AND WOMEN

- **Most Social Security Recipients Are Women.** Women represent 60 percent of all elderly Social Security recipients (women are 18.9 million of the 31.7 million aged beneficiaries).
- **Women Make Up Nearly Three Quarters -- 72 Percent -- of the Increasing Number of Americans Over 85 Years Old.** Because women live longer, on average, than men, women make up 72 percent of all beneficiaries age 85 and above.⁶



- **For Many Elderly Women, Social Security Is Their Only Source of Income.** For 25 percent of unmarried women (widowed, divorced, separated, never married), Social Security is their only source of income. Social Security is the only source of income for 9 percent of married couples and 20 percent of unmarried men.⁷
- **Excluding Social Security Benefits, the Poverty Rate among Elderly Women Would Be More Than 50 Percent.** In 1997, the poverty rate among elderly women was 13.1 percent. Without Social Security benefits it would have been 52.2 percent. For elderly widows the poverty rate was 18.0 percent; without Social Security benefits it would have been 60.6 percent. (For elderly men the rate is 7.0 percent, without Social Security it would be 40.7 percent.)⁸

Without Social Security, More than Half of Elderly Women Would Be in Poverty



Source: Social Security Administration

Why Women Face Greater Economic Challenges in Retirement

- **Women Live Longer than Men.** A woman who is 65 years old today can expect to live to 85, while a 65 year old man can expect to live to 81.⁹ This gap is expected to persist into the future. Because women live longer, they depend on Social Security for more years, and become increasingly dependent on Social Security with age. Unmarried women between 65 and 74 years old get 43 percent of their income from Social Security, while unmarried women 75 and older get 55 percent of their income from Social Security.

EXPECTED TOTAL LIFETIME FOR PERSONS AGE 65		
Year Turning Age 65	Male	Female
1940	77.0	78.7
1998	81.2	84.8
2030	82.7	86.1

- **Women Have Lower Lifetime Earnings than Men.** Women have lower *lifetime* earnings than men do for three reasons:
 - **Women Who Work Are More Likely to Work Part-time.** In the third quarter of 1998, 25.8 percent of female workers worked part-time, compared with 10.6 percent of male workers. Women represented 67.5% of all part-time workers.¹⁰
 - **Full-time Female Workers Earn Less than Full-time Male Workers.** The median earnings of full-time year-round women workers in 1997 was \$24,973, compared to \$33,674 for men -- that means that the median woman earns 74 percent of the median man's earnings.¹¹

- **Women Take More Years Out of the Labor Force than Men Do.** Women are more likely to take time out of the labor force for child raising or other care giving responsibilities. Of workers retiring in 1996, the median woman had worked 27 years over her lifetime, while the median man had worked 39 years.¹²
- **Women Reach Retirement with Smaller Pensions and Other Assets than Men Do.** Only 30 percent of women aged 65 or older were receiving their own pensions in 1994 (either as a retired worker or a survivor), compared with 48 percent of men. Section IV describes issues related to women and pensions in more detail.

How the Current Social Security System Helps Women Meet Retirement Challenges

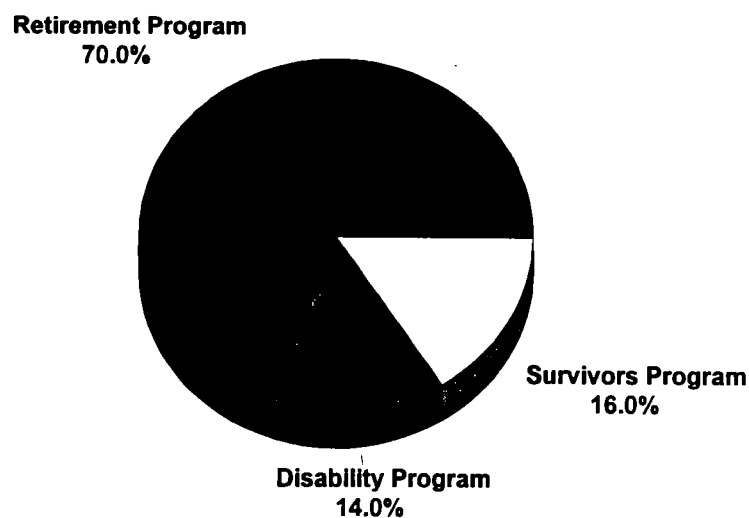
The current Social Security system has a number of features that are particularly important to women.

- **Social Security Provides an Inflation-Protected Benefit That Lasts as Long as You Live.** Although women receive lower average Social Security benefits than men do, women tend to live longer than men and to receive benefits for more years. In addition, because women live longer, they are in greater danger of outliving their other sources of retirement income; but it is impossible to outlive one's Social Security benefit. Furthermore, the cost of living protection in Social Security is more valuable the longer a person lives; therefore, this feature of the program is particularly valuable to women.
- **The Progressive Benefit Formula Provides a Higher Replacement Rate for Workers with Lower Earnings.** Since women tend to have lower earnings than men, they receive worker benefits that are a higher fraction of their lifetime earnings. For the median female retiree, Social Security replaces 54 percent of average lifetime earnings, compared with 41 percent for the median male.¹³
- **Social Security Provides Extra Benefits to Spouses with Low Lifetime Earnings.** Women are more likely than men to take time out of the labor force for child rearing, and, on average, have lower earnings when they work than men do. This means that the Social Security benefit they are entitled to -- based on their own earnings history -- can be small. But Social Security provides a spousal benefit that helps many women, even if they did not work at all outside the home. A spouse receives a benefit equal to the larger of the benefit she is entitled to based on her own earnings or one-half of the benefit received by her husband. Currently, 63 percent of female Social Security beneficiaries age 65 and over receive benefits based on their husband's earnings record. (Only 1.2 percent of male Social Security beneficiaries receive benefits based on their wife's earnings record). The result is women receive more than they would based only on their own earnings histories. While the average full benefit a women is entitled to based on her own earnings record is only 62 percent of that of men, the average benefit received by women is 75 percent of that of men.¹⁴

- **Social Security Provides Benefits for Widows.** Social Security pays an elderly widow a benefit equal to either the benefit she receives as a worker or the benefit of her deceased spouse, whichever is higher. Nearly three quarters -- 74 percent -- of elderly widows receive benefits based on the earnings of their deceased spouse.
- **Social Security Provides Benefits to Spouses with Young Children.** Social Security provides benefits to spouses of any age who care for children under 16 if the worker (other spouse) is retired, becomes disabled, or dies; women represent 98 percent of recipients receiving benefits as spouses with a child in their care.
- **Nearly One-Third of Social Security Beneficiaries Are Either Disabled or Survivors (or Their Dependents).** Nearly one-third of Social Security's 44 million beneficiaries are either disabled or survivors (or their dependents). This includes 3.8 million children who receive benefits, with 1.9 million as survivors of deceased parents, 1.4 million as children of disabled workers, and 0.4 million as children of retired workers. Disability insurance (in case an individual becomes disabled and can't work) and survivors' insurance are each separately equivalent, for the average young family with two children, to an insurance policy of about \$300,000.

Social Security Is More Than A Retirement Program

Percentage of Social Security Beneficiaries By Program



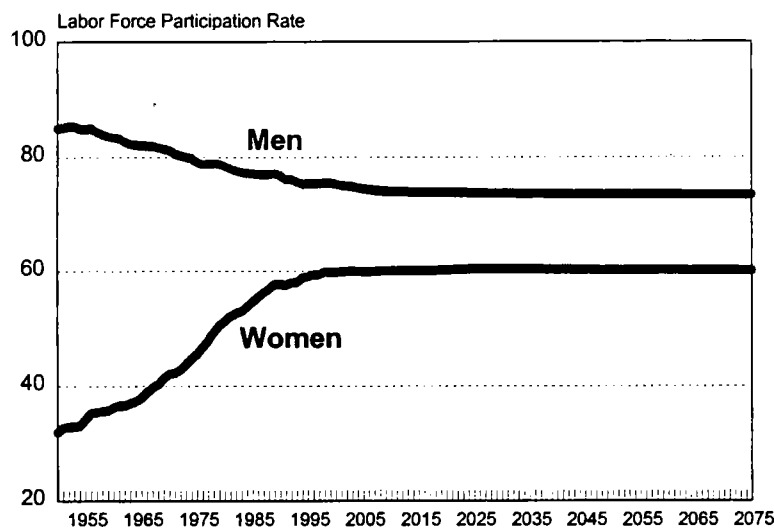
Will Social Security Continue to Be as Important for Women in the Future?

As younger cohorts of women reach retirement, more and more female beneficiaries will receive benefits based upon their own earnings records. Nonetheless, the average benefit received by women is expected to remain below that of men, and a significant share of women will continue to receive benefits based on their spouse's earnings record.

- **Labor Force Participation Rates among Women Have Risen Dramatically.** In the future, women will reach retirement with much more substantial earnings histories than in the past. (Male labor force participation has been falling due largely to earlier retirement).

Labor Force Participation Rates

1950-2075



Source: Social Security Administration. Data are age adjusted.

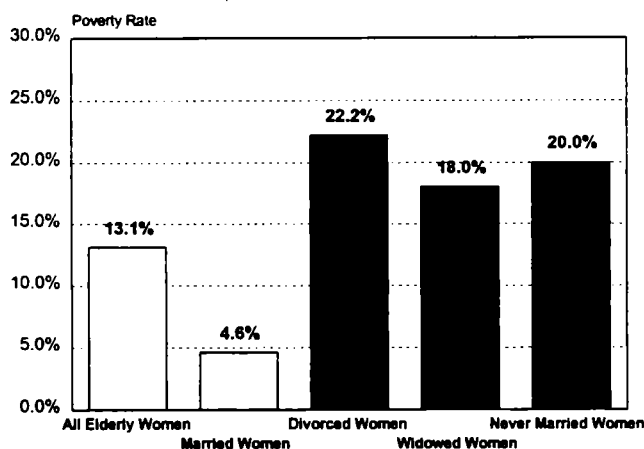
- **More Women Will Receive Benefits Based Solely On Their Own Earnings History.** The percentage of women receiving benefits based solely on their own earnings history is expected to rise from 37 percent today to 60 percent in 2060. However, this means that 40 percent of women will continue to receive benefits based on their husband's earnings.¹⁵
- **Average Benefits Based On Own Earnings Record Will Rise Relative to Men.** The average full monthly benefit for retired female workers based on their own earnings record, which is currently 62 percent of the average for men, will rise to 67 percent in 2050.¹⁶
- **Projections Indicate That Women Will Continue to Live Longer than Men.** The difference in life expectancy at age 65 between men and women will fall only slightly under Social Security Administration projections from a gap of 3.6 years today to 3.4 years in 2030. Thus, in the future, women will continue to depend on Social Security for more years than men will.¹⁷

III. CHALLENGES FOR THE CURRENT SYSTEM

Poverty Rates Remain High Among Elderly Women

- **Poverty Rates Among the Elderly Have Fallen Dramatically, Due Largely to Social Security.** The poverty rate among Americans age 65 and over has fallen from 35.2 percent in 1959 to 15.2 percent in 1979 and 10.5 percent today. This compares with an overall poverty rate of 13.3 percent.
- **Poverty Rates among Widowed, Divorced, and Never Married Women Remain High.** The poverty rate for all elderly women was 13.1 percent in 1997, compared to a 7.0 percent rate for all elderly men. For both divorced and widowed women, poverty rates are significantly higher than men: the poverty rate is 22.2 percent for divorced women and 15.0 percent for divorced men and the poverty rate is 18.0 percent for widowed women and 11.4 percent for widowed men. Married couples had a poverty rate of only 4.6 percent.

Poverty Rates Are High Among Unmarried Elderly Women 1997

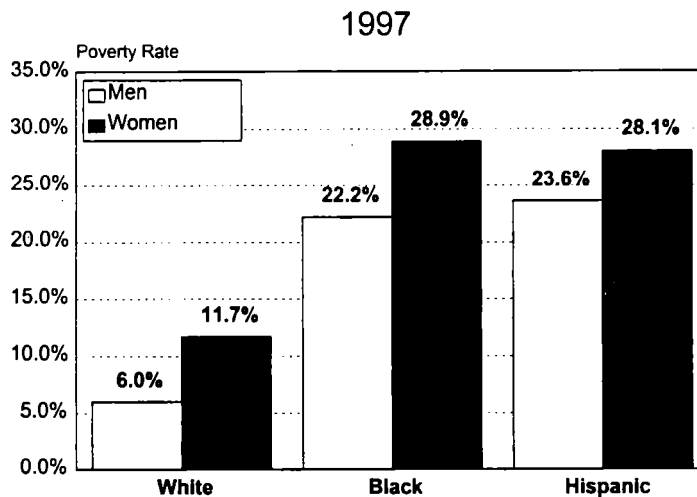


Source: Social Security Administration, Based on Data from the Census Bureau.

- **Widows Make Up A Large Fraction of Elderly Women.** Of women 65 and over, 45 percent of women are widowed, 43 percent are married, 7 percent are divorced, and 5 percent are never married. This means that the high poverty rate among widows and other unmarried women affects a large share of elderly women.
- **There Are Also a Substantial Number of Relatively Young Widows, Though the Number Is Falling.** Of 60-year old women, 13 percent are widows. This percentage rises to more than one-quarter of women aged 65 to 67. Because husbands in low-income families tend to die at younger ages than husbands in higher-income families, these early widows are often poor.

- **Divorced Women Are a Growing Share of the Elderly Population.** In 1997, 7.1 percent of elderly women were divorced -- this compares with only 2.2 percent in 1969. Among women approaching retirement (55-64 years old), 14.4 percent were divorced in 1997. Since divorced women have higher poverty rates than other women, this trend could lead to higher poverty rates for women in the future.
- **Poverty Rates Are Higher among Elderly Blacks and Hispanics.** The poverty rate for black women aged 65 or above is 28.9 percent, compared with 28.1 percent for Hispanic women, and 11.7 percent for white women. The poverty rate for black men aged 65 or above is 22.2 percent, compared with 23.6 percent for Hispanic men, and 6.0 percent for white men.

Poverty Rates Are Particularly High Among Elderly Minority Groups



Source: Bureau of the Census

*Reasons Why Poverty Rates Are Higher Among Widows than Among Married Women*¹⁸

- **Declines in Social Security Benefits at Widowhood.** Widow benefits vary from 50 to 67 percent of benefits for a married couple. The official poverty thresholds imply that a widow needs 79 percent of a couple's income to maintain her pre-widowhood consumption level. Thus, women who are in couples just above the poverty line, can fall below the line when they become widowed. Empirical studies suggest that this factor can explain as much as half of the excess in poverty among widows.
- **Pre-Widowhood Differences in Economic Status.** Poorer husbands typically do not live as long as richer husbands. Therefore, at a given age, women who are widowed are more likely to have been poor throughout their lives than are the women whose husbands have not yet died. Empirical studies conclude that this fact explains around one third of the difference in poverty rates between married women and widows.¹⁹
- **Declines in Pension Income at Widowhood.** Research using data from the 1970s implies that roughly 15 percent of the gap in poverty between widows and married women can be explained by the loss of the husband's pension income. However, these data predate the Retirement Equity Act of 1984 which was designed to encourage the choice of a pension with survivorship rights.
- **Declines in Income from Other Assets at Widowhood.** Some assets may be bequeathed to people other than the widow or used for medical or other expenses when the widow's spouse dies. Empirical evidence suggests that the decline in other asset income is responsible for about 10 percent of the difference in poverty rates between widowed and married women.

Issues Concerning Benefits for Spouses who Work in the Home and Benefits Based on Paid Employment

- **Spousal Benefit Ensures Adequate Retirement Income.** A woman is eligible to receive a Social Security benefit that is 50 percent of her husband's benefit while her husband is alive, and a benefit that is 100 percent of her husband's benefit after he dies. These benefits reward women for work done in the home and ensure that all Americans have an adequate retirement income, even those with little paid employment. However, some people argue that spouse benefits are unfair because women with many years of paid employment can end up with benefits that are no larger than stay-at-home moms, and others point out that two families with identical total earnings can end up with different Social Security benefits depending on the division of the earnings between the two spouses.

IV. WOMEN AND PENSIONS

Social Security provides a key foundation for retirement security. Pensions and individual savings provide important resources as well. For elderly married couples, these other sources of income account for 64 percent of total income. For elderly unmarried females, these other sources account for 49 percent of total income.

Among Current Retirees, Women Have Much Less Pension Coverage Than Men

- **Women Are Less Likely To Have A Pension.** Only 30 percent of all women aged 65 or older were receiving a pension in 1994 (either worker or survivor benefits), compared to 48 percent of men.²⁰
- **Lower Pension Coverage Among Private-Sector Workers.** Only 31 percent of women aged 65 or older (and 55 percent of men) who had worked in the private sector reported pension benefits, compared to 66 percent (and 75 percent of men) of public sector retirees.²¹
- **Pensions Received by Women Are Worth Less than Those Received by Men.** Among new private sector pension annuity recipients in 1993-94, the median annual benefit for women was \$4,800, or only half of the median benefit of \$9,600 received by men. The median pre-retirement wage replacement rate of annuity benefits was 20 percent for women, compared to 30 percent for men. Among lump sum pension recipients in 1993-94 who were age 40 and over, the median lump sum distribution was \$5,000 for women and \$14,475 for men.²²
- **Among Women Approaching Retirement, Pension Wealth Is Much Smaller.** Single women had average pension wealth that was 34 percent of the single men's average. Among married people, the gender gap was even larger, with the women's average being only 25 percent of men's. These estimates include both private and public sector workers with and without pensions.²³

401(k) Plan Take-up Rates

- **Women Are Less Likely To Take Up 401(k) Option When Offered.** Among private wage and salary workers offered a 401(k) plan in 1993, the overall participation rate was 62 percent for women and 70 percent for men.²⁴
- **Lower Take Up Is Largely Explained By Lower Earnings.** The take-up rate is highly correlated with earnings. For example, while only 39 percent of workers earning less than \$15,000 per year participate in a 401(k) plan when offered, 90 percent of workers earning \$75,000 or more do so. Because men, on average, earn more than women, their overall take-up rates in 401(k) plans are higher. However, when wages are held constant the take-up rate for women is generally equal to or greater than that of men. Among workers earning less than \$15,000 in 1993 the take-up rate was 41 percent for women compared to 35 percent for men. For workers earning from \$30,000 to \$40,000 the take-up rate was 75 percent for women and 72 percent for men.²⁵

*Among Workers, Women's Pension Coverage Depends on Work Status*²⁶

- **Overall, Fewer Women Have Pensions Through Work.** For all female workers -- both full time and part time -- 27 million (40 percent) had a pension plan through work in 1997. For all male workers, 34 million (44 percent) had an employment based pension.
- **In Full-time Jobs, Women Are Equally Likely To Have Pension Coverage.** Twenty five years ago, pension coverage for women in full-time jobs was only 70 percent of the rate for men. Today, the coverage rates are nearly identical. In 1997, 50 percent of women in full-time jobs had pension coverage, compared with 49 percent of men.
- **Coverage Is Significantly Lower for Part-time Workers.** Coverage is significantly lower for women who work part time. In 1997, 15 percent of women working part time were covered by pensions versus 50 percent working full time.
- **Women Are More Likely to Work Part-time or Be Out of the Labor Force than Men.** In 1997, 75 percent of men were in the labor force, versus 60 percent of women. In addition, over one fourth of working women were part-time, compared with one tenth of men.
- **Women Who Work Part time Are Less Likely To Work For Firms With Pension Plans.** In 1997, of the 48 million women workers employed full time, 30 million (63 percent) worked for a firm with a plan. Among the 20 million women employed part time in 1997, only 7 million (36 percent) worked for a firm sponsoring a pension plan.
- **Women Who Work Part time Are Less Likely to Participate in Pension Plans.** Among women employed by firms sponsoring pension plans, those employed on a part-time basis are far less likely to participate in the plan, primarily because plans often exclude employees working less than 1,000 hours per year. Of the 30 million full-time women workers in 1997 employed with firms with plans, 24 million (80 percent) participated in the plan. Of the 7 million part-time women workers employed by firms with plans, only 3 million (41 percent) participated in the plan.
- **Vesting Rate is Higher for Women Who Work Full time.** For women participating in a pension plan the vesting rate is higher for those who work full time, particularly for those with less than five years of service. In 1993, 64 percent of women with less than five years of service who were employed full time in private sector jobs reported that they were vested, compared to 56 percent of women employed part time. A total of 325,000 women with less than five-years of pension service in a part-time job reported that they were not vested.²⁷

Women Have Smaller Non-Pension Wealth as Well.

- **Median Net Worth Is Lower for Women.** In 1993, the median female householder aged 65 or older had \$9,560 in financial net worth (not including equity in own home). In comparison, the median male householder had \$12,927, and the median married couple had \$44,410.²⁸

V. CONCLUSION

As discussions of Social Security reform continue, it will be important to study the impacts of comprehensive reform proposals on women. The design of reforms must take into account, not only the current characteristics of elderly women, but also the changes in their needs that are likely to come about in the 21st century as more women with long work histories reach retirement. In addition, reforms should consider the entire range of sources of retirement income available to women and how Social Security can best fit into the overall retirement security package.

ENDNOTES

1. Social Security Administration, Office of Policy, October 1998.
2. Bureau of the Census, *Poverty in the United States: 1997*, September 1998.
3. Social Security Administration, Office of Policy, October 1998.
4. Social Security Administration, Office of Policy, October 1998.
5. Social Security Administration, Office of Policy, October 1998.
6. Social Security Administration, Office of the Chief Actuary, October 1998.
7. Social Security Administration, Office of Policy, October 1998.
8. These calculations make the assumption that other income would not change if Social Security were not available.
9. Social Security Administration, Office of the Chief Actuary.
10. Bureau of Labor Statistics, Current Population Survey, October 1998.
11. Social Security Administration, Office of Policy, October 1998.
12. Social Security Administration, Office of the Chief Actuary, October 1998.
13. Social Security Administration, Office of the Chief Actuary.
14. The average benefit based on women's own earnings is the average for only those women claiming benefits as retired workers. Thus, it does not include the 37.5 percent of aged female beneficiaries who receive benefits as wives or widows only. Including these additional beneficiaries with full "worker" benefits of zero in the average would reduce the average full benefit for women as a share of the average full benefit for men to 39 percent.
15. Social Security Administration, Office of the Actuary.
16. The average benefit for retired female workers based on their own earnings records is calculated using only those women claiming benefits as retired workers. In the future, increased labor market experience will be divided between increased years of work for women who already have been receiving retired worker benefits, and additional women becoming eligible for worker benefits. As more women claim benefits as retired workers, many of the additional women will have earnings below the average for women already claiming as retired workers. This expansion of the population used in calculating the average explains in part why the average is forecast to rise only from 62 to 67 percent of the average for men even as cohorts of women retire with much greater labor market experience.
17. Social Security Administration, Office of the Actuary.

18. The subsequent estimates are based on integrating evidence from a number of studies, including the following: Hurd, Michael D. (1990). "Research on the Elderly: Economic Status, Retirement, and Consumption Savings," *Journal of Economic Literature*, XXVIII(2): 565-637. Holden, Karen (forthcoming). "Insuring Against the Consequences of Widowhood in a Reformed Social Security System," In National Academy of Social Insurance, *Framing the Social Security Debate: Values, Politics, and Economics*, Brookings Institute. Holden, Karen C., Richard V. Burkhauser, and Daniel A. Myers (1986). "Income Transitions at Older Stages of Life: The Dynamics of Poverty," *The Gerontologist*, 26(3): 292-297.
19. Holden, Karen (forthcoming). "Insuring Against the Consequences of Widowhood in a Reformed Social Security System," In National Academy of Social Insurance, *Framing the Social Security Debate: Values, Politics, and Economics*, Brookings Institution. Holden, Karen C., Richard V. Burkhauser, and Daniel A. Myers (1986). "Income Transitions at Older Stages of Life: The Dynamics of Poverty," *The Gerontologist*, 26(3): 292-297.
20. Department of Labor, Current Population Survey, September 1994.
21. Department of Labor, Current Population Survey, September 1994.
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23. Gustman, Alan, Olivia Mitchell, Andrew Samwick, and Tom Steinmeier. Forthcoming. "Pension and Social Security Wealth in the Health and Retirement Study." *Wealth, Work, and Health: Innovations in Measurement in the Social Sciences*, editors, James P. Smith and Robert Willis. Ann Arbor, Michigan: University of Michigan Press.
24. Department of Labor, Current Population Survey, April 1993.
25. Department of Labor, Current Population Survey, April 1993.
26. Unless otherwise noted, data in this section are from the Department of Labor, Current Population Survey, March 1998.
27. Department of Labor, Current Population Survey, April 1993.
28. Bureau of the Census, *Asset Ownership of Households: 1993*, August 1995.

THE CLINTON-GORE ADMINISTRATION
FY2001 BUDGET:
MAINTAINING FISCAL DISCIPLINE
WHILE MAKING KEY INVESTMENTS

Summary Documents

FEBRUARY 7, 2000

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I. SUMMARY

THE CLINTON-GORE ADMINISTRATION'S FY2001 BUDGET: MAINTAINING FISCAL DISCIPLINE WHILE INVESTING IN THE AMERICAN PEOPLE

When President Clinton was elected, he implemented an economic plan which consisted of restoring fiscal discipline, investing in people, and opening markets abroad. The Clinton-Gore Administration are submitting their eighth budget – and their fourth balanced budget. Like the previous budgets, this one not only maintains fiscal discipline but continues to make important investments in the American people.

FISCAL DISCIPLINE: CONTRIBUTING TO THE LONGEST EXPANSION IN U.S. HISTORY

President Clinton entered office determined to unleash the productive potential of the American people by putting the government's fiscal house back in order. As a result of fiscal discipline, interest rates have fallen and private investment has boomed, contributing to the longest expansion in U.S. history.

- **Record budget deficits have been erased.** In 1992 the deficit was a record \$290 billion and CBO projected that it would grow to \$455 billion by 2000. Instead we have a projected \$167 billion surplus, the third one in a row. *That is \$622 billion less savings drained by the government in one year alone.*
- **The largest pay-down of debt in history: \$297 billion.** In 1998 and 1999, the debt held by the public was reduced by \$140 billion. OMB is projecting that the government will pay down an additional \$157 billion in debt held by the public this fiscal year. That will bring the total debt pay down to \$297 billion – the largest three-year debt pay down in American history. In contrast, under Presidents Reagan and Bush, the debt held by the public quadrupled.
- **Smallest government in over three decades while increasing key investments in our people.** Government spending has declined from 22.2 percent of the economy in 1992 to 18.7 percent of the economy in 1999 – the lowest share since 1966. At the same time, the government has made important investments, including nearly doubling investments in education and training.
- **Tax burden for typical families is the lowest since the 1970s.** At the same time, the typical American family will shoulder the lowest Federal tax burden since 1978.
- **Investment has boomed.** The benefits of fiscal discipline for our economy have been enormous. Interest rates are lower than they would have been otherwise, helping to fuel seven consecutive years of double-digit investment growth for the first time in our Nation's history. That is a 12.1 percent real annual increase in investment in business equipment and software since 1993 – compared to 4.7 percent annual growth from 1981 to 1992.
- **Unemployment is the lowest in a generation.** The unemployment rate in January 2000 was 4.0 percent – the lowest in 30 years – and America has created 20.8 million jobs since January 1993, with 92 percent – 19.2 million – of these in the private sector. At the same time, the underlying core rate of inflation was 1.9 percent in 1999 – the lowest rate since 1965.
- **The longest economic expansion in history.** The economy is entering its 107th month of economic expansion – the longest economic expansion in U.S. history.

A BALANCED AND FISCALLY RESPONSIBLE BUDGET

President Clinton's FY2001 budget provides a balanced and fiscally responsible framework to eliminate the debt by 2013, strengthen the solvency of Social Security and Medicare, and invest in key priorities like health and education. Under the President's budget:

- **The debt would be paid off by 2013.** President Clinton has proposed to use the entire Social Security surplus, \$2.2 trillion over 10 years, for debt reduction. In addition, over the next 10 years he would dedicate \$350 billion of the \$746 billion non-Social Security surplus to debt reduction, with the vast majority of it being used to extend Medicare solvency. *That is nearly half of the non-Social Security surplus for debt reduction.* The President's budget is projected to pay off the debt held by the public by 2013, the first time America will have been debt free since 1835.
- **Discretionary spending would be kept at tight but realistic levels.** The President's Budget is Based on a realistic, fiscally conservative plan that maintains our domestic priorities, including national defense, education, law enforcement, public health, the environment, and veterans programs. The President's budget precludes the use of emergency spending except in the case of truly unforeseen emergencies, and it makes sure that all spending is accounted for in the appropriate year. The budget proposes to keep the growth of spending slightly below the rate of inflation.
- **Medicare solvency would be extended for over a decade to at least 2025.** The President's FY2001 budget dedicates \$432 billion over 10 years – an amount equivalent to over half the on-budget surplus – to strengthen and modernize Medicare to prepare it for the health, demographic, and financing challenges of the 21st Century.
- **Social Security solvency would be extended to at least 2050.** The President would ensure that the benefits of the debt reduction that are due to Social Security are used to extend the life of Social Security. He would do this by devoting the entire Social Security surplus to debt reduction and then earmarking the interest savings from this debt pay-down to Social Security. These transfers would extend the life of Social Security to 2050. If a prudent portion of the transfers were invested for higher returns, solvency would be extended to 2054.
- **Health coverage would broaden.** The President's budget also invests \$110 billion over 10 years in a number of policies that would efficiently expand coverage to at least 5 million uninsured Americans and expand access to millions more by building on current options. Together with the State Children's Health Initiative enacted in 1997, that would cover 10 million uninsured people.

TAX RELIEF FOR WORKING FAMILIES

President Clinton is proposing significant new tax relief for America's working families as part of a budget framework that maintains our fiscal discipline, makes investments in key priorities, strengthens the solvency of Social Security and Medicare, and pays down the debt by 2013. The President proposes \$351 billion of gross tax cuts over 10 years – of which \$256 billion are paid for out of the surplus and \$96 billion are paid for with corporate loophole closers and other measures. Highlights of the tax package include:

- **Retirement Savings Accounts (RSAs).** The President proposes a tax cut to provide generous and progressive incentives to encourage families to save and invest. (Cost: \$54 billion over 10 years.)
- **Tax Incentives to Encourage Small Businesses to Offer High-Quality Pensions.** The President would propose a 50 percent tax credit for employer's contributions to high-quality pensions. (Cost: \$17 billion.)

- **College Opportunity Tax Cut.** A College Opportunity Tax Cut to provide a choice between a tax deduction or a 28 percent tax credit on up to \$10,000 in tuition in order to make college, graduate school, and courses taken for a job more affordable. (Cost: \$30 billion.)
- **School Construction.** Tax credits for \$25 billion of bonds for the construction and modernization of up to 6,000 schools. (Cost: \$8 billion.)
- **Earned Income Tax Credit.** The President's budget would increase and expand the Earned Income Tax Credit to better reward work and family, reducing poverty for families with three or more children. (Cost: \$23 billion.)
- **Marriage Penalty and Broad Tax Relief.** The President's proposal would reduce the marriage penalty by increasing the standard deduction by more than \$2,000 for married, two-earner couples. (Cost: \$45 billion.)
- **Alternative Minimum Tax Relief.** The President proposes to ensure that the Alternative Minimum Tax does not penalize large families who play by the rules. (Cost: \$33 billion.)
- **Long-term Care.** A \$3,000 long-term care tax credit to compensate people with long-term care needs or their caregivers for the cost of care. (Cost: \$27 billion.)
- **Tax Credits for Medicare 55-65 and Americans In Between Jobs.** The President's budget would provide tax credits to help make his Medicare buy-in proposal affordable and to for people in between jobs. (Cost: \$12 billion.)
- **Child Care.** The President's proposal would expand the child care tax credit to defray up to 50 percent of expenses and make it refundable in order to help working families afford child care. (Cost: \$30 billion.)
- **New Markets Tax Credit.** More than double the proposed New Markets tax credit to spur \$15 billion of private investment in New Markets. (Cost: \$5 billion.)
- **Empowerment Zones.** The President's proposes to extend and expand Empowerment Zone tax cuts and to give all Empowerment Zones the same wage and business tax incentives. (Cost: \$4.4 billion.)
- **Better America Bonds.** The President proposes to establish \$10.75 billion of Better America Bonds to allow State, local, and tribal governments to borrow interest free in order to preserve green space, create or restore urban parks, protect water quality and clean up brownfields. (Cost: \$3 billion.)
- **Energy Efficiency.** In order to improve energy efficiency and help the environment, the President proposes \$9 billion in tax credits for energy-efficient cars, homes, and appliances. (Cost: \$9 billion.)
- **Philanthropy.** Encouraging philanthropy by allowing non-itemizers to take a tax deduction for charitable giving, improving the tax treatment of foundations, and allowing larger donations of stock and assets by individuals. (Cost: \$14 billion.)

MOVING FORWARD ON AN INVESTMENT AGENDA

Education and Training:

- **Largest Head Start Expansion in History.** An increase in Head Start's funding by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children.
- **Universal After-School for Students in the Most Need.** \$1 billion in the 21st Century Community Learning Centers program to help ensure that every child in every failing school can have a safe place to learn during the after school and summertime hours.
- **Accountability Fund.** An increase in funding from \$134 million to \$250 million to turn around failing schools.

- **Class Size Reduction.** \$1.75 billion – an increase of \$450 million – to hire 49,000 teachers in our public schools.
- **Teaching to High Standards.** A new \$1 billion teacher quality plan to recruit, train and reward good teachers.
- **School Construction and Modernization.** \$24.8 billion in tax credit bonds to build or modernize up to 6,000 schools. And a new \$1.3 billion initiative to provide urgent repairs for 5,000 schools each and every year.
- **College Opportunity Tax Cut.** A \$29.8 billion tax cut over the next 10 years to make college, graduate school, and job training more affordable for millions of families.
- **Increasing Support for College Access.** A nearly \$1 billion increase for initiatives such as the Pell Grant, SEOG, and Work Study programs.
- **Keeping Young People On Track for Success.** An increase of more than \$200 million for programs such as GEAR UP, TRIO, and College Completion Challenge Grants that prepare students to take full advantage of post-secondary educational opportunities.
- **Bureau of Indian Affairs (BIA) School Construction and Repair.** \$300 million, more than double last year's level, to replace and repair BIA-funded schools on reservations.

Child Care:

- **Tax Cuts to Enable Child Care.** A variety of measures offering tax relief so that good child care becomes affordable for working families.
- **Helping Low-Income Families Afford Child Care.** Expansion of the Child Care and Development Block Grant by \$817 million in FY2001, enabling the program to provide child care subsidies to nearly 150,000 more children next year.
- **Largest Head Start Expansion in History.** An increase in Head Start's funding by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children.
- **Promoting Early Learning.** \$3 billion over five years for the Early Learning Fund to help improve child care quality and early childhood education for children under five years old.

Health Care:

- **Addressing the Nation's Multi-Faceted Long-term Care Needs.** A \$28 billion, 10-year investment in long-term care, the centerpiece of which is a \$3,000 tax credit for people with long-term care needs or their caregivers – tripling the credit over last year's proposal.
- **Patients Bill of Rights and Medical Privacy.** Assuring the Quality of Health Care through a Patients' Bill of Rights and by Protecting Medical Privacy.
- **Preventing Medical Errors and Improving Quality of Care.** Funds to improve medical errors prevention, patient safety research, and reporting and information dissemination.
- **Supporting Biomedical Research.** Almost \$19 billion, an increase of \$1 billion over last year's funding level, for biomedical research at the National Institutes of Health.
- **Combating the Spread of HIV / AIDS and Other Diseases.** A variety of initiatives to curtail HIV/AIDS and other diseases abroad and at home.

Environment:

- **Protecting our Environment and Public Health:** Overall, President Clinton and Vice President Gore propose a record \$42.5 billion in FY2001 – an 11 percent increase over FY2000 and a 36 percent increase over FY 1993 – to protect our natural resources, communities and families.
- **A Permanent Lands Legacy for America.** \$1.4 billion, the largest one-year investment ever in helping communities protect wildlife and open space; saving natural and historic treasures; and

providing special assistance to coastal areas. In addition, the President is proposing a new, protected budget category to preserve this higher level of funding in future years.

- **Meeting the Challenge of Global Warming.** The President is proposing \$2.4 billion – a 42 percent increase – to combat global climate change, and \$1.7 billion for scientific research into factors influencing climate and the likely consequences of global warming.
- **Protecting Forests and Biodiversity Around the World.** \$150 million for a new Greening the Globe initiative to help stem the loss of forests worldwide.
- **Building Livable Communities.** \$9.3 billion, a 14 percent increase, for the Administration's Livable Communities initiative to help communities grow in ways that enhance quality and strong economies.

Working Families:

- **Helping Low-Income Families Get to Work.** The President's budget will make it easier for working families to own a reliable vehicle and receive food stamps by allowing states to conform their food stamp vehicle policy with a more generous TANF vehicle policy. The budget also proposes to double Access to Jobs transportation funding to \$150 million to expand grants to communities to develop innovative public transportation solutions that help people get to work.
- **Helping Millions Move from Welfare to Work.** Since January 1993, the welfare rolls have fallen by more than half, from 14.1 million to 6.9 million. Three years after enactment of the welfare reform law, the number of Americans on welfare is at its lowest level since 1969. The President and Vice President will continue these policies and work to see that the federal government fills its job openings with former welfare recipients when appropriate.
- **Ensuring Equal Pay.** \$27 million for the Equal Pay Initiative, an increase of \$12 million over Fiscal Year 2000, to provide training and assistance to employers on how to comply with equal pay requirements, to launch a public service announcement campaign on wage issues, to train women in nontraditional jobs, and other measures.
- **Fathers Work/Families Win Grants.** \$255 million in new competitive grants to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty.

Community Empowerment:

- **The New Markets Initiative.** Significant new tax credits and loans guarantee incentives to stimulate \$22 billion of new private capital investments in economically distressed communities and build a network of private investment institutions to funnel credit, equity and technical assistance to businesses in America's new markets. In addition, the budget proposes a new initiative, known as First Accounts, to provide low-cost bank accounts to working families.
- **Empowerment Zones.** The President's proposes to extend and expand Empowerment Zone tax cuts and to give all Empowerment Zones the same wage and business tax incentives. The Administration will also fight for the full \$150 million in annual funding for the Second Round of Empowerment Zones.
- **Creation of the Delta Regional Authority.** \$153 million for the creation of a new Delta Regional Authority to bring the resources of a Federal-state partnership to the fight for economic growth in the Mississippi Delta region.
- **Expanding Housing Vouchers.** \$690 million for 120,000 new housing vouchers to subsidize the rents of low-income families.
- **Encouraging Philanthropy.** \$14 billion over 10 years for a comprehensive package of new tax proposals to encourage philanthropy.

From Digital Divide to Digital Opportunity:

- **Private Sector Involvement in Bridging the Digital Divide:** \$2 billion over 10 years in tax incentives to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers.
- **Teacher Training:** \$150 million to help train all new teachers entering the workforce to use technology effectively in the classroom.
- **Community Technology Centers:** \$100 million to create up to 1,000 Community Technology Centers in low-income urban and rural communities.
- **Public-Private Partnerships for Home Access:** \$50 million for a public/private partnership to expand home access to computers and the Internet for low-income families.

Research & Development:

- **Biomedical Research.** \$1 billion increase in biomedical research at the National Institutes of Health.
- **Nanotechnology.** \$495 million for the National Nanotechnology Initiative – an increase of 83 percent.
- **National Science Foundation.** A \$675 million increase in the NSF's budget – double the largest dollar increase in its history.

Safe Communities:

- **21st Century Policing Initiative.** The initiative funds: 50,000 more police for our streets by FY2005; access for law enforcement to the latest crime-fighting technologies; collaboration between new prosecutors and local law enforcement; and public-private partnerships to prevent crime.
- **Stopping Crime by Stopping Drugs.** \$215 million – doubling current funding – to move more offenders off of drugs and away from crime.
- **Safe Schools.** \$250 million – a \$100 million increase – for the Safe Schools/Healthy Students Initiative to help communities develop community-wide responses to school and youth violence.
- **Supervising Released Offenders: Project Reentry.** \$60 million for a community supervision initiative to create “reentry partnerships” and “reentry courts” to address community safety concerns, lower recidivism rates, and promote responsible fatherhood among offenders returning to communities.
- **Reauthorization of the Violence Against Women Act.** The President's budget also includes \$516 million to combat domestic violence.
- **Improving Law Enforcement in Indian Country.** \$439 million, an increase of \$103 million over FY2000, for the Departments of Justice and Interior for the third year of the President's Indian Country Law Enforcement Initiative.
- **Largest National Gun Enforcement Initiative in History.** \$280 million for the largest national gun enforcement initiative in history, including funding for: 500 ATF agents and inspectors; 1,000 gun prosecutors; comprehensive crime gun tracing; a new national integrated ballistics information network; and local anti-gun violence media campaigns.
- **Funding Innovative Smart Gun Technology.** \$10 million to fund the expansion, testing and replication of “smart” gun technologies that can limit a gun's use to its adult owner or other authorized users.
- **Strengthening Brady Background Checks.** Doubling funding to \$70 million for improvements in state criminal history records and in the speed and accuracy of Brady background checks.

United States Leadership in the World:

- **Kosovo.** \$175 million to bolster democracy in Kosovo and help the democratic opposition in Serbia.
- **Southeast Europe Initiative.** \$428 million to promote the political and economic integration of the Balkans into Europe and into the global community and economy.
- **Middle East Peace.** \$1.8 billion from the Economic Support Fund (ESF) and \$3.4 billion from Foreign Military Financing (FMF) to support the next phase of negotiations between Israel and its neighbors.
- **Expanded Threat Reduction Initiative (ETRI).** \$974 million to contain the spread of weapons of mass destruction (WMD) from the former Soviet Union and to promote stability.
- **Colombia Assistance.** \$954 million in FY2000 emergency supplemental appropriations plus \$318 million in new FY2001 for drug interdiction in Colombia.
- **Debt Forgiveness.** \$600 million for a U.S. contribution to the Heavily Indebted Poor Country trust fund over three years, including a \$210 million supplemental request in FY2000. The budget also includes \$37 million for the Tropical Forest Initiative, to use debt relief funds in support of conservation.
- **AIDS/Vaccines.** To combat AIDS and other infectious diseases, especially in the developing world, the budget proposes \$100 million for AIDS prevention, \$50 million for the Global Alliance for Vaccines and Immunizations, increased funding for vaccine research, and a new tax credit that will encourage the development of vaccines.
- **Expanding the Fight Against Abusive Child Labor.** More than double combined investments in child labor from customs enforcement to helping children move out of dangerous work situations and into schools.

America's Armed Forces:

- **Increased Funding.** Discretionary funding of \$292.2 billion in budget authority and \$278.6 billion in outlays for 2001 to strengthen our armed forces, an increase in \$11.3 billion over the proposed 2000 level and \$4.8 billion over the 2001 level assumed in the 2000 budget.
- **Enhancing Military Readiness.** The current high level of readiness is the Administration's top defense priority. Increased funding will enable the Services to support unit operations and joint exercises, meet their required training standards, maintain their equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment.
- **Modernizing Weapons Systems.** \$60.3 billion for the procurement program, which is \$6.1 billion more than the 2000 level, to maintain our status as the best equipped armed force in the world.
- **Developing Missile Defenses.** \$1.9 billion in 2001 for an National Missile Defense system plus \$2.8 billion for other missile defense technologies and systems.

Restoring Fairness to Legal Immigrants:

- Overall, \$2.5 billion over five years to restore critical disability, health, and nutrition benefits to additional categories of legal immigrants.

Tobacco Policy:

- A 25 cents per pack excise beginning in FY2001 to raise further the price of tobacco products from the 45-cent increase agreed to by the states and the industry in 1998.
- \$3,000 assessment charged to the tobacco industry for every smoker under age 18 starting in 2004 if youth smoking has not been cut in half and to remain in effect until the youth smoking reduction goal has been met.

Farm Safety Net:

- **Farm Safety Net for Family Farmers.** Overall, an \$11 billion package to strengthen the farm safety net through 2002, when the next farm bill will be enacted to repair the weaknesses of the 1996 Farm Bill.
- **Income Assistance.** An estimated \$2.5 billion for the 2000 crop and \$3.1 billion for the 2001 crop on counter-cyclical farm income support payments.

Building One America:

- **Civil Rights Enforcement.** \$698 million – a 13 percent increase – for civil right enforcement agencies.
- **Ensuring Equal Pay.** \$27 million for the Equal Pay Initiative, an increase of \$12 million, to fund a variety of measures aimed at reducing disparities of pay between men and women who perform similar jobs.
- **Hate Crimes.** \$20 million to train Federal, state, and local law enforcement to prevent and respond to hate crimes and to promote police integrity.
- **Native American Initiative.** \$9.4 billion – an increase of \$1.2 billion – to fund school construction and repair and infrastructural upkeep on Indian reservations as well as budgetary increases for tribal colleges, the Indian Health Service, the President's Indian Country Law Enforcement Initiative, and other programs as well.

II. OVERALL FRAMEWORK FOR THE FY2001 BUDGET

- Budget Framework
- Medicare
- Social Security
- New Opportunity Agenda
- Health Insurance Coverage
- Targeted Tax Relief

BUDGET FRAMEWORK

President Clinton Proposes a balanced and fiscally responsible budget that eliminates the debt, strengthens the solvency of Social Security and Medicare, and invests in key priorities like health and education. By balancing competing needs and maintaining fiscal discipline, the President's budget continues the successful strategy that has fostered the longest economic expansion in the Nation's history. Over 10 years, it uses the entire \$2.2 trillion Social Security surplus for debt reduction and devotes nearly half of the \$746 billion non-Social Security surplus to debt reduction. Under the President's budget:

- ✓ The debt held by the public would be paid off by 2013, resulting in lower interest rates and a stronger economy.
- ✓ Medicare solvency would be secured for at least 10 years to 2025, Medicare would be reformed to make it more efficient and competitive, and its benefits modernized with a new prescription drug benefit.
- ✓ The Social Security surplus would be dedicated to paying down the debt, and Social Security solvency would be extended to at least 2050.
- ✓ The budget framework is based on realistic discretionary spending levels that include investment in key priorities like education, health care, environment, public safety, and national security, while keeping overall spending growth slightly below inflation.
- ✓ A set of fair and responsible targeted tax cuts would provide tax relief for middle-class Americans while helping them save for retirement.

The President's Balanced and Responsible Budget Will Help Keep the Economy Strong, Building on the Progress That He Has Made in Bringing America's Fiscal House Back in Order.

According to the Office of Management and Budget, in 2000 the debt held by the public will be \$2.4 trillion lower than it was projected to be when the President came into office. This achievement has kept interest rates down and confidence and investment up, contributing to the strongest American economy and fiscal position in generations.

- The \$167 billion surplus this year will be the largest on record. In 1992 the deficit was \$290 billion and projected to grow to \$455 billion this year. As a result of the President's seven year record on fiscal discipline, and particularly the major deficit reduction in 1993 and 1997, and the strong economy to which it contributed, the budget surplus for this year is projected to be \$167 billion, the largest dollar surplus on record. *Compared with the original projections, that is \$622 billion less borrowing drained by the government in one year alone.*
- The largest pay-down of debt in history: \$297 billion. In 1998 and 1999, the debt held by the public was reduced by \$140 billion. OMB is projecting that the government will pay down an additional \$157 billion in debt held by the public this fiscal year. That will bring the total debt pay-down to \$297 billion – the largest three-year debt pay-down in American history. In contrast, under Presidents Reagan and Bush, the debt held by the public quadrupled.
- Investment has boomed. The benefits of fiscal discipline for our economy have been enormous. Interest rates are lower than they would have been otherwise, helping to fuel seven consecutive years of double-digit investment growth for the first time on record.
- Unemployment is the lowest in a generation. The unemployment rate in January 2000 was 4.0 percent – the lowest in thirty years – and America has created 20.8 million jobs since January 1993.

President Clinton's Budget Would Pay Off the National Debt by 2013. President Clinton has proposed to use the entire Social Security surplus, \$2.2 trillion over 10 years, for debt reduction. In addition, over the next 10 years he would dedicate \$350 billion of the \$746 billion non-Social Security surplus to debt reduction. *That is nearly half of the non-Social Security surplus being used for debt reduction.* The President's budget is projected to pay off the debt held by the public by 2013, the first time America will have been debt free since 1835. Debt reduction will continue to benefit the economy and American families:

- Keeps investment and growth strong. With the government no longer draining resources from capital markets, interest rates are lower and businesses have more funds for productive investment. Paying off the debt would continue to help fuel investment and productivity growth while increasing productive capacity and restraining inflation.
- Saves money for families. Because of the deficit and debt reduction we have already done, it is estimated that a typical family with a home mortgage might expect to save roughly \$2,000 per year in mortgage payments.
- Saves money for taxpayers. Currently we spend 13 cents of every Federal dollar on net interest payments. These payments, which were once projected to grow to 26 percent of all federal spending in 2013, would be completely eliminated under the President's plan.
- Prepares for the retiring baby boomers. By paying off the debt, eliminating interest payments, and dedicating the resulting benefits to extending Medicare and Social Security solvency, debt reduction will free up funds for investment and boost workers' productivity and incomes, helping the Nation prepare for the challenge of the retiring baby boomers.

The President's Budget is Based on a Realistic, Fiscally Conservative Plan That Maintains Our Domestic Priorities, Including National Defense, Education, Law Enforcement, Health, the Environment, and Veterans Programs. The President's budget precludes the use of emergency spending except in the case of truly unforeseen contingencies, and it makes sure that all spending is accounted for in the appropriate year. The budget proposes realistic, fiscally conservative levels of spending that respond to the Nation's most pressing needs.

- Smallest government as a share of the economy since 1966. The President's proposal builds on a record of fiscal discipline. President Clinton's fiscal discipline has helped bring spending down from 22.2 percent of the economy in 1992 to 18.7 percent of the economy in 1999 – the lowest share since 1966. Non-defense discretionary spending is now smaller as a share of the economy than any time on record (comparable data go back to 1962). In contrast, Federal government spending increased from 21.6 percent of GDP in 1980 to 22.2 percent in 1992.
- Spending growth slightly below inflation. The President's budget is based on spending plans that are tight but realistic, keeping overall discretionary spending growth slightly below inflation.
- Invests in expanding health insurance to working Americans. The President's budget also invests \$110 billion over 10 years in a number of policies would efficiently expand coverage to at least 5 million uninsured Americans and expand access to millions more by building on current options. Together with the State Children's Health Initiative enacted in 1997, that would cover 10 million uninsured people.

MEDICARE

The President's FY2001 budget dedicates \$432 billion over 10 years – the equivalent of over half of the non-Social Security surplus – to strengthen and modernize Medicare. It includes a new, multi-billion dollar reserve fund that can be used to add protections against catastrophic drug costs to the President's prescription drug benefit. This financing commitment is part of the comprehensive reform plan that the President unveiled last June which is also included in the budget. This plan makes Medicare more fiscally sound, competitive, and efficient and it modernizes Medicare's benefits, including the provision of a long-overdue prescription drug benefit. The reforms coupled with the surplus dedication would extend the life of its trust fund by at least 10 years to at least 2025.

Making Medicare More Fiscally Sound, Competitive and Efficient. Since taking office, President Clinton has worked to pass and implement Medicare reforms that, coupled with the strong economy and the Administration's aggressive anti-fraud and abuse enforcement efforts, have saved hundreds of billions of dollars and helped to extend the life of the Medicare Trust Fund from 1999 to 2015. Yet, the doubling of Medicare enrollment with the retirement of the baby boom generation, coupled with the potential return of higher health cost growth in the future, will create unavoidable financing challenges for Medicare. Because the President is committed to not passing this burden on to the next generation, he has proposed a strong plan that not only provides the needed, new financing but provides the program with new private-sector tools and injects competition into the program. Specifically, the plan:

- **Allocates Nearly Three-fourths of Medicare Investment to Trust Fund Solvency.** It would be impossible to pay for a doubling in Medicare enrollment through competition, provider payment savings or beneficiary premium increases alone. To address the future financing shortfall, the budget dedicates \$299 billion of the surplus to Medicare over 10 years which not only helps to extend the financial health of the Trust Fund through 2025, but reduces publicly held debt since these funds will not be available for tax cuts or other spending.
- **Gives Traditional Medicare New Private Sector Purchasing and Quality Improvement Tools.** The President's proposal would make the traditional fee-for-service program more competitive through the use of market-oriented purchasing and quality improvement tools to improve care and constrain costs. It would provide new, broader authority for competitive pricing for current Medicare services, use of private disease management services that have demonstrated higher quality, coordinated care for beneficiaries with chronic illnesses, and other best-practice private sector tools.
- **Improves Price Competition in Medicare through the "Competitive Defined Benefit" Program.** The Competitive Defined Benefit proposal would, for the first time, inject true price and quality competition into Medicare. While keeping the same Part B premium for those remaining in the traditional program, the policy would allow beneficiaries to pay lower premiums for choosing efficient private plans. Specifically, beneficiaries would have their Part B premium reduced by 75 cents of every dollar of savings that the private plan generates. For example, if a person chose a plan that saved \$10 they would get \$7.50 reduced from their premiums every month. Price competition would make it easier for beneficiaries to make informed choices about their plan options and would, over time, save money for both beneficiaries and the program.

- **Constrains Out-year Medicare Spending Growth and Continues to Ensure Program Integrity.** Since President Clinton took office, the life of the trust fund has been extended from 1999 to 2015 and spending growth has been reduced by two-thirds. But as health inflation increases, experts suggest that average Medicare spending growth per beneficiary will almost double for 2003-2010 compared to 1998-2002. The FY2001 budget includes the anti-fraud and waste proposals from the FY2000 budget and moderated out-year savings proposals to protect against a return to excessive growth rates.

Savings from Medicare total \$70 billion over 10 years. The budget preserves its commitment to the Balanced Budget Refinement Act, recognizing that in some cases Balanced Budget Act payment reductions were excessive. This budget's savings are about 33 percent less than the budget and reform plan savings proposed last year.

Modernizing Medicare's Benefits. Unlike virtually all private health plans, Medicare does not cover prescription drugs. Over three in five lack dependable insurance coverage for drugs. As such, those with the highest need pay the highest prices. The President's budget adds a long-overdue prescription drug benefit, and also improves preventive services and rationalizes cost sharing. Specifically, the plan:

- **Establishes a New Voluntary Medicare Prescription Drug Benefit that is Affordable to All Beneficiaries and the Program.** The drug benefit costs \$160 billion over 10 years; including savings, the net cost of the President's Medicare proposals would be \$98 billion over 10 years. The voluntary prescription drug benefit would be:
 - Accessible and voluntary. Optional for all beneficiaries. Provides financial incentives for employers to develop and retain their retiree health coverage
 - Affordable for beneficiaries and the program. Premiums of \$26 per month in the first year with lower or no premiums for low-income beneficiaries. Provides privately-negotiated discounts, gained by pooling beneficiaries' purchasing power, for all drug expenses. Has no deductible and pays for half of each beneficiary's drug costs from the first prescription filled each year up to \$5,000 in spending when fully phased in. Discounts continue after limit is reached.
 - Competitively and efficiently administered. Competitively selects private benefit manager to deliver benefit to enrollees in traditional program. No price controls, no new bureaucracy. Integrated into current eligibility and enrollment systems.
 - High-quality and provide necessary medications. Private entities that use formularies must ensure access to medications off formulary if physician deems medically necessary. Requires use of state-of-the-art quality improvement tools.
- **Creates a Medicare Reserve Fund to Add Protections for Catastrophic Drug Costs.** To build on the President's prescription drug benefit, the budget includes a reserve fund of \$35 billion for 2006 through 2010, available to design protections for beneficiaries with extremely high drug spending. This reserve will permit the Administration to work in collaboration with Congress to design this enhanced prescription drug benefit. If no consensus emerges, the reserve would be used for debt reduction.

- **Improves Preventive Benefits in Medicare.** This proposal would:
 - Eliminate the existing deductible and copayments for preventive services, including colorectal cancer screening, bone mass measurements, pelvic exams, prostate cancer screening, diabetes self management benefits, and mammographies.
 - Develop and design a 3-year demonstration project on smoking cessation services.

- **Rationalizes Cost Sharing.** As proposed last year, the plan would rationalize the current cost sharing requirements for Medicare by:
 - Re-instating 20 percent coinsurance and the Part B deductible for clinical laboratory services. The modest lab copayment would help prevent overuse and reduce fraud.
 - Indexing the Part B deductible for inflation. Over time, inflation decreases the amount of the deductible in real terms. The deductible has been \$100 since 1991 and has only been increased three times since Medicare was created. The deductible would keep pace with inflation under this proposal.

- **Reforms Medigap.** The plan would reform private insurance policies that supplement Medicare (Medigap) by: (1) working with the National Association of Insurance Commissioners to add a new option with low copayments and to revise existing plans to conform with the President's proposals; (2) directing the Secretary of HHS to determine the feasibility and advisability of reforms to improve supplemental cost sharing in Medicare; (3) providing easier access to Medigap if a beneficiary is in an HMO that withdraws from Medicare; and (4) including people with disabilities and end stage renal disease (ESRD) in the initial 6 month open enrollment.

SOCIAL SECURITY

In his FY2001 budget, the President proposes a specific plan to extend the solvency of Social Security. For almost 65 years, Social Security has been an unshakable covenant among generations. It provides a bond between workers and retirees, between the disabled and the able bodied. The President's proposal would build on this historic period of prosperity and budget surpluses to strengthen Social Security. The President's plan reserves the entire Social Security surplus for Social Security and debt reduction, and earmarks the benefits of paying down the debt held by the public to extend the solvency of Social Security. According to projections by the independent Office of the Actuary at the Social Security Administration, the President's proposed transfers would extend the solvency of Social Security to 2050. If a prudent portion of the transfers were invested for higher returns, solvency would be extended to 2054. The President's plan to strengthen Social Security is a central part of his fiscally disciplined framework to pay off the debt held by the public by 2013.

Social Security is the Cornerstone of our Retirement System. Social Security is the principal source of retirement income for two-thirds of the elderly. In 1959, the poverty rate for senior citizens was 35.2 percent. In 1998, it was 10.5 percent – the lowest on record. Last year, Social Security benefits lifted roughly 15 million senior citizens out of poverty, but it must be noted that poverty remains too high for widows and other groups. And Social Security is more than just a retirement program. One in five beneficiaries is under the age of 62, receiving either disability benefits or survivors benefits.

Social Security is Projected to Become Insolvent By the End of 2034 As a Result of Demographic Pressures. Currently, Social Security takes in more payroll taxes than it pays out in benefits, and is building up its trust fund to pay future beneficiaries. But, as the baby boomers retire and life expectancies continue to rise, the number of people age 65 and over is projected to double – from 35 million in 1998 to 72 million in 2035. In 1960, there were 5.1 covered workers for every Social Security beneficiary. In 1999 there were only 3.4 workers for every beneficiary. And by 2035, there are projected to be only 2.0 workers for every beneficiary.

The President's Plan Devotes Social Security Surpluses to Debt Reduction. The President's proposal devotes the entire Social Security surplus to paying down the debt held by the public. This is projected to reduce the debt held by the public by \$2.2 trillion over the next 10 years and produce interest savings.

The President Uses the Interest Savings To Extend the Solvency of Social Security. Although the so-called lockboxes proposed by Republicans would have used any interest savings to pay for an exploding tax cut, the President proposes to use the interest savings for the purpose of extending the solvency of Social Security. As an additional safeguard for fiscal responsibility, the President proposes to limit the amount of the transfers to the available on-budget surpluses that are currently projected to result from the President's fiscally disciplined framework.

The President's Plan Transfers the Interest Savings to the Social Security Trust Fund From 2011 to 2050. The Social Security actuaries project that the interest savings that would occur from the reduction in publicly held debt due to transfers alone would total \$99 billion in 2011 and grow to \$205 billion in 2016. Under the intermediate projections of the Social Security Trustees, these potential interest savings would be transferred in full to the Social Security trust fund. Transfers would stay at

the 2016 level through 2050. The total transfers in the first 5 years (2011-2015), as projected by the Social Security actuaries, would be \$690 billion.

The President's Plan Extends Solvency to at Least 2050. The Social Security trust fund is currently expected to be unable to pay benefits in full on a timely basis starting in 2034. According to projections by the Social Security actuaries, the President's proposed interest savings transfers would extend solvency to 2050. This is an extra 16 years added to the life of the trust fund. To put Social Security on an even firmer financial footing, the President also provides the option of allowing a limited and prudent portion of the transfers to be invested independently and without political interference in broad-based equity indexes. Under this plan, the Social Security actuaries project that the Social Security trust fund would hold about 3 percent of the total market value, on average, over the 30-year period 2011 through 2040. The combination of prudent investment in equities and the transfers is projected to extend the life of the trust fund to 2054.

Addressing Widow Poverty and Eliminating the Retirement Earnings Test. The President believes that, in the context of longer-term reforms, it is essential to improve the effectiveness of Social Security in combating widow poverty and to modernize it by eliminating the outdated retirement earnings test.

The President's Plan Provides a Foundation on Which to Build. The President remains committed to working together with Congress on a bipartisan basis to enact reforms that make Social Security solvent for at least 75 years. The President's proposal provides a sound starting point for such an agreement.

NEW OPPORTUNITY AGENDA

The Clinton-Gore Administration FY2001 budget proposes a coherent program to build on the Nation's economic prosperity and expand its reach to every corner of America through an agenda rooted in three core values: community, opportunity and responsibility. It comprises a range of programs designed to ensure that working families have the tools and the opportunity to succeed.

REWARDING WORK AND HELPING FAMILIES

- **Expanding the Earned Income Tax Credit (EITC) to Reward Work and Family.** President Clinton proposes a \$23 billion plan to expand the Earned Income Tax Credit to reward work and family, including more relief with families with three or more children often facing the highest poverty rates. According to estimates by the Department of the Treasury, this EITC expansion would provide tax relief for 6.8 million working families.
- **Increasing the Minimum Wage.** The President again proposes a \$1 increase in the minimum wage. This proposal, which builds upon President Clinton's 1996 minimum wage increase, would help 10 million Americans – 70 percent of whom are adults and 60 percent of whom are women. For a full-time, year-round worker at the minimum wage, this would mean an additional \$2,000 per year.
- **Expanding and Improving the Child Care Tax Credit for Working Families.** President Clinton will include in his FY2001 budget tax relief for families struggling to pay for child care. As part of a comprehensive child care initiative that includes subsidy assistance and new investments in child care quality, the President will propose to 1) make the Child and Dependent Care Tax Credit refundable for the first time; 2) increase the level of the credit; and 3) extend the credit to parents who stay at home to take care of their infants. The President will also propose tax incentives to encourage businesses to provide child care for employees. The child care package would benefit an estimated 8.1 million families and would cost \$30 billion over 10 years.
- **Helping Families Afford Child Care.** The President's budget boosts the Child Care and Development Block Grant by \$817 million in FY2001, enabling the program to provide child care subsidies to nearly 150,000 more children next year. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve over 2.2 million children in 2001, an increase of nearly one million since 1997.
- **Promoting Progressive Savings Through Retirement Savings Accounts.** Retirement Savings Accounts (RSAs) would give 76 million low- and moderate-income Americans the opportunity to build wealth and save for their retirement through a progressive tax cut. A person who participated in this savings program for 40 years could accumulate over \$266,000 – enough to produce \$24,000 a year of income in retirement.
- **Expanding Health Insurance Coverage to Uninsured Americans.** The President and Vice President will propose a 10-year, \$110 billion initiative that would dramatically improve the affordability of and access to health insurance for people under 200 percent of the poverty line. The proposal would expand coverage to at least 5 million uninsured Americans and expand access to millions more. Together with the State Children's Health Initiative enacted in 1997, that would

cover 10 million uninsured people. The Program includes a new, affordable insurance option for families through the State Children's Health Insurance Program. In addition, in order to ensure that people do not lose their health insurance coverage between jobs, the President will propose a new 25 percent tax credit for COBRA continuation coverage.

- **Expansion of Housing Vouchers and Tax Credits for Hard Pressed Working Families.** The President's budget will include \$690 million for 120,000 new housing vouchers to subsidize the rents of low-income families, and increase and index the Low-Income Housing Tax Credit (LIHTC) which provides incentives to build and make available affordable housing to working families.
- **Additional Initiatives to Help Working Families.** The President's budget will contain \$255 million to promote responsible fatherhood and support working families as well as provisions that will make it easier for working families to own a car without jeopardizing their food stamps eligibility. These proposals are both critical steps in reforming welfare and emphasizing work.

PROMOTING OPPORTUNITY AND RESPONSIBILITY IN EDUCATION

- **Expanding on Early Childhood and Pre-School Programs.** High quality early learning childhood programs can significantly improve educational achievement, especially among low-income children. President Clinton and Vice President Gore are proposing a number of different initiatives to support this goal including:
- **Creation of the Early Learning Fund.** The President's budget includes \$3 billion over five years for the Early Learning Fund to help improve child-care quality and early childhood education for children under five years old. The Early Learning Fund will provide community grants for activities that foster cognitive development, improve childcare quality and readiness for school.
- **The Largest Head Start Expansion in History.** President Clinton and Vice President Gore have nearly doubled Head Start – expanding funding by 90 percent since 1993. The FY2001 budget boosts funding for Head Start by \$1 billion – the largest funding increase the program has ever experienced – to provide Head Start and Early Head Start slots to approximately 950,000 children, nearing the President's goal of serving one million children in 2002. This builds the foundation for the long-term goal of universal pre-school. The proposed increase for Early Head Start is \$144 million.
- **Fixing Failing Schools, Rewarding Success and Universal After School.** The President and Vice President are committed to a comprehensive approach to improve student achievement by investing in raising standards and increasing accountability. President Clinton's budget will more than double the support for the Universal After-School program for students most in need; increase support for the Accountability Fund to \$250 million, boost funding for the Class Size Reduction program to \$1.75 billion, and include \$120 million for a Small Schools Initiative to reinvent high schools on a smaller and more human scale.
- **Expanding Opportunities to Make College More Affordable for Disadvantaged Youth by Nearly \$1 Billion.** In FY2001, President Clinton budget will propose nearly \$1 billion in increases to Pell Grants, SEOG and Work Study programs and for the creation of the College Completion Challenge Grants and Dual Degree Programs for Minority-Serving Institutions to help students have access to and stay in college.

- **Increasing Resources to Keep Youth on the Track to Success by Over \$400 Million.** President Clinton and Vice President Gore are dedicated to supporting critical investments in education and will propose over \$400 million in program increases to keep youth on the track to success in their FY2001 budget. These include: an expansion of GEAR UP, increased support of the TRIO Programs, expansion of Youth Opportunity Grants and Youth Training Formula Grants, additional funding for Youthbuild, expanding Job Corps, and a new \$20 million initiative known as Rewarding Achievement in Youth to support comprehensive training and education services to over 9,000 high achieving, low-income youth.

OPENING NEW MARKETS AND STRENGTHENING COMMUNITY EMPOWERMENT

- **Spurring \$22 Billion in New Investment in Economically Distressed Areas.** The President proposes a package of tax credits and loan guarantees to more than double the New Markets Tax Credit from last year (at a cost of \$5 billion over 10 years) to spur \$15 billion dollars in new investment in community development in economically distressed areas.
- **Expanding and Improving the Empowerment Zones Tax Incentives.** In addition, the budget proposes to expand the Empowerment Zone tax incentives to improve economic growth in the 31 existing Empowerment Zones, as well as create a third round of 10 new empowerment zones at a cost of \$4 billion over ten years. The President will also propose creation of new investment vehicles to help leverage private equity capital as well as expand existing programs to promote investments and provide greater access to capital in these distressed areas.
- **Creating First Accounts for Low-income Americans.** The President's budget will propose \$30 million to: encourage the creation of low-cost bank accounts known as First Accounts; to expand access to ATMs; and provide education low-income Americans about personal financial management.
- **Increasing Funding for Native Americans Communities.** In order to better serve Native American communities in the 21st Century, the President's budget includes an increase of \$1.2 billion over Fiscal Year 2000 for key new and existing programs assisting Native Americans and Indian reservations. This initiative brings together several agencies in order to address the needs of Native American communities comprehensively.
- **Moving From Digital Divide to Digital Opportunity.** There is strong evidence of a "digital divide" – unequal access to technology by income, education level, race, and geography. To address this troubling trend, the President's budget proposes a comprehensive package to help bridge the Digital Divide and to help create more digital opportunity for all Americans. To increase private-sector involvement in bridging the digital divide, the President proposes \$2 billion over 10 years in tax incentives to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers. The President has an \$150 million Teacher Training initiative to help train all new teachers entering the workforce to use technology effectively in the classroom. The Digital Divide initiative also includes \$100 million to create up to 1,000 Community Technology Centers in low-income urban and rural communities and \$50 million for a Public-Private Partnerships for Home Access to expand access to computers and the Internet for low-income families.

HEALTH INSURANCE COVERAGE

The President's budget includes a 10-year, \$110 billion initiative that would dramatically improve the affordability of and access to health insurance. Over 44 million Americans lack health insurance, and this has serious consequences. The uninsured are three times likelier than the privately insured not to receive needed medical care, and 50 to 70 percent more likely to need hospitalization for avoidable hospital conditions like pneumonia or uncontrolled diabetes. The President's proposal would expand coverage to at least 5 million uninsured Americans and expand access to millions more. Together with the State Children's Health Initiative enacted in 1997, that would cover nearly a quarter of all the uninsured people in America. It addresses the nation's multi-faceted coverage challenges by building on and complementing current private and public programs. Specifically, the initiative will: (1) provide a new, affordable health insurance option for families; (2) accelerate enrollment of uninsured children eligible for Medicaid and S-CHIP, which helps children in families with income too high to be eligible for Medicaid but too low to afford private insurance; (3) expand health insurance options for Americans facing unique barriers to coverage; and (4) strengthen programs that provide health care directly to the uninsured. In addition, the President has proposed a \$28 billion initiative to address the Nation's long-term care needs which, together with the health coverage initiative, would bring the cost to \$138 billion over 10 years.

Providing a New, Affordable Health Insurance Option for Families (\$76 billion over 10 years, about 4 million uninsured covered). Over 80 percent of parents of uninsured children with incomes below 200 percent of poverty (about \$33,000 for a family of four) are themselves uninsured. Yet, while states have aggressively expanded insurance options for children through Medicaid and the State Children's Health Insurance Program (S-CHIP), parents are often left behind. There are about 6.5 million uninsured parents with income in the Medicaid and S-CHIP eligibility range for children. These parents frequently do not have access to employer-based insurance, and when they do, cannot afford it. Recognizing that family coverage not only helps a large proportion of the nation's uninsured adults but also increases the enrollment of children, the President, Vice President, the National Governors' Association, and a wide range of groups including Families USA and the Health Insurance Association of America have called for building on S-CHIP to cover parents. The Administration's budget adopts this approach by:

- **Creating a New "FamilyCare" Program.** Under FamilyCare, states would have the option to cover parents in the same plan as their children. States would use the same systems and follow most of the same rules as they do in Medicaid and S-CHIP today, and the program would be overseen by the same state agency. State spending for FamilyCare would be matched at the same higher matching rate as S-CHIP (up to 15 percentage points higher than the Medicaid rate). To ensure adequate funding, \$50 billion over 10 years would be added to the current state S-CHIP allotments. To access this option, states would have to first cover children to 200 percent of poverty as 30 states now have done. Given states' enthusiastic response to S-CHIP and the NGA support for this option, we expect strong state response and significant expansions to parents under FamilyCare. If after 5 years, some states have not expanded coverage of parents to at least 100 percent of poverty (\$16,700 for a family of 4), a fail-safe mechanism would be triggered to require states to expand coverage to that level.
- **Assisting Families in Affording Private Employer-Based Coverage.** FamilyCare would also facilitate the option to pool state funding with employer contributions toward private insurance,

which can be a cost-effective way to expand coverage. Under this option, families otherwise eligible for FamilyCare coverage could get assistance in purchasing their employers' health plan if it meets FamilyCare standards, is cost effective, and their employer pays for at least half of the premium. This minimum employer contribution, along with the S-CHIP crowd-out policies, should discourage employers from reducing or dropping coverage. This option is supported by the National Governors' Association as well.

Accelerating Enrollment of Uninsured Children Eligible for Medicaid and S-CHIP (\$5.5 billion over 10 years, an additional 400,000 uninsured children covered). Enrollment in S-CHIP doubled to 2 million children in 1999. Despite this encouraging trend, millions of children remain eligible but unenrolled in both S-CHIP and Medicaid. The Administration's budget includes ideas advocated by the Vice President that would give states needed tools to increase coverage by:

- **Allowing School Lunch Programs to Share Information with Medicaid (\$345 million over 10 years).** Since 60 percent of uninsured children are in the school lunch program, sharing eligibility information can efficiently help outreach efforts.
- **Expanding Sites Authorized to Enroll Children in S-CHIP and Medicaid (\$1.2 billion over 10 years).** This includes schools, child care resource and referral centers, homeless programs, and other sites.
- **Requiring States to Make their Medicaid and S-CHIP Enrollment Equally Simple (\$4.0 billion over 10 years).** Most states have carried over their S-CHIP simplification strategies like eliminating assets tests and using mail-in applications into the Medicaid program. This proposal would have all states do so to make enrollment easier for both programs.

Expanding Health Insurance Options for Americans Facing Unique Barriers to Coverage (\$28.5 billion over 10 years, about 600,000 uninsured people covered). Some vulnerable groups of Americans often lack access to employer-sponsored insurance and insurance programs like Medicare or Medicaid. These include older Americans, people in transitions (between jobs, turning 19 and entering the workforce, leaving welfare for work), and workers in small businesses. This plan addresses these specific and other problems by:

- **Establishing a Medicare Buy-In Option and Making It More Affordable Through a Tax Credit (\$5.2 billion for both the buy-in and credit over 10 years).** The rate of uninsured is growing fastest among people ages 55 to 65 and is expected to increase even faster in the future. Recognizing this, the President and Vice President have called on Congress to pass legislation that allows people ages 62 through 65 and displaced workers ages 55 to 65 to pay premiums to buy into Medicare. The proposal also would require employers who drop previously-promised retiree coverage to allow early retirees with limited alternatives to have access to COBRA continuation coverage until they reach age 65 and qualify for Medicare. This year, to make this policy more affordable, the President proposes a tax credit, equal to 25 percent of the premium, for participants in the Medicare buy-in. Coupled with the tax credit for COBRA (described below), this policy will address both access to and the affordability of health insurance for this vulnerable group.
- **Making COBRA Continuation Coverage More Affordable (\$10.3 billion over 10 years).** The Consolidated Omnibus Budget Reconciliation Act (COBRA), passed in 1985, allows workers in firms with greater than 20 employees to pay a full premium (102 percent of the average cost of group health insurance) to buy into their employers' health plan for up to 18 to 36 months after

leaving their job. However, fewer than 25 percent of people eligible for this coverage participate, in part due to cost. The Administration's budget includes a 25 percent tax credit for COBRA premiums to reduce the number of Americans who experience a gap in coverage due to job change.

- **Improving Access to Affordable Insurance for Workers in Small Businesses (\$313 million over 10 years).** Nearly half of uninsured workers are in firms with fewer than 25 employees. The President proposes to give small firms that have not previously offered health insurance a tax credit equal to 20 percent their contribution – twice the credit he proposed last year – towards health insurance obtained through purchasing coalitions. In addition, tax incentives would be given to foundations to help pay for start-up costs of these coalitions, and the Federal Employees' Health Benefits Program would make available technical assistance to purchasing coalitions.
- **Expanding State Options to Insure Children Through Age 20 (\$1.9 billion over 10 years).** Nearly one in three people ages 18 to 24 are uninsured mostly because they age out of Medicaid or S-CHIP or no longer are dependents in private plans. However, they often do not have jobs that offer affordable coverage. The budget would give states the option to cover people ages 19 and 20 through Medicaid and S-CHIP.
- **Extending Transitional Medicaid (\$4.3 billion over 10 years).** Many people leaving welfare for work take first jobs that do not offer affordable health insurance. Recognizing this, Congress passed a requirement in 1988 that extends Medicaid coverage for up to a year for those losing it due to increased earnings. This provision was extended in the welfare reform law to 2001. The budget makes this provision permanent and simplifies the state and family requirements to promote enrollment.
- **Restoring State Options to Insure Legal Immigrants (\$6.5 billion over 10 years).** States are prohibited from providing health insurance for certain legal immigrants who entered the U.S. after the enactment of welfare reform. The uninsured rate for people of Hispanic origin, some of whom are legal immigrants, was 35 percent in 1998 – over twice the national average of 16 percent. The proposal would give states the option to insure children and pregnant women in Medicaid and S-CHIP regardless of their date of entry. It would eliminate the 5-year ban, deeming, and affidavit of support provisions. The proposal would also provide Medicaid coverage to disabled immigrants who would be made eligible for SSI by the FY2001 budget's SSI restoration proposal.

Strengthening Programs that Provide Health Care Directly to the Uninsured (At least \$1 billion over 10 years). Public hospitals, clinics, and thousands of health care providers give health care of the uninsured and receive inadequate compensation for doing so. Despite a rising need, reductions in government spending and aggressive cost cutting by private insurers has left less money in the health care system to address these needs. The President will renew his commitment to helping these providers by:

- **Increasing Funding for Increasing Access to Health Care for the Uninsured (+\$100 million for FY2001, \$1 billion over 5 years).** Last year, the President and Secretary Shalala proposed an historic new program to coordinate systems of care, increase the number of services delivered and establish an accountability system to assure adequate patient care for the uninsured and low-income. The Congress funded an initial \$25 million investment for this program. This year, the President proposes funding this initiative at \$125 million, a \$100 million increase over 2000, representing a down payment on the President's proposal to invest \$1 billion in this initiative. The

Administration will also aggressively pursue an authorization to ensure that the program addresses health care safety net needs.

- **Investing in Community Health Centers (+\$50 million for FY2001).** The budget proposes a \$50 million increase to \$1.0690 billion in FY2001 to support and enhance the network of community health centers that serve millions of low-income and uninsured Americans.

TARGETED TAX RELIEF

President Clinton has worked to deliver tax relief to America's working families. In 1993, the President delivered a tax cut to 15 million working Americans through an expanded EITC. Then, in 1997, the President delivered a \$500 child tax credit, \$1,500 Hope Scholarships to make the first years of college universally available, and expanded IRAs. The result: the lowest Federal tax burden in more than two decades for a typical middle-income family. To build on this record of tax relief for working families, President Clinton is proposing significant new tax relief for America's working families as part of a budget framework that maintains our fiscal discipline, makes investments in key priorities, strengthens Social Security and Medicare, and pays down the debt by 2013. The President proposes \$351 billion of gross tax cuts over 10 years – of which \$256 billion are paid for out of the surplus and \$96 billion are paid for with corporate loophole closers and other measures.

MAKING RETIREMENT MORE SECURE BY ENCOURAGING SAVINGS

- **Retirement Savings Accounts (RSAs) To Help Families Save and Invest And Expand Pension Coverage for Small Businesses.** The President's Retirement Savings Accounts (RSAs) proposal will give 76 million Americans the opportunity to build wealth and save for their retirement through a progressive tax cut. This proposal builds on the successful model of Individual Development Accounts (IDAs), extending generous matches to all low- and moderate-income families to encourage them to develop savings and assets. A person who participated for 40 years in this savings program could accumulate over \$266,000 – enough to produce \$24,000 a year of income in retirement. This proposal would cost \$54 billion over 10 years.
- **Tax Incentives For Small Businesses To Offer High-Quality Pension Coverage.** In an effort to encourage more small businesses to offer pensions for their employees, the budget provides for a 50 percent tax credit for three years of qualified contributions to employees' pensions. This provision would cost \$17 billion over 10 years.

REWARDING WORK AND FAMILY

- **Expanding the Earned Income Tax Credit (EITC):** The President is proposing a \$23 billion plan to expand the EITC. According to estimates by the Department of the Treasury, the President's proposed EITC expansion would deliver tax relief for 6.8 million families, providing up to \$1,155 in additional tax relief. The President's proposal builds on the 1993 expansion signed into law by the President, which provided a tax cut for 15 million families.
- **Reducing the Marriage Penalty for Married, Two-Earner Couples By Increasing the Standard Deduction by More Than \$2,000.** The President will propose to increase the standard deduction for two-income married couples to twice that of single filers, providing substantial tax relief for 9.1 million married couples. When fully phased in, this change would result in a \$2,150 increase in the standard deduction. The President's proposal would also increase the standard deduction by \$500 for single-earner married couples and by \$250 for single filers. Both elements of the President's plan would cost \$45 billion over 10 years and benefit 42.1 million families.
- **Alternative Minimum Tax Relief:** The President will propose in his budget a \$33 billion proposal over 10 years to correct serious design flaws in the individual Alternative Minimum Tax

(AMT) that increasingly hurt middle-income families with children who play by the rules. It complicates their tax preparation and raises their tax bills. The President's proposal will take over 9 million families per year off the AMT when fully phased in.

EXPANDING EDUCATION INCENTIVES

- **College Opportunity Tax Cut:** The President will propose a College Opportunity Tax Cut costing \$30 billion over 10 years to, for the first time, make tax deductible up to \$10,000 of tuition and fees for any post-secondary education (includes training and graduate school). Families would also have the option to take a 28 percent credit, which would be worth almost twice as much as a deduction for families in the 15 percent tax bracket. In general, the proposal would provide up to \$2,800 annually in tax relief per family.
- **Tax Credits For School Construction and Modernization:** To address this critical need, President Clinton is renewing his commitment to provide \$24.8 billion in tax credit School Modernization Bonds and Qualified Zone Academy Bonds over two years to modernize up to 6,000 schools. The cost would be \$8 billion over ten years.

MAKING HEALTH CARE MORE AFFORDABLE

- **Long-term Care Credit:** As part of a 10-year initiative that helps address the nation's multifaceted long-term care challenge, the President proposes a \$3,000 tax credit to compensate people with long-term care needs or their caregivers for the cost of care. The cost is \$27 billion over 10 years.
- **Expanding Health Coverage Through Targeted Tax Credits:** As part of his initiative to dramatically improve the affordability of and access to health insurance for at least 5 million uninsured Americans, the President will propose \$12 billion in targeted tax cuts to expand health insurance options for Americans facing unique barriers to coverage.

HELPING FAMILIES AFFORD CHILD CARE

- **Child Care Tax Credit.** President Clinton will include in his FY2001 budget tax relief for families struggling to pay for child care. As part of a comprehensive child care initiative that includes subsidy assistance and new investments in child care quality, the President will propose to 1) make the Child and Dependent Care Tax Credit refundable for the first time; 2) increase the level of the credit; and 3) extend the credit to parents who stay at home to take care of their infants. The President will also propose tax incentives to encourage businesses to provide child care for employees. The child care package would benefit an estimated 8.1 million families and would cost \$30 billion over 10 years.

OPENING NEW MARKETS & EMPOWERING COMMUNITIES

- **A Major Expansion of the New Markets and Empowerment Zone Tax Credits:** As part of the President's New Markets initiative, which will spur at least \$22 billion in new capital investment in businesses in economically-distressed areas, the President has proposed to more than double the proposed New Markets tax credit at a cost of about \$5 billion over 10 years and expand Empowerment Zone Tax Incentives at a cost of \$4.4 billion.

- **New Markets Tax Credit.** The budget more than doubles the proposed New Markets tax credit to spur \$15 billion in new private investment. An entity making new equity investments in a selected community development projects would be eligible for a tax credit worth up to 25% of the cost of the investment. A variety of vehicles providing equity and credit to businesses in underserved areas would also be eligible.
- **Empowerment Zone Tax Incentives.** The President is proposing to expand the Empowerment Zones tax incentives to promote economic growth in underserved areas through expanding business investment incentives, ensuring that all Empowerment Zones get the wage tax credit, and the creation of a Third Round of 10 new Empowerment Zones.
- **Better America Bonds.** The President is proposing Federal tax credits to pay the interest on \$10.75 billion in bonds over 5 years for investments by State, local, and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality and clean up brownfields (abandoned industrial sites). The cost is \$3.1 billion over 10 years.
- **Increase the Low-Income Housing Tax Credit.** To expand and improve the supply of available low-income housing, the budget raises the allocation of low-income housing tax credits to States. The President proposes to raise the State per capita cap from \$1.25 to \$1.75 beginning in 2001 and index it for inflation thereafter at a cost of \$5.7 billion over 10 years. This proposal would provide additional incentives to build and make an additional 180,000 units of affordable housing available to working families over the next five years.

INCREASING ENERGY EFFICIENCY & IMPROVING THE ENVIRONMENT

- **Tax Credits For Energy-Efficient Cars, Homes, and Appliances.** Cars and light trucks currently account for 20 percent of U.S. greenhouse gas emissions. The budget provides for tax incentives to help curb these emissions by moving advanced technologies for the purchase of qualifying hybrid vehicles from the laboratory to the highway. Tax credits would be offered for the purchase of qualifying hybrid vehicles from 2003 through 2006; and the current tax credit for electric vehicles and fuel cell vehicles would be extended through 2006. The President is also proposing tax credits for the purchase of energy-efficient homes; for solar energy systems, for the purchase of energy-efficient heating and cooling equipment; and for wind and biomass power. The cost of these proposals would be \$9 billion over 10 years.

ENCOURAGING CHARITABLE GIVING

- **Encouraging Philanthropy.** President Clinton will unveil a package of new tax proposals to encourage philanthropy. First, he will propose allowing non-itemizers to take a tax deduction for charitable giving. Second, he will propose new rules to make it easier for charitable foundations to make gifts in times of need. And third, he will propose to raise the limit for individual donations of appreciated assets like securities and real property. These proposals would cost \$14 billion over 10 years.

CURBING CORPORATE SHELTERS AND REDUCING UNWARRANTED TAX SUBSIDIES

The President also proposes sound tax policies, including proposals to curb corporate tax shelters and reductions in unwarranted tax subsidies, which pay for \$96 billion of the targeted tax cuts over 10 years. Tax shelters require taxes for everyone else to be higher and create perceptions of unfairness

and disrespect for the system. The budget increases disincentives for entering into abusive transactions and attacks specific tax shelter transactions. The Department of the Treasury will continue to study additional remedies for corporate tax shelters and will work with Congress to address this issue.

III. THE CLINTON-GORE ECONOMIC RECORD

- The Economy Then and Now
- Paying Off the Debt
- A Smaller, But More Progressive Government

THE CLINTON-GORE ECONOMIC RECORD: WHAT A DIFFERENCE SEVEN YEARS MAKES

After seven years, the results of President Clinton and Vice President Gore's economic leadership for the American people are clear. In 1992, when Bill Clinton was elected President, the American economy was barely creating jobs and wages were stagnant. His bold, three-part economic strategy focused on establishing fiscal discipline; investing in education, health care, science and technology; and opening foreign markets so that American workers have a fair chance to compete abroad. Seven years later the results of this strategy are clear:

Deficits Replace By Surpluses: Keeping Us On Track to Be Debt Free by 2013

- **1992.** The deficit was \$290 billion – the highest dollar level in history. When President Clinton took office, the Congressional Budget Office projected the deficit would grow to \$404 billion in 1999 and \$455 billion in 2000.
- **Today.** In 1999, we had a budget surplus of \$124 billion – the largest dollar surplus on record (even after adjusting for inflation) and the largest as a share of our economy since 1951. This year the Administration forecasts a surplus of \$167 billion. With the President's plan, we are now on track to eliminate the nation's publicly held debt by 2013.

Government Spending: Lowest in Over Three Decades

- **1981-92.** Under Presidents Reagan and Bush, Federal government spending as a share of the economy increased from 21.6 percent in 1980 to 22.2 percent in 1992.
- **Today.** Under President Clinton, Federal government spending as a share of the economy has been cut from 22.2 percent in 1992 to 18.7 percent in 1999 – its lowest level since 1966.

Taxes for Typical Families: Lowest in Over Two Decades

- **1981-92.** The total Federal tax rate rises for middle-income families from 23.7 percent in 1980 to 24.5 percent in 1992. (Total tax rates include both the employer and employee portion of the Social Security and Medicare payroll taxes.)
- **Today.** Under President Clinton, the total Federal tax rate for middle-income families has dropped from 24.5 percent in 1992 to 22.8 percent in 1999 – that's the lowest tax rate since 1978. For families at one-half the median income, the effective Federal tax rate has been slashed from 19.8 percent in 1992 to 14.1 percent in 1999 – that's the lowest tax rate since 1968.

Jobs Are Up: Nearly 21 Million Created Since January 1993

- **1981-1992.** In their three terms combined, Presidents Reagan and Bush created only 18.5 million new jobs despite the growth of the labor force from the maturation of the baby boom. Only 2.5 million jobs were created under President Bush, with nearly half of them in the public sector.
- **Today.** The economy has created 20.8 million new jobs since January 1993. This is the most jobs ever created under a single President. There have been an average of 248,000 jobs created per month – a faster rate than any President. And 19.2 million – 92 percent – of the new jobs were created in the private sector, the highest share since Harry Truman was President.

Faster Economic Growth: 3.9 Percent Per Year

- **1981-1992.** The economy grew an average 1.7 percent per year under President Bush and 2.8 percent per year during the Reagan-Bush years.
- **Today.** Since President Clinton took office, growth has averaged 3.9 percent per year.

Private-Sector Growth Is Up: 4.4 Percent Per Year

- **1981-1992.** The private sector of the economy grew 2.9 percent annually from 1981-1992.
- **Today.** The private sector of the economy has grown 4.4 percent annually since 1993.

Equipment and Software Investment Is Growing Faster Than Ever

- **1981-1992.** Real equipment and software investment rose just 3.8 percent annually during the previous Administration and only 4.7 percent annually for the entire Reagan-Bush period.
- **Today.** Real equipment and software investment is up 12.1 percent per year under President Clinton – faster than any Administration on record. We have seen seven consecutive years of double digit growth in equipment and software investment, for the first time on record.

Homeownership Is Up: The Highest in American History

- **1981-1992.** The homeownership rate *fell* from 65.4 percent in 1981 to 64.2 percent in 1992.
- **Today.** In 1999, the homeownership rate was 66.8 percent – the highest ever recorded.

Inflation is Down: The Lowest Core Rate In 35 Years

- **1981-1992.** The underlying core rate of inflation averaged 4.7 percent annually.
- **Today.** In 1999, the underlying core rate of inflation was 1.9 percent – the lowest since 1965.

Welfare Rolls Dropped Dramatically: Lowest Since 1969

- **1981-1992.** The number of welfare recipients increased by almost 2.5 million (a 22 percent increase) to 13.6 million people.
- **Today.** Between January 1993 and June 1999, the number of welfare recipients dropped by 7.2 million (a 51 percent decline) to 6.9 million – the lowest level since 1969.

Unemployment Is Down: The Lowest Rate in 30 Years

- **1981-1992.** The unemployment rate averaged 7.1 percent and rose to more than 10 percent in 1982 and 1983.
- **Today.** In January 2000, the unemployment rate was 4.0 percent – the lowest rate in 30 years. The unemployment rate has been below 5 percent for 31 consecutive months.

Unemployment for African Americans the Lowest on Record

- **1981-1992:** African American unemployment reached 21.2 percent in January 1983– a record high, and never dropped below 10 percent.
- **Today.** The African-American unemployment rate has fallen from 14.2 percent in 1992 to 8.0 percent in 1999 – the lowest rate on record.

Unemployment for Hispanics Recovered From Record Highs to Achieve Record Lows

- **1981-1992.** Hispanic unemployment hit a record high of 15.7 percent in December 1982.
- **Today.** The Hispanic unemployment rate has dropped from 11.6 percent in 1992 to 6.4 percent in 1999 – the lowest rate on record.

Real Wages Rising Again: Fastest Growth in Two Decades

- **1981-1992.** Real average hourly earnings *fell* 4.3 percent under Presidents Reagan and Bush.
- **Today.** Real wages have grown 6.6 percent under President Clinton. Real wages have grown for five consecutive years – for the first time since the 1960s.

Poverty For African-Americans Dropped to Lowest On Record

- **1981-1992.** Between 1980 and 1992, the poverty rate for African American remained at 30 percent or more.
- **Today.** Since 1993, the African-American poverty rate has dropped from 33.1 percent to 26.1 percent in 1998 – the lowest level recorded, and the largest five-year drop in African-American poverty since 1967-1972.

Poverty For Hispanics Dropped to Lowest Since 1979

- **1981-1992.** Between 1980 and 1992, the poverty rate for Hispanics increased from 25.7 percent to 29.6 percent.
- **Today.** Since 1993, the Hispanic poverty has dropped to 25.6 percent—the lowest since 1979.

Poverty For Single Mothers is the Lowest On Record

- **1981-1992.** Between 1980 and 1992, an additional 2.1 million families with single mothers were pushed into poverty.
- **Today.** Under President Clinton, the poverty rate for families with single mothers has fallen from 46.1 percent in 1993 to 38.7 percent in 1998 – the lowest level on record.

Family Income Up More Than \$5,000 Since 1993

- **1988-1992.** Median family income, adjusted for inflation, *fell* by \$1,864, dropping from \$44,354 in 1988 to \$42,490 in 1992.
- **Today.** Since 1993, real median family income has increased by \$5,046, rising to \$46,737 in 1998.

THE CLINTON-GORE ADMINISTRATION: PAYING OF THE DEBT BY 2013

The Clinton-Gore Administrations' FY2001 budget proposes a plan to keep America on track to pay off the debt by 2013. An era of deficits has given way to an era of surpluses, with the unified budget surplus projected to rise to \$167 billion this year – the largest surplus ever and the third unified surplus in a row. The budget also projects the on-budget surplus, which excludes Social Security, to be \$19 billion in FY2000 – the second consecutive on-budget surplus. The President's budget builds on this historic fiscal strength with a plan to invest in key priorities like education and health, strengthen Social Security and Medicare, and pay down the debt by 2013.

LARGEST UNIFIED SURPLUS EVER

- **Instead of a \$455 billion deficit, a \$167 billion surplus this year – the largest ever.** In 1992, the deficit was \$290 billion – the largest dollar deficit in American history. In January 1993, the Congressional Budget Office projected that the deficit would grow to \$455 billion by 2000. Today, the Office of Management and Budget (OMB) is projecting a \$167 billion surplus – the third consecutive surplus and the largest surplus ever, even after adjusting for inflation. *Compared with original projections, that is \$622 billion less in government drain on the economy and \$622 billion more available for private investment in one year alone.*
- **Largest surplus as a share of the economy since 1951.** The 2000 surplus is projected to be 1.7 percent of GDP – the largest surplus as a share of GDP since 1951.
- **Three surpluses in a row – for the first time in over 50 years.** The \$167 billion projected surplus in FY2000 follows a surplus of \$124 billion in FY 1999 and \$69 billion in FY 1998. The last time America had three surpluses in a row was over fifty years ago in 1947-49. *The FY2000 surplus marks the eight consecutive year of fiscal improvement, for the first time in American history – surpassing the pre-Clinton best of five straight years.*
- **A projected on-budget surplus of \$19 billion in 2000 – the second consecutive on-budget surplus.** OMB projects that the on-budget surplus, which excludes Social Security, will be \$19 billion in 2000. This follows an on-budget surplus of \$0.7 billion in 1999. The last time America balanced the budget without using Social Security funds was in 1960. The President is committed to continuing to ensure that the entire Social Security surplus is protected for debt reduction.

LARGEST DEBT REDUCTION EVER

- **The President's plan would eliminate the debt by 2013 – 2 years earlier than planned.** The President's plan to use the entire Social Security surplus for debt reduction, to devote the interest savings from this debt reduction to extend the life of Social Security to at least 2050. The President's plan also uses nearly half of the non-Social Security surplus over the next decade for debt reduction and to extend the life of Medicare by shoring up the Hospital Insurance trust fund, would put America on the path to eliminate the debt in 2013. This is two years earlier than projected in the President's June 1999 plan.

- **Interest payments would be eliminated.** Currently we spend 13 cents of every Federal dollar on interest payments. These payments, which were once projected to grow to 26 percent of all federal spending in 2013, would be eliminated under the President's plan.
- **On track to pay down \$297 billion in debt held by the public over three years.** In 1998 and 1999, the debt held by the public was reduced by a combined \$140 billion. OMB is projecting that the United States will pay down an additional \$157 billion in debt held by the public this fiscal year. That will bring the total debt pay down to \$297 billion – the largest three-year debt pay down in American history.
- **The debt held by the public is on track to be \$2.4 trillion lower in 2000 than was projected when the President took office.** In 1993, the debt held by the public was projected by the Office of Management and Budget to balloon to \$5.9 trillion by 2000. Instead, shrinking deficits and surpluses in the last three years are projected to bring the debt down to \$3.5 trillion in 2000 – \$2.4 trillion better than expected. In 1993, the debt held by the public was 49.5 percent of GDP and projected to rise to 64.7 percent of GDP in 2000. Instead, it has been slashed to a projected 36.3 percent of GDP.
- **As a result, interest payments on the debt in 2000 are \$128 billion lower than projected.** In 1993, the net interest payments on the debt held by the public were projected to grow to \$348 billion in 2000. Fiscal discipline has slashed this figure to a projected \$220 billion – a \$128 billion improvement *for one year alone*.

REDUCING SPENDING WHILE CUTTING TAXES FOR MIDDLE-INCOME FAMILIES

- **Federal spending as a share of the economy is the lowest since 1966.** The spending restraint under President Clinton has brought spending down from 22.2 percent of GDP in 1992 to 18.7 percent of GDP in 1999 – the lowest in over thirty years. At the same time, President Clinton has increased investments in education, technology and other areas that are vital to growth.
- **While balancing the budget and paying down the debt, President Clinton has provided tax relief for working families.** The tax cuts signed into law by the President in 1993 and 1997 – for example, the expanded Earned Income Tax Credit, the \$500 child tax credit, the \$1,500 HOPE Scholarship Tax Credit, and the expanded IRAs have reduced taxes for American families. The total Federal tax rate for middle-income families has dropped from 24.5 percent in 1992 to 22.8 percent in 1999 – that's the lowest tax rate since 1978. For families at one-half the median income, the effective Federal tax rate has been slashed from 19.8 percent in 1992 to 14.1 percent in 1999 – that's the lowest tax rate since 1968.

WHAT FISCAL DISCIPLINE MEANS FOR AMERICA

- **Lower interest rates have already cut mortgage payments by \$2,000 for families with a \$100,000 mortgage.** Because of the policy of deficit and debt reduction, it is estimated that a family taking out a home mortgage of \$100,000 expects to save roughly \$2,000 per year in mortgage payments. *This has helped raise the homeownership rate to 66.8 percent in 1999 – the highest rate on record.*
 - Lower interest rates cut car payments by \$200 annually for families taking out a typical car loan.

- Lower interest rates cut student loan payments by \$200 annually for a person with a typical student loan.
- **Lower debt will help maintain strong economic growth.** With the government no longer draining resources out of capital markets, businesses have more funds for productive investment. This has helped to fuel a 12.1 percent real annual increase in productive equipment and software investment since 1993 – the seventh consecutive year of double digit growth, the strongest period of growth on record. This compares to 4.7 percent annual growth from 1981-92, a period that saw the debt held by the public quadruple.
- **Rising investment has contributed to a pickup in productivity growth.** Non-farm business productivity has grown at a 2.7 percent average annual rate for the last four years. This compares to 1.5 percent growth from the 1970s through the early 1990s.

WHAT THE EXPERTS SAY

Experts agree that President Clinton's 1993 economic plan helped reduce the deficit, lower interest rates, spur business investment, and strengthen the economy. The economy and the budget are now working in a virtuous circle – lower deficits have led to lower interest rates which have led to faster business investment which led to faster growth which led to even lower deficits. Experts agree that the President's 1993 Economic Plan helped create this virtuous circle:

- **Alan Greenspan, Federal Reserve Board Chairman, 1/04/00 with President Clinton at Chairman Greenspan's re-nomination announcement:** "My colleagues and I have been very appreciative of your [President Clinton's] support of the Fed over the years, and your commitment to fiscal discipline... has been instrumental in achieving what in a few weeks... will be the longest economic expansion in the nation's history."
- **Paul Volcker, Federal Reserve Board Chairman (1979-1987), in *Audacity*, Fall 1994:** "The deficit has come down, and I give the Clinton Administration and President Clinton himself a lot of credit for that. [He] did something about it, fast. And I think we are seeing some benefits."
- ***Business Week*, 5/19/97:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than \$400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity."
- **Goldman Sachs, March 1998:** One of the reasons Goldman Sachs cites for the "best economy ever" is that "on the policy side, trade, fiscal, and monetary policies have been excellent, working in ways that have facilitated growth without inflation. The Clinton Administration has worked to liberalize trade and has used any revenue windfalls to reduce the federal budget deficit."
- **Lehman Brothers, 1/10/94:** "Lower deficits, lower long-term rates and higher real growth was the overall promise. With the data now rolling in for December 1993, it seems clear that President Clinton delivered on all three counts..."

A SMALLER BUT MORE PROGRESSIVE GOVERNMENT

President Clinton and Vice President Gore have cut Federal spending and cut the Federal workforce, reversing twelve years when the Republicans exploded the deficit and more than quadrupled the debt. At the same time, the Clinton-Gore Administration has made investments in everything from education to science and technology to health care to tax relief for working families.

PAYING OFF THE DEBT BY 2013

- **The debt quadrupled under President's Reagan and Bush.** The debt held by the public increased from \$712 billion in 1980 to \$3.0 trillion in 1992. In early 1993, the debt was projected to rise to \$5.9 trillion in 2000. The President's fiscal discipline has slashed that to a projected \$3.5 trillion in 2000. *That is \$2.4 trillion less in debt than was projected seven years ago.*
- **On track to pay-down \$297 billion in debt held by the public over three years.** In 1998 and 1999, the debt held by the public was reduced by \$140 billion. The Office of Management and Budget (OMB) is projecting that the United States will pay-down an additional \$157 billion in debt held by the public this fiscal year. That will bring the total debt pay-down to \$297 billion – the largest three-year debt pay down in American history. *This keeps us on track to pay off the debt held by the public by 2013 – two years ahead of the President's previous projection.*

LOWEST GOVERNMENT SPENDING IN OVER THREE DECADES

- **Federal spending as a share of the economy is the lowest since 1966.** The fiscal restraint under President Clinton has brought spending down from 22.2 percent of GDP in 1992 to 18.7 percent of GDP in 1999 – the lowest since 1966. At the same time, President Clinton has increased investments that are vital for future growth, including nearly doubling education and training. Under Presidents Reagan and Bush, Federal government spending as a share of the economy increased from 21.6 percent in 1980 to 22.2 percent in 1992.
- **Non-defense discretionary Federal spending as a share of the economy is the lowest on record.** Since President Clinton took office, non-defense discretionary spending has fallen from 3.7 percent of GDP in 1992 to 3.3 percent of GDP in 1999 – the lowest as a share of the economy on record. Over this period, total discretionary spending fell from 8.6 percent of GDP to 6.3 percent of GDP, also the lowest on record. (Comparable data for these categories goes back to 1962.)
- **Discretionary spending down under President Clinton and up under the previous two Administrations.** Real discretionary spending has *fallen* by 1.1 percent per year under President Clinton; from 1980 to 1992, real discretionary spending *increased* 1.0 percent per year.
- **Lower general government spending – as a share of GDP – than any major economy in the world.** According to the OECD, the U.S. has lower total government spending – Federal, state, and local – as a share of GDP than any major economy in the world.

SMALLEST FEDERAL WORKFORCE IN 40 YEARS

- **The smallest Federal civilian workforce in 40 years.** The Federal civilian workforce increased from when President Reagan took office to when President Bush left office. Since President Clinton took office, the Federal workforce has been cut by 377,000 – nearly a fifth – and is now lower than any time since 1960.

LOWEST TAXES FOR MIDDLE-INCOME FAMILIES IN OVER TWO DECADES

- **While balancing the budget and paying down the debt, President Clinton has provided tax relief for working families.** The tax cuts signed into law by the President in 1993 and 1997 – for example, the expanded Earned Income Tax Credit, the \$500 child tax credit, the \$1,500 HOPE Scholarship Tax Credit, and expanded IRAs, have reduced taxes for American families. The total Federal tax rate for middle-income families has dropped from 24.5 percent in 1992 to 22.8 percent in 1999 – that's the lowest tax rate since 1978. For families at one-half the median income, the effective Federal tax rate has been slashed from 19.8 percent in 1992 to 14.1 percent in 1999 – that's the lowest tax rate since 1968.

IV. HIGHLIGHTS OF THE FY2001 BUDGET

- Education and Training
- Child Care
- Health Care
- Environment
- Working Families
- Community Empowerment
- From Digital Divide to Digital Opportunity
- Research & Development
- Safe Communities
- United States Leadership in the World
- America's Armed Forces
- Restoring Fairness to Legal Immigrants
- Tobacco Policy
- Farm Safety Net
- Building One America

EDUCATION AND TRAINING

Education and training have been a cornerstone of the Clinton-Gore Administration's agenda since 1993. The President's initiatives have helped to provide students with the educational opportunities they need to reach high standards, enhanced the quality of teaching, made college more affordable for all Americans, and offered lifetime education and training opportunities to those in need. The President's FY2001 budget builds on these efforts and offers new initiatives to improve the educational and training opportunities needed for a strong economy and healthy communities. At the core of these proposals is a basic principal: we must invest more in our schools *and* demand more from them.

Proposing the Largest Head Start Expansion in History. The President's budget increases funding for Head Start by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children. This funding will bring within reach the President's goal of serving one million children in 2002 and builds the foundation for the long-term goal of universal pre-school. Early Head Start, created by the Clinton-Gore Administration in 1994, brings these services to families with children ages zero to three and to pregnant women. The President's FY2001 proposal would increase funding for Early Head Start by \$143 million. Since 1993, this Administration has already increased funding for Head Start by 90 percent.

Fixing Failing Schools and Rewarding Success. The President believes that we must not only demand more from our schools, we must also invest more in them. The following initiatives provide resources and incentives to help all students meet high academic standards:

- **Universal After-School for Students in the Most Need.** The President and Vice President propose to invest \$1 billion in the 21st Century Community Learning Centers program to help ensure that every child in every failing school has extended learning opportunities in the after-school and summertime hours. The Administration's budget will maintain the commitment to serving all children, but will dedicate much of the increase to help those children most in need of academic assistance as part of a comprehensive approach to help low-achieving students meet high academic standards.
- **Accountability Fund.** In his FY2001 budget, the President will propose to nearly double funding from \$134 million in FY2000 to \$250 million to turn around failing schools. This funding is used by states and localities to turn around low-performing schools through a variety of approaches, including overhauling the curriculum, improving staffing, or bringing in new management and staff. The initiative also includes provisions supporting public school choice for students in failing schools.
- **Rewarding High Performance and Closing the Achievement Gap.** The President also proposes a \$50 million initiative to provide bonuses to states that make exemplary progress in improving student performance and closing the achievement gap between high and low-performing groups of students. States would be eligible for bonuses based on student performance and narrowing of the achievement gap as indicated by performance on the National Assessment of Educational Progress (NAEP).
- **Class Size Reduction.** The President's budget request maintains his commitment to reduce class size in the early grades by staying on a path to hiring 100,000 high-quality teachers

2005. The Administration's FY2001 budget will boost funding for this initiative to \$1.75 billion, an increase of \$450 million over current levels – enough to fund about 49,000 teachers, nearly half way to our long-term goal.

- **Small, Safe and Successful High Schools.** The President's budget will include \$120 million for a Small Schools Initiative to reinvent high schools on a smaller scale and make them more responsive to student needs. School districts could use this money to create small schools or to break up existing large schools into smaller learning communities. Districts would be expected to demonstrate increases in student achievement, graduation rates, and the number of students pursuing postsecondary options, and decreases in disruptions and violence.

Teaching to High Standards. This initiative is a new \$1 billion teacher quality plan to recruit, train and reward good teachers. The Teaching to High Standards Initiative will give grants to states and districts to fund high-quality, standards-based professional development for teachers. It also includes several new proposals:

- **Higher Standards-Higher Pay for Teachers.** This \$50 million initiative will award grants to high-poverty school districts to help them attract and retain high-quality teachers through better pay and higher standards. Participating teachers would receive immediate pay increases; some would receive additional raises for exceptional work.
- **Teacher Quality Rewards.** This \$50 million program will reward school districts that have made exceptional progress in reducing the number of uncertified teachers and out-of-field teachers. The President has proposed requiring states to ensure that 95 percent of teachers are certified and 95 percent of secondary teachers are teaching within field by 2004.
- **Hometown Teacher Recruitment.** This \$75 million program would make students aware of the opportunities available in the teaching profession; provide mentoring and teaching experiences as they progress through school; and provide financial assistance for students who pursue bachelor's degrees with the goal of teaching in high-need communities after graduation.
- **Transition to Teaching.** This \$25 million initiative will build on the success of the Department of Defense's Troops to Teachers program by recruiting and preparing talented mid-career professionals from diverse fields to become teachers in high-need subject areas and high-need schools.
- **School Leaders Initiative.** This \$40 million program will fund non-profit partnerships designed to recruit, prepare and provide professional development for superintendents and principals, and other school leaders to bolster their capacity to lead high-performing schools. Funding would support approximately 20 centers and 10,000 school leaders.
- **Early Childhood Educator Professional Development.** This \$30 million competitive grant program will fund partnerships to help early childhood educators in high-poverty communities obtain high-quality professional development, and improve their capacity to work with young children, particularly on the language and literacy skills that are the foundation for academic advancement.

Special Education. The President's budget proposes nearly \$6.4 billion to support the education of children with disabilities under the Individuals with Disabilities Education Act (IDEA). This increase

includes almost \$300 million to help states and local school districts educate children with disabilities, as well as an increase of more than \$30 million in competitive grants, including funds for states to help schools comply with IDEA. Funding for special education has more than doubled since 1993.

Charter Schools. The President's budget will increase funding for charter schools by \$30 million dollars from \$145 million to \$175 million. Charter schools are public schools that are open to all and given a great deal of flexibility in exchange for agreeing to meet defined goals for student performance. With 1,700 charter schools now in operation, this funding will help reach the President's goal of 3,000 charter schools by 2002.

College Test Preparation for Low-Income Students. This \$10 million initiative will provide rigorous SAT/ACT college preparation programs to low-income students. Competitive grants would be given to partnerships that would provide college preparatory services to college-bound students.

Challenging Coursework Online. This \$10 million initiative will support the development of high quality, Web-based Advanced Placement, second language, and other challenging courses. The program will provide grants of up to three years to partnerships for research, development and evaluation of innovative technologies that can help provide high-quality learning experiences for all students no matter where their school is located.

School Construction and Modernization. President Clinton is renewing his commitment to his School Modernization Bonds by proposing \$24.8 billion in tax credit bonds over two years to modernize up to 6,000 schools. Within this \$24.8 billion program, \$2.4 billion is reserved for Qualified Zone Academy Bonds. In addition, the budget includes a new \$1.3 billion urgent/emergency school renovation loan and grant proposal. This proposal would cost \$8 billion over 10 years.

College Opportunity Tax Cut. The College Opportunity Tax Cut expands the President's Lifetime Learning tax credit in order to make college, graduate school, and job training more affordable for millions of families. The proposal would give families, for the first time, the option of taking a tax deduction or a 28 percent tax credit on tuition and fees to pay for college and other higher education. This is worth nearly twice as much as a deduction for families in the 15 percent bracket. The proposal would cover up to \$5,000 of educational expenses in 2001 and 2002 and rise to \$10,000 of educational expenses from 2003 forward. This proposal would provide up to \$2,800 in tax relief annually to help American families pay for college, graduate work, or courses taken to improve job skills. This proposal will provide families with \$30 billion in tax relief over the next 10 years.

Increasing Support for College Access. In the new economy, education is the key to economic opportunity. The FY2001 budget includes a nearly \$1 billion boost in investments to make college more affordable for economically disadvantaged students.

- **Pell Grants.** The Pell Grant program provides grants to economically disadvantaged young people to help pay the cost of post-secondary education. The FY2001 budget increases the maximum Pell award \$3,500. Funding for the Pell Grant program is increased by over \$716 million, bringing the total Pell Grant appropriation to \$8.356 billion.
- **SEOG.** The Federal Supplemental Educational Opportunity Grant (SEOG) program provides campus-based grant assistance to needy undergraduate students. Generally, this program supplements the aid students receive from other sources, and leverages institutional aid by at least one dollar for every three Federal dollars. The FY2001 budget provides \$691 million.

- **Work Study.** Work Study provides students with the opportunity to work their way through college. The FY2001 budget includes \$1.011 billion for Work-Study, an increase of \$77 million to continue the President's commitment to serve one million students.
- **Dual Degree Programs for Minority-Serving Institutions.** This new \$40 million program increases opportunities for an estimated 3,000 students at minority-serving institutions. Students would receive two degrees within five years: one from a minority-serving institution, and one from an institution in a field in which minorities are underrepresented.

Keeping Young People On Track for Success. Students not only need help to pay for college, they need support to enter and complete college. The President's FY2001 budget includes an increase of more than \$400 million for programs designed to prepare students to take full advantage of post-secondary opportunities.

- **GEAR UP.** GEAR UP is a nationwide initiative to encourage more disadvantaged young people to have high expectations, stay in school, study hard, and take the right courses to go to and succeed in college. GEAR UP is funded at \$200 million in FY2000, enough to provide services to over 750,000 students. The FY2001 budget provides a 62.5% increase to \$325 million, enough to provide services to 1.4 million students.
- **TRIO.** The TRIO programs seek to motivate and prepare students to go to and stay in college. The FY2001 budget provides \$725 million for TRIO, an increase of \$80 million to help provide assistance to over 760,000 students, 37,000 more than in 2000.
- **College Completion Challenge Grants.** The FY2001 budget creates a new initiative within the TRIO program called College Completion Challenge Grants (CCCG). Although college enrollment rates have risen, 37 percent of students that go on to post-secondary school drop out before they get a certificate or a degree. The problem is especially acute for minorities: 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year, compared to 18 percent of whites. The CCCG program is designed to address this problem with a comprehensive approach including pre-freshman summer programs, support services and increased grant aid to students. This \$35 million initiative will improve the chances of success for nearly 18,000 students.
- **Youth Opportunity Grants and Youth Training Formula Grants.** These competitive grants provide comprehensive employment and training assistance to youth, primarily out-of-school youth in high poverty areas. The President's FY2001 budget provides a 50 percent increase in funding to \$375 million, enough to serve 85,000 youth in high poverty areas. In addition, the FY2001 budget provides a \$22 million increase (to \$1.022 billion) for the Youth Activities formula grant program. This level will provide job training and summer job opportunities to about 612,000 disadvantaged young people.
- **Youthbuild.** This program is targeted to 16-24 year old high school dropouts, and provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income families and homeless people. Funded at \$75 million, the Youthbuild programs will provide opportunities for approximately 3,330 trainees in 2001.

- **Job Corps.** Job Corps is the nation's largest and most comprehensive residential education and job training program targeted at impoverished young people. The FY2001 budget increases funding by \$35 million, bringing the total budget to \$1.393 billion.

Investments in Job Training to Ensure Economic Opportunity. The President's FY2001 budget expands successful training programs and implements new ones focused on providing needed training for young people, displaced workers and individuals with disabilities.

- **Employment of People with Disabilities.** The budget proposes a \$1,000 tax credit for workers with disabilities to defray costs including improving access to employment and training programs.
- **Universal Reemployment Initiative.** The Dislocated Worker Training program provides training and support services to help permanently dislocated workers return to productive, unsubsidized employment. The President's FY2001 budget provides an increase of \$181 million and provides assistance to almost 1 million dislocated workers. Also included in the budget is \$50 million to provide reemployment assistance to unemployment claimants.
- **Responsible Reintegration for Young Offenders.** This new \$75 million initiative in the Department of Labor helps young offenders under age 35 to successfully reintegrate into the mainstream economy. Competitive grants will be made to partnerships between the criminal justice system and local workforce investment systems. This effort will be operated in conjunction with a related initiative at the Department of Justice that focuses on community safety and the supervision of ex-offenders.

Bureau of Indian Affairs (BIA) School Construction and Repair. The President has proposed \$300 million, more than double the FY2000 enacted level of \$133 million, to replace and repair BIA-funded schools on reservations. This is the largest investment ever in a single year for BIA school construction and repair. Of these funds, \$126 million would be used to assist in replacing at least six of the 185 BIA-funded schools on reservations. The remaining \$174 million would provide for much-needed health and safety-related repairs, improvements, and maintenance that together comprise a roughly \$700 million backlog.

Training and Recruiting New Native American Teachers. Only two-thirds of Native American students successfully complete high school. To address this challenge the budget provides \$10 million for the Education Department to continue the second year of the Administration's initiative to begin training and recruiting 1,000 new teachers to serve in schools with high concentrations of American Indian and Alaska Native students.

New American Indian Administrator Corps. The President and the Vice President propose \$5 million for a new Department of Education initiative, the American Indian Administrator Corps, that will support the recruitment, training, and in-service professional development of 500 American Indians and Alaska Natives to become effective school administrators in schools with high populations of Native American students. As in the Native American teacher initiative, higher-education institutions are encouraged to form consortia with the tribal colleges in order to develop this program.

CHILD CARE

The Clinton-Gore Administration's FY2001 budget includes a comprehensive child care initiative to address the struggles our nation's working parents face in finding child care they can afford, trust and rely on. Through unprecedented tax relief and subsidy support, the President's balanced budget includes a package of proposals to help working families pay for child care, improve the safety and quality of care, expand after-school programs and promote early learning.

The number of children with parents who work outside of the home is higher than ever before. In 1996, three out of four mothers with young children worked outside of the home, compared to one in four in 1965. During the Clinton-Gore Administration, funding for child care has more than doubled. Still, many eligible children do not receive assistance.

Tax Relief for Over 8 Million Families with Child Care Expenses. The Child and Dependent Care Tax Credit (CDCTC) provides tax relief to those who, in order to work, pay for the care of a child under 13 or for a disabled dependent or spouse. The President's proposals, which cost \$30 billion over 10 years, broaden this tax relief and will help over 8 million families pay their child care expenses:

- **Making the Credit Refundable for Nearly Two Million Working Parents.** Under current law, a typical family of four with an income under \$25,000 is ineligible for credits for child care expenses because it has no income tax liability. Many such families earn too little to claim the credit, but too much to get the full benefit of child care subsidies. To help these families, the President proposes to make the CDCTC refundable for the first time – so that families with no tax liability can receive up to \$2,400 to help offset the cost of child care. This proposal will assist nearly two million families.
- **Increasing the Child Care Tax Credit.** For families earning up to \$60,000, the President proposes to increase the maximum level of the CDCTC from 30 percent to 50 percent. This will provide an average additional tax cut of \$249 for these families and eliminate tax liability for nearly all families with incomes below 200 percent of poverty that claim the maximum allowable child care expenses. Under this proposal, a family of four with an annual salary of \$35,000, and child care expenses of \$3,100, would receive a tax credit of \$1,395 – an increase of \$775 over current law. This expansion proposal will help over four million working families pay for child care.
- **Providing Tax Relief to Parents Who Stay at Home.** The President will also propose enabling parents who stay at home with children under age one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of \$500. This proposal will provide an average tax cut of \$154, benefiting almost two million parents.

Proposing the Largest Head Start Expansion in History. The President's budget increases funding for Head Start by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children. Head Start prepares low-income children for a lifetime of learning by providing early, comprehensive child development services.

Universal After-School for Students in the Most Need. The President and Vice President propose to invest \$1 billion in the 21st Century Community Learning Centers program to help ensure that every

child in every failing school can have a safe place to learn during the after-school and summertime hours. This more than doubles the FY2000 investment. The Administration's budget will maintain the commitment to serving all children, but will dedicate much of the increase to help those children most in need of academic assistance as part of a comprehensive approach to help low-achieving students meet high academic standards. The budget provides sufficient funding to make after- or summer-school programs universally available to all students attending Title I school identified as low-performing, nearly tripling the number of children served by the program to 2.5 million.

Helping Low-Income Families Afford Child Care. The President's budget boosts the Child Care and Development Block Grant by \$817 million in FY2001, enabling the program to provide child care subsidies to nearly 150,000 more children next year. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve over 2.2 million children in 2001, an increase of nearly one million since 1997.

Promoting Early Learning. The President's budget includes \$3 billion over five years for the Early Learning Fund to help improve child care quality and early childhood education for children under five years old. The Early Learning Fund will provide community grants for activities that foster cognitive development, improve child care quality and promote readiness for school. Resources could be used to help child care providers get training or certification, facilitate licensing or accreditation of child care centers, and reduce child-to-staff ratios.

Supporting High-Quality Early Childhood Educators. The President's budget includes \$30 million to ensure that well-trained professionals are teaching our young children. The Early Childhood Professional Development initiative will provide competitive grants to local partnerships that can pull together universities, local school districts and child care providers. The initiative would focus on equipping early childhood educators with the tools they need to help children develop vital language and literacy skills.

Supporting Parents in Higher Education by Offering College Campus Based Child Care. To help low-income parents pursue higher education, the President's budget includes \$15 million – a \$10 million increase over last year's funding level – to provide an additional 150 college campuses with grants to support the establishment or expansion of child care services. States may also use a share of the Child Care and Development Block Grant for this purpose.

Creating New Child Care Tax Incentives for Businesses. In his budget, President Clinton will also propose a new tax credit for businesses that provide child care services for their employees. These services could include: building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resource and referral services. The credit covers 25 percent of qualified costs (and 10 percent of resource and referral service expenses), but may not exceed \$150,000 per year per business. This tax credit costs \$1.4 billion over 10 years.

HEALTH CARE

The Clinton-Gore Administration's FY2001 budget includes investments to address the nation's long-term care needs, improve the quality of care, expand the Administration's commitment to biomedical research, and safeguard and improve the public health.

Addressing the Nation's Multi-faceted Long-term Care Needs. The President's FY2001 budget will include a \$28 billion, 10-year investment in long-term care. The initiative tackles the complex problem of long-term care that affects millions of elderly, people with disabilities, children with special needs and the families who care for them. Its centerpiece is a \$3,000 tax credit for people with long-term care needs or their caregivers – the budget triples the credit over last year's proposal. In addition to the tax credit, the initiative will: (1) provide funding for services which support family caregivers of older persons; (2) improve equity in Medicaid eligibility for people in home- and community-based settings; (3) encourage partnerships between low-income housing for the elderly and Medicaid; and (4) encourage the purchase of quality private long-term care insurance by Federal employees. This initiative complements the Administration's effort, spearheaded by the Vice President, to improve the quality of care in nursing homes.

Assuring the Quality of Health Care. Since he took office, President Clinton has been aggressive in his efforts to promote patients' rights and ensure the delivery of high-quality health care.

- **Patients' Bill of Rights.** Over the coming year, the President will continue to challenge the Congress to finally finish the overdue job of passing patients' rights legislation that includes critical protections such as: guaranteed access to needed health care specialists; access to emergency room services when and where the need arises; continuity of care protections so that patients will not have an abrupt transition in care if their providers are dropped; access to a fair, unbiased and timely internal and independent external appeals process to address health plan grievances; and an enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions. Last fall, over 60 Republicans joined virtually every Democrat in the House in voting for the Norwood-Dingell Patients Bill of Rights. This strong, enforceable, patient protections bill should not be watered down in a manner that makes it ineffective and unworthy of signing by including provisions that further segment healthy from unhealthy populations without significantly expanding coverage for the currently uninsured.
- **Protecting Medical Privacy.** The Clinton-Gore Administration will also continue to act to protect the privacy of Americans' private medical information. This year the Administration will issue historic, final rules that will legally guarantee key privacy protections: notice of data uses; consent before records are used for non-medical purposes; patient access to records; proper security; and effective enforcement. In addition, the President will continue to advocate for strong Federal action on this issue and encourage Congress to pass legislation that ensures that this private information will not be used to discriminate against Americans seeking employment, being evaluated for promotion, or purchasing health insurance.

New Initiatives. The President's FY2001 budget includes new initiatives to improve health care quality.

- **Preventing Medical Errors and Improving Quality of Care.** The FY2001 budget responds to the President's request to act aggressively to develop new avenues for the prevention of medical errors. It will include new funds to improve medical errors prevention, patient safety research, reporting and information dissemination. More detailed information about these initiatives, as well as additional actions the Administration is currently reviewing, will be outlined in the Quality Interagency Task Force's response to the President, scheduled to be released early this year.
- **Protecting Patients Purchasing Prescription Drugs Over the Internet.** This initiative would invest \$10 million in new funds in the investigation, identification, and prosecution of entities selling unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and the marketing of products based on fraudulent health claims. It would certify internet pharmacy sites that meet all state and Federal requirements. It would also update the current penalty structure to create new civil money penalties for dispensing without a valid prescription over the internet or for selling drugs without Federal certification; and provide FDA with new administrative subpoena authority in order build a case against offenders.

Supporting Biomedical Research. The President's FY2001 budget includes almost \$19 billion, an increase of \$1 billion over last year's funding level, for biomedical research at the National Institutes of Health (NIH). Two years ago, the President called for an increase of almost 50 percent over 5 years in the NIH budget as part of his Research for America Fund. Since that time, the NIH budget has increased by over \$4.3 billion and with the funding proposed by the President this year, the Administration will be one year ahead of schedule in reaching the 50 percent goal. As a result, NIH now supports the highest levels of research ever on nearly all types of disease and health conditions. In addition, the budget proposes to repeal the provision enacted for 2000, which would delay the availability of 2000 funds for NIH and other HHS programs.

Safeguarding and Improving the Public Health. President Clinton's FY2001 budget affirms the Administration's commitment to improving public health and invests in several priorities including: new efforts to combat HIV and AIDS; food safety programs; additional efforts to combat emerging infectious diseases; family planning efforts nationwide; efforts to promote childhood immunizations; a Medicare demonstration project on cancer clinical trials; mental health and substance abuse prevention activities; and improving the nation's response to the threat of bioterrorism.

- **Combating the Spread of HIV / AIDS and Other Diseases.** The President's FY2001 budget calls for an additional \$100 million investment in AIDS prevention, care, public health infrastructure, and education in the African and Asian countries that have been hit the hardest by the disease. It also includes a new tax credit for sales of vaccines for malaria, tuberculosis, and AIDS to accelerate the development of these vaccines, building upon a proposed \$50 million investment in the Global Alliance for Vaccines and Immunization (GAVI). Finally, the President will call upon the World Bank to dedicate up to \$900 million annually to expand immunization, treat common diseases, and build delivery systems for basic health services. The President's budget also invests an additional \$125 million in the Ryan White Program, an increase of almost 8 percent over last year's funding level, to provide primary medical care, drugs critical to treatment, and other support services for people living with HIV and AIDS. The budget also includes an additional \$50 million for HIV prevention, community intervention to encourage individuals at risk to avoid behaviors that can result in the transmission of the disease and increase the number of people who know their HIV status.

- **Enhancing the Nation's Food Safety System.** A total of \$422 million is included in the President's budget for his interagency food safety initiative – a \$68 million, or 19 percent, increase over FY2000 enacted. The initiative includes funding for the U.S. Department of Agriculture (USDA) and the Department of Health and Human Services (HHS) to: achieve annual inspections of high-risk domestic food establishments; expand the number of imported food exams; enhance the national network of public health laboratories capable of subtyping foodborne pathogen DNA for rapid response to disease outbreaks (PulseNet); and expand research, risk assessment and education activities. Funding is also included for HHS and USDA to begin implementation of the Egg Safety Action Plan adopted by the President's Council on Food Safety.
- **Major Increase in the War on Emerging Infectious Diseases:** This initiative will dedicate an additional \$20 million, a 45 percent increase over the FY2000 funding level, to further the development of a national electronic disease surveillance network to track newly emerging infectious diseases, such as West Nile-like encephalitis, and new strains of influenza, and provide essential information to public health clinics, hospitals, and health care providers. Funds will also be used to enhance local investigations, education, and focused disease monitoring nationwide, and promote the dissemination of new software for outbreak detection.
- **Increasing Family Planning Efforts Nationwide:** The FY2001 budget will invest an additional \$35 million, a 16 percent increase over the FY2000 funding level, for grants to family planning clinics providing reproductive health services and clinical care to over 5 million low income women. These new funds will be used to prevent over a million unintended pregnancies year by improving the delivery of comprehensive reproductive health services, including STD and cancer screening and prevention, and HIV prevention, education and counseling; providing educational programs that encourage adolescents to postpone of sexual activity; increase the accessibility of contraceptive counseling and services; increasing efforts to provide effective contraceptives to those in need; and developing partnerships with other community based providers to conduct outreach to adolescents at risk. In addition, the budget continues the requirement that health plans in Federal Employee Health Benefits Programs (FEHBP) offer a full range of contraceptive options.
- **Promoting Childhood Immunizations:** The budget proposes almost \$1 billion for childhood immunizations, including the Vaccines for Children program and CDC's discretionary immunization program. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, is at an all-time low.
- **Establishing Medicare Cancer Clinical Trial Demonstration:** The budget gives more Americans access to these cutting-edge cancer treatments and encourages higher participation in clinical trials by establishing a three-year, \$750 million demonstration program. Medicare beneficiaries who participate in certain cancer clinical trials will have their routine patient care costs covered for those trials.
- **Expanding Substance Abuse Activities:** The budget includes a \$82 million increase for the prevention and treatment of substance abuse, a 50 percent increase from the FY 1993 enacted level. These new funds continue the Administration's commitment to expand substance abuse treatment for thousands of under-served Americans. To help communities address gaps in substance abuse services for emerging areas of need, the budget proposes an additional \$54 million for Targeted Capacity Expansion grants. With this increase and an additional \$31 million in funding for the Substance Abuse Block Grant, the budget will provide treatment for another 15,000 individuals. In

addition, in January 2001, the FEHBP's benefit structure will, for the first time, provide for parity in the provision of mental health and substance abuse benefits, illnesses which have long been given less favorable treatment by the health care industry.

- **Increasing Federal Support for Improving the Mental Health of All Americans:** According to the December 1999 Surgeon General's Report on Mental Health, one in five Americans is living with a mental health disorder. This report states that the fundamental components of effective service delivery are broadly agreed upon, but in short supply. The budget includes a new investment of \$100 million for mental health services, an increase of 16 percent over last year's funding level and a 90 percent increase since 1993.
- **Improving Asthma Treatment for Low-income Children:** The budget proposes \$100 million in demonstration grants (\$50 million in FY2001 and \$50 million in FY2002) to States test innovative asthma disease management techniques for children enrolled in Medicaid to help these children receive the most appropriate care, and keep their asthma in check.

ENVIRONMENT

The Clinton-Gore Administration FY2001 budget proposes a record \$42.5 billion in FY2001 to protect our natural resources, our communities and families, and the global environment. The proposed environment budget represents an 11 percent increase over FY2000 and a 36 percent increase over FY 1993. It includes major initiatives to preserve America's lands legacy, combat global warming, protect tropical forests, end childhood lead poisoning, and build more livable communities

A Permanent Lands Legacy for America. In FY2000, the President secured \$652 million, a 42 percent increase for his Lands Legacy initiative. For FY2001, the President is proposing \$1.4 billion, the largest one-year investment ever in conserving America's land and coastal resources. In addition, the President is proposing a new, protected budget category to preserve this higher level of funding in future years. More than half this dedicated funding would be used to support state and local conservation efforts. For FY2001, the President proposes:

- **Helping Communities Protect Wildlife and Open Space.** The President's budget proposes \$521 million, almost four times current funding, to help state, local, and tribal governments protect wildlife and local green spaces. Priorities include protecting threatened farmland, working forests, wetlands, and urban parks. This includes a new \$100 million grant program to help states protect non-game wildlife.
- **Saving Natural and Historic Treasures.** \$450 million, a 7 percent increase, for Federal acquisition and protection of critical lands, including: wildlife-rich bayous in the Lower Mississippi Delta, giant sequoias in California's Sierra Nevada, Civil War battlefields, the historic Lewis and Clark trail, fragile Southern California desert, and the Florida Everglades.
- **Providing Special Assistance to Coastal Areas.** \$429 million, a 159 percent increase, to protect ocean and coastal resources, including \$100 million for a new program to help coastal states address environmental impacts of existing offshore oil and gas development, and \$100 million to help state, local and tribal efforts to restore coastal salmon in the Pacific Northwest.

Meeting the Challenge of Global Warming. The President is proposing \$2.4 billion – a 42 percent increase – to combat global climate change, and \$1.7 billion for scientific research into factors influencing climate and the likely consequences of global warming. Highlights include:

- **Promoting Clean Energy at Home and Abroad.** \$289 million to develop technologies that convert crops and other "biomass" into clean fuels and other products; and over \$200 million, a 105 percent increase, to promote the export of clean energy technologies to developing nations.
- **Moving New Technology into the Marketplace.** The budget proposes \$9 billion over 10 years in tax relief to encourage the purchase of energy-efficient cars, homes, and appliances, and the production of wind, solar, and biomass power.
- **Advancing Clean Energy Research.** \$1.4 billion, a 30 percent increase, to develop and deploy renewable energy and energy efficiency technologies for the buildings, transportation, industry and utility sectors; and to research coal and natural gas efficiencies and carbon sequestration.

- **Helping Local Clean Air Efforts.** \$85 million for a new Clean Air Partnership Fund for state and local projects that reduce both greenhouse gases and air pollutants like soot and smog.

Protecting Forests and Biodiversity Around the World. The President is proposing \$150 million for a new Greening the Globe initiative to help stem the loss of forests worldwide – especially tropical forests, which support more than half the known species on earth. The initiative will help developing nations strengthen their economies by preserving their forests. It includes:

- **Targeted Conservation Investments.** \$100 million, a 60-percent increase, for programs at the U.S. Agency for International Development (USAID) that help more than 60 countries in Africa, Asia, and Latin America conserve their forests and other natural areas.
- **Debt-for-Nature Swaps.** \$37 million, almost three times current funding, to relieve developing countries of debt owed to the United States when they commit to invest in forest conservation.
- **Research and Wildlife Protections.** \$10 million to protect wildlife habitat and research causes and prevention of forest fires; \$3 million to protect endangered elephants, tigers, and rhinos.
- **Monitoring Forest Loss from Space.** A new program led by USAID and NASA to compile the first comprehensive satellite maps of the world's tropical forests, and to work with national and international partners to regularly monitor and report on future changes in forest cover.

Building Livable Communities. The President is proposing \$9.3 billion, a 14 percent increase, for the Administration's Livable Communities initiative, which helps communities grow in ways that enhance their quality of life and ensure strong, sustainable economic growth. Priorities include:

- **Community Transportation Choices.** \$9.1 billion to help ease traffic congestion, including a record \$6.3 billion for light rail and other transit systems; \$1.6 billion for innovative local programs that ease congestion while reducing air pollution; and \$468 million for an expanded passenger rail fund.
- **Better America Bonds.** The President is proposing Federal tax credits to pay the interest on \$10.75 billion in bonds over 5 years for investments by State, local, and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality and clean up brownfields (abandoned industrial sites). The cost is \$3 billion over 10 years.
- **Crime Data Sharing.** \$125 million for grants to state and local governments to improve public safety through data sharing and the use of advanced crime-solving technologies.
- **"Smart Growth" Partnerships.** \$25 million to promote strategic regional "smart growth" planning in urban and rural communities.

Protecting Children From Lead Poisoning. The President is proposing \$165 million to launch a 10-year strategy to end childhood lead poisoning by eliminating lead hazards, strengthening enforcement, advancing research, and improving health monitoring and intervention. FY2001 priorities include:

- **Making Homes Lead-Safe.** \$120 million, a 50 percent increase, for grants and other Housing and Urban Development efforts to reduce lead paint hazards in low-income homes with children under six.
- **Increased Enforcement.** \$6 million for the Environmental Protection Agency and the Department of Justice to increase public education and enforcement of lead-disclosure rules.

Promoting Conservation on the Farm. The President is proposing \$3 billion, a \$1.3 billion increase over currently authorized levels, for voluntary programs that help farmers protect water quality and wildlife habitat. A new \$600 million Conservation Security Program would provide additional income to family farmers who adopt comprehensive plans to curb erosion and protect water supplies from polluted runoff. Other proposed increases would expand efforts to restore habitat, preserve streamside buffer zones, and protect farmland threatened by sprawl.

Restoring the Great Lakes. The President is proposing a new \$50 million initiative to help state and local governments restore polluted "areas of concern" in the Great Lakes so they can be used for fishing, swimming, boating and urban redevelopment. Matching grants could be used to clean up contaminated sediments, control stormwater, restore wetlands, acquire greenways and buffers, and control polluted runoff. State or local governments would provide at least 40 percent of project costs, resulting in a total investment of more than \$80 million.

WORKING FAMILIES

Since 1993, the Clinton-Gore Administration has worked hard to reduce poverty and increase opportunity for our most disadvantaged families. The overall poverty rate fell to 12.7 percent in 1998, with 7.7 million fewer people in poverty than in 1993. The child poverty rate has declined from 22.7 percent to 18.9 percent – the largest five year drop in nearly 30 years. But despite the strongest economy in a generation, there are still millions of workers struggling to raise a family and make ends meet. The President believes that parents who work hard and play by the rules should not have to raise their children in poverty. President Clinton's FY2001 budget proposes to create new initiatives and expand upon existing programs to help give working families the opportunities they need to partake of our country's prosperity.

Expanding the Earned Income Tax Credit (EITC) to Even Better Reward Work and Family.

President Clinton proposes a \$23 billion plan to expand the Earned Income Tax Credit to reward work and family. According to estimates by the Department of the Treasury, this EITC expansion would provide tax relief for 6.8 million hard-pressed working families, providing up to \$1,200 in additional tax relief for some of them. The President's proposal would build on his 1993 EITC expansion, which provided a tax cut for 15 million families and made EITC even more effective at encouraging work and reducing poverty, by:

- increasing benefits for families with three or more children;
- expanding the credit for married, two-earner couples;
- rewarding families that are working hard to move into the middle class by lowering the phaseout rate; and
- encouraging savings through simplification.

Increasing the Minimum Wage. The President again proposes a \$1 increase in the minimum wage. This proposal, which builds upon President Clinton's 1996 minimum wage increase, would help 10 million Americans – 70 percent of whom are adults and 60 percent of whom are women. For a full-time, year-round worker at the minimum wage, this would mean an additional \$2,000 per year.

Individual Development Accounts. Since 1992, the President has supported the creation of Individual Development Accounts (IDAs) to empower individuals to save for a first home, post-secondary education, or to start a new business. In 1998, the President signed into law legislation authorizing a five-year \$125 million demonstration program. The President's budget provides \$25 million for IDAs in FY2001. The Administration will also propose to allow low-income working families to use IDAs to save for a car that will allow them to get or keep a job.

Retirement Savings Accounts (RSAs) To Help Families Save and Invest And Expand Pension Coverage for Small Businesses. The President's Retirement Savings Accounts (RSAs) proposal will give 76 million Americans the opportunity to build wealth and save for their retirement through a progressive tax cut. This proposal builds on the successful model of Individual Development Accounts (IDAs), extending generous matches to all low- and moderate-income families to encourage them to develop savings and assets. A person who participated for 40 years in this savings program could accumulate over \$266,000 – enough to produce \$24,000 a year of income in retirement. This proposal would cost \$54 billion over 10 years.

Tax Incentives For Small Businesses To Offer High-Quality Pension Coverage. In an effort to encourage more small businesses to offer pensions for their employees, the budget provides for a 50 percent tax credit for three years of qualified contributions to employees' pensions. This provision would cost \$17 billion over 10 years.

Reducing the Marriage Penalty for Married, Two-Earner Couples By Increasing the Standard Deduction by More Than \$2,000. The President will propose to increase the standard deduction for two-income married couples to twice that of single filers, providing substantial tax relief for 9.1 million married couples. When fully phased in, this change would result in a \$2,150 increase in the standard deduction. The President's proposal would also increase the standard deduction by \$500 for single-earner married couples and by \$250 for single filers. Both elements of the President's plan would cost \$45 billion over 10 years and benefit 42.1 million families.

Alternative Minimum Tax Relief: The President will propose in his budget a \$33 billion proposal over 10 years to correct serious design flaws in the individual Alternative Minimum Tax (AMT) that increasingly hurt middle-income families with children who play by the rules. It complicates their tax preparation and raises their tax bills. The President's proposal will take over 9 million families per year off the AMT when fully phased in.

Helping Families Afford to Take Family Leave. The President's budget includes a \$20 million family leave initiative to fund roughly 15 competitive planning grants for states and other interested entities to explore ways to make parental leave and other forms of family leave more affordable and accessible for American workers. Today, many workers face barriers, such as financial barriers, to taking advantage of unpaid leave. A 1996 Study by the Commission on Family and Medical Leave found that loss of wages was the most significant barrier to parents taking advantage of unpaid leave following the birth or adoption of a child. The President's budget request will enable states and others to identify in more detail the workers who need financial assistance to take parental leave or other forms of family leave and to evaluate and develop options to aid these workers.

Helping Low-Income Working Families Get to Work. Transportation to work is a barrier for many low-income families. Some families need a car to get to work, but owning a car can often be the one item that makes a household ineligible for food stamps. The President's budget will make it easier for working families to own a reliable vehicle and receive food stamps by allowing states to conform their food stamp vehicle policy with a more generous TANF vehicle policy. The Administration will also propose to allow low-income working families to use IDAs to save for a car that will allow them to get or keep a job. In addition, the Administration supports expanding public transit as a reliable form of transportation. The budget proposes to double Access to Jobs transportation funding to \$150 million to expand grants to communities to develop innovative public transportation solutions that help more low-income workers and welfare recipients get to work.

Helping Millions Move from Welfare to Work. In 1992, President Clinton promised to end welfare as we know it, and now more than three years after the enactment of the welfare reform law, we've seen revolutionary changes to promote work and responsibility: the number of Americans on welfare is at its lowest level since 1969 – 30 years ago – as millions of people move from welfare to work. Since January 1993, the welfare rolls have fallen by more than half, from 14.1 million to 6.9 million. More than 1.3 million welfare recipients went to work in 1998 alone. The 12,000 business participating in the Welfare to Work Partnership launched by the President in 1997 have hired nearly 650,000 former welfare recipients. The Federal government is also doing its share: in 1997, the President asked the Vice President to lead the Federal hiring initiative to hire 10,000 welfare recipients over four years,

and today, we've far exceeded that goal, hiring more than 16,000 people at a time when the Federal workforce is the smallest it has been in thirty years.

Helping More Long-term Recipients Move from Welfare to Work. Because of the President's leadership, the 1997 Balanced Budget Act included \$1.5 billion in each of years 1998 and 1999 for Welfare-to-Work grants to help long-term welfare recipients and certain non-custodial parents go to work and support their children. Currently, grantees have up to three years to spend the funds and fully implement these important efforts. The President's budget allows grantees an additional two years to spend these existing funds.

Ensuring Equal Pay. According to the Department of Labor, the average woman who works full-time earns approximately 75 cents for each dollar that an average man earns. For women of the color, the gap is even wider. This gap is attributable, in part, to differing levels of experience, education, and skill. However, even after accounting for these factors, a significant pay gap still remains between men and women in similar jobs. On January 24, the President announced a \$27 million Equal Pay Initiative in his FY2001 budget, an increase of \$12 million over FY2000. The Initiative requests \$10 million for the Equal Employment Opportunity Commission (EEOC) to provide training and technical assistance to about 3,000 employers on how to comply with equal pay requirements and to launch a public service announcement campaign on wage issues. The Initiative also dedicates \$10 million for the Department of Labor (DOL) to train women in nontraditional jobs, including high-tech jobs and other skill shortage occupations. Lastly, the Initiative provides \$7 million for DOL to help employers assess and improve their pay policies, support public education efforts, provide for projects in non-traditional apprenticeships, and implement industry partnerships. The President also called on Congress again to pass the Paycheck Fairness Act, which would strengthen wage discrimination laws, provide for new collection of data on wage issues, and provide for additional research, training, and public education efforts on this important subject.

Creating Initiatives to Collect More Child Support. Since the President took office, child support collections have nearly doubled, from \$8 billion in 1992 to \$15.5 billion in 1999. Today, parents who owe child support have their wages garnished, their bank accounts seized, and their tax refunds withheld. To build on this success, the budget contains several new measures to get parents to pay the child support they owe and to ensure more support goes directly to families. Parents who owe past-due child support will have their gambling winnings intercepted. If they are delinquent, they will have their vehicles booted, they will have a harder time obtaining or renewing a passport, and they can be prohibited from enrolling as a Medicare provider. The proposals also provide incentives for states to pass through more child support payments directly to families, so that families leaving welfare can keep all the payments, and families still working their way off can keep up to \$100 a month. Finally, the budget will require that child support orders be updated more frequently. In total, these initiatives will bring in nearly \$2 billion more for families.

Fathers Work/Families Win Grants. The President's budget will contain \$255 million in new competitive grants in FY2001 to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty. This budget will encourage responsible fatherhood through \$125 million in "Fathers Work" grants to put approximately 40,000 non-custodial parents (mainly fathers) who owe child support to work and help them connect with their children. As part of this effort, states will need to put in place procedures allowing them to require more parents who owe child support to pay or go to work. The President's budget will also contain \$130 million in "Families Win" grants to help about 40,000 low-income parents stay in their jobs, move up the career ladder, and remain off cash assistance. An important part of these grants will be to improve families'

access to food stamps, health care, childcare, and other critical support for working families. Of these amounts, \$10 million will be set-aside for applicants from Native American workforce agencies. This proposal complements other budget initiatives to ensure that low-income working families have access to the health care coverage and nutritional assistance they need.

Second Chance Homes. The budget includes \$25 million in new funds to support "second chance homes," adult-supervised and supportive living arrangements, for unmarried teen parents and their children who cannot live at home or with other relatives. States will be able to use these funds, as they can other Social Services Block Grant (SSBG) funds, to support services provided by faith-based and community-based organizations. (Overall, the budget increases SSBG funds by \$75 million over current law.) This new initiative will be the latest of the Administration's efforts to break the cycle of dependency and reduce teen pregnancy, which have resulted in the lowest teen pregnancy rates on record and an 18 percent decline in teen birth rates from 1991 to 1998.

Homeless Initiative. Homeless persons do not participate fully in important health and other programs for which they are eligible. The President's budget proposes legislation for a new \$10 million initiative that would improve homeless individuals' access to mainstream programs that will help them move toward self-sufficiency. Demonstration grants would be awarded to several states to improve access to and provide coordination among mainstream programs such as Medicaid, State Children's Health Insurance Program (SCHIP), Temporary Assistance for Needy Families, Food Stamps, the Workforce Investment Act, and the Mental Health and Substance Abuse Block Grants. The budget also proposes \$1.2 billion for homeless assistance programs at the Department of Housing and Urban Development, including \$105 million for 18,000 homeless vouchers.

COMMUNITY EMPOWERMENT

The United States is currently in the midst of the longest expansion in its history. The strength and duration of this expansion have helped bring economic opportunity to millions of people once cut off from the economic mainstream. But too many urban and rural areas have not participated in this growth. Working with the private sector and state and local governments, the President is committed to help these communities participate in our country's economic prosperity. The Clinton-Gore Administration's FY2001 budget proposes an expanded New Markets initiative and Empowerment Zone program, a new program known as First Accounts, creation of the new Delta Regional Authority, new initiatives to close the Digital Divide, efforts to expand opportunities to Native Americans as well as other programs that will provide distressed communities with additional opportunities to succeed.

The New Markets Initiative. The President's budget provides tax credits and loans guarantee incentives to stimulate \$22 billion of new private capital investments in economically distressed communities around the country and build a network of private investment institutions to funnel credit, equity and technical assistance to businesses in America's new markets. In addition, the budget proposes a new initiative, known as First Accounts that will provide low-cost bank accounts for working families.

- **More Than Doubling the New Markets Tax Credit.** The President proposes to more than double the New Markets tax credit to spur \$15 billion in new investment in community development in economically distressed areas. An entity making new equity investments in a selected community development project would be eligible for a tax credit worth 25 percent of the cost of the investment. A variety of vehicles providing equity and credit to businesses in underserved areas would be eligible. The total cost of the tax credits amounts to \$5 billion over 10 years.
- **Expanded Empowerment Zones.** The proposed expanded wage credits, tax incentives, and new round of urban and rural EZs will extend and improve economic growth in the 31 existing urban and rural Empowerment Zones, administered by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA), and support the proposed third round of 10 new Empowerment Zones to be designated in 2001. The total cost of these proposals will be \$4.4 billion over 10 years.
- **America's Private Investment Companies (APICs).** Modeled after the Overseas Private Investment Corporation's (OPIC) successful investment fund program, the President's budget proposes \$37 million to allow APICs to provide guaranteed debt to private investment companies, licensed by HUD, to help leverage private equity capital and lower the cost of capital for investments in low- and moderate-income communities. For every dollar that private investors provide, the government will guarantee two dollars in debt to expand the APIC's pool of capital available for making investments and enhance the return on those investments to the private investors. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas.
- **New Market Venture Capital Firms (NMVCs).** The budget proposes \$52 million to allow

NMVC firms to match the equity of private investors with Government-guaranteed debt and technical assistance funding to cultivate the growth of smaller firms. NMVC would invest in smaller growth companies that can also benefit from expert management assistance.

- **Creation of First Accounts.** The President's budget proposes \$30 million for the Department of Treasury to pilot strategies to help low- and moderate-income Americans benefit from basic financial services. Treasury will work with financial institutions and others: (1) to encourage the creation of low-cost bank accounts (First Accounts); (2) to expand access to automatic teller machines in safe, secure, and convenient locations, including U.S. Post Offices, in low-income neighborhoods; (3) to educate low-income Americans about the benefits of having a bank account, managing household finances, and building assets. The *First Accounts* initiative complements Treasury's Electronic Transfer Accounts (ETAs) – low-cost, electronic banking accounts for “unbanked” Federal benefit recipients – by reaching those not eligible to participate in the ETA program because they are not Federal benefit recipients.
- **Other Elements of New Markets.** Other elements in the budget include: increasing the funding for SBA's microenterprise lending program to \$50 million; \$15 million to fund PRIME – a program authorized last year to provide technical assistance to low-income entrepreneurs; boosting CDFI funding to \$125 million; expanding support to \$6.6 million for BusinessLINC to encourage large businesses to work with small businesses in new markets; and providing \$5 million to establish a New Markets University Partnerships pilot project which, under the auspices of HUD, would provide Universities with funding to develop local community partnerships, assistance to intermediaries, and technical and business development assistance to new and existing firms. In addition, to better serve Native American communities, the President will provide additional funding to expand the New Markets initiative to Indian Country.

Native American Initiative. In order to better serve Native American communities in this millennium and to honor the Federal government's trust responsibility to tribes, the President's budget includes an increase of \$1.2 billion over FY2000 – the largest increase ever – for a total of \$9.4 billion for key new and existing programs assisting Native Americans and Indian reservations. Some of the highlights include:

- **Bureau of Indian Affairs (BIA) School Construction and Repair.** The President has proposed \$300 million, more than double the FY2000 enacted level of \$133 million, to replace and repair BIA-funded schools on reservations. This is the largest investment ever in a single year for BIA school construction and repair.
- **Increased Funding for Tribal Colleges.** The budget proposes increased funding of \$25 million for the Nation's tribal colleges for a total of \$77 million.
- **Indian Health Service.** The President's budget proposes \$2.6 billion, an increase for the Indian Health Service (IHS) of \$230 million or 10 percent over the FY2000 enacted level.
- **Improving Law Enforcement in Indian Country.** The budget proposes \$439 million, an increase of \$103 million over FY2000, for the Departments of Justice and Interior for the third year of the President's Indian Country Law Enforcement Initiative. The initiative will improve public safety for the over 1.4 million residents on the approximately 56 million acres of Indian lands.

- **Building Roads and Bridges in Indian Country.** The Transportation Department (DOT) will expand its program to improve roads and bridges on Indian reservations. The President's budget proposes to give the Indian Reservations Roads program the full authorization amount of \$275 million with an additional \$74 million from a highway receipts account for a total of \$349 million, which is an increase of \$117 million over the previous year. This will allow Tribes to address the estimated backlog of \$4 billion in needs on these roads and bridges.
- **Tribal Infrastructure Projects.** The President and the Vice President propose \$49 million, an increase of \$46 million over FY2000, for the Department of Commerce's Economic Development Administration (EDA) to fund infrastructure, planning, and public works projects.
- **Addressing the Digital Divide.** To encourage Native Americans to pursue careers in information technology and other science and technology fields, the budget provides \$10 million, to be administered by the National Science Foundation, for grants to tribal colleges for networking and access, course development, student assistance, and capacity building.
- **Bureau of Indian Affairs (BIA) Contract Support Costs.** Within the overall BIA increase, the budget continues to support Tribal self-determination by proposing \$134 million, a \$9 million or 7 percent increase over 2000 for contract support costs. This funding provides \$5 million for new and expanded contracts and \$129 million for existing contracts.
- **Trust Services.** The Administration is committed to improving trust services and management through its trust reform efforts at the Interior Department. The budget proposes \$108 million, a 48 percent increase over 2000, for improved trust services in the BIA for activities such as probate, real estate appraisals, and other services.
- **Indian Trust Fund Balances.** The Administration is committed to resolving disputed Indian trust fund account balances through informal dispute resolution and supports the unique government-to-government relationship that exists in Indian trust land management issues. After Tribal consultations, BIA submitted its "Recommendations of the Secretary of the Interior for Settlement of Disputed Tribal Accounts" to Congress in November 1997. Legislation reflecting these recommendations was proposed in 1998, but not enacted. The Department will continue efforts to resolve trust fund account balances.
- **Trust Land Management.** As part of BIA's commitment to resolving trust land management issues, Interior worked with Congress in 1999 to repropose legislation (S. 1586) to establish an Indian Land Consolidation program to address the ownership fractionation of Indian land. In addition to \$13 million for the Indian Land Consolidation program, the budget provides \$83 million for DOI's Office of Special Trustee, including the trust management improvement project. Current activities include verifying individual Indian's account data and converting these data to a commercial-grade accounting system.

Creation of the Delta Regional Authority. In the Mississippi Delta, poverty remains at 175 percent of the national average. The President's budget proposes \$153 million for the creation of a new Delta Regional Authority, modeled after the successful Appalachian Regional Commission, to bring the resources of a Federal-State partnership to the fight for economic growth in the region. This partnership will help bring the infrastructure and job training needed to make the Nation's prosperity a reality in the Delta.

Closing the Digital Divide. Access to computers and the Internet and the ability to effectively use this technology are becoming increasingly important for full participation in America's economic, political and social life. Unfortunately, unequal access to technology and high-tech skills by income, educational level, race, and geography could deepen the divisions that exist within American society. The President's budget proposes a comprehensive package to help bridge the Digital Divide and to help create more digital opportunity for all Americans. These initiatives include \$2 billion in tax incentives to encourage private sector activities such as computer donations, and \$380 million in new and expanded initiatives to serve as a catalyst for public-private partnerships designed to increase access, training and applications for low-income families.

Expanding Housing Vouchers and Opportunities for Hard Pressed Working Families. The President's budget will include \$690 million for 120,000 new housing vouchers to subsidize the rents of low-income families. These housing vouchers subsidize the rents of low-income Americans, enabling them to move closer to job opportunities – many of which are being created far from where these families live. Of the 120,000 new housing vouchers, 32,000 will be targeted to families moving from welfare to work, 18,000 to homeless individuals and families, and 10,000 to low-income families moving to new housing constructed through the Low Income Housing Tax Credit (LIHTC), with the remaining 60,000 vouchers allocated to local areas to help address the large unmet need for affordable housing. These new vouchers build on the 110,000 new housing vouchers secured through the President's leadership over the past two years. In addition, the President's budget proposes to increase the Low-Income Housing Tax Credit volume cap from \$1.25 per capita to \$1.75 per capita and to index the cap to inflation after 2001, which will provide additional incentives to build and make an additional 180,000 units of affordable housing available to working families over the next five years.

Supporting Community Empowerment Fund (CEF). The CEF/EDI, funded at \$100 million in FY2001, working in tandem with the Section 108 loan guarantee program, funded at \$30 million in FY2001, will work with a new pilot program beginning in 2000 to create loan pools to improve the securitization of Section 108 loans.

AmeriCorps and Encouraging Community Service. Since the start of his Administration, the President has encouraged and facilitated community service. Over 150,000 young people have participated in AmeriCorps – they have helped to immunize more than a million people; taught, tutored or mentored 4.4 million children; helped build some 11,000 homes; and truly sparked a new spirit of public engagement across the land. The President's budget includes over \$850 million for the Corporation for National Service. This increase of nearly \$120 million keeps AmeriCorps on track for the President's goal of 100,000 members each year by 2004. The budget will also include a new "AmeriCorps Reserves" program, modeled after the military reserves, and designed to engage former Corps members in times of need. The budget also includes \$15.5 million in new initiatives that reward innovations in youth service, as well as additional resources to encourage service by senior citizens, and to engage students in service through a new "Community Coaches" program.

Encouraging Philanthropy. The budget includes a comprehensive package of new tax proposals to encourage philanthropy. The budget proposes allowing non-itemizers to take a tax deduction for charitable giving. New rules will make it easier for charitable foundations to make gifts in times of need. In addition, the budget proposes making it easier for individuals to donate appreciated assets like securities and real property. These proposals would cost \$14 billion over 10 years.

Strengthening Non-profits' Role in Community Development. Already many faith-based and community-based organizations partner with government to help our nation's families, but the

President and Vice President believe we should do more, and their budget proposes to increase the involvement of religiously affiliated and community-based organizations in after-school, housing, community development, criminal justice, welfare reform, teen pregnancy prevention, and juvenile justice programs, consistent with the constitutional line between church and state.

Helping More Long-term Recipients Move from Welfare to Work. Because of the President's leadership, the 1997 Balanced Budget Act contained \$3 billion for Welfare-to-Work grants to help long-term welfare recipients and certain non-custodial parents go to work and support their children. To fully implement these important efforts, the President's budget allows grantees an additional two years to spend these existing funds.

Helping Low-Income Working Families Get to Work. Transportation to work is a barrier for many low-income families. Some families need a car to get to work, but owning a car can often be the one item that makes a household ineligible for food stamps. The President's budget will make it easier for working families to own a reliable vehicle and receive food stamps by allowing states to conform their food stamp vehicle policy with a more generous TANF vehicle policy. The Administration will also propose to allow low-income working families to use IDAs to save for a car that will allow them to get or keep a job. In addition, the Administration supports expanding public transit as a reliable form of transportation. The budget proposes to double Access to Jobs transportation funding to \$150 million to expand grants to communities to develop innovative public transportation solutions that help more low-income workers and welfare recipients get to work.

Homeless Initiative. Homeless persons do not participate fully in important health and other programs for which they are eligible. The President's budget proposes legislation for a new \$10 million initiative that would improve homeless individuals' access to mainstream programs that will help them move toward self-sufficiency. Demonstration grants would be awarded to several states to improve access to and provide coordination among mainstream programs such as Medicaid, State Children's Health Insurance Program (SCHIP), Temporary Assistance for Needy Families, Food Stamps, the Workforce Investment Act, and the Mental Health and Substance Abuse Block Grants. The budget also proposes \$1.2 billion for homeless assistance programs at HUD, including \$105 million for 18,000 homeless vouchers.

FROM DIGITAL DIVIDE TO DIGITAL OPPORTUNITY

Access to computers and the Internet and the ability to use this technology effectively are becoming increasingly important for full participation in America's economic, social and political life.

Unfortunately, there is strong evidence of a "digital divide" – unequal access to technology by income, education level, race, and geography. In 1998, those with a college degree were more than *eight times* more likely to have a computer at home and nearly *sixteen times* as likely to have home Internet access as those with an elementary school education. This growing divide also cleaves our community along income, ethnic, and geographic lines, with affluent, white, and urban/suburban households enjoying better computer and Internet access than their African-American, Hispanic, less affluent and more rural counterparts.

Private sector competition and rapid technological progress are powerful forces to bridge the digital divide and make Information Age tools available for more and more Americans. By working with the private sector and community-based organizations, the Administration can accelerate the trend toward expanded access. But we also need to give people skills to use technology and to promote content and applications of technology that will help empower under-served communities. Building on their past successes in bridging the digital divide, President Clinton and Vice President Gore propose the following initiative to help accomplish these goals:

Tax incentives to encourage private sector involvement. The budget proposes \$2 billion over 10 years in tax incentives to encourage private sector donation of computers, sponsorship of community technology centers, and technology training for workers, including:

- **Encouraging companies to donate computers.** The President proposes to extend and expand the tax deduction that gives companies an incentive to donate computers to schools, libraries and computer technology centers. This enhanced deduction allows companies to deduct more than the cost of their donation. Under current law, this deduction applies to donations of computers to schools only and expires after the year 2000. The President's proposal would extend this provision through June 30, 2004 and expand it to donations to public libraries or community technology centers in Empowerment Zones, Enterprise Communities, and high-poverty areas.
- **Promoting corporate sponsorship of schools, libraries and community technology centers.** The President proposes tax relief to encourage companies to sponsor schools and community technology centers in Empowerment Zones, Enterprise Communities, and targeted low-income areas. The President's proposal would allocate credits for \$16 million in corporate sponsorship to each of the 31 existing Empowerment Zones and 10 proposed new Empowerment Zones and \$4 million in corporate sponsorship for each of the more than 80 Enterprise Communities. In total, the President's proposal would help support up to nearly \$1 billion in annual sponsorships to help improve schools and community technology centers.
- **Supporting technology training for workers.** The President's proposal would provide targeted tax relief to encourage companies to provide computer training, workplace literacy, or other basic education for employees who lack the basic skills to succeed in the modern workplace. Companies would be allowed to take a 20 percent tax credit for up to \$5,250 in annual expenses per employee. Eligible employees generally would not have received a high school degree or its equivalent.

Teacher training. The budget proposes \$150 million to help train new teachers entering the workforce to use technology effectively in the classroom. Under the leadership of President Clinton and Vice President Gore, the United States has made enormous progress in connecting schools to the Internet and increasing the number of modern computers in the classroom. However, access to computers and the Internet will not help students achieve high academic standards unless teachers are as comfortable with a computer as they are with a chalkboard. President Clinton's budget calls for \$150 million in Department of Education grants – double last year's investment of \$75 million – to achieve this goal.

Community Technology Centers. The President proposes \$100 million to create up to 1,000 Community Technology Centers in low-income urban and rural communities. The President's budget more than triples the Department of Education's support for Community Technology Centers – from \$32.5 million in FY2000 to \$100 million in FY2001. This initiative, championed by Congresswoman Maxine Waters, was initially funded at \$10 million in FY 1999. It aims to help close the "digital divide" by providing computers and Information Age tools to children and adults who can not afford them at home.

Public/private partnerships. The President's budget includes a new \$50 million Department of Commerce pilot program to expand access to computers and the Internet for low-income families and to give these families the skills they need to use these new Information Age tools effectively. This new program will provide competitive grants to public-private partnerships at the local level.

Innovative applications of technology. President Clinton's budget will increase the investment in the Department of Commerce's highly-successful Technology Opportunities Program (TOP) to \$45 million – triple the current level of \$15 million. Applications might include public health information systems that raise childhood immunization rates in inner cities, tele-mentoring for at-risk youth, and electronic networks that strengthen local communities by fostering communication and collaboration.

High-speed networks in underserved communities. High-speed Internet access is becoming as important to the economic vitality of a community as roads and bridges are today. The President proposes a new \$25 million program at the Department of Commerce and the Department of Agriculture to accelerate, through grants and loan guarantees, private sector deployment of broadband networks in under-served urban and rural communities.

Native Americans and information technology. The President proposes \$10 million to prepare Native Americans for careers in information technology and other technical fields. The National Science Foundation will support efforts by tribal colleges to increase the number of Native Americans who are prepared to pursue careers in information technology and other technical fields.

RESEARCH & DEVELOPMENT

President Clinton and Vice President Gore include a nearly \$3 billion increase in the "Twenty-First Century Research Fund" in their FY2001 budget, including a \$1 billion increase in biomedical research at the National Institutes of Health and double the largest dollar increase for the National Science Foundation in its 50 year history. These investments will ensure that science and technology will continue to fuel economic growth and allow Americans to lead longer, healthier lives. These investments also will enable America to continue to lead in the 21st century by increasing support in *all* scientific and engineering disciplines, including biomedical research, nanotechnology, information technology, clean energy, and university-based research. Specifically, this infusion of funds will enable researchers to tackle important scientific and technological challenges.

The Benefits of Technology for America. Technology has helped fuel American prosperity, improved the lives of American families, and enabled us to learn more about the world around us.

- **American Prosperity in the 21st Century.** With rapid growth, increased productivity and rising standards of living, the U.S. economy is thriving, in large part because of our technological leadership. Science and technology have become the engine of America's economic growth: information technology alone accounts for 1/3 of U.S. economic growth, and is creating jobs that pay almost 80 percent more than the average private-sector wage. Many of the technologies that are fueling today's economy are the result of government investments in the 1960's and 1970's.
- **Longer, Healthier Lives for All Americans.** In the last 100 years, the life expectancy of the average American has increased by almost 30 years, as a result of breakthroughs such as antibiotics. Today, we are on the verge of even greater scientific advances, and continued investment in health-related research could lead to greater life expectancies and better quality of life.
- **Educating America's High-tech Workforce.** The President's investment in university-based research will help spur innovations in new technologies and treatment, while preparing the next generation of leaders in science, engineering and technology.
- **Cleaner Energy for a Cleaner Environment.** Research can help America create cleaner sources of energy and energy-efficient technologies, such as fuel cells that emit only water, cars that get 80 miles per gallon, and bioenergy derived from new cash crops.
- **New Insights into the World Around Us.** Increases in funding for science-based research can lead to amazing breakthroughs in our understanding of the world around us and beyond.

The President's FY2001 Proposals for Research and Development. In his FY2001 budget the President is proposing a wide range of initiatives and funding increases for vital investments in research and development:

- **\$1 billion Increase in Biomedical Research at the National Institutes of Health (NIH).** The President's FY2001 budget includes almost \$19 billion, an increase of \$1 billion over last year's funding level, for biomedical research at NIH. In addition, the President will eliminate the delays in releasing \$4 billion in research funds as required in last year's appropriations bill. This increase

will support research in areas such as diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine. It will also help researchers complete in the near future a first draft of the entire human genome – the very blueprint of life. This and other wise investments in science are leading to a revolution in our ability to detect, treat, and prevent disease. If Congress passes the President’s proposal, funding for NIH will increase by over 80 percent – nearly twice what the NIH budget was when President Clinton came into office.

- **A New \$495 Million National Nanotechnology Initiative.** The President’s budget proposes an 83 percent increase in nanotechnology research, from \$270 million in FY2000 to \$495 million in FY2001. Nanotechnology – the ability to manipulate individual atoms and molecules - could revolutionize the 21st century in the same way that the transistor and the Internet led to the Information Age. Increased investments in nanotechnology could lead to breakthroughs such as molecular computers that can store the contents of the Library of Congress in a device the size of a sugar cube, new materials ten times stronger than steel and a fraction of the weight, and the ability to detect cancerous tumors that are a few cells in size.
- **A \$675 Million Increase in the National Science Foundation – Double the Largest Dollar Increase in NSF’s History.** The President’s FY2001 budget includes \$4.6 billion for research and education investments at the National Science Foundation (NSF). This represents a \$675 million (17 percent) increase over current funding levels. If Congress approves this investment, it would double the largest dollar increase ever for the Foundation, and NSF funding would have increased by 66 percent since President Clinton took office. This increase will boost university-based research and ensure balanced support for all science and engineering disciplines. NSF accounts for half of all non-health university-based research.
- **An Almost \$600 Million Increase in Information Technology Research.** The President’s FY2001 budget provides \$2.3 billion for IT R&D, almost \$600 million more than last year’s appropriations and a billion dollars more than the FY 1999 appropriation. This is the second year of the Administration’s “Information Technology for the Twenty-First Century” initiative. This increase in information technology research could lead to advances such as high-speed wireless networks that can bring distance learning and telemedicine to isolated rural areas; and supercomputers that can more accurately predict tornadoes and hurricanes, and more rapidly develop life-saving drugs. These investments are consistent with the recommendations of the President’s Information Technology Advisory Committee, a committee of experts in industry and academia which has called on the government to substantially increase its investment in long-term information technology research. Previous Federal investments in information technology research have led to today’s Internet, the first “point and click” Web browser, advanced microprocessors, and the technology for many of today’s Internet search engines.
- **Promoting Bioenergy and Bio-based Products.** The President’s FY2001 budget proposal includes a new initiative in research and development in bio-based technologies, which convert crops, trees, and other “biomass” into a vast array of fuels and products. The initiative provides an increase of more than \$93 million over the amounts available for FY2000 – a 47 percent increase. The initiative supports the President’s goal of tripling U.S. use of biobased products and bioenergy by 2010. Reaching the President’s goal would generate billions of dollars of new income for farmers and diversify and strengthen the rural economy producing 50,000 new, high-technology jobs in small processing plants in rural America and up to 130,000 such jobs in biopower, bioproducts, and biofuels industries. It would also lower the emissions of greenhouse gases by 100 million tons, equal to the amount emitted by 70 million cars.

- **Weapons of Mass Destruction (WMD) Preparedness and Critical Infrastructure Preparedness R&D.** The President's budget provides \$501 million, a \$28 million increase, for WMD preparedness. This will enhance our efforts to prevent, detect and respond to the release of weapons of mass destruction. The budget also includes \$606 million, a \$145 million increase, to improve the safety and security of the Nation's "critical infrastructure." This is the power, communications, information, transportation and other systems on which our economy and quality of life depend.
- **Integrated Science for Ecosystem Challenges.** The budget proposes \$747 million – a \$90 million increase over FY2000 – to support environmental research to improve our understanding of the factors that result in ecosystem decline and biodiversity loss, and to design more effective options to prevent future declines.

SAFE COMMUNITIES

America has the lowest crime rate in a generation. The Clinton-Gore Administration's FY2001 budget proposes a series of measures to continue to make progress toward the goal of making America the safest large country in the world.

21st Century Policing Initiative. The President's COPS program has funded 100,000 more community police for our streets. The 21st Century Policing Initiative builds on that success by:

- providing resources for communities to hire and redeploy up to 50,000 more police for our streets by FY2005, targeting new officers to crime "hot spots";
- giving law enforcement access to the latest crime-fighting and crime-solving technologies, such as improved police communications, crime mapping software, laptop computers, and crime lab improvements;
- funding new state and local prosecutors to work with local law enforcement and the community to combat local crime problems; and
- engaging all sectors of the community to prevent and fight crime by funding partnerships with probation parole officers, schools and faith-based organizations.

Stopping Crime by Stopping Drugs. Offenders under the influence of drugs or in the pursuit of money to feed a drug habit commit many crimes. To break the vicious cycle of drugs and crime, the President's budget provides more funding to help states to implement tough, rigorous systems of drug testing, punishment, and treatment of offenders under criminal justice supervision. The President's \$215 million initiative would double current funding for this initiative to move more offenders off of drugs and away from crime. Studies show that offenders who complete drug-treatment are 70 percent less likely to commit crime. The initiative will also fund innovative drug courts and intensive drug treatment for state prisoners with the most serious drug problems.

Safe Schools. While overall school and youth crime continues to decline, recent incidents of tragic violence in our nation's schools reminds us that we can do more. The budget reaffirms the President's commitment to school safety by calling for a significant expansion of his Safe Schools/Health Students Initiative. The President's initiative, first launched at the White House Conference on School Safety in 1998, helps communities to develop and implement community-wide responses to school and youth violence. The program joins principals, parents, police and others in the community in comprehensive strategies to address youth violence in and out of school. The budget provides a \$100 million increase for this initiative, investing a total of nearly \$250 million in this signature program.

Supervising Released Offenders: Project Reentry. The need for greater supervision of the 500,000 inmates who will leave prison this year and reenter local communities is significant: two-thirds of all prisoners are re-arrested for new offenses within three years of release. The President's budget contains \$60 million for community supervision initiative to create "reentry partnerships" and "reentry courts" to address community safety concerns, lower recidivism rates, and promote responsible fatherhood among offenders returning to communities. The initiative is complemented by \$75 million in Responsible Reintegration for Young Offenders grants from the Department of Labor as well as \$10

million in SAMHSA targeted capacity expansion grants for substance abuse and mental health services at the Department of Health and Human Services.

Reauthorization of the Violence Against Women Act. In 1994, the President signed into law the Violence Against Women Act (VAWA I), an historic piece of Federal legislation that contains a broad array of ground-breaking laws to combat the epidemic of violence against women. The Clinton Administration has awarded over \$1.3 billion in VAWA grants since 1994. The President called on Congress to reauthorize this historic piece of legislation this year, as part of his Crime bill, in order to ensure that these programs and prevention strategies continue in this millennium. The President's budget also includes \$516 million in order to combat domestic violence – \$296 million for the Department of Justice and \$220 million for the Department of Health and Human Services.

Improving Law Enforcement in Indian Country. The budget proposes \$439 million, an increase of \$103 million over FY2000, for the Departments of Justice and Interior for the third year of the President's Indian Country Law Enforcement Initiative. The initiative will improve public safety for the over 1.4 million residents on the approximately 56 million acres of Indian lands. This funding will increase the number of law enforcement officers on Indian lands, provide more equipment, expand detention facilities, enhance juvenile crime prevention, and improve the effectiveness of tribal courts. Although violent crime has been declining nationally for several years, it has been on the rise in Indian country. According to the Department of Justice, American Indians are the victims of violent crimes at more than twice the rate of all U.S. residents. Recognizing this, the President made a major commitment to improve law enforcement in Indian country.

Fighting Gun Crime with the Largest National Gun Enforcement Initiative in History. The President's strategy of combating gun violence has helped lead to a 35 percent decline in gun crime. Building on that success, the President's budget includes \$280 million for the largest national gun enforcement initiative in history. The initiative specifically includes:

- **500 New ATF Agents and Inspectors.** The President's initiative includes the largest increase ever in ATF agents and inspectors, with new agents to crack down on violent gun criminals and illegal gun traffickers at gun shows, gun stores and on the streets and more firearms inspectors to target unscrupulous gun dealers who supply firearms to criminals and juveniles.
- **Over 1,000 Federal, State, and Local Gun Prosecutors.** The President's initiative will fund more than 1,000 new Federal, state and local prosecutors to incarcerate gun criminals. Specifically, the President's budget will provide funding for 1,000 new state and local gun prosecutors to work closely with communities, law enforcement, and Federal prosecutors on gun-related crimes. In addition, over 100 more Federal gun prosecutors in the offices of U.S. Attorneys, and 20 gun enforcement teams will be funded in high gun crime areas across the nation to coordinate enforcement efforts and maximize tough Federal sentences against armed career criminals and illegal gun traffickers.
- **Comprehensive Crime Gun Tracing.** To move toward tracing every crime gun in America, 250 local law enforcement agencies will receive training and tracing equipment to facilitate comprehensive tracing. In addition, the Administration's successful Youth Crime Gun Interdiction Initiative (YCGII), which helps law enforcement crack down on traffickers that illegally supply guns to young people, will be expanded from 38 to 50 cities across the country.

- **New National Integrated Ballistics Information Network.** The President's budget will more than triple current funding for ballistics testing programs to launch the first-ever national ballistics network – to support the deployment of 150 ballistics imaging units to law enforcement, helping to link bullets and shell casings to the criminal guns they were fired from.
- **Local Anti-Gun Violence Media Campaigns.** To help communities send a strong message to combat gun crime and violence, the budget funds \$10 million in matching grants to support local anti-violence media campaigns highlighting penalties for breaking gun laws, safe storage of firearms and preventing child access.

Funding Innovative Smart Gun Technology. The accidental gun death rate for children under 15 in the U.S. is nine times higher than in 25 other industrialized nations combined. To help prevent accidental gun death and injuries of children who obtain access to guns, gun theft, and other unauthorized uses, the President's budget provides \$10 million to fund the expansion, testing and replication of "smart" gun technologies. These state-of-the-art gun safety precautions can limit a gun's use to its adult owner or other authorized users.

Strengthening Brady Background Checks. The President's budget provides \$70 million to double funding to improve state criminal history records and improve the speed and accuracy of Brady background checks. In addition, \$5 million will fund a National Instant Notification (NIN) system to help police apprehend criminals attempting to illegally purchase firearms.

Keeping Used Police Guns Out of the Hands of Criminals. To end the resale of used police guns and seized firearms on civilian markets where criminals may gain access to them, the budget provides \$10 million for one-time grants to help law enforcement meet budgetary constraints on the condition that they agree to halt the practice of resales.

UNITED STATES LEADERSHIP IN THE WORLD

At the start of a new century, the United States is faced with new opportunities and new challenges as a global leader and the world's strongest force for peace and prosperity. American leadership has been instrumental in seizing new opportunities for peace, including reversing ethnic cleansing and restoring stability to the Balkans; ending bloodshed in Northern Ireland; brokering peace in the Middle East between Israel and its neighbors; restoring democracy in East Timor; supporting Russia's transformation to democracy and free markets; and integrating China into the international community. U.S. leadership has also been decisive in meeting new challenges and combating new threats such as weapons proliferation, terrorism, and drug-trafficking. The Clinton-Gore Administration's FY2001 budget seeks to build upon past success to advance America's leadership position in the world, funding a number of new initiatives designed to seize the new opportunities and face the new challenges the 21st century presents.

Promoting Peace and Democracy Abroad.

- **Kosovo.** After reversing the campaign of ethnic cleansing by leading the NATO alliance to victory against Serb forces, the President remains committed to finishing the job by restoring peace and prosperity to the region. His budget proposes \$175 million to help the people of Kosovo build a democratic society, strengthen their economy, and create new employment opportunities. The members of the European Union will bear the lion's share of the aid money, but the United States must contribute as well. FY2000 emergency supplemental appropriations of \$624 million will be used for economic and democratic reform activities in Kosovo, Croatia, and Montenegro, as well as to provide additional assistance to the democratic opposition in Serbia. This funding will also provide critical support needed in 2000 for the UN Mission in Kosovo (UNMIK) and to build secure U.S. diplomatic facilities in Kosovo, Bosnia, and Albania.
- **Southeast Europe Initiative.** The political and economic integration of the Balkans into Europe and the global community is critical for lasting peace in Europe. The budget requests in the Support for Eastern European Democracies account \$428 million for this fundamental initiative, including \$96 million that will help to promote the democratic opposition of Serbia and to provide assistance to Montenegro. Approximately \$6 million of U.S. assistance will go to accelerating the integration of Southeast Europe's countries into the global trading system by breaking down barriers to trade and investment.
- **Middle East Peace.** This year the President brokered a peace agreement between Israel and the Palestinians to implement key provisions of the Wye River Accords, launched permanent settlement talks, and restarted the Israel-Syria track of Middle East peace. His budget reflects his commitment to a lasting peace in the region by requesting funds of \$1.8 billion from the Economic Support Fund (ESF) and \$3.4 billion from Foreign Military Financing (FMF) to provide a strong support for the next phase of negotiations between Israel and its neighbors.

Meeting Threats.

- **Expanded Threat Reduction Initiative (ETRI).** This effort to contain the spread of weapons of mass destruction (WMD) from the former Soviet Union and to promote stability has already helped to: deactivate nearly 5,000 nuclear warheads; eliminate nuclear weapons from Ukraine, Belarus,

and Kazakhstan; strengthen security of nuclear weapons and materials; tighten export controls and detect illicit trafficking; and engage former Soviet weapons scientists in productive civilian research. Despite this considerable progress, more help is needed. The President has requested \$974 million for ETRI, including programs administered by the Departments of State, Defense, and Energy. These funds will support science centers, enhance border control and regional security efforts to decrease smuggling of technology or materials, expand protection of fissile material, and accelerate closure of nuclear weapons production facilities.

- **Colombia Assistance.** To assist Colombian President Andres Pastrana combat drug traffickers in his country and stem the flow of cocaine and other narcotics to the United States, the President's budget proposed a substantial increase in assistance to this embattled partner. The budget proposed to increase assistance programs through 2000 emergency supplemental appropriations of \$954 million and 2001 new funding of \$318 million in the international affairs and other budget areas. Funds will be used to support President Pastrana's "Plan Colombia" in enhancing alternative development, strengthening civil justice and democratic institutions, and providing military assistance.
- **Transnational Threats.** Global security is threatened by the proliferation of weapons of mass destruction (WMD) and terrorism. The budget proposes \$194 million to support international efforts to combat the spread of weapons of mass destruction through several programs and a global network of sensors to detect nuclear explosions. The budget also includes funding for the Korean Peninsula Energy Development Organization, which will construct two proliferation-resistant nuclear power reactors in North Korea. The Administration is strengthening its fight against terrorism by increasing funding for new embassies overseas, upgrading physical security at our most at-risk posts, and the destruction of small arms abroad. The Comprehensive Nuclear Test Ban (CTBT) also remains an important element of the global nonproliferation regime. The Administration is committed to working to create the conditions for a successful vote to approve the CTBT in the Senate.

Expanding Trade.

- **Trade Agreements.** The Administration is committed to opening markets and integrating the global economic system, which has become a key element of continuing economic prosperity here at home. The budget proposes significant increases for efforts by our trade negotiators to promote open markets and a fair, rules-based trading system. Securing passage of permanent Normal Trade Relations with China to implement the historic trade agreement reached between our two countries last November is critical to achieving the goal of expanded trade and a legislative priority of the Administration this year. In addition, the President urges Congress to enact the African Growth and Opportunity Act and the Caribbean Basin Initiative enhancement legislation, which would facilitate the integration of these important developing regions into the world economy through preferential trading arrangements and expand opportunities for American firms, as well as the Balkans trade initiative and the extension of the Generalized System of Preferences.

Reaching Out to the Developing World.

- **Debt Forgiveness.** The Administration this year helped to lift those in the world's poorest countries by forgiving \$500 million in debt and forging agreement among G-8 industrialized countries to provide additional debt relief through the expanded Heavily Indebted Poor Country (HIPC) initiative. The President led this effort with a proposal that remains at the forefront of this

issue with his commitment to forgive 100 percent of the debt owed to the U.S. by the world's poorest countries, a majority of them in sub-Saharan Africa. To fulfill this pledge, the Administration is requesting \$600 million for a U.S. contribution to the HIPC trust fund over three years, including a \$210 million supplemental request in FY2000. The budget also includes \$37 million for the Tropical Forest Initiative, to use debt relief funds in support of conservation.

- **Making Vaccines More Accessible.** In his September 1999 address to the UN General Assembly, the President called for a concerted effort to make vaccines more widely available in the developing world, where more than three million children die each year from vaccine-treatable diseases. As an important first step, the budget proposes a \$50 million contribution to the Global Alliance for Vaccines and Immunizations, where the money will be used to purchase existing vaccines and ensure their safe delivery. This initiative will be complemented by increased funding for the National Institute of Health to accelerate the development of vaccines for major infectious diseases. In addition, the President's budget proposes a new tax credit that will encourage the development of vaccines for diseases that occur primarily in the developing world.
- **Child Labor.** In December of last year, the President signed, with Senate advice and consent, the ILO's convention to ban abusive child labor. This year, he proposes to take these efforts to a new level, providing \$110 million to support international efforts to eliminate child labor through a comprehensive strategy with three inter-related components: (1) increasing the U.S. contribution to the ILO's International Programme for the Elimination of Child Labor by 50 percent to \$45 million; (2) establishing a new \$55 million bilateral educational assistance program to promote school rather than work in areas where exploitative child labor is prevalent; and (3) doubling – to \$10 million – Customs Service resources to enforce the ban on the importation of goods made with forced or indentured child labor.

Anti-Sweatshop Initiative. President Clinton's FY2001 budget includes a \$5 million grant program at the State Department that will fund innovative programs to eliminate unhealthy and abusive labor conditions in sweatshops around the world, particularly in foreign factories that produce consumer goods for the American market.

AMERICA'S ARMED FORCES

President Clinton and Vice President Gore are committed to maintaining a strong and capable military that protects our freedoms and fortifies our global leadership role in the 21st century. To achieve this, President Clinton last year initiated a long-term, sustained increase in defense spending by providing *additional resources of \$112 billion over six years* to protect our high level of military readiness and procure modern and effective weapons systems. This year's budget continues this increase in defense spending, providing discretionary funding of \$292.2 billion in 2001. This represents *an increase in \$11.3 billion* over the proposed 2000 level and \$4.8 billion over the 2001 level assumed in the 2000 budget.

Enhancing Military Readiness. The current high level of readiness is the Administration's top defense priority. Increased funding will enable the Services to support unit operations and joint exercises, meet their required training standards, maintain their equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment. The Department of Defense (DoD) continues to monitor its current and future readiness through the Senior Readiness Review process, which ensure that DoD leadership remains well informed about force preparedness issues.

- **Operations and Support Programs.** This proposed increase in resources will ensure that we keep pace with the latest advances to protect against and prepare for new and emerging threats, including the use of chemical and biological weapons, other weapons of mass destruction, and efforts to weaken the critical infrastructure of our nation. This budget will also increase procurement of modern, effective weapons systems and provides pay, benefits, and quality of life improvements for our servicemen and women.
- **Contingency Operations.** The budget proposes \$4.4 billion in 2001 for ongoing contingency operations – limited military operations in conjunction with our allies – in Bosnia, Kosovo, and Southwest Asia. This funding will allow DoD to avoid redirection of funds from standard operations and maintenance programs to contingency operations, which could undermine the readiness of our fighting forces.

Modernizing Weapons Systems. The United States military must maintain its status as the best equipped in the world. Weapons systems modernization, both in the form of upgrades to existing systems and in the form of research, development and procurement of new systems, continues to be a high Administration priority. The budget achieves that goal by providing \$60.3 billion for the procurement program, which is \$6.1 billion more than the 2000 level.

- **Modernizing Ground Forces.** Army modernization efforts will address the need to maintain a force capable of accomplishing a wide range of missions from contingencies, to its primary mission of defeating adversaries in a major theater war. The budget supports plans to: transform units to deploy more easily than the heavy tank and mechanized infantry divisions, incorporate digital communications equipment into weapons systems to strengthen battlefield planning and execution, and to extend the life and improve battlefield performance of primary combat systems by integrating new navigation and data transfer technology.

- **Modernizing Naval Forces.** The budget continues procurement of several ship classes, including \$3.1 billion for three DDG-51 Aegis Destroyers, and \$1.5 billion for two LPD-17 Amphibious Transport Dock ships. The Navy budget also funds modernization of the nuclear aircraft carrier fleet by providing \$4.1 billion to procure the tenth Nimitz-class nuclear aircraft carrier and \$700 million to fund the first phase of modernization for second Nimitz-class carrier.
- **Modernizing Air Forces.** Substantial investment in new tactical combat aircraft is necessary for the United States to maintain its ability to dominate battles. The budget supports three new aircraft programs: \$3.1 billion for 42 F/A-18E/F Super Hornets, which will become the Navy's principal fighter/attack aircraft; \$2.5 billion for 10 F-22 Raptors, the Air Force's new air superiority fighter; and \$857 million to start advanced development and research for the Joint Strike Fighter, which is designed to produce a family of aircraft for the Air Force, Navy and Marine Corps.

Developing Missile Defenses. The Administration intends to determine this year whether to deploy a limited National Missile Defense (NMD) against ballistic missile threats to the United States from rogue nations. At the same time, the President seeks funding for theater missile defense to defend our forces in the field.

- **Defending Against Strategic Ballistic Missiles.** The budget proposes \$1.9 billion in 2001 for the development, procurement, and construction of an NMD system to defend all 50 states against an attack. The Administration's long-range defense plan now provides a total of about \$10.4 billion in 2001-2005 for NMD, including additional funding to expand the NMD capability to counter the rogue threat.
- **Developing Missile Defense Technologies.** The budget proposes \$2.8 billion for other missile defense technologies and systems, including \$1.9 billion for theater systems to defend against missiles that directly threaten deployed U.S. and allied forces. While the funding is primarily for research and development of advanced systems to meet future threats, it includes \$0.4 billion in procurement, the majority of which will be used to purchase an advanced version of the Patriot missile.

RESTORING FAIRNESS FOR LEGAL IMMIGRANTS

Upon signing the 1996 welfare reform law, the President made a commitment to reversing unnecessary cuts in benefits to legal immigrants that had nothing to do with the law's goal of moving people from welfare to work. In 1997, the President fought for and ultimately was successful in ensuring that the Balanced Budget Act protects the most vulnerable. In 1998, the President continued his proposals to reverse unfair cuts in benefits to legal immigrants. The Clinton-Gore Administration's FY2001 budget continues to fight for restoring important disability, health, and nutrition benefits to additional categories of legal immigrants, at a cost of \$2.5 billion over five years.

- **Disability and Health.** The Balanced Budget Act of 1997 and the Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998 invested \$11.5 billion to restore disability and health benefits to 380,000 legal immigrants who were in this country before welfare reform became law (August 22, 1996). The President's FY2001 budget proposes to restore eligibility for SSI and Medicaid to legal immigrants who enter the country after that date if they have been in the United States for five years and become disabled after entering the United States. This proposal will cost approximately \$1.2 billion and assist an estimated 53,000 legal immigrants by 2005, about half of whom would be elderly.
- **Nutritional Assistance.** The Agricultural Research Act of 1998 provided Food Stamps for 225,000 legal immigrant children, senior citizens, and people with disabilities who entered the United States by August 22, 1996. The President's FY2001 budget restores eligibility to legal immigrants in the United States before August 22, 1996 who either subsequently reach age 65 or who live in a household with Food Stamp eligible children. This proposal will restore benefits to about 165,000 legal immigrants by 2005 at a cost of \$565 million.
- **Health Care for Children and Pregnant Women.** Under current law, states have the option to provide health coverage to legal immigrant children and pregnant women who entered the country before August 22, 1996. The President's FY2001 budget gives states the option to extend Medicaid or SCHIP coverage to low-income legal immigrant children and Medicaid to pregnant women regardless of their date of entry to the country, including those who entered after August 22, 1996. The proposal would cost \$695 million and provide critical health insurance to approximately 144,000 children and 33,000 women by FY2005. This proposal would help reduce the number of high-risk pregnancies and ensure healthier children. The budget's Medicaid/SCHIP FamilyCare initiative also covers legal immigrant parents of children who are covered by Medicaid or SCHIP.

TOBACCO POLICY

The Clinton-Gore Administration's budget will include important new steps to reduce youth smoking and hold the tobacco industry accountable. Every year, more than 400,000 Americans die from tobacco-related diseases; nearly 90 percent of them started smoking as children. To address this, one of the nation's most serious public health challenges, the Administration proposes to:

Cut Youth Smoking in Half by Holding the Tobacco Industry Accountable. The Administration's budget will cut youth smoking in half by charging the tobacco industry an assessment for every underage smoker. These youth smoking assessments will provide a strong incentive for tobacco companies to reduce sales to minors and eliminate advertising encouraging children to smoke. The \$3,000 assessment for every smoker under age 18 will be put in place starting in 2004 only if youth smoking has not been cut in half and would remain in effect until the youth smoking reduction goal has been met. This \$3,000 annual assessment represents twice the lifetime profits the industry is expected to make from hooking a teen on cigarettes. This policy will significantly reduce youth smoking when combined with the price increases and public health initiatives underway as a result of the 1998 state tobacco settlement and other Federal, state, and local efforts.

In addition to the youth smoking assessments, the Administration's budget includes a 25 cents per pack excise beginning in FY2001, to raise further the price of tobacco products from the 45 cent increase agreed to by the states and the industry in 1998. This increase will help reduce youth smoking and help achieve the Administration's goal of cutting youth smoking in half. Public health experts agree that raising the price of cigarettes cuts youth smoking and recent surveys of youth smoking released by independent experts indicate youth smoking rates have started to decline since recent price increases were put in place. In addition to raising the price of cigarettes by 25 cents a pack, the Administration's budget will include comparable increases in the price of other tobacco products such as smokeless tobacco and cigars, and will move an already legislated 5 cents per pack cigarette increase from January 1, 2002 to October 1, 2000.

These proposals will reduce youth smoking, and complement the progress being made as a result of the 1998 settlement between the states and the industry. These policies would not affect the \$246 billion agreement made between the states and the tobacco industry.

Help Current Smokers Quit. The Administration's budget will take an important step to improve the health of low-income Americans by ensuring they have access to drugs to help them quit smoking. The Administration's budget will ensure every state Medicaid program covers both prescription and non-prescription smoking cessation drugs, removing a special exclusion now in law and requiring states to cover these drugs as they cover all other Food and Drug Administration-approved drugs. The Federal government would provide the usual Federal match for these costs, as it does for other Medicaid expenses, and states could use proceeds from the 1998 tobacco settlement or other funds to pay their share. Medical research shows that smoking cessation products greatly increase success rates for those trying to quit smoking, and that quitting has major and immediate health benefits for smokers of all ages. Through this proposal, the Administration will ensure millions of low-income Americans have access to medical treatments that will help them break their addiction to tobacco, at a Federal cost of \$66 million over the next five years.

Support State and Community Efforts to Prevent Youth Smoking. The Administration's budget will help support tobacco prevention programs in states and local communities through a \$106 million in resources for the Centers for Disease Control and Prevention (CDC). This funding, a ten-fold increase over 1993 levels, will enable the CDC to work with states and communities to help them put in place effective programs to prevent tobacco use, particularly among children. This effort is critically important as states begin to decide how to spend the \$246 billion they will receive over the next 25 years from the 1998 settlement with the tobacco industry.

Help Enforce Laws Preventing Minors from Purchasing Tobacco Products. The Administration's budget will include \$39 million for the Food and Drug Administration (FDA) to help enforce the laws preventing youth under age 18 from purchasing tobacco products. Currently Federal law requires every state to prohibit minors from purchasing tobacco products, and Federal regulations ensure retailers check photo IDs of young people who try to purchase them. These funds will help the FDA work with the states and with retailers to enforce these laws, by providing retailers with informational materials to help them explain the rules to customers and by conducting random checks of retailer compliance.

Support the FDA's Full Authority to Keep Cigarettes Out of the Hands of Children. The Administration supports full FDA authority to regulate tobacco products in order to halt advertising targeted to children and to curb minors' access to tobacco products. In 1996 the Administration put forward a comprehensive regulation to protect children from tobacco, which the tobacco industry challenged in court. The Administration remains fully committed to the FDA rule.

Recover Tobacco-related Health Care Costs. The Administration firmly supports the Department of Justice's litigation to recover Federal tobacco-related health costs, and the budget contains funds to pay the necessary legal costs. In addition to any remedies imposed by the court to advance public health, recoveries from the litigation will be used to assist tobacco farmers and their communities, to pay Federal tobacco related health costs, and to enhance the security of Medicare and Social Security for future generations.

Protect Farmers and Farming Communities. The Administration is committed to protecting tobacco farmers and their communities. The Administration fully supports the \$5 billion settlement to compensate tobacco farmers, which was agreed to by the states and industry in 1998, as well as the \$328 million included in the Agricultural Appropriations bill for FY2000, and is committed, as any Federal litigation moves to judgment or settlement, to ensure funds are set aside for the financial security of tobacco farmers and their communities.

FARM SAFETY NET

Because the 1996 Farm Bill fails to sufficiently support farm family incomes when crop prices fall or natural disasters strike, the Clinton-Gore Administration's FY2001 budget includes a comprehensive \$11 billion package to strengthen the farm safety net through 2002 when the next farm bill will be enacted. His proposal includes counter-cyclical income assistance, crop insurance reform, a major farm conservation program initiative (much of which extends beyond 2002), and targeted assistance to certain segments of the farm and rural communities.

Income Assistance. A particular defect of the 1996 Freedom to Farm Act is that payments are not targeted to farmers in need or increased when farm income is low. The 2001 Budget's income support initiative will help to strengthen the safety net by adding new payment programs to existing farm programs.

- **Supplemental Income Payments.** The Administration's proposal includes counter-cyclical farm income support to provide additional payments through the expected enactment of the next farm bill (through crop year 2001). This would ensure producers receive at least 92 percent of farm revenue relative to a five-year average. In order to target payments to family-sized farmers, there would be a \$30,000 combined payment limitation for these counter-cyclical payments plus AMTA payments. Payments would be available for producers of the "major" crops (corn, wheat, soybeans, cotton, rice, barley, sorghum). Total payments on the 2000 and 2001 crop are estimated to be \$2.5 billion and \$3.1 billion respectively. There would be no reduction to AMTA or LDP payments.
- **Freeze Loan Rates.** The Secretary of Agriculture will hold U.S. Department of Agriculture (USDA) marketing assistance loan rates for the 2000 crop year at their current levels, at a cost of \$500 million in FY2001.
- **Dairy Program.** The budget extends the dairy price-support program, set to expire in December 2000, through 2002, the end of the current farm bill. This proposal will cost \$150 million in FY2001 and FY2002, respectively.

Conservation Initiatives in the Safety Net Proposal. Providing assistance to farmers and ranchers who practice environmentally sound land management will yield benefits to all Americans while increasing farm family income. Through these USDA programs, participants can receive cost-share assistance, technical assistance, and in many cases annual payments for high-priority conservation activities. The proposal – which increases conservation funding by nearly \$1.3 billion over authorized levels in FY2001 – includes:

- **Conservation Security Program.** The new Conservation Security Program would provide \$600 million in annual payments to farmers and ranchers who implement various conservation practices, with payment levels based on the comprehensiveness of their conservation plans.
- **Environmental Quality Incentives Program (EQIP).** The EQIP, a key component of the President's Clean Water Action Plan, provides financial, technical, and educational assistance to farmers and ranchers who wish to implement conservation practices on land currently in

production. The President proposes increasing annual funding for the program from \$200 million to \$325 million. Half of the funding is used to address livestock-related concerns.

- **Wetlands Reserve Program (WRP).** The WRP offers technical and financial assistance to farmers who wish to restore and protect agricultural wetlands. There are only 40,000 acres left to enroll in 2001 under the 975,000 acre cap set by the 1996 Farm Bill. The President proposes enrolling 250,000 acres in each year, beginning in 2001.
- **Conservation Reserve Program (CRP).** The CRP provides farmers with technical and financial assistance, including annual rental payments, in exchange for removing environmentally sensitive farm land from production and implementing conservation practices such as wildlife habitat restoration and field windbreaks. The Administration proposes to raise the CRP cap by 3.6 million acres to 40 million acres.
 - **Conservation Reserve Program “Continuous Sign-up” Bonuses.** The Administration plans to offer bonuses totaling up to \$100 million in FY2000 and up to \$125 million in fiscal years 2001-2002 to producers who enroll land in CRP through the “continuous sign-up.” The CRP continuous sign-up allows producers to enroll certain high priority practices such as grassed waterways, filter strips, and riparian buffers at any time during the year.
 - **Farmland Protection Program (FPP).** The FPP, part of the President’s Lands Legacy Initiative, provides matching funds to state, local, and Tribal governments to permanently protect farmland threatened by development from urban and suburban “sprawl”, through the purchase of easements that preserve the land for farm use. The budget proposes \$65 million per year for the FPP.
 - **Wildlife Habitat Incentives Program (WHIP).** For farmers, ranchers, and other landowners who wish to implement wildlife habitat practices, WHIP offers \$50 million in cost-share assistance for up to 75 percent of the habitat restoration expenses and technical assistance.
 - **Technical Assistance.** The Natural Resources Conservation Service (NRCS) will provide additional technical assistance to farmers and ranchers to carry out these enhanced programs.

Crop Insurance Reform. Crop insurance represents a critical risk management tool for the nation’s farmers. In recent years, however, many producers have declined to participate in the program or signed up for only minimal coverage because of its expense and shortcomings. The President’s budget takes critical steps towards improving the crop insurance program with the following initiatives:

- **Continue Crop Insurance Premium Discounts for the 2001 Crop Year:** Premium discounts on the farmer-paid portion of crop insurance premiums were provided through emergency appropriations for 1999 and 2000. Evidence demonstrates that producers have largely invested their premium-discount benefits in higher levels of insurance coverage. The Farm Safety Net proposal will provide \$640 million to support discounts for the 2001 crop.
- **Establish Multi-year Loss Coverage.** Multi-year coverage is needed because even producers with coverage levels as high as 75 percent can find it hard to withstand losses in consecutive years

on which they must absorb a 25 percent reduction in expected revenue. To address the multi-year loss problem, the budget includes \$100 million for USDA to develop or reinsure a privately developed policy that addresses the problem of multi-year losses.

- **Livestock Insurance Pilot.** The majority of U.S. ranchers have not used the risk management tools available on existing futures and options exchanges because the size of the contracts available are too large for small operators. The proposed \$100 million pilot would offer price insurance to small ranchers to protect them against a drop in market prices over the growing period. Intermediaries, such as crop insurance companies, would sell small “unbundled” portions of options contracts from the Chicago Mercantile Exchange (CME) on cattle and hogs. USDA would subsidize the operating expense of the intermediary and the producer’s premiums for this price coverage.
- **Waive the “NAP Trigger” in the Noninsured Crop Disaster Assistance Program (NAP).** The budget includes \$110 million in 2000 and 2001 to loosen the eligibility requirements for NAP coverage so that more producers of crops such as lettuce, mushrooms, and artichokes who suffer significant losses from natural disasters can qualify for this important risk management tool.
- **Risk Management Education (RME).** USDA’s Risk Management Agency’s RME operation trains producers in the use of new and existing risk management tools and farm financial management. The budget includes \$40 million in FY2001 and 2002 for an aggressive expansion of RME programs.
- **Research & Development.** The need for new crop insurance policies on specialty crops is well recognized in both the Administration and Congress. The President’s budget includes \$30 million in FY2001 and FY2002 for USDA R&D on crop policies that may not be seen as attractive to private developers, while also providing incentives to private sources of crop insurance R&D.

Other Targeted Assistance. In addition to the proposals identified above, the President is proposing several smaller, targeted programs to assist rural communities and producers.

- **Rural Empowerment Zone/Enterprise Community Program.** The President’s budget includes \$15 million in mandatory funding for each of the remaining eight years of the five Second Round rural Empowerment Zones and twenty Second Round rural Enterprise Communities.
- **Cooperative Development.** The proposal would provide financing to cooperatives for livestock processing and other value-added facilities, so producers can share in the profits gained through value-added processing of their raw agricultural commodities.
- **Ethanol Subsidies.** The CCC will provide up \$100 million in 2000, and \$150 million in 2001 and 2002, in incentive payments to ethanol and other bioenergy producers to expand production of biobased fuels. Larger proportional payments would go to smaller bioenergy producers.
- **On-Farm Storage Facility Loans.** Recent commodity surpluses have resulted in storage shortages that can restrict farmers’ marketing options and reduce their profits. In addition, there have been recent requests for farmers to separate crops grown from genetically modified seeds. USDA will offer producers an estimated \$350 million in Treasury-rate loans in 2000 and \$150 million in 2001 and 2002 to build on-farm storage facilities, with a total loan subsidy cost of \$14 million.

BUILDING ONE AMERICA

To help achieve the President's vision of One America, the Clinton-Gore Administration's FY2001 budget provides funding for a variety of purposes including: to strengthen civil rights enforcement and programs, to better serve Native American communities, to provide English language instruction and fairness to immigrant families, to eliminate health disparities, and to promote educational opportunities and economic development in urban and rural areas.

CIVIL RIGHTS

The FY2001 budget proposes a significant increase for civil rights enforcement to help ensure equal opportunity for all Americans. The President's budget request of \$698 million for civil rights enforcement agencies represents a 13 percent increase over last year's funding levels. Highlights of the President's proposal include

- **Department of Justice's Civil Rights Division.** The President's budget includes \$98 million for the Department of Justice (DOJ) Civil Rights Division – an increase of 86 percent over the 1993 level. The proposed funding will permit the Justice Department to expand significantly investigations and prosecutions of criminal civil rights cases (including hate crimes and police misconduct), as well as fair housing and lending cases. Funds are also included to fund the Division's enforcement of the ADA.
- **Equal Employment Opportunity Commission (EEOC).** The budget provides \$322 million for the EEOC, 15 percent more than the enacted FY2000 budget. The majority of increased funding will be dedicated to reducing the backlog of private sector cases and improving the Federal EEO complaint process.
- **Department of Labor's Office of Federal Contract Compliance Programs.** The budget also provides \$76 million to encourage Federal contractor compliance.
- **Department of Housing and Urban Development's (HUD) Fair Housing Initiatives.** The budget proposes \$50 million, a 14 percent increase above last year, for HUD's efforts to reduce housing discrimination. Of this request, \$7.5 million will support the final year of a three-year, audit-based housing discrimination study being conducted in 20 communities around the country.
- **Department of Agriculture's Office of Civil Rights.** The USDA's civil rights programs increased from \$18 million to \$21 million, will emphasize outreach to disadvantaged farmers, involve small and disadvantaged businesses in USDA programs, increase conflict resolution activities and more effectively process complaints.
- **Department of Education's Office for Civil Rights.** The budget proposal of \$76 million provides an increase of \$5 million over the 2000 enacted budget to fund staff training and technological improvements to speed the resolution of civil rights issues.

Ensuring Equal Pay. The President's budget includes a \$27 million Equal Pay Initiative, an increase of \$12 million over FY2000. The Initiative requests \$10 million for the EEOC to provide training and technical assistance to about 3,000 employers on how to comply with equal pay requirements. The

Initiative also dedicates \$10 million for the Department of Labor (DOL) to train women in nontraditional jobs, including high-tech jobs and other skill shortage occupations. Lastly, the Initiative provides \$7 million for DOL to help employers assess and improve their pay policies, support public education efforts, provide for projects in non-traditional apprenticeships, and implement industry partnerships.

Hate Crimes. The President continues to urge Congress to pass the Hate Crimes Prevention Act, which would strengthen the existing Federal hate crimes law by expanding the situations in which the Department of Justice can prosecute defendants for violent crimes based on race, color, religion, or national origin. Further, it would expand existing law to cover cases of hate crimes based on sexual orientation, gender, or disability. The President's budget includes \$20 million for training for Federal, state, and local law enforcement to prevent and respond to hate crimes, and to promote police integrity.

One America Dialogues. The budget proposes \$5 million for the Department of Justice to fund Citizen Academies, where citizens will acquire public safety problem-solving tools and training and engage in honest and constructive dialogues on race.

NATIVE AMERICANS

In order to better serve Native American communities in this millennium and to honor the Federal government's trust responsibility to tribes, the President's budget includes an increase of \$1.2 billion over FY2000 – the largest increase ever – for a total of \$9.4 billion for key new and existing programs assisting Native Americans and Indian reservations. Some of the highlights include:

Bureau of Indian Affairs (BIA) School Construction and Repair. The President has proposed \$300 million, more than double the FY2000 enacted level of \$133 million, to replace and repair BIA-funded schools on reservations. This is the largest investment ever in a single year for BIA school construction and repair.

Increased Funding for Tribal Colleges. The budget proposes increased funding of \$25 million for the Nation's tribal colleges for a total of \$77 million.

Indian Health Service. The President's budget proposes \$2.6 billion, an increase for the Indian Health Service (IHS) of \$230 million or 10 percent over the FY2000 enacted level.

Improves Law Enforcement in Indian Country. The budget proposes \$439 million, an increase of \$103 million over FY2000, for the Departments of Justice and Interior for the third year of the President's Indian Country Law Enforcement Initiative. The initiative will improve public safety for the over 1.4 million residents on the approximately 56 million acres of Indian lands.

Building Roads and Bridges in Indian Country. The Transportation Department (DOT) will expand its program to improve roads and bridges on Indian reservations. The President's budget proposes to give the Indian Reservations Roads program the full authorization amount of \$275 million with an additional \$74 million from a highway receipts account for a total of \$349 million, which is an increase of \$117 million over the previous year. This will allow Tribes to address the estimated backlog of \$4 billion in needs on these roads and bridges.

Tribal Infrastructure Projects. The President and the Vice President propose \$49 million, an increase of \$46 million over FY2000, for the Department of Commerce's Economic Development Administration (EDA) to fund infrastructure, planning, and public works projects.

Addressing the Digital Divide. To encourage Native Americans to pursue information technology and other science and technology fields, the budget provides \$10 million, to be administered by the National Science Foundation, for grants to tribal colleges for networking and access; course development; student assistance; and capacity building.

Bureau of Indian Affairs (BIA) Contract Support Costs. Within the overall BIA increase, the budget continues to support Tribal self-determination by proposing \$134 million, a \$9 million or 7 percent increase over 2000 for contract support costs. This funding provides \$5 million for new and expanded contracts and \$129 million for existing contracts.

Trust Services. The Administration is committed to improving trust services and management through its trust reform efforts at the Interior Department. The budget proposes \$108 million, a 48 percent increase over 2000, for improved trust services in the BIA for activities such as probate, real estate appraisals, and other services.

Indian Trust Fund Balances. The Administration is committed to resolving disputed Indian trust fund account balances through informal dispute resolution and supports the unique government-to-government relationship that exists in Indian trust land management issues. After Tribal consultations, BIA submitted its "Recommendations of the Secretary of the Interior for Settlement of Disputed Tribal Accounts" to Congress in November 1997. Legislation reflecting these recommendations was proposed in 1998, but not enacted. The Department will continue efforts to resolve trust fund account balances.

Trust Land Management. As part of BIA's commitment to resolving trust land management issues, Interior worked with Congress in 1999 to repropose legislation (S. 1586) to establish an Indian Land Consolidation program to address the ownership fractionation of Indian land. In addition to \$13 million for the Indian Land Consolidation program, the budget provides \$83 million for DOI's Office of Special Trustee, including the trust management improvement project. Current activities include verifying individual Indian's account data and converting these data to a commercial-grade accounting system.

IMMIGRANTS

English Language/Civics Instruction Initiative. Immigrant adults – and other adults who have limited-English proficiency–need access to opportunities to master English literacy in order to further their education, obtain good jobs, and become full participants in American society. To this end, President Clinton is proposing an increase for the English Language/Civics Initiative, an innovative program to help states and communities provide limited English proficient (LEP) individuals with expanded access to high-quality English-language instruction linked to civics and life skills instruction. This important initiative is a powerful tool in building a stronger American community. For FY2001, the Administration's budget request \$75 million for this initiative, a nearly \$50 million increase from FY2000 enacted level to help an additional estimated 250,000 LEP individuals.

Funding and Restructuring INS to Improve Services. In a continuing effort to improve INS services, this budget provides \$35 million to address backlogs in naturalization, adjustment of status,

and other immigration benefit applications. It establishes a \$93 million Immigration Services Capital Investment Account to fund on-going backlog reduction efforts and to cover major capital acquisitions. The President also calls on Congress to move forward with a restructuring of the INS – along the principles outlined by the Administration – to improve immigration service delivery and border enforcement.

Restoring Benefits to Legal Immigrants. The President believes that legal immigrants should have the same economic opportunity, and bear the same responsibility, as other members of society. In the Balanced Budget Act of 1997 and the Agricultural Research, Extension and Education Reform Act of 1998, the President fought for and succeeded in reversing unfair cuts in benefits to legal immigrants. The FY2001 budget builds on the Administration's progress of restoring these important benefits by providing \$2.5 billion over five years to: (1) restore SSI and Medicaid to legal immigrants who entered the United States after August 22, 1996, have been here for five years, and become disabled after entry; (2) restore Food Stamp eligibility to legal immigrants who were in the country before August 22, 1996 and either subsequently reach age 65 or live in a household with Food Stamp eligible children; and (3) allow states to provide Medicaid or SCHIP to legal immigrant children and pregnant women regardless of their date of entry, and to legal immigrant parents of children who are covered by Medicaid or SCHIP in the proposed FamilyCare program.

EDUCATION

Hispanic Education Action Plan. As part of the Administration's commitment to raising the educational outcomes of Latino youth, the President again proposes significant increases to programs within the Hispanic Education Action Plan to help Latinos excel academically, graduate from high school, go on to college, and continue on the path to life-long learning. The final budget includes increases of \$823 million for programs that enhance educational opportunity for Latinos, including: a \$416 million increase for Title I, to provide support supplemental education services for students who have fallen behind in school, in particular those in high poverty communities; \$725 million for TRIO college preparation programs, an increase of \$80 million, which help disadvantaged high school and college students prepare for, attend, and graduate from college; and \$296 million, an increase of \$48 million, for the Bilingual Education program to increase the quality of services offered to limited-English proficient (LEP) students and provide 8,000 bilingual and ESL teachers with the high quality in-service and pre-service training they need to teach this special population.

Dual Degree Programs for Minority-Serving Institutions. The FY2001 budget proposes a new program to increase opportunities for students at minority-serving institutions. Students would receive two degrees within five years: one from a minority-serving institution, and one from a partner institution in a field in which minorities are underrepresented. This new \$40 million program will serve an estimated 3,000 students.

Title I Education for the Disadvantaged. This program provides funds to help disadvantaged children reach high academic standards. Title I will receive \$9.1 billion in FY2001, an \$400 million increase over last year's level. The President's budget also includes an increase of \$134 million for the Title I Accountability Fund bringing total funding to \$250 million. The Title I Accountability Fund supports immediate and significant State and local interventions in the lowest performing schools to improve school achievement and promotes public school choice.

HEALTH

Eliminating Racial and Ethnic Disparities in Health. In February 1998, the President committed the nation to an ambitious goal by the year 2010: eliminate disparities in six health areas where racial and ethnic minorities are disproportionately affected, while continuing the progress we have made in improving the overall health of the American people. As a key part of this effort, the budget includes \$35 million, a 17 percent increase over 2000, for demonstration projects (begun in 1999) to better address racial disparities in health.

NEW MARKETS INITIATIVE

The President's budget provides tax credits and loans guarantee incentives to stimulate \$22 billion of new private capital investments in economically distressed communities around the country and build a network of private investment institutions to funnel credit, equity and technical assistance to businesses in America's new markets. In addition, the budget proposes a new initiative, known as First Accounts that will provide low-cost bank accounts to working families.

More Than Doubling the New Markets Tax Credit. The President proposes to more than double the New Markets tax credit to spur \$15 billion in new investment in community development in economically distressed areas. An entity making new equity investments in a selected community development project would be eligible for a tax credit worth 25 percent of the cost of the investment. A variety of vehicles providing equity and credit to businesses in underserved areas would be eligible. The total cost of the tax credits amounts to about \$5 billion over 10 years.

Expanded Empowerment Zones. The proposed expanded wage credits, tax incentives, and new round of urban and rural EZs will extend and improve economic growth in the 31 existing urban and rural Empowerment Zones, administered by HUD and USDA, and support the proposed third round of 10 new empowerment zones to be designated in 2001. The total cost of these proposals will be \$4.4 billion over 10 years.

America's Private Investment Companies (APICs). Modeled after the Overseas Private Investment Corporation's (OPIC) successful investment fund program, the President's budget proposes \$37 million to allow APICs to provide guaranteed debt to private investment companies, licensed by HUD, to help leverage private equity capital and lower the cost of capital for investments in low- and moderate-income communities. For every dollar that private investors provide, the government will guarantee two dollars in debt to expand the APIC's pool of capital available for making investments and enhance the return on those investments to the private investors. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas.

New Market Venture Capital Firms (NMVCs). The budget proposes \$52 million to allow NMVC firms to match the equity of private investors with Government-guaranteed debt and technical assistance funding to cultivate the growth of smaller firms. NMVC would invest in smaller growth companies that can also benefit from expert management assistance.

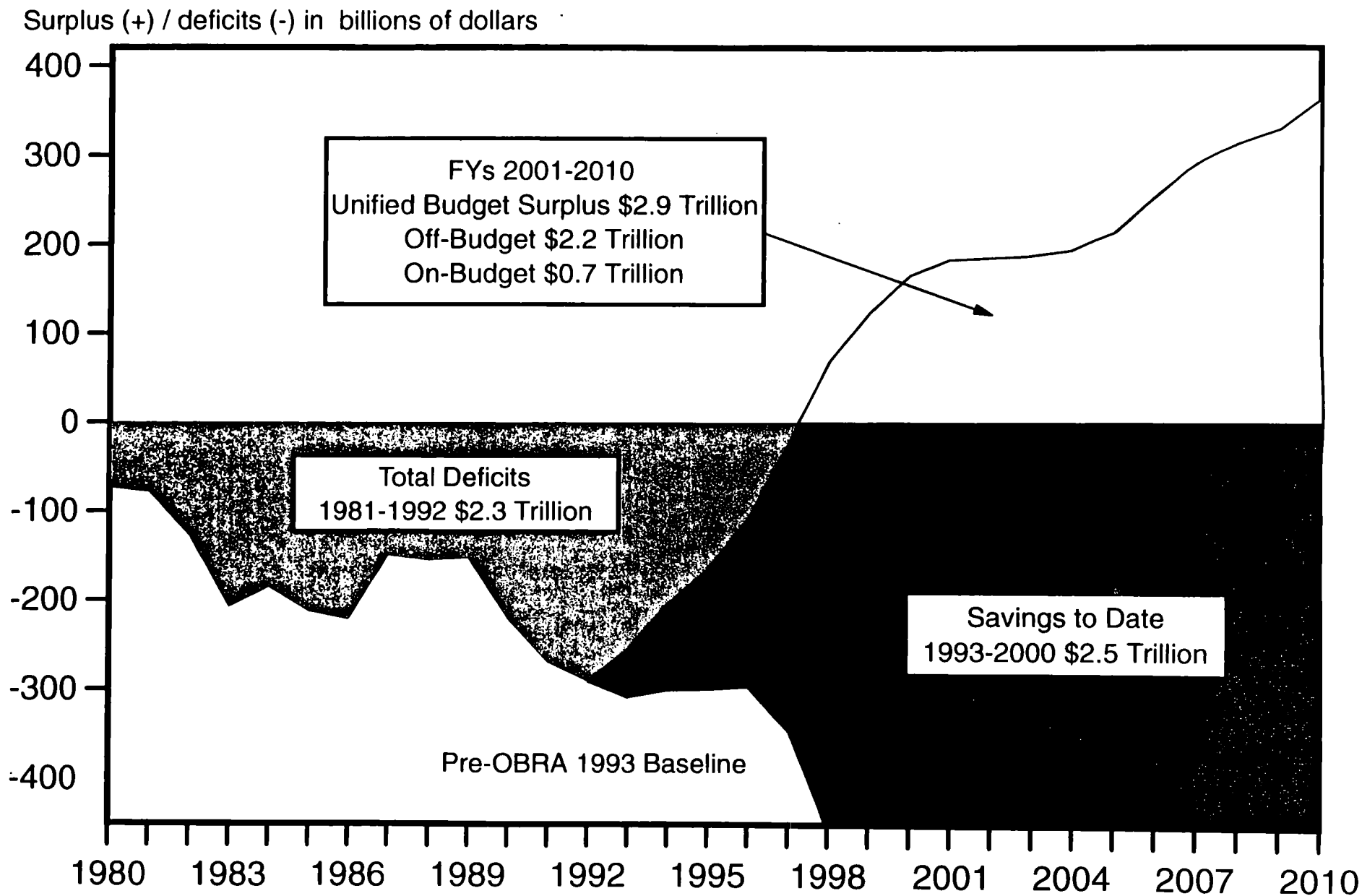
Creation of First Accounts. The President's budget proposes \$30 million for the Department of Treasury to pilot strategies to help low- and moderate income Americans benefit from basic financial services. Treasury will work with financial institutions and others: (1) to encourage the creation of low-cost bank accounts (First Accounts); (2) to expand access to automatic teller machines in safe, secure, and convenient locations, including U.S. Post Offices, in low-income neighborhoods; (3) to

educate low-income Americans about the benefits of having a bank account, managing household finances, and building assets. The *First Accounts* initiative complements Treasury's Electronic Transfer Accounts (ETAs) – low-cost, electronic banking accounts for “unbanked” Federal benefit recipients – by reaching those not eligible to participate in the ETA program because they are not Federal benefit recipients.

Other Elements of New Markets. Other elements in the budget include: increasing the funding for SBA's microenterprise lending program to \$50 million; \$15 million to fund PRIME – a program authorized last year to provide technical assistance to low-income entrepreneurs; boosting CDFI funding to \$125 million; expanding support to \$6.6 million for BusinessLINC to encourage large businesses to work with small businesses in new markets; and providing \$5 million to establish a New Markets University Partnerships pilot project which, under the auspices of HUD, would provide Universities with funding to develop local community partnerships, assistance to intermediaries, and technical and business development assistance to new and existing firms. In addition, to better serve Native American communities, the President will provide additional funding to expand the New Markets initiative to Indian Country.

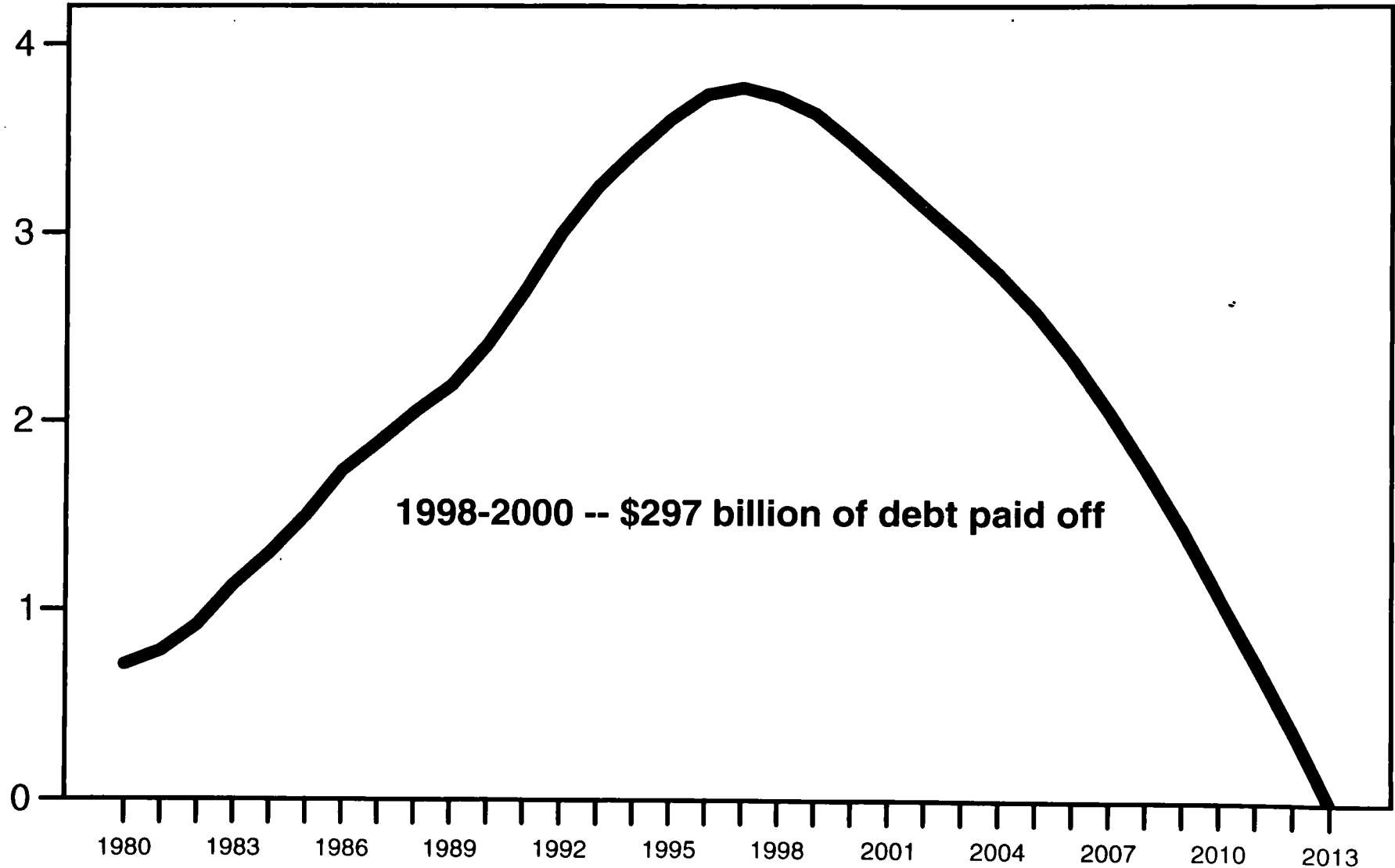
V. CHARTS

Fiscal Discipline - Surpluses Follow Years of Deficits



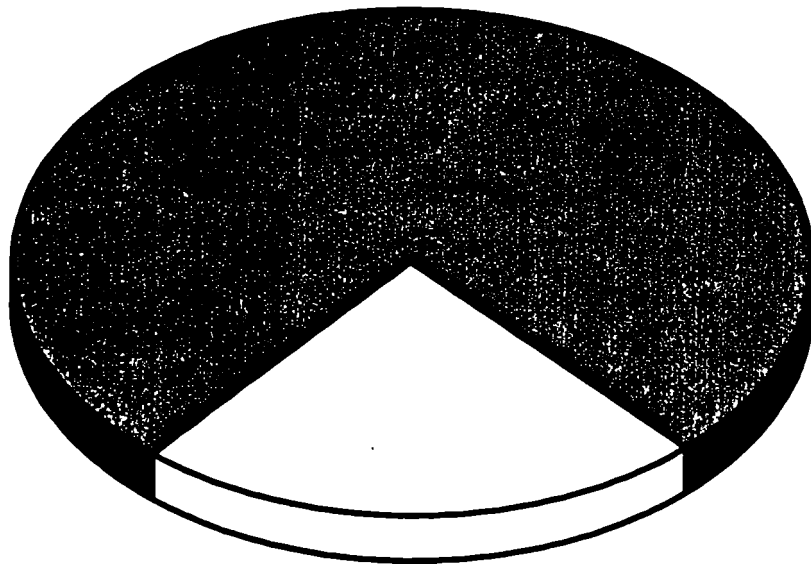
America is Debt Free by 2013

Dollars in trillions



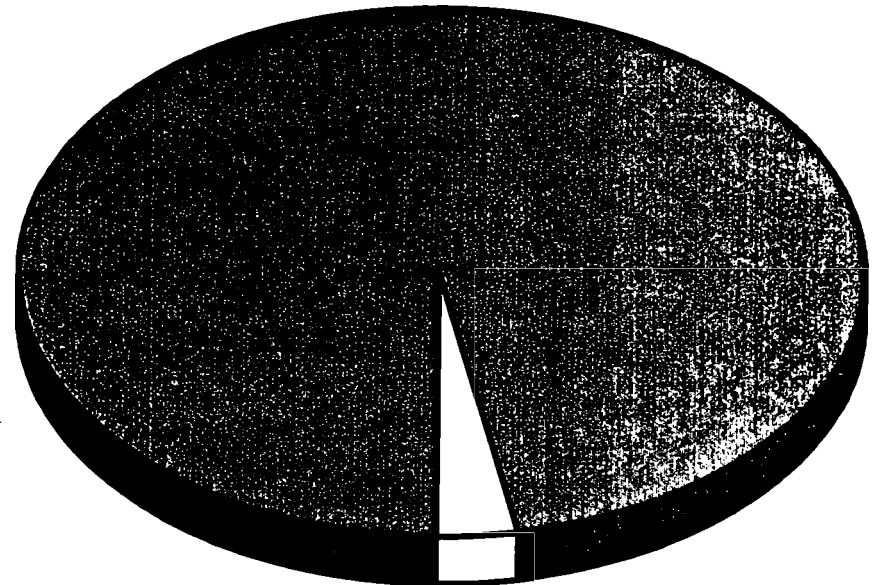
Paying off the Debt Reduces Interest Burden

Pre-OBRA Baseline



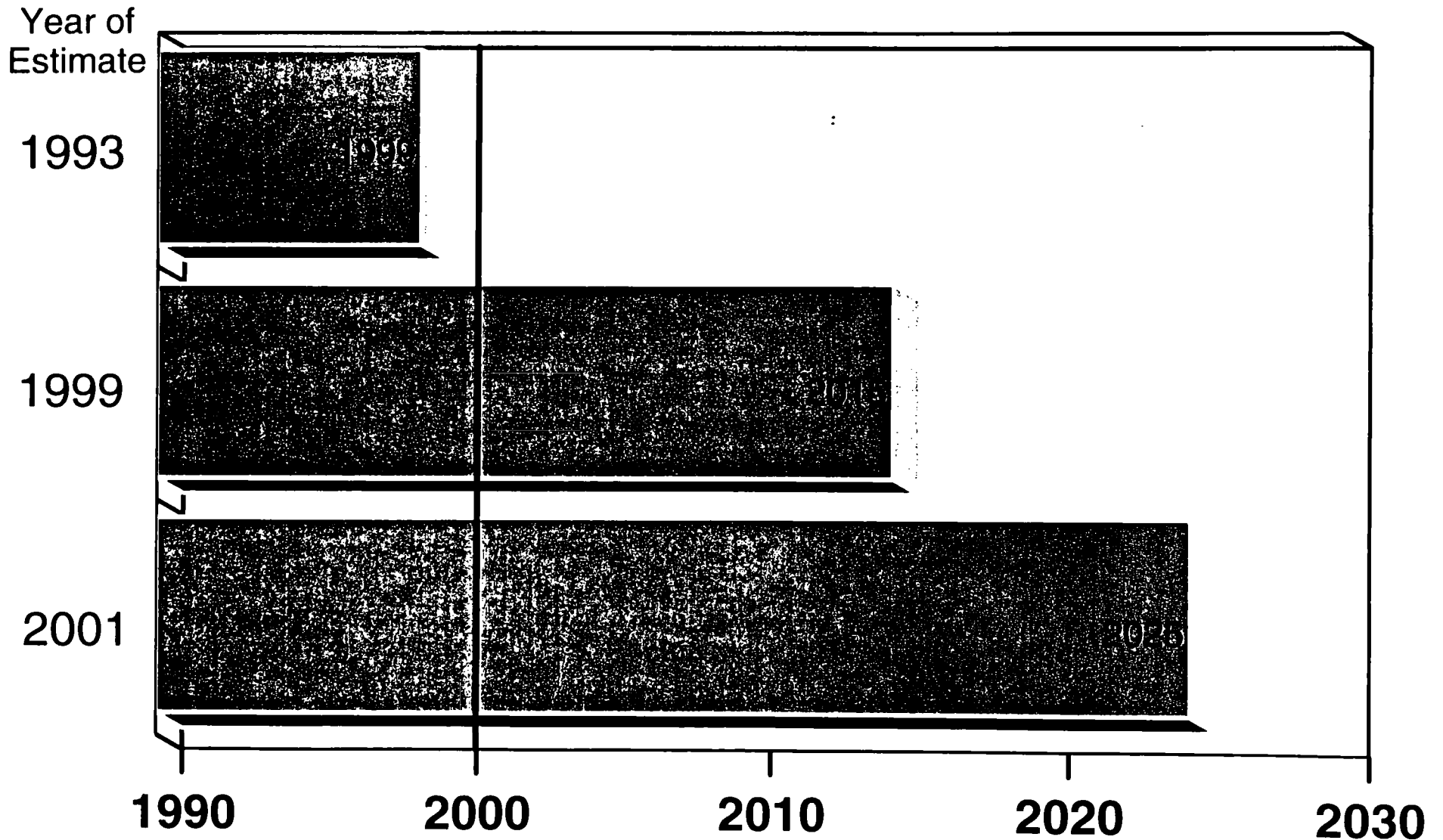
Interest
23.3%

**2010 Projected in 2001
Budget**



Interest
3.1%

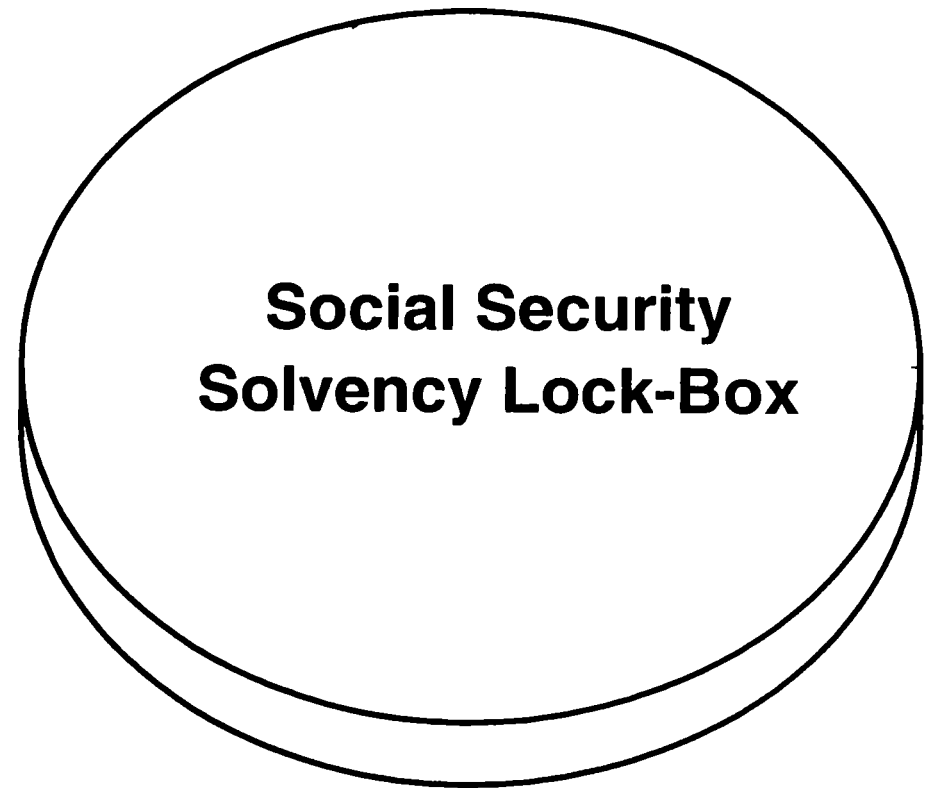
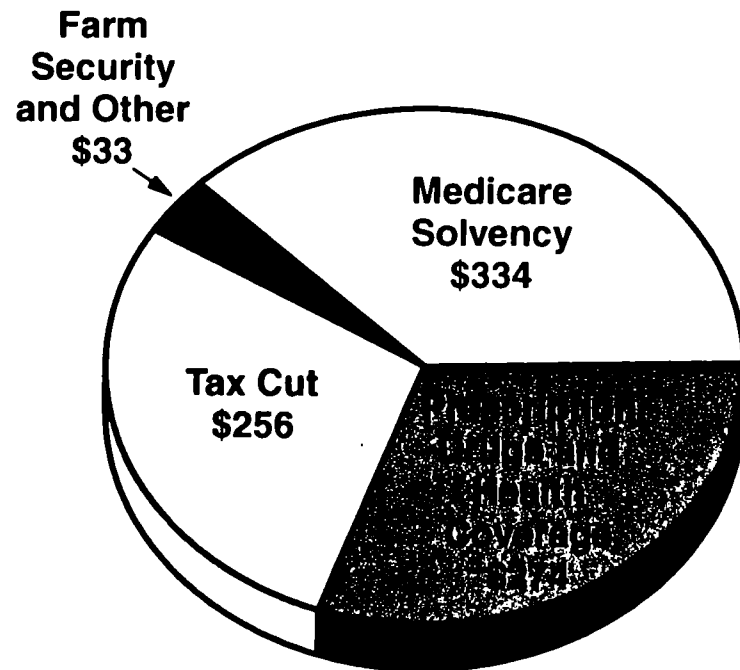
Securing and Preserving Medicare for the Next Generation



Allocation of On- and Off-Budget Surpluses: 2001-2010

On-Budget Surplus
\$746 Billion*

Off-Budget Surplus
\$2.2 Trillion



Total Debt Reduction = \$2.5 Trillion

* With other receipts and offsets, total \$1 trillion.

Paying off the Debt with Smaller Government

Percent of GDP

