

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: National Economic Council

Series/Staff Member: Gene Sperling

Subseries:

OA/ID Number: 19275

FolderID:

Folder Title:

[Fast Track] [Binder] [1]

Stack:

S

Row:

17

Section:

2

Shelf:

11

Position:

3

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	RE: CAIP Loan and Loan Guarantees (3 pages)	10/06/1997	b(6)

COLLECTION:

Clinton Presidential Records
National Economic Council
Gene Sperling
OA/Box Number: 19275

FOLDER TITLE:

[Fast Track] [Binder] [1]

2017-0401-F
db4719

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

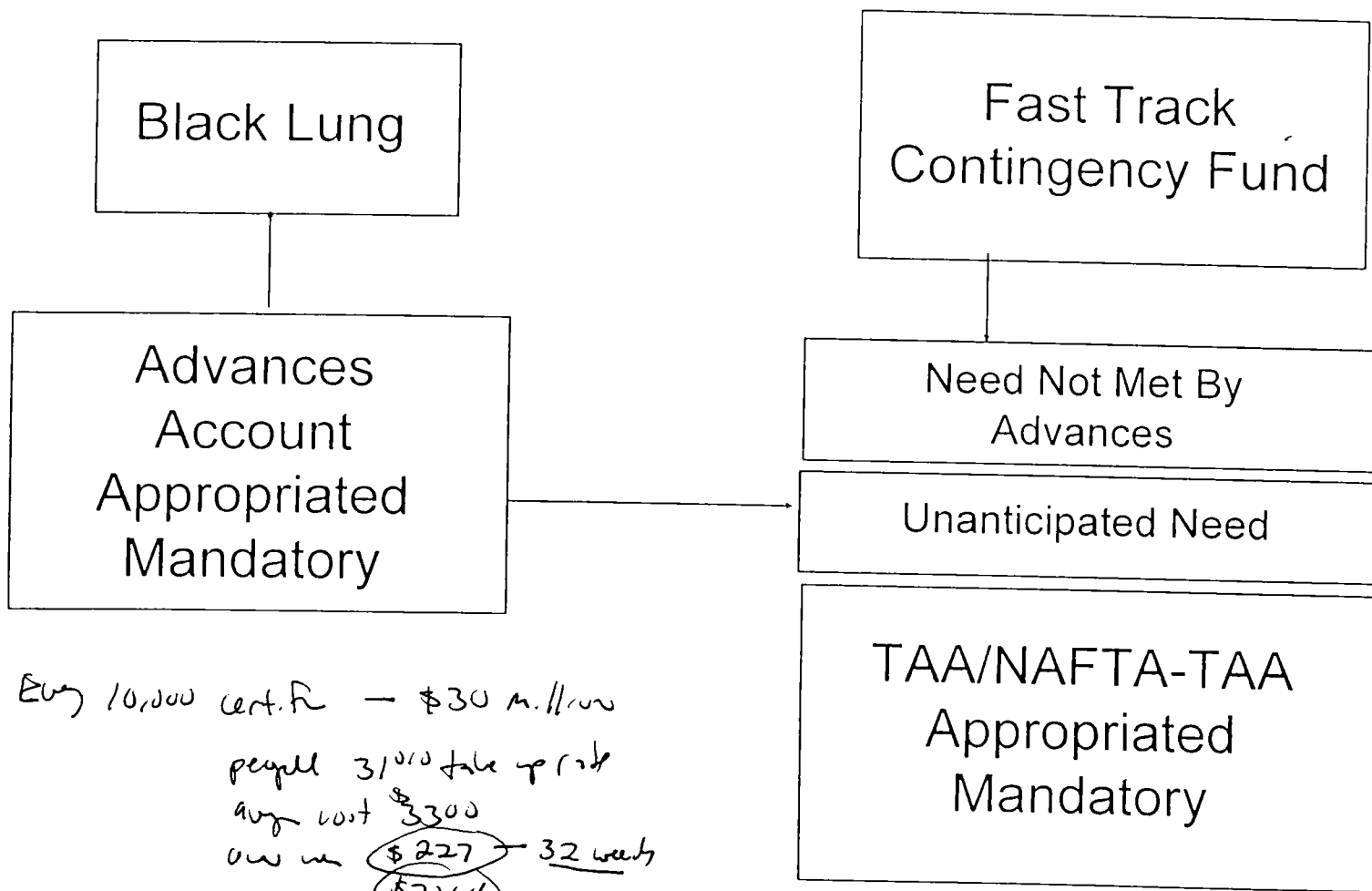
Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



Fast Track

Contingency Funding for Unanticipated Needs: Fast Track Contingency as Backstop to Advances Option 2 -- Belt and Suspenders



Every 10,000 cert. R. — \$30 m./1000

people 3100 take up risk
avg cost \$3300
now we \$227 — 32 weeks
\$7204

Cap on training: enough state
to EDWA more to \$80 m. 16

3.227
33
20
454
10

JTPA TITLE III: ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE ACT

During the past decade there has been an increasing emphasis on services to the large numbers of workers dislocated as a result of economic downsizing, shifts in trade, and rapid changes in technology. To provide employment and retraining assistance to these individuals, Congress authorized EDWAA as a comprehensive approach to aiding dislocated workers who are unlikely to return to their previous occupations. The program assists workers who have lost their jobs because of plant closings, individual or mass layoffs regardless of the reason for job loss. The ultimate goal of EDWAA is to help dislocated workers identify employment opportunities and if necessary, retraining so that they may contribute to the economy as soon as possible.

The Title III program has a local service-delivery system to provide reemployment services, essential retraining services and needs related payments. With increased funding for the program, it has expanded from assisting 290,000 individuals in 1993, to its current level of 600,000. Of the 557,000 individuals receiving services during program year 1995, 74 percent had a job three months after leaving the program. Within three months, individuals regained an average of 96 percent of the wages they were earning at the time of dislocation.

The ultimate goal of EDWAA is to help dislocated workers identify employment opportunities and if necessary, retraining so that they may contribute to the economy as soon as possible.

The program has proven to be a critical component that allows workers in transition to acquire or maintain high-skill, high-wage jobs. Department of Labor program data and reviews also indicate solid achievements in helping laid-off workers find new jobs that substantially replace their former wages. According to a recent audit by the Inspector General, the Title III program has been successful not only in returning dislocated workers to productive employment, but in helping workers remain employed and regain their prior earning power.

TRADE ADJUSTMENT ASSISTANCE ACT AND
NORTH AMERICAN FREE TRADE AGREEMENT -
TRANSITIONAL ADJUSTMENT ASSISTANCE

In recognition that shifts in federal trade policies could result in job loss from increased foreign import competition, the Trade Act of 1962 was amended in 1974 to authorize the Trade Adjustment Assistance (TAA) program to provide retraining and income assistance to affected workers. During

The Trade Act of 1962 was amended in 1974 to authorize the Trade Adjustment Assistance (TAA) program to provide retraining and income assistance to affected workers.

the years of 1975-1981, the years of greatest program growth, as many as 189,000 individuals received cash benefits. Since that time, tightened eligibility for this entitlement has reduced the program's size to about 33,000 individuals served annually.

104
weeks
5

Individual workers receive a timely array of customized services, including income support called Training Readjustment Assistance (TRA), reemployment services, and retraining if their skills are no longer in demand in the community. Qualified applicants may receive up to 104 weeks of job training and up to 52 weeks of income support during training after exhausting their Unemployment Insurance. Also during the retraining period, job search allowances pay expenses for workers who search for work beyond their normal commuting area. If necessary, relocation allowances will pay for moving expenses for a dislocated worker who is more likely to find work in another community or state.

⊛

In 1993, when the North American Free Trade Agreement was approved by Congress a special program was established to provide assistance to workers in companies affected by imports from Mexico or Canada or by shifts of U.S. production to those countries. The program is called the North American Free Trade Agreement - Transitional Adjustment Assistance program referred to as NAFTA-TAA. It combines aspects of two laws: Title III of JTPA and the Trade Adjustment Assistance (TAA) Act. By using established programs, the NAFTA-TAA program provides affected workers with both rapid and early response to the threat of unemployment and the opportunity to engage in long-term training while receiving income support.

Since the inception of the NAFTA-TAA program in January of 1994, more than 1,205 worker groups--approximately 142,600 workers--in 46 states have been certified as

eligible to apply for benefits. Responsibility for investigating whether a worker layoff is related to NAFTA is shared by the governor of the state where the company is located and the U.S. Department of Labor. Rapid response is provided by states with a full investigation continued by the federal government.

By using established programs, the NAFTA-TAA program provides affected workers with both rapid and early response to the threat of unemployment. As a result, eligible workers are given the opportunity to engage in long-term training while receiving income support.

NAFTA-TAA allows for designing individual training programs that may include basic skills training as a part of a training strategy leading to new occupational skills and employment. For many NAFTA-TAA-certified workers, TRA benefits and additional adjustment assistance services for which they are eligible are vital to their ability to secure satisfactory reemployment at a decent wage.

All of the services provided fulfill the objective of preserving a vibrant and versatile economy. Workers who receive employment and training services are often quite pleased with their new occupations. The available support provided them with the opportunity to change careers and improve their economic possibilities.

~~\$686~~
~~\$349~~
~~\$230~~
\$625

1.02
20

\$686

21
~~\$686~~
~~\$350~~
~~\$625~~
~~\$230~~
191

\$50
80
110
140
170

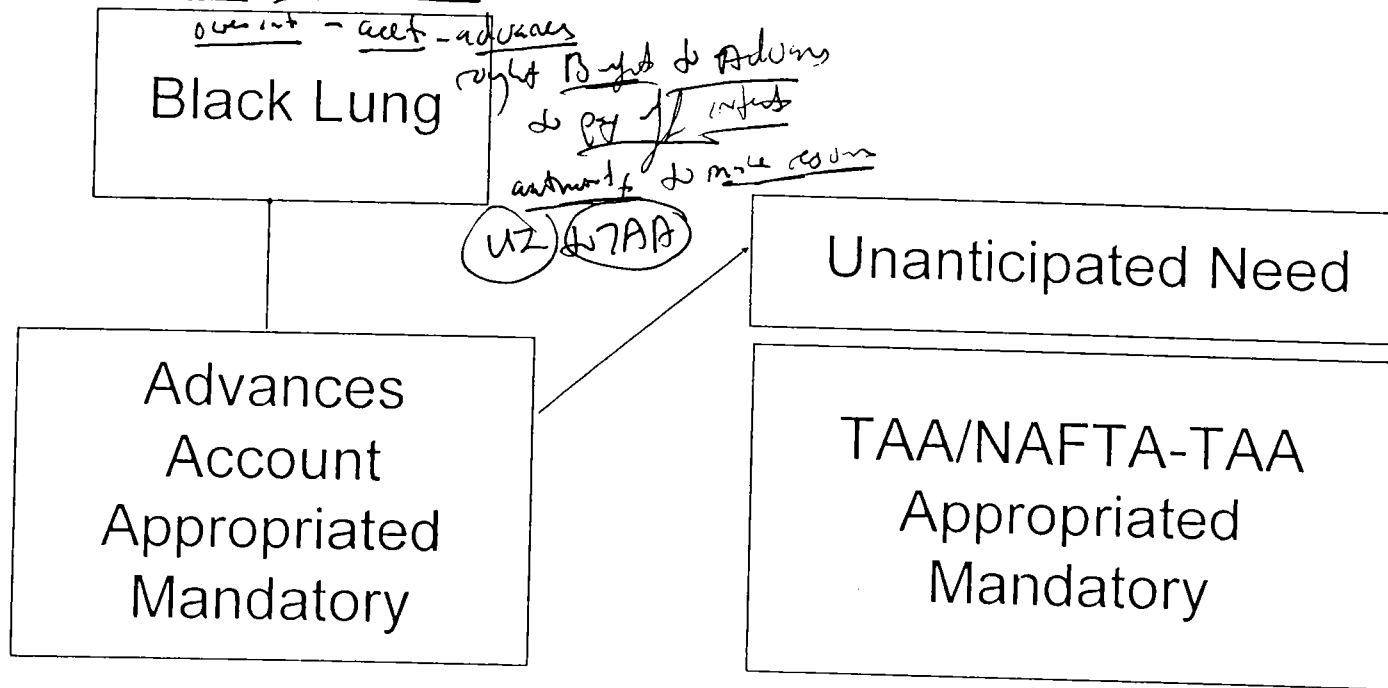
\$2

\$550

Contingency Funding for Unanticipated Needs: Option 1 -- Increase "Advances" to Cover Fast Track

Cost for paid per for
Black Lung - Debt

TAA Needs



Cost for

\$349
mille

estimate need

(ask 91)

from bank

to pay out for
as by bank by the

if estimate is too low

to meet - Advances Act

to meet with need

Advances
pool

TRADE-IMPACTED COMMUNITY EMPOWERMENT INITIATIVE
Project Management Process for Certified Eligible Communities
(Tailored to Specific Community Needs, Capacities & Time-frames)

- I. Office of Economic Adjustment (DoD) Assigns Project Manager (upon certification)**
- II. Community Outreach by Project Manager (upon assignment)**
 - *provide information regarding program*
 - *identify main community point of contact*
 - *schedule community visit*
- III. Community Visit with Public & Private Leadership**
 - *determine magnitude & extent of likely economic impacts*
 - *explain assistance available & procedures*
 - *identify key community stakeholders (including affected workers)*
 - *identify state government roles*
 - *assign or establish local organization to address impacts*
 - *review current economic development activities*
 - *visit areas & businesses affected if desirable*
- IV. Develop Grant Proposal for Local Community Adjustment Program**
 - *project manager assistance*
 - *Department of Commerce application procedures*
- V. Prepare & Adopt Economic Adjustment Strategy**
 - *local organization responsibility*
 - *community & affected firms orientation*
 - *focus on diversification of business, businesses, products & markets*
- VI. Identify Federal, State & Local Resources to Apply**
 - *Federal agency coordination & support through President's Interagency Committee on Trade & Economic Adjustment*
 - *coordination with affected firms*
- VII. Implement Adjustment Strategy**
 - *local organization responsibility*
 - *Federal program support as appropriate*
 - *state & local commitments*

OCT 31 1997

MEMORANDUM FOR: LARRY MATLACK

FROM:

MARY ANN WYRSCH *Mary Ann Wyrsch*

SUBJECT:

Contingency Fund

Per our discussions, attached is the Department's proposed language to authorize the establishment of the contingency fund for TAA. This language reflects the provisions of Option 2 of your paper. The underlined paragraph represents our proposed change to the existing language in the Advances account.

Note the "notwithstanding Section 236.." language is our proposal for allowing for a raising of the cap on TAA training. We believe this to be the most important aspect of this proposal. In the absence of provisions for raising the training cap above the current \$80 million, the establishment of the contingency fund would, we believe, serve little purpose. I believe this language accomplishes, in a creative way, the means to increase funding for potential increased workload resulting from fast track, and gives us an opportunity to increase the cap. We do not believe, given this language, that it would be scored (similar to the contingency reserve language in SUIESO which has never been scored) and opens up a door for increased training funds. This could be objected to in a point of order, I presume, but at least we have a chance that no one would do it.

If you have any questions, please do not hesitate to call me.

cc: Darla LeTourneau

John O'rag

EMPLOYMENT AND TRAINING ADMINISTRATION
ADVANCES TO THE UNEMPLOYMENT TRUST FUND
AND OTHER FUNDS ACCOUNT

For repayable advances to the Unemployment Trust Fund, as authorized by sections 905(d) and 1203 of the Social Security Act, as amended, and to the Black Lung Disability Trust Fund as authorized by section 9501(c)(1) of the Internal Revenue Code of 1954, as amended; and for nonrepayable advances to the Unemployment Trust Fund as authorized by sections 8509 of title 5, United States Code, sections 104(d) of Public Law 102-164, and section 5 of Public Law 103-6, and to the "Federal unemployment benefits and allowances" account, to remain available until September 30, 2000, \$392,000,000.

In addition, for making repayable advances to the Black Lung Disability Trust Fund in the current fiscal year after September 30, 1999, for costs incurred by the Black Lung Disability Trust Fund in the current fiscal year, such sums as may be necessary.

In addition to amounts available in this account for nonrepayable advances to the "Federal unemployment benefits and allowances" account, and notwithstanding section 236 of the Trade Act of 1974, as amended, to the extent that trade certifications increase over those projected in the budget, \$3,000,000 per every 1,000 certifications for adjustment assistance to trade-impacted workers (including a pro rata amount for any increment less than 1,000) shall be advanced, without repayment, to the "Federal unemployment benefits and allowances" account.

COMMENTS

The first two paragraphs are exactly what is currently in the Advances account. The new underlined paragraph attempts to establish a new "contingency" fund for financing all trade (TAA and NAFTA-TAA, included Fast Track, workload above what is estimated in the budget for trade (Federal Benefits and Allowances account). It uses the same sort of language used in SUIESO for the UI contingency reserve. However, it also overrides the statutory training cap (regular TAA only, not NAFTA-TAA) in the Trade Act, so that if workload demands increase significantly, part of the \$3 million per 1,000 certifications could be used for training.

10/24/97 FRI 17:27 FAX 202 219 6827

OASETA

**Economic Dislocation and Worker Adjustment Assistance Act (EDWAA)
(Job Training Partnership Act, Title III)**

Early Intervention and Rapid Response

“Rapid response” is the initial information sharing activity (for employees as well as employers) to facilitate access to all public programs to assist individuals find new employment, and assess workers’ needs for reemployment services for individuals expected to be dislocated. The activity occurs as soon as the State receives a Worker Adjustment and Retraining Notification Act (WARN) notice of any substantial layoff or plant closure, or when the State becomes aware of such event through other sources.

The responsibility for rapid response rests with each State’s Dislocated Worker Unit (DWU) and is authorized and funded under Title III of the Job Training Partnership Act (JTPA). Rapid response activities are funded out of the Governor’s funds reserved from JTPA Title III block grants allotted annually to States.

The State rapid response team is responsible for all major dislocations within a state, and involves collaboration with representatives from other entities including Wagner-Peyser labor exchange, unemployment insurance, Trade Act, education, economic development, social service organizations as well as local job training managers. These services are provided to workers regardless of the reason for dislocation, e.g., TAA, NAFTA-TAA; downsizing/restructuring; federal action impacting defense, timber or fishing industries; natural disaster, plant relocation; bankruptcy; etc..

During the year ending June 30, 1996 States reported that nearly 4,000 initial rapid response visits were made to companies where mass layoffs or closures were scheduled to take place, and that nearly \$6.5 million was expended on rapid response activities which include--

- ▶ contact with the employer and employee representatives within a short period of time (“preferably 48 hours or less”) after notice/information received, to provide information on and facilitate access to all available public programs and services available to assist dislocated workers find new jobs;
- ▶ promote the formation of a labor-management committee, or transition committee, (including funds for its establishment) to determine what types of assistance (or combinations thereof) the workers at a specific site are expected to require (labor exchange, labor market information, basic readjustment services, retraining);
- ▶ provide or obtain appropriate financial and technical advice and liaison with economic development agencies and/or to assist the local community in developing a coordinated response and obtaining access to State economic development assistance;
- ▶ identify appropriate dislocated worker funding to serve workers, including State JTPA funds and/or Secretary’s National Reserve Account funds, or trade funds if dislocation is trade-certified.

JTPA DISLOCATED WORKER PROGRAM (TITLE III) FUNDING

	<u>Budget Request</u>	<u>Appropriation</u>
FY 1993 ¹	\$ 526,986,000	\$ 517,046,000
FY 1994	\$1,921,006,000	\$1,118,000,000
FY 1995	\$1,465,000,000	\$1,228,550,000
FY 1996	\$1,396,000,000	\$1,091,900,000
FY 1997	\$1,293,000,000	\$1,286,200,000

¹ Special appropriations were enacted for this period, which included the following: \$49,600,000 (Clean Air Employment Transition Services); \$30,000,000 (Natural Disaster -- Hurricane Hugo); and \$54,600,000 (1993 Midwest Floods).

EDA PUBLIC WORKS PROGRAM**Performance Evaluation**

SUMMARY OF FINDINGS

PUBLIC WORKS PROGRAM PERFORMANCE EVALUATION

STUDY OVERVIEW

- The purpose of the research described here is to evaluate all 205 Economic Development Administration (EDA) Public Works Program projects that received their last payment in FY 1990. This means that, as of that date, the projects were completed and structures associated with them either occupied or soon to be occupied. Thus, at the time of this research—six years later—these projects had been sufficiently established to make their evaluation possible.
- Since 1965, EDA's mission has been to promote the long-term recovery of economically depressed areas by assisting local governments via public works project grants in generating and retaining jobs and in stimulating commercial and industrial growth.

STUDY PROCEDURES

- The study was undertaken from November 1996 through March 1997 by research teams from five universities and a major professional organization. All principals of the research teams have extensive experience in both economic development and infrastructure studies. Each principal spent significant time in the field researching individual projects and talking to grantees. Each principal and affiliated staff participated in some aspect of research analysis and in writing the research report. All concur with the research findings presented below.
- The research team contacted by mail and telephone 205 grantees of public works projects. To help the grantees better understand the purpose and types of information necessary to undertake the evaluation, all grantees

were invited to attend seminars conducted by the research team at 13 locations nationally. Sixty (60) project sites were visited to conduct in-depth discussions with grantees to learn more about their individual projects' impacts and to validate the information that they were in the process of providing.

- The study reported here uses performance measures developed by EDA specifically to evaluate public works projects. Performance measures primarily involve numbers of various types of jobs created or retained and amounts of private- and public-sector funds leveraged.

PROJECT TYPE AND CONTEXT

- From a universe of 205 EDA public works projects receiving a closeout payment in FY 1990, all 205 were successfully contacted.
- The composition of the 203 completed¹ public works projects is as follows:

	<i>Number</i>	<i>Percent</i>
Buildings	27	13.3
Industrial Parks	59	29.1
Roads	17	8.4
Water/Sewer	87	42.8
Marine/Tourism	13	6.4
Total	203	100.0

- In terms of the context of the above projects, EDA projects take place in locations where levels of unemployment and percents of the population below the poverty level are 40 percent higher than state and national averages. These are also locations where per capita income is typically 40 per-

¹ Two projects aborted and never constructed due to local financial or market reasons.

EDA PUBLIC WORKS PROGRAM**Performance Evaluation**

cent lower than averages at the state and national levels.

PROJECT COMPLETION

- Of those public works projects contacted by the research team, 99 percent (203) were completed as planned.
- Ninety-one percent (185) of the projects were completed on time.
- Fifty-two percent (105) were completed under budget.

PROJECT IMPACTS**Project-Related Direct Impacts**

- Ninety-six percent (195) of the public works projects produced permanent jobs six years after completion.
- Eighty-four percent (171) leveraged private-sector investment over the period.
- For the median case, each public works project produced 327 direct permanent jobs for every \$1 million of EDA investment.
- Based on median EDA funding of \$660,557 per project, a median of \$3,058 in EDA funds was spent per job created or retained. Total cost (all sources of funding, including EDA) per job created or retained was \$4,857.
- Not including public projects, for every \$1 million in EDA funding, \$10.08 million was leveraged in private-sector investment.
- For all projects, for every \$1 million in EDA funding, another \$1 million was leveraged in federal, state or local investment.
- 15.0 FTE (full-time-equivalent) construction jobs were created per \$1 million in EDA funding, carrying out solely the grant-supported component of capital infrastructure.

Nonproject-Related Direct and Indirect Impacts

- Nonproject-related direct or indirect jobs (those that occur because of the project or the project's jobs) were found to be present in 30 and 35 percent, respectively, of all public works projects.
- Considering all projects' ability to generate nonproject-related direct or indirect effects, for every \$1 million of EDA funding, an additional 50 jobs and \$1.18 million in private-sector investment were generated in nonproject-related direct effects, and an additional 64 jobs and \$126,180 were generated in indirect effects.
- Except in cases where the project was tax-exempt, public works projects increased the local tax base at a level of \$10.13 million per \$1 million of EDA investment.

PROJECT IMPACTS (GENERAL)

- Public works projects' economic impacts generally increase with time. Jobs resulting six years after completion were, on average, twice the number witnessed at project completion.
- EDA public sector economic stimuli create private-sector jobs at high levels of success and low levels of cost.

CONCLUSIONS

- Most of the public works projects achieved EDA's objective of providing communities with the necessary infrastructure to expand their economic base.
- Jobs and private investment have occurred in many areas that would not have experienced this without EDA presence.
- EDA offices, as an instrument of government, and EDA field representatives who interact with grantees, are well-regarded by their constituencies.

EDA PUBLIC WORKS PROGRAM**Performance Evaluation**

SUMMARY OF FINDINGS

DEFENSE ADJUSTMENT PROGRAM PERFORMANCE EVALUATION

STUDY OVERVIEW

- The purpose of the research described here is to evaluate all (190) Economic Development Administration (EDA) Defense Adjustment Program projects that were approved during the period FY 1992 through FY 1995. The primary objective of this program and its derivative projects is the restructuring of local economies to diversify away from dependence on former defense bases or defense contractors impacted by closure or cutback.
- Direct funding for the Defense Adjustment Program began in FY 1992. The program, therefore, is relatively young, and as of 1997, defense construction, capacity building (planning and technical assistance), and revolving loan fund (RLF) projects analyzed here were just taking hold. These 190 include the earliest defense adjustment projects that can be selected for evaluation. While their relative recency does not allow for an evaluation of these projects at full maturity, their accomplishments at this early phase can certainly be quantified.
- As indicated above, the Defense Adjustment projects, if completed, have had only a short time to mature. A concurrent EDA study of the Public Works Program and other similar studies have shown that the effects (both direct and indirect) of these projects will increase substantially over time. This evaluation provides a snapshot view of the projects' effects during an early phase of their existence.

STUDY PROCEDURES

- The study was undertaken from November 1996 through September 1997 by research teams from five universities and a major professional organization. All principals of the

research teams have extensive experience in both economic development and infrastructure studies. Each principal spent significant time in the field researching individual projects and talking to grantees. Each principal and affiliated staff participated in some aspect of research analysis and in writing the research report. All concur with the research findings presented below.

- The research team contacted by mail and telephone 190 grantees of defense adjustment projects. To help the grantees better understand the purpose and types of information necessary to undertake the evaluation, all grantees were invited to attend seminars conducted by the research team at 13 locations nationally. Forty-two project sites were visited to conduct in-depth discussions with grantees to learn more about their individual projects' impacts and to validate the information that they were providing.
- The evaluation is undertaken using performance measures developed by EDA specifically to inquire into the productivity of defense adjustment projects. Performance measures for defense construction and revolving loan fund projects primarily involve numbers and types of jobs created or retained and amounts of private-sector funds leveraged. For capacity-building projects, the performance measure is a grantee self-rating of the quality and impact of the capacity-building effort.

PROJECT TYPE AND CONTEXT

- From a universe of 190 EDA defense adjustment projects that were approved from FY 1992 through FY 1995, all 190 were contacted.
- The 187 grant-funded projects analyzed in this study² include 162

²Three projects were never funded due to grantee financial problems (2) or cross purposes between the grantee and the EDA regional office (1).

EDA PUBLIC WORKS PROGRAM**Performance Evaluation**

single-purpose projects, twenty double-purpose projects, and five triple-purpose projects. These sum to 217 total project elements funded via the 187 EDA grants.

DISTRIBUTION OF PROJECTS (187 Initiated Projects)			
<i>Grant-funded projects</i>	<i>Number</i>	<i>Project Types</i>	<i>Number</i>
Single Projects	79	Construction	79
	69	Capacity Bldg	69
	14	RLF	14
Double Projects	2	Constr./Cap.	4
	16	Cap./RLF	32
	2	Constr./RLF	4
Triple Projects	5	Constr./Cap./RLF	15
Total	187		217

Since 1987, approximately 2.5 million defense dependent jobs have been lost due to defense downsizing. EDA's Defense Adjustment Program is a direct response to base closures, reductions and/or reduced defense contracting. Cutbacks are often sudden and severe for their host communities. In addition, projects are in locations where minority populations and percents of the population below the poverty level are 20 percent higher than state and national averages. These are also locations where per capita income is 25 percent lower than averages at the state and national levels.

CONTEXT OF PROJECTS AT TIME OF APPLICATION (Medians) (187 Initiated Projects)			
	<i>Median</i>	<i>Ratio to State</i>	<i>Ratio to Nation</i>
Unemployment Rate (%)	7.0	0.98	1.02
Per Capita Income (\$)	13,034	0.72	0.73
Below Poverty Level (%)	15.5	1.18	1.18
Minority (%)	27.3	1.21	1.39

PROJECT COMPLETION

- Of those 190 defense adjustment projects contacted by the research team, 98.5 percent (187) were initiated as planned.
- Of those undertaken, about 96 and 97 percent of defense construction and capacity-building projects respectively, moved to completion; 100 percent of the RLFs moved to completion.
- Of those undertaken and completed, 80 percent of the defense construction and RLFs were completed on time. About 56% of the capacity-building projects were completed on time.
- Of those undertaken and completed, about 90 percent of defense construction projects came in *at or under* budget; the figures for capacity building and RLFs are 97% and 100%, respectively.

PROJECT IMPACTS³**Project-Related Direct Impacts: Defense Construction**

- On average, completed defense construction projects (49) have produced 30,870 permanent jobs, or 124 jobs per \$1 million in EDA funding. These jobs were produced at an EDA cost of \$8,052 per job and a total cost (all sources of funding) of \$12,045 per job.
- Defense construction projects produced 18.0 FTE⁴ construction jobs per \$1 million in EDA funding.
- Completed defense construction projects (43)⁵ leveraged \$722 million in private-sector investment, or \$2.2 million per \$1 million in EDA funding.

³ As projects age and mature, project accomplishments will likely increase over time.

⁴ Full-time-equivalent.

⁵ Forty-three of forty-nine defense construction projects have private-sector investment. Six projects are public sector, and have public sector investment.

EDA PUBLIC WORKS PROGRAM**Performance Evaluation**

**DEFENSE CONSTRUCTION AND
CAPACITY-BUILDING PROJECTS—
PERMANENT JOBS: (Medians)**

(49 Completed Defense Construction and 31
Completed TA* Capacity Building Projects)

	<i>Defense Construction</i>	<i>Capacity Building(TA)</i>
Jobs Per \$1M EDA	124	63
EDA Cost Per Job	\$8,052	\$13,633
Construction/ Professional Jobs	18.0 FTE	13.7 FTE
Private-Sector Investment Per \$1M EDA	\$2.2 M	N/A
*Technical Assistance		

Capacity Building

- Completed capacity-building (technical assistance) projects (31) have produced 63 permanent jobs per \$1 million in EDA funding at an EDA cost of \$13,633 per job and a total cost of \$19,393 per job.
- Permanent jobs coming from capacity building technical assistance projects reflect that stalled businesses have been matched with new markets, workers are more employable due to training, and businesses generate more money because they have been made more efficient.
- Completed capacity-building (technical assistance) projects have produced 13.7 FTE professional jobs for every \$1 million of EDA investment.
- Completed *capacity-building* projects have further produced adjustment strategies, heightened community involvement and planning, created workable implementation strategies, and undertaken market/feasibility studies. EDA capacity-building efforts have been rated by grantees as follows (Scale of 1-10; 10 = best):

**GRANTEE RATING OF CAPACITY-
BUILDING PROJECTS (Means)**

(70 Completed Capacity Building Projects)*

Quality of Adjustment Strategy	8.2
Extent of Community/Business/ Government Participation	8.5
Consistency of Implementation Efforts and the Adjustment Strategy	7.8
Quality of Technical Assistance Effort	8.8
Impact of Technical Assistance Effort	8.9
Quality of Feasibility/Market Study	9.1
Impact of Feasibility/Market Study	8.7

*These include all types of capacity building projects, not just technical assistance.

Grantee Observations:

- Across the board, grantees report that the products they are delivering with EDA oversight are both well done and have a significant impact.
- Capacity building empowers local areas to respond in a proactive and forward-moving way to the adverse impacts on their declining economies.

Grantees further report the following:

- Capacity-building projects are responsible for significant networking among various forms and levels of economic development agencies. This enables greater use and leveraging of public and nonprofit funds.
- Capacity-building projects comprise technology transfer efforts wherein sophisticated methods of enhanced productivity are being used to measure business adjustment to new technology.

Revolving Loan Funds

- With regard to revolving loan funds (RLFs), 304 jobs have been created per \$1 million of EDA investment for 16 completed projects (fully-loaned); for those projects in process (21), there

EDA PUBLIC WORKS PROGRAM

Performance Evaluation

are 247⁶ jobs created. EDA cost per job is \$3,312 for completed RLF projects and \$4,079 for projects that are in process.

- Completed RLF projects have leveraged \$115 million in private-sector investment, or \$2.5 million per \$1 million of EDA investment. In-process RLF projects have leveraged \$42 million in private-sector investment, or \$2.8 million per \$1 million of EDA investment.
- Other statistics for RLFs include combined default and write-off rates for completed projects of 13% and for RLF projects in process of 1.9%⁷. For both completed and in-process projects, jobs produced per business assisted are about 22 and 24, respectively. In 50% of the cases the RLF involves a business expansion (as opposed to start-up or retention), and in 67% of the cases it involves the funding of manufacturing firms (as opposed to commercial or service firms).

REVOLVING LOAN FUND PROJECTS

(Medians)

(16 Completed and 21 In-Process RLFs)

	Completed	In Process
Jobs Per \$1M EDA	304	247
EDA Cost Per Job	\$3,312	\$4,079
Private-Sector Leverage Per \$1M EDA	\$2.5 M	\$2.8 M
Default/Write-off Rates	13%	1.9%
Jobs Created/ Business	22	19

⁶ In-process RLF projects can be analyzed in the same fashion as completed projects because they behave similarly from the time of their first loan onward.

⁷ A 12-15 percent combined default and write-off rate is well within industry standards for this type of loan. The lower rate for in-process loans reflects almost no write-offs at this stage of the loan.

PROJECT IMPACTS (GENERAL)

- Due to the recency of defense adjustment projects, their results are just beginning to become evident. Most will likely contribute to significant additional employment growth in the long term.
- Defense construction, as well as RLF projects, are nonetheless producing permanent jobs at relatively low costs; capacity-building technical assistance projects are producing smaller numbers of permanent jobs at somewhat higher costs. Capacity-building planning efforts and market/feasibility/reuse studies are perhaps more importantly laying the groundwork for both defense construction and traditional public works projects.
- Defense adjustment projects are longer-term, more intricate, and more complex than traditional public works projects. As such, they are not as likely to be on schedule or to come in *under* budget as public works projects are. Nonetheless, 80-90 percent of defense adjustment projects are on schedule, and 90-100 percent are *at or under* budget.
- EDA defense adjustment funding is in place in numerous localities nationally; tangible progress is in evidence at 97% of the sites.

CONCLUSIONS

- As reported by grantees, EDA defense adjustment projects are one of the few avenues of flexible assistance to communities faced with base closures.
- EDA funding is critical to most of these types of activities and is usually the primary source of initial funding.
- The results of defense adjustment projects may emerge somewhat more slowly than traditional public works investments but hold the promise of more job production and private sector leverage.

TO: John Orszag

FROM: Phil Singerman *Phil*

CC: David Lane
Chester Straub

RE: Performance Evaluation of Defense Adjustment Program

For your background, I am faxing a summary (draft) of a not yet released study of all (190) EDA defense adjustment projects approved from FY92-FY95. I am also including a summary of a companion study of 200 public works projects completed in 1990.

The study was conducted by a consortium of prestigious research universities, led by Rutgers Center for Urban Policy Research. According to the researchers, the results are extremely robust. For the public works grants, six years after completion, each \$1 million of EDA funding leveraged \$10 million in private funding, added \$10 million to the local tax base, and created 327 permanent jobs. (Very few federal programs have been subjected to such a detailed, independent analysis.)

The defense adjustment study analyzed projects much earlier in their life cycle, and therefore the projects, while still showing extremely positive results, have not had enough time to reveal their full potential. Nonetheless, locally managed loan funds capitalized by EDA grants already show results comparable to public works investments; for each \$1 million of EDA investment, 304 permanent jobs have been created, and leveraged \$2.5 million in private sector investment.

Working through Dorothy Robyn's office, we are planning a full briefing on the results of the defense adjustment study for White House and OMB staff in November. However, in light of our discussions, I thought you would be interested in knowing that there is a substantive, documented, comprehensive study of the impact of the federal government's assistance to defense impacted communities.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages 10

To: <i>John Orszag</i>	From: <i>Phil Singerman</i>
Dept./Agency	Phone #: <i>(202) 482-5081</i>
Fax #: <i>456-7293</i>	Post #

NSN 7540-01-317-7368 5038-101 GENERAL SERVICES ADMINISTRATION

PUBLIC WORKS PROGRAM DEFENSE ADJUSTMENT PROGRAM — PERFORMANCE EVALUATIONS

Prepared for:

**U.S. Department of Commerce
Economic Development Administration
Office of Program Research and Evaluation
(EDA Project No. 99-06-07415)**

Prime Contractor:

**Rutgers University
Center for Urban Policy Research (CUPR)**

Robert W. Burchell, Ph.D.
(Principal Investigator)
William R. Dolphin
Naveed A. Shad
Alex Zakrewsky
(Associate Investigators)

Althea L. Clarke
Mark Field
Heidi A. Kaplan
Curtis Krauss
Wanda I. Mills

Danelle Mitchell
Andrew Siemsen
Milo Mason Turk
Kathy Vossough

Subcontractors:

**New Jersey Institute of Technology (NJIT)
National Center for Transportation and Industrial Productivity**

Louis J. Pignataro, Ph.D.
(Associate Investigator)

Hong Lin
Eugene Reilly
Sally O'Malley
Mei Chen

**Columbia University
National Center for Infrastructure Studies**

F. H. (Bud) Griffis, Ph.D.
(Associate Investigator)

Carrie Sturts

**National Association of Regional Councils (NARC)
Economic Development and Planning Division**

John Epling, D.P.A.
(Associate Investigator)

Patricia Sue Atkins, Ph.D.
Richard Hartman

**Princeton University
Woodrow Wilson School of Public and International Affairs
Center of Domestic and Comparative Policy Studies**

Andrew F. Haughwout, Ph.D.
(Associate Investigator)

**University of Cincinnati
School of Planning**

David Varady, Ph.D.
Johanna Looye, Ph.D.
(Associate Investigators)

Charles Ellison, Ph.D.
David Allor, Ph.D.

OCTOBER 1997

This report was prepared by a research team headed by Rutgers University. Its findings, conclusions, and recommendations are those of its authors and do not necessarily reflect the views or policies of the Economic Development Administration or the U.S. Department of Commerce.

**DEFENSE ADJUSTMENT PROGRAM
PERFORMANCE EVALUATION:
SUMMARY OF FINDINGS**

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

LABOR BRANCH FAX SHEET

DATE:

10/28/97

TO:

Jon Orszag

FROM:

Larry Matlack

COMMENTS:

TAA Options.

NUMBER OF PAGES
(INCLUDING COVER)

5

CONFIRMATION: (202) 395-3262
FAX NUMBER: (202) 395-1596

DRAFT**TRADE ADJUSTMENT ASSISTANCE -- CONTINGENCY**

g:\data\fst_trk4.wpd

NOTE: Mechanism for transmittal of proposal to be decided -- whether through authorization or appropriations language.

Current Law

Under the current program, we already have a "contingency" for TAA, but it's invisible.

(NOTE: TAA and NAFTA-TAA are funded in the same budget account; funding shortfalls are handled in the same way.)

- If DOL finds that the TAA program demands are going to exceed the appropriation (an appropriated entitlement), DOL can tap into another account (Advances to the Unemployment Trust Fund and Other Funds) at any time during the year, effect a transfer to the TAA account, and OMB reappropriates the monies to TAA for the identified need. The "Advances" account also is an appropriated entitlement.
- The "Advances" request for the past three years has been between \$369-392 million. We never ask for resources to pay for anticipated TAA needs in the Advances account; the request is for Black Lung needs. If we draw "Advances" for TAA purposes, Black Lung has another source of funds to meet its needs. To date, this has worked when needed.
- This approach provides additional funds for unanticipated needs within a fiscal year. The appropriations request for each fiscal year is based on projected need for income support and training, taking into account the legislated cap on training.

Options for "Fast Track" Contingency**ASSUMPTIONS:**

- Options consider only how to establish a contingency or trigger. Other proposals to extend TAA and NAFTA-TAA or to expand TAA to cover plant relocations are not covered here; they do have significant PAYGO implications.
- All options assume that workers affected by any trade agreements negotiated under "Fast Track" authority are eligible for TAA benefits.
- The options below assume that NAFTA-TAA remains a separate program. But, consolidation with TAA would not affect the options for contingency funding.
- After consultation with DOL, none of the options assume a separate identification and accounting for Fast Track affected workers. If separate tracking is imposed, we believe it would lead us down the path of a separate program for these workers, which we believe the Administration does not want. It also would increase administrative costs.

DRAFT

- To be decided is whether to propose an increase in the current training cap under TAA from \$80 million to \$100 million a year, which will raise a PAYGO scoring issue. It is often the training cap that, when reached, causes States to assert there is no TAA money available.

Option 1 -- Invisible Contingency (Schematic #1)

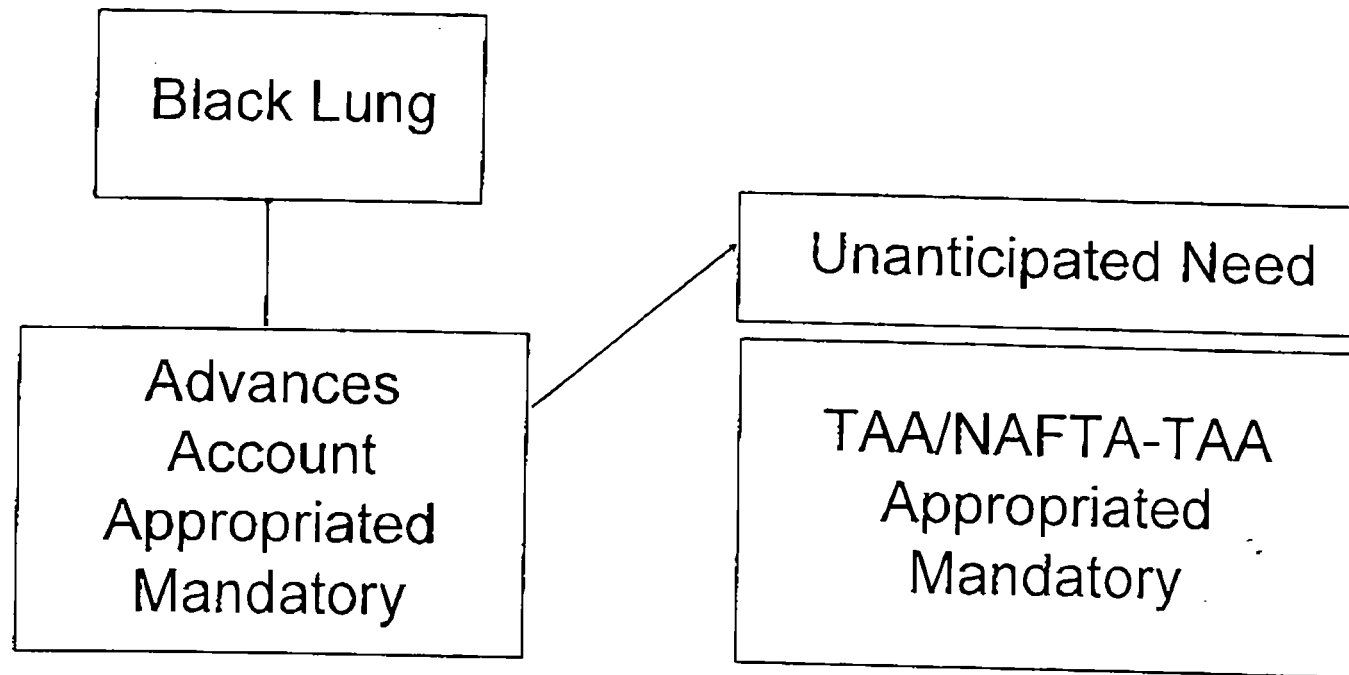
- The current program continues, no changes are made since we argue that Fast Track will not result in large (or any) dislocations that cannot be handled under the current program. The training cap could be increased to assure that training is available under this program vice JTPA III.
- We budget as we do now for TAA and use the Advances account for unanticipated needs. To provide additional assurance that the Advances funds will be sufficient, we will add a 10-20 percent cushion to the estimate.
- Scoring issues only if the training cap is raised.

Option 2 -- Belt and Suspenders (Schematic #2)

- Add a "Fast Track" contingency on top of the "Advances" contingency.
- The current TAA program continues, and the "Advances" contingency remains in place. All trade-affected workers, including those affected by Fast Track, are served by the current TAA/NAFTA-TAA program.
- In any year, payments are made from the TAA account for as long as resources are needed and available.
- If the combination of basic trade-affected and Fast Track-affected workers drives the costs over the appropriated level, then the existing "Advances" contingency process is invoked.
- If even this proves insufficient, then a "Fast Track" contingency amount is triggered for meeting the estimated adjustment needs for trade-affected workers (Fast Track as well as other affected workers). The contingency would trigger an additional \$3 million for adjustment assistance for each 1,000 additional certifications (not just for Fast Track). The language would allow for a pro rata amount to be triggered as well.
- No scoring issues except if the training cap were raised.

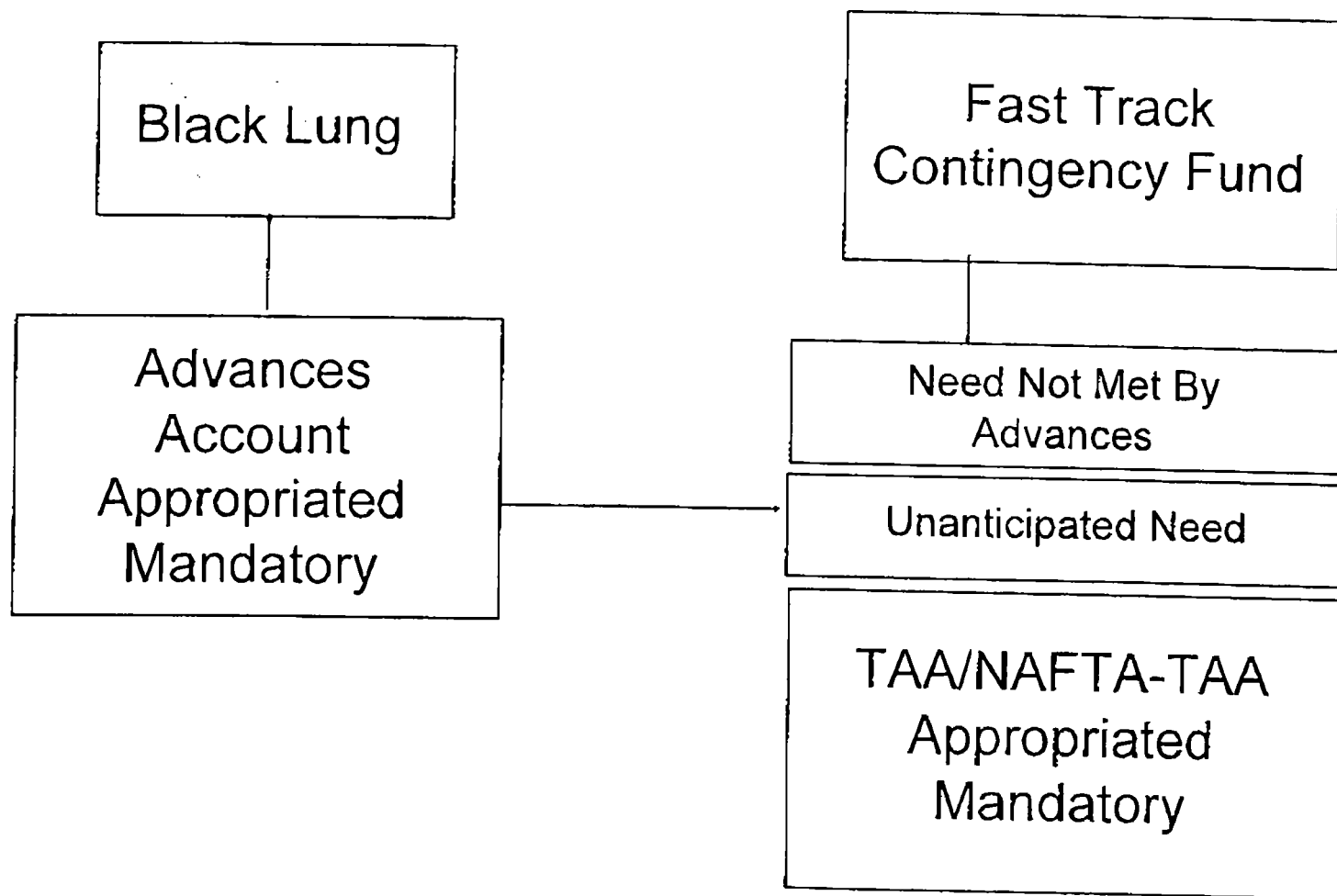
Contingency
for only Fast Track
Contingency Fund.

Contingency Funding for Unanticipated Needs: Option 1 -- Increase "Advances" to Cover Fast Track TAA Needs



DRAFT

Contingency Funding for Unanticipated Needs: Fast Track Contingency as Backstop to Advances Option 2 -- Belt and Suspenders



DRAFT

Q. Aren't there a lot of workers affected by imports and shifts in production who haven't received benefits?

A. This is simply not true. We are not aware of any large-scale dislocations where workers have not been able to receive re-employment services. In looking at the most recent five-year period (FY 1992 through FY 1997), an estimated 436,905 workers have been certified as eligible to apply for benefits under TAA, the basic trade program that is based on increased imports. An estimated 200,519 workers have availed themselves of basic reemployment services under this program, and approximately 120,000 program participants have entered training programs.

Under the NAFTA-TAA program, which is aimed at workers whose jobs have been affected by increased imports from Mexico or Canada and by firms shifting production to Mexico or Canada, 133,364 workers were certified for adjustment assistance benefits from the program's inception in January 1994 through June 30, 1997. There has been an exponential increase every year since the program began in the number of workers certified eligible and the number of workers who receive services under the NAFTA-TAA program.

The package you have just been briefed on will further expand our ability to serve more workers and provide a full range of services by reaching more workers employed in firms that are indirectly impacted by imports (secondary workers) and by ensuring, through the contingency fund, that there is adequate funding available to retrain and assist trade-impacted workers seeking to re-enter the workforce.

Q. A recent GAO report and other critics say that you haven't served many secondary workers under the NAFTA program. How will an informational campaign ensure that you serve secondary workers effectively?

A. An informational campaign, targeted to trade-impacted areas and directed to specific media, as well as outreach at the local level will allow workers in secondary firms to know they can and should apply for adjustment assistance.

Public service announcements and informational materials disseminated directly to secondary businesses and in local offices where workers apply for unemployment insurance benefits will inform secondary workers that there is a program specifically designed to assist them in their re-employment efforts.

Front-line staff at the local One Stop/employment offices will also bring workers' attention to the existence of the NAFTA-TAA program and the ease of applying for benefits.

Additionally, the Department of Labor will institute systematic procedures for reaching secondary workers through the primary firms from which they receive work. Outreach of this nature will require that primary firms identify their suppliers/finishers.

[Secondary workers are defined as those workers who supply or finish products for firms that are directly affected by increased imports from Mexico or Canada or by shifts of production to Mexico or Canada. For example, workers who produce and sell buttons to a shirt manufacturer would qualify as secondary workers if workers employed at the shirt manufacturer were adversely affected by increased imports of shirts from or shifts in production to Mexico or Canada.]

Q. How would this package benefit workers who will be laid off as a result of the recently-announced Levi Strauss plant closures?

A. The Levi Strauss plant closures will adversely affect many small communities in which Levi Strauss was the major employer. Hence, this package with its expanded community adjustment provisions will assist communities with a Levi Strauss closure in bringing together resources and local government entities in developing an economic adjustment strategy.

This proposal would also benefit workers at secondary firms that are dependent upon Levi Strauss for contract work.

And lastly, this package with the Contingency Fund will ensure that there will be adequate funds to cover the cost of benefits for all workers certified under the TAA and NAFTA-TAA programs.

Q.

Isn't the creation of a Contingency Fund just a gimmick?

A.

Although we expect that the funds currently available for trade adjustment assistance benefits are adequate to cover any increased certification activity resulting from existing and future trade agreements, the creation of a Contingency Fund would provide an important reassurance to trade-impacted workers that monies will be available to fund the income support, training, and other benefits to which eligible workers are entitled. This fund would serve as a "safety net" for workers who have become displaced or fear becoming displaced due to imports.

Q. Isn't this just a repackaging of the same old program?

A. We feel that the existing programs provide the framework for the timely and effective adjustment for dislocated workers. These proposals seek to maximize the dissemination of information regarding existing programs to ensure that displaced workers are fully aware of the services which are available to them. As importantly, these proposals would provide for a full coordination of the services available under the various existing programs in order to offer workers the broadest and most comprehensive array of readjustment services possible.

Q. Why didn't you have performance data before now?

A. The legislation authorizing TAA and NAFTA-TAA did not require that performance measures be established. However, the Secretary of Labor recognizes the importance of tracking performance outcomes and customer satisfaction for trade-impacted workers, and considers it to be imperative that outcomes for TAA and NAFTA-TAA eligible workers be evaluated under the Government Performance and Results Act (GPRA). To that end, DOL has set performance goals for the trade program and will measure performance accomplishments through program data collected under the Standardized Program Information Report (SPIR), the data collection system used to track performance of JTPA Title III dislocated workers.

Q. Isn't the announcement of a new package proof that NAFTA-TAA has not helped American workers?

A. No, on the contrary, the NAFTA-TAA program has proven to be an effective model in its delivery of basic adjustment services to workers in the early stages of their dislocation. It has also served well in its mission of reaching a new category of workers -- those adversely affected when their firm shifts its production to Canada or Mexico.

The NAFTA-TAA program has recorded significant accomplishments in providing services such as job referrals, first TRA payments, and number of workers entering and completing training.

The provision of adjustment assistance benefits to secondary workers is also a very beneficial aspect, but one that needs to be further developed in order to reach the full secondary worker population.

- But we can do even more. Additional measures include:
 - I will use the authority in the House fast track bill to negotiate agreements preventing other countries from manipulating or ignoring their labor laws to gain an unfair competitive advantage. As you know, the problem in most countries is not the quality of the labor laws, but the lack of enforcement.
 - Each time a free trade agreement is brought back to Congress, we will submit a review of the broader conditions in the other FTA countries -- including their enforcement of laws covering child labor.
 - The Labor Department will report annually on our NAFTA partners' labor laws, practices, and conditions -- and how they are responding to cases brought under the NAFTA labor side agreement. This will ensure we assess whether Mexico in particular is making progress in addressing child labor concerns.
 - We also will take a series of specific steps to strengthen how the international financial institutions, such as the World Bank and IMF, incorporate labor rights -- including the prohibition on child labor -- issues into their operations. This will include a screening mechanism to ensure these issues are taken into account in any planning and programming activities.
- The bottom line is this: I am convinced we can break down foreign trade barriers and advance worker rights, including the prohibition on exploitative child labor, at the same time. And look at it this way: if we have fast track, Chile will conclude a labor (as well as an environmental) agreement with us -- in fact, they already have agreed to do so. If we don't, they won't. Rejecting fast track won't keep a single child out of a sweat shop overseas: it will simply ensure that the legitimate worker rights concerns we share are ignored in the years ahead.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

LABOR BRANCH FAX SHEET

DATE:

11/4/97

TO:

Jon Orszag
62223

FROM:

Carol Rott

COMMENTS:

Background information
on TAA, NAFTA-TAA, and
JTPA title III (largely
from DOL's Congressional
justification on the FY98
Budget request.

NUMBER OF PAGES
(INCLUDING COVER)9CONFIRMATION: (202) 395-3262
FAX NUMBER: (202) 395-1596

TRADE ADJUSTMENT ASSISTANCE (TAA) and NAFTA TAA

Purpose: To assist individuals who became unemployed as a result of foreign import competition to return to suitable employment. Suitable employment is defined as being work of a substantially equal or higher skill level than the person's past adversely affected employment, and which pays not less than 80 percent of his/her previous employment.

Benefits and Services: A variety of benefits and reemployment services are available to help unemployed workers prepare for and obtain suitable employment. These include:

Training (on-the-job or classroom) -

If classroom, may be up to 104 training weeks.

Trade Readjustment Allowance -

Weekly or bi-weekly payments, equal to the individual's previous UI weekly benefit amount, that are provided to assist the person while attending training. TRA is payable only when UI benefits are not available to the individual up to a maximum of 52 weeks.

Job Search Allowance -

To help the person secure a job within the United States. Total job search allowances may not exceed \$800, regardless of the number of job searches that are taken.

Relocation Allowance -

Assist the individual and his family to relocate for employment anywhere, within the United States. May be paid only once.

Subsistence Allowance -

Supplemental assistance to pay cost of a separate maintenance, when training is outside of normal commuting area.

Transportation Allowance -

Supplemental assistance to pay transportation to and from training, if outside of the normal commuting area.

Reemployment Services -

Counseling, testing, job development, resume preparation, interview assistance, etc.

FUBA-8

APPROPRIATION HISTORY
(\$ In Thousands)

	<u>Budget Estimates to Congress</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Appropriation</u>
1988.....	\$141,000	\$141,000	\$141,000	\$141,000
1989.....	224,648	224,648	224,648	224,648
1990.....	284,000	284,000	284,000	280,024 <u>1/</u>
1991.....	230,500	230,500	269,500	269,500
1992.....	226,250	226,250	226,250	226,250
1993.....	211,250	211,250	211,250	211,250
1994.....	190,000	190,000	190,000	190,000 <u>2/</u>
1995.....	274,400	274,400	274,400	274,400 <u>3/</u>
1996.....	346,100	346,100	346,100	346,100
1997.....	324,500	324,500	324,500	324,500
1998.....	349,000			

1/ Reflects a reduction of \$3,976,000 pursuant to P.L. 99-177.

2/ Excludes \$56,400,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred to this account.

3/ Excludes \$45,800,000 included in the Advances to the Unemployment Trust Fund and Other Funds appropriation which was transferred to this account.

FUBA-9

EMPLOYMENT AND TRAINING ADMINISTRATION
FEDERAL UNEMPLOYMENT BENEFITS AND ALLOWANCES

JUSTIFICATION
(Table In Thousands)

	<u>FY 1997 Appropriation Amount</u>	<u>FY 1998 Estimate Amount</u>	<u>Difference FY97/FY98 Amount</u>
Trade adjustment assistance benefits.....	\$191,000	\$208,000	+\$17,000
Trade adjustment assistance training.....	85,100	96,700	+11,600
NAFTA transitional adjustment assistance. benefits.....	20,000	22,000	+2,000
NAFTA transitional adjustment assistance training.....	<u>28,400</u>	<u>22,300</u>	<u>-6,100</u>
Total Budget Authority.....	<u>324,500</u>	<u>349,000</u>	<u>+24,500</u>

General Statement

The request provides for the payment of Trade Adjustment Assistance (TAA) benefits, training and job search and relocation allowances to workers adversely affected by increased imports. Additionally, this request provides for the payment of benefits, training, and job search and relocation allowances to workers impacted by the North American Free Trade Agreement (NAFTA). Also included in this request are the State administrative costs associated with the TAA and NAFTA training programs. It should be noted that the latest estimates of obligations indicate some adjustment in financial need. The Administration will propose extension and reauthorization of the TAA/NAFTA programs which expire September 30, 1998.

FUBA-10

TRADE ADJUSTMENT ASSISTANCE BENEFITS

<u>FY 1997</u> <u>Appropriation</u> <u>Amount</u>	<u>FY 1998</u> <u>Estimate</u> <u>Amount</u>	<u>Difference</u> <u>FY97/FY98</u> <u>Amount</u>
\$191,000,000	\$208,000,000	+\$17,000,000

Introduction

This activity provides for weekly adjustment benefit payments to workers partially or totally separated from firms which make products or provide certain services affected by imports. Adjustment payments are authorized under Part I, Subchapter B, Chapter 2, Title II, of the Trade Act of 1974, as amended. Federal administrative costs relating to benefit payments are included in the Program Operations budget of the Employment and Training Administration. State administrative costs for benefit payments are included in the State Unemployment Insurance and Employment Service Operations budget.

Federal funds are allocated to the States which act as agents for the Federal Government. Funds are provided to States through Notices of Obligational Authority based on estimates of benefits to be paid. States then draw the funds, as needed, from the U.S. Treasury.

Funding for this activity during the last five years has been as follows:

1993.....	\$136,000,000
1994.....	\$134,000,000 <u>1/</u>
1995.....	\$179,000,000 <u>2/</u>
1996.....	\$195,000,000 <u>3/</u>
1997.....	\$191,000,000

- 1/ Includes \$20,000,000 from the Advances to the Unemployment Trust Fund and Other Funds appropriation transferred to this account.
- 2/ Includes \$28,000,000 from the Advances to the Unemployment Trust Fund and Other Funds appropriation transferred to this account.
- 3/ Reflects Congressional approval for reprogramming.

FUBA-12

TRADE ADJUSTMENT ASSISTANCE TRAINING

<u>FY 1997</u> <u>Appropriation</u> <u>Amount</u>	<u>FY 1998</u> <u>Estimate</u> <u>Amount</u>	<u>Difference</u> <u>FY97/FY98</u> <u>Amount</u>
\$85,100,000	\$96,700,000	+\$11,600,000

Introduction

This activity provides funds for training, job search allowances, and job relocation allowances to workers certified by the Department as adversely affected by imported products. The 1988 amendments to the Trade Act of 1974 contained in the Omnibus Trade and Competitiveness Act of 1988 make training an entitlement for eligible workers but cap the annual costs of training at \$80,000,000 for FY 1998. The States, acting as agents for the Department of Labor, administer this activity. State administrative costs for training and out of area job search and relocation are included in this activity. These funds are distributed to States, to meet expected requests for training during the current fiscal year. Any funds provided to States that are not used during the year are carried over and spent for eligible workers training during the subsequent year.

Funding for this activity during the last five years has been as follows:

1993.....	\$80,000,000
1994.....	\$98,900,000 1/
1995.....	\$97,800,000 2/
1996.....	\$96,600,000
1997.....	\$85,100,000

1/ Includes \$22,000,000 from the Advances to the Unemployment Trust Fund and Other Funds appropriation transferred to this account.

2/ Includes \$17,800,000 from the Advances to the Unemployment Trust Fund and Other Funds appropriation transferred to this account.

FUBA-14

NAFTA TRANSITIONAL ADJUSTMENT ASSISTANCE BENEFITS

<u>FY 1997</u> <u>Appropriation</u> <u>Amount</u>	<u>FY 1998</u> <u>Estimate</u> <u>Amount</u>	<u>Difference</u> <u>FY97/FY98</u> <u>Amount</u>
\$20,000,000	\$22,000,000	+\$2,000,000

Introduction

This activity provides for weekly adjustment benefit payments to workers partially or totally separated from firms which make products affected by imports from Mexico or Canada or which moved operations to Mexico or Canada. Adjustment payments are authorized under Subchapter D, Chapter 2, Title II of the Trade Act of 1974, as amended. Federal administrative costs relating to benefit payments are included in the Program Operations budget of the Employment and Training Administration. State administrative costs for benefit payments are included in the State Unemployment Insurance and Employment Service Operations budget.

Federal funds are allocated to the States which act as agents for the Federal Government. Funds are provided to States through Notices of Obligational Authority based on estimates of benefits to be paid. States then draw the funds, as needed, from the U.S. Treasury.

Funding for this activity during the last five years has been as follows:

1993.....	\$ ---
1994.....	\$ 5,000,000 ^{1/}
1995.....	\$22,000,000
1996.....	\$28,000,000 ^{2/}
1997.....	\$20,000,000

^{1/} Reflects \$5,000,000 from the Advances to the Unemployment Trust Fund and Other Funds appropriation transferred to this account.

^{2/} Reflects Congressional approval for reprogramming.

FUBA-16

NAFTA TRANSITIONAL ADJUSTMENT ASSISTANCE TRAINING

<u>FY 1997</u> <u>Appropriation</u> <u>Amount</u>	<u>FY 1998</u> <u>Estimate</u> <u>Amount</u>	<u>Difference</u> <u>FY97/FY98</u> <u>Amount</u>
\$28,400,000	\$22,300,000	-\$6,100,000

Introduction

This activity provides funds for training, job search allowances, and job relocation allowances to workers certified by the Department as adversely affected by imports from Mexico and Canada or whose employers moved operations to Mexico or Canada. The 1993 amendments to the Trade Act of 1974 make training an entitlement for eligible workers but cap the annual costs of the training at \$30,000,000. The States, acting as agents for the Department of Labor, administer this activity. State administrative costs for training and out of area job search and relocation are included in this activity along with the administrative costs for the Governors' work associated with making preliminary findings on petitions filed by groups of workers. These funds are distributed to States, to meet expected requests for training during the current fiscal year. Any funds provided to States that are not used during the year are carried over and spent for eligible workers training during the subsequent year.

Funding for this activity during the last five years has been as follows:

1993.....	\$ ---
1994.....	\$ 8,500,000 <u>1/</u>
1995.....	\$21,400,000
1996.....	\$26,500,000 <u>2/</u>
1997.....	\$28,400,000

1/ Reflects \$8,500,000 from the Advances to the Unemployment Trust Fund and Other Funds appropriation transferred to this account.

2/ Reflects Congressional approval for reprogramming.

TES-86

Dislocated Worker Assistance
(Tables in Thousands)

<u>1997</u> <u>Appropriation</u>	<u>1997 1/</u> <u>Estimate</u>	<u>Difference</u> <u>App/Estimate</u>	<u>1998</u> <u>Estimate</u>	<u>Difference</u> <u>1997/1998</u>
\$1,293,000	\$1,286,200	\$3,800	\$1,350,510	\$64,310

1/ Included in the 1997 estimate above: Real transfer to State Unemployment Insurance and Employment Service Operations

Introduction

JTPA Title III Dislocated Worker Assistance is a State-operated program which provides training, job search assistance and supportive services to help permanently separated workers return to productive, unsubsidized employment. Eighty percent of funding is distributed by formula to the States. The remaining twenty percent is available to the Secretary for activities specified in JTPA, primarily to respond to mass layoffs, plant and/or military base closings, and natural disasters across the country, which cannot be otherwise anticipated.

Funding for this activity during the last five years (including emergency assistance for natural disasters) has been as follows:

1993.....	\$651,246
1994.....	\$1,146,000
1995.....	\$1,228,550
1996.....	\$1,091,900
1997.....	\$1,286,200

Notes on five-year table:

For 1996, reflects the transfer of \$5,600,000 to the Justice Department to help finance the Teamsters election.

For 1997, reflects the transfer of \$3,800,000 to the Justice Department to help finance the Teamsters election, and a reprogramming of \$3,000,000 to the National Skill Standards Board.

Note to Gene Sperling

From: Anne Lewis

Re: History of Administration Efforts to Consolidate Trade Adjustment Program

Date: Nov 4, 1997

The GI Bill for America's Workers

As you recall, the GI Bill for America's Workers which we announced in January 1995 did **not** include a proposal to consolidate the trade adjustment programs into our workforce development system.

The Reemployment Act

The Reemployment Act of 1994 included a proposal to consolidate all of our job training programs -- including the trade adjustment programs -- into a single reemployment system. The bill was dead on arrival.

The proposal included a pledge that **all dislocated workers who had 3 years job tenure who wanted and needed training and income support would get it**. The idea was that the income support "guarantee" was sufficient to replace the TAA entitlement. TAA's proponents didn't accept this argument and the bill never made it beyond a House Subcommittee mark-up. TAA's proponent felt that the three year tenure screen, which was essential to make the bill affordable, would screen out too many workers. They further argued that the funding was insufficient for a genuine guarantee. We argued -- based on our experience with TAA -- that the vast majority of trade impacted workers would meet the screen. Based on what we have seen since then, we would now have to agree that the tenure screen would have eliminated many of the low wage Hispanic women in the garment industry who we are serving in the trade programs.

The NAFTA Bridge

When we were working to pass NAFTA we created a NAFTA specific trade adjustment program in spite of our pledge to consolidate programs. We finessed this contradiction by referring to the NAFTA bridge program and pledging to sunset it with the passage on the Reemployment Act.

\$1,000 - 300
→ set training
→

① Pay for d. ff ~ South + Home
↳ d. ff

② Shifts: state import prohibited
NAFTA

NAFTA - 7AA

Set on
set on support

~~NAFTA~~ - 7AA - Set

training
more support
more support

States Over prohibit ed for
more support
CCP on 7AA

over a CCP

Go into Adverse Act

Adverse Act Policy For

→ Act comes out Under - in

→ had

- DR

- JN

- PO

- CM

- BS

- ML

- AL

-

MEMORANDUM

DATE: September 10, 1997
TO: Mack McLarty, Counselor to the President
Kathleen Higgins, Deputy Secretary, Department of Labor
FROM: Congressman Paul E. Kanjorski
RE: Fast Track Job Opportunities Program

PROBLEM: Many Democratic Members of Congress believe that NAFTA, GATT and other trade agreements have led to increased unemployment in their states/districts and are thus reluctant to support any new Fast Track negotiating authority that might exacerbate their local unemployment problems. There is a mismatch between where jobs are being lost as a result of new trade agreements, and where they are being created. Existing Trade Adjustment programs simply have not created enough job opportunities in the communities that really need them.

SOLUTION: Put job creation on a "fast track" by incorporating into the Fast Track legislation specific provisions to create new jobs in areas of the country which have lagged behind the rest of the nation.

Specific Features of Fast Track Job Program:

- Limit program eligibility to counties with an average unemployment rate at least 1% above the national unemployment rate (reduces cost).
- Give a priority to projects in eligible counties that have a high ratio of jobs created for each dollar spent, and for projects in counties with the highest unemployment rates.
- Distribute some funding through the EDA, using as a model its past programs to address Defense base closure conversion needs and the economic diversification needs of the Northeast fisheries community and the Pacific Northwest timber community.
- Distribute some funding through the SBA for additional low cost loans and loan guarantees, creation and expansion of Small Business Investment Companies (SBICs) and its Certified Development Company (CDC) program. The SBA's Defense base closure loan program (DELTA) can also serve as a model for SBA activities in this area.
- Incorporate the no cost Baker-Kanjorski-Leach Federal Home Loan Bank (FHLB) amendments which allow FHLB advances for agricultural, small business and community development lending, and which allow such loans to be pledged as collateral for FHLB advances (because it has no cost, this provision could be made available nationwide).
- Total funding should be at least \$1 billion to demonstrate the magnitude of the Administration's commitment to putting job creation on a fast track.

MEMORANDUM

DATE: September 10, 1997
TO: Mack McLarty, Counselor to the President
Kathleen Higgins, Deputy Secretary, Department of Labor
FROM: Congressman Paul E. Kanjorski
RE: Fast Track Job Opportunities Program

PROBLEM: Many Democratic Members of Congress believe that NAFTA, GATT and other trade agreements have led to increased unemployment in their states/districts and are thus reluctant to support any new Fast Track negotiating authority that might exacerbate their local unemployment problems. There is a mismatch between where jobs are being lost as a result of new trade agreements, and where they are being created. Existing Trade Adjustment programs simply have not created enough job opportunities in the communities that really need them.

SOLUTION: Put job creation on a "fast track" by incorporating into the Fast Track legislation specific provisions to create new jobs in areas of the country which have lagged behind the rest of the nation.

Specific Features of Fast Track Job Program:

- Limit program eligibility to counties with an average unemployment rate at least 1% above the national unemployment rate (reduces cost).
- Give a priority to projects in eligible counties that have a high ratio of jobs created for each dollar spent, and for projects in counties with the highest unemployment rates.
- Distribute some funding through the EDA, using as a model its past programs to address Defense base closure conversion needs and the economic diversification needs of the Northeast fisheries community and the Pacific Northwest timber community.
- Distribute some funding through the SBA for additional low cost loans and loan guarantees, creation and expansion of Small Business Investment Companies (SBICs) and its Certified Development Company (CDC) program. The SBA's Defense base closure loan program (DELTA) can also serve as a model for SBA activities in this area.
- Incorporate the no cost Baker-Kanjorski-Leach Federal Home Loan Bank (FHLB) amendments which allow FHLB advances for agricultural, small business and community development lending, and which allow such loans to be pledged as collateral for FHLB advances (because it has no cost, this provision could be made available nationwide).
- Total funding should be at least \$1 billion to demonstrate the magnitude of the Administration's commitment to putting job creation on a fast track.

Request: \$25M for a two-mile taxiway to connect El Paso International Airport and Ft. Bliss (to allow use of military airport for commercial business). This is part of an "intermodal hub" that would link freight transported by rail, truck and air.

Response:

FAA has recognized the growing importance of intermodal projects, in order to create seamless links between air transport and other forms of freight transportation.

FAA will make every effort to fund this project as part of its Airport Improvement Program (AIP), assuming the following conditions are met:

- project is included in El Paso Airport's master plan
- cost-benefit analysis of project is positive
- project gets favorable ranking in FAA's priority system**

In the near-term, FAA will provide the technical and financial assistance necessary to accelerate the planned revision of the El Paso Airport's master plan.

Explanation:

Project is not currently in airport's master plan, because previous mayor did not support. New mayor does support project, and it will be in the revised master plan. Project should do well under FAA's priority system because of its intermodal nature, but we should not say that directly.

Request: Funding for border highway improvements, as described on attached sheet.

Response:

We will agree to fund \$8-10 million of this project out of DOT's discretionary grants program for border infrastructure/trade corridors (assuming Congress funds this program in ISTEA).

Naturally, the project would have to meet environmental clearances and any agreements the states work out on the location of key border crossings.

Explanation:

This is same response we made to Rep. Hinojosa. In NEXTEA, we asked for \$45M/year for a new Trade Corridor and Border Gateway Pilot Program to fund just this type of project; House and Senate ISTEA bills both authorize a similar program and fund it at much higher levels.

TRANSPORTATION NEEDS OF EL PASO, TEXAS

Border Highway Improvements

Border Highway Extension Feasibility Study: In February 1997, the Texas Department of Transportation, El Paso District, conducted a feasibility study for border highway improvements. The study recommends two phases of improvements.

Phase I: A six-lane arterial from Loop 375 to Herring Road. Total project cost: \$56,295,000

Phase II: A four-lane arterial from Herring Road to FM 1109/Fabens International Port of Entry. Total project cost: \$45,175,000

Total project cost for both phases: \$101,470,000

Extension of the Border Highway to Paisano Drive: This project will provide a link for Loop 375 through El Paso by connecting the existing Border Highway and the Paso del Norte and Stanton international crossings (located in downtown El Paso) with the Sunland Park and the Santa Teresa crossings in New Mexico. Loop 375 is a major truck route as a result of increased traffic due to NAFTA.

The proposed roadway would begin near the existing Loop 375 at the Railroad Road overpass and continue in a northwestern direction near the Texas-New Mexico state line. The roadway would continue within the State of New Mexico and connect to NM State Highway 404. The overall length of the bypass would be 38 miles — 25 miles in Texas and 13 miles in New Mexico.

The proposed road would be a divided highway with a usual 200 feet right-of-way and would require five grade separations/interchanges.

The estimated cost of this project is \$31 million for the Texas portion.

Intermodal Project

This project would allow El Paso to implement and operate a transportation intermodal hub that can be serviced by rail, commercial truck, air and public transit. The components are as follows:

1. A rail/truck yard site and an air cargo facility.
2. A new international rail crossing and moving the switchyards from downtown to another location.
3. A taxiway to link the El Paso International Airport with the Biggs Field at Ft. Bliss.
4. Completion of the Inner Loop and a connector road to connect the outer loop and the inner loop.
5. A new industrial park site.

637-5138

Jonathan Orszag

11/05/97 07:42:35 AM

Record Type: Record

To: Gene B. Sperling/OPD/EOP

cc:

Subject: Contingency

On the money issue and the Trade Adjustment Assistance Contingency, here's the deal:

For every 1,000 workers certified, we are going to provide about \$3 million. Now, that works out to about \$3,000 per worker certified. **HOWEVER**, not every worker certified obtains training or requires income support. As you said last night, the vast majority don't need trade assistance. The take-up rate for these programs is about 30 percent. Thus, for every 1,000 workers certified, about 300 workers receive training/income support. This means that for each worker receiving training/income support, the program costs about \$10,000. One-third of the cost is training related and two-thirds is income support.

I'll get you more briefing material ASAP.

225-4831

TAA / NAFTA-TAA Activity

1/1/94 - 8/15/97

TAA
Petitioning Workers
550,000

NAFTA
Petitioning Workers
220,000

627,000*

Workers Covered by Investigations

Denied for Both
218,000

409,000

Workers Certified

Certified for TAA only 273,000	Certified for Both 88,000	Certified for NAFTA 48,000
--------------------------------------	---------------------------------	----------------------------------

- some never separated
- some recalled
- some retired
- some self-transferred

Benefit Receipt
102,000

TAA

83,000
TAA / 14,000
NAFTA

NAFTA

5,000

* Total adjusted to reflect 143,000 workers who petitioned both both TAA and NAFTA-TAA

30% employment losses.

COMMITTEES:
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES:
AVIATION
SURFACE TRANSPORTATION

SCIENCE

SUBCOMMITTEES:
ENERGY AND ENVIRONMENT
TECHNOLOGY

DEMOCRATIC DEPUTY WHIP
CONGRESSIONAL BLACK CAUCUS
SECOND VICE CHAIR



Eddie Bernice Johnson
Congress of the United States
30th District, Texas

PLEASE RESPOND TO:
WASHINGTON OFFICE:
1123 LONGWORTH BUILDING
WASHINGTON, DC 20515-4330
(202) 225-8885

☐ DALLAS OFFICE
2515 MCKINNEY AVENUE
SUITE 1565
DALLAS, TX 75201
(214) 922-8885

☐ IRVING OFFICE:
1634 B WEST IRVING BOULEVARD
IRVING, TX 75061
(972) 253-8885

Email: Ejohnson@hr.house.gov

www.house.gov/ebjohnson/

November 4, 1997

The Honorable William J. Clinton
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Clinton:

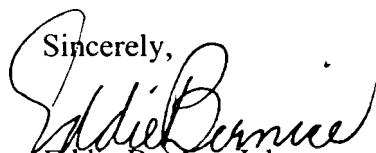
Since I had this opportunity to meet with you today, I would like to outline issues that are of vital importance to the economic development of Dallas. Like many urban cities, there are portions of Dallas that are in dire need of economic assistance. This fact is particularly true for the southern section of the City. I believe that \$25 to \$30 million in federal funding would definitely assist in rejuvenating and reclaiming pockets of poverty and deteriorated infrastructure.

I am also very aware of the need for substantial federal funding for the clean up of Brownfields sites in Dallas and to make them productive properties. As you know, the overwhelming majority of these sites are located in economically depressed urban areas with significant minority populations. Remediation and redevelopment of these sites could make an invaluable contribution to their economic revitalization and, most important, raising the standard of living for the residents of these areas.

Although my first desire is to have an empowerment zone designation made in Dallas, it does not appear that such a designation is likely in the foreseeable future. Accordingly, the combined creative efforts and resources of such federal agencies as HUD, HHS, DOT, Labor, Commerce and Interior could accomplish much of the same goals as direct funding through an empowerment zone designation. For instance, the source of this funding can come from such existing programs as the welfare-to-work discretionary funds or the economic development initiatives.

It is my hope that I will have the opportunity to discuss my request with you and/or the appropriate cabinet officials in the not too distant future. Thank you for your attention and consideration.

Sincerely,


Eddie Bernice Johnson
Member of Congress



FAX

**EMPLOYMENT AND TRAINING ADMINISTRATION
OFFICE OF WORKER RETRAINING
AND ADJUSTMENT PROGRAMS**

PHONE: 202/219-5339

FAX: 202/219-5938

DATE: November 4, 1997
TO: Gene Sperling
FROM: Shirley Smith (for Mary Ann Wyrsh)

NUMBER OF PAGES, INCLUDING THIS COVER SHEET 3

COMMENTS:

Side-by-side comparison of JTPA, NAFTA-TAA and TAA programs.

IF THERE ARE ANY PROBLEMS WITH THIS TRANSMITTAL, PLEASE CALL
THE FOLLOWING PHONE NUMBER: (202) 219-5339.

U.S. DEPARTMENT OF LABOR DISLOCATED WORKER PROGRAMS

	JTPA Title III	TAA	NAFTA-TAA
Eligibility	Dislocated for any reason. Not an entitlement.	Dislocated because of increased imports (shift in production only not sufficient). Entitlement if covered by certification.	Dislocated because of increased imports or shift in production from Canada or Mexico. Entitlement if covered by certification.
Services	Array of services available based on individual need--basic readjustment services (such as job search, resume writing); retraining, remedial education, supportive services (such as child care, transportation); out-of-area job search; relocation. Title III funds also used by States to provide rapid response and early intervention services to all dislocated workers (including those impacted by trade) as quickly as a State learns of a dislocation or closure.	Training; job search (out of area) allowances; relocation allowances. Training requirement can be waived and still receive income support.	Training; job search (out of area) allowances; relocation allowances. No waivers of training requirement. Must be enrolled in training within 16 weeks of qualifying separation, or within 6 weeks of certification.
Income support	Can be provided but not an entitlement. Must be in training in order to receive. Level of payment not prescribed at Federal level except that cannot exceed the higher of the UI level or poverty level.	Income support for up to 52 weeks after UI exhausted. Entitlement.	Income support for up to 52 weeks after UI exhausted; must be in training to receive. Entitlement.

Coordination	Coordinate with TAA, NAFTA-TAA, and other programs, including Pell grants.	Coordinate with JTPA and other programs, including Pell grants.	Coordinate with JTPA and other programs, including Pell grants.
Funding	\$1,286,200,000 in Program Year 1997; Most funds allotted annually to States by block grant where programs designed and managed at State and local levels. Discretionary funds available where block grant funds not adequate to deal with dislocations occurring in the area.	\$80,000,000 for training and \$191,000,000 for benefits (income support) in Fiscal Year 1997. Funding provided to States based on certifications and activity levels.	\$30,000,000 for training and \$30,000,000 for benefits (income support) in Fiscal Year 1997. Funding provided to States based on certifications and activity levels.

TAA / NAFTA-TAA Activity

1/1/94 - 8/15/97

TAA
Petitioning Workers
550,000

NAFTA
Petitioning Workers
220,000

627,000*

Workers Covered by Investigations

Denied for
Both
218,000

409,000

Workers Certified

Certified for TAA only	Certified for Both	Certified for NAFTA
273,000	88,000	48,000

- some never separated
- some recalled
- some retired
- some self transitioned

Benefit Receipt
102,000

TAA

83,000
TAA / 14,000
NAFTA

NAFTA

5,000

* Total adjusted to reflect 143,000 workers who petitioned both
both TAA and NAFTA-TAA

Congressman Leonard Boswell
3rd District, Iowa

1029 Longworth House Office Building
Washington, D.C. 20515
Tel (202) 225-3806 Fax (202) 225-5608

709 Furnas Drive, Suite 1
Osceola, Iowa 50213
Tel (515) 342-4801 Fax (515) 342-4354



Date: 11-4-97

To: Mr. Gene Sperling C/o John Orsag

Fax #: 456-2223-8878

From: Alex Fischer

No. of pages (including cover sheet): 3

Comments:

P. 1251 BOSWELL BOSWELL.011

H.J.C.

AMENDMENT TO H.R. 2621, AS REPORTED
OFFERED BY MR. BOSWELL OF IOWA

In section 105, redesignate subsection (c) as subsection (d) and insert after subsection (b) the following:

1 (c) **ADDITIONAL LIMITATION ON TRADE AUTHORI-**
2 **TIES PROCEDURES.—**

3 (1) **CERTIFICATION BY THE PRESIDENT.—**The
4 trade authorities procedures shall not apply to any
5 implementing bill submitted with respect to a trade
6 agreement entered into under section 103(b) unless
7 the President submits to the Congress, by no later
8 than 60 days before the date on which the final text
9 of the agreement is submitted under subsection
10 (a)(1), a written certification that the country or
11 countries that are parties to the agreement have in
12 effect, and effectively enforce, laws that prohibit or
13 otherwise make unlawful child labor in cir-
14 cumstances that would be prohibited or otherwise be
15 unlawful under the laws of the United States.

16 (2) **DISAPPROVAL OF CERTIFICATION.—**

17 (A) **IN GENERAL.—**The trade authorities
18 procedures shall not apply to any implementing
19 bill that contains a provision approving any
20 trade agreement that is entered into under sec-
21 tion 103(b) if, within 60 days after the Presi-

F:\M5\BOSWELL\BOSWEL.011

H.L.C.

2

1 dent submits the written certification under
2 paragraph (1) with respect to that agreement,
3 both Houses of Congress separately agree to a
4 certification disapproval resolution.

5 (B) CERTIFICATION DISAPPROVAL RESO-
6 LUTION.—For purposes of this subsection, the
7 term “certification disapproval resolution”
8 means a resolution of either House of Congress,
9 the sole matter after the resolving clause of
10 which is as follows: “That the ____ disapproves
11 the certification by the President submitted to
12 the Congress under section 105(c)(1) of the Re-
13 ciprocal Trade Agreement Authorities Act of
14 1997 on ____”, with the first blank being filled
15 with the name of the resolving House of Con-
16 gress, and the second blank being filled with the
17 appropriate date.

18 (C) CONSIDERATION OF RESOLUTION.—
19 The provisions of paragraph (2) of subsection
20 (b) apply to certification disapproval resolutions
21 to the same extent as such provisions apply to
22 procedural disapproval resolutions under that
23 paragraph.

 In section 105(d), as so redesignated, strike “Sub-
 section (b)” and insert “Subsections (h) and (e)”.

For Gene's use to Rep. Reyes.

Susan - An additional item for El Paso

The El Paso regional office of SBA submitted a request to Washington to extend the CAIP (Community Adjustment Investment Program under NAD Bank) to three additional zip codes in El Paso. The request was just denied because it did not meet the criteria, which include unemployment rate; labor certifications as to job loss from NAFTA; and the definition of an economic zone. It may not have made the first two, but it certainly could qualify under the economic zone. I have a call in to Aida. Erskine should call her.

The CAIP Advisory Board is meeting in El Paso on November 21.

El Paso -

- 1. \$1.5 million for land acquisition of the Keystone site. The money could come from Interior or Ag. He has talked and written to CEQ(see attached) but he still does not feel he was treated right. It needs to be made a priority.**
- 2. \$25 million for an intermodal hub that connects El Paso airport and Ft. Bliss, including a new rail crossing. The rail crossing requires track removal from the current downtown site; hazardous wastes are often transported through the middle of town. A similar project in Laredo used EPA money. The cost of extending the taxiway and other support facilities is a DOT project.**
- 3. A high priority corridor that includes Interstate 10 and Interstate 25 in the funding of the National Highway System Designation. It has been identified as qualifying but there is no money.**

SILVESTRE REYES
18TH DISTRICT, TEXAS

COMMITTEE ON NATIONAL SECURITY

SUBCOMMITTEE ON
MILITARY INSTALLATIONS AND FACILITIES

SUBCOMMITTEE ON
MILITARY RESEARCH AND DEVELOPMENT

COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

CONGRESSIONAL HISPANIC CAUCUS

WHIP



Congress of the United States
House of Representatives
Washington, DC 20515

October 8, 1997

514 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-4831
FAX: (202) 225-2016

DISTRICT OFFICE:
310 N. MESA, SUITE 400
EL PASO, TX 79901
(915) 534-4400
FAX: (915) 534-7426

Ms. Kathleen McGinty, Chair
Council on Environmental Quality
Old Executive Office Building
Room 360
17th and Pennsylvania Avenue, N.W.
Washington, DC 20501

Dear Ms. McGinty:

Thank you for taking the time to meet with my constituent, Ron Holman, to discuss preservation of the Keystone site in El Paso, Texas. I appreciate your willingness to pursue efforts to protect this historically significant site.

The need to identify federal funding to purchase this land is extremely urgent! It is my understanding that the Burlington Northern-Santa Fe railroad, which owns the site, is planning to close a deal to sell to a developer the 99.7 acre site.

In view of the President and Vice President's commitment to preserving our natural resources -- as demonstrated with such actions as providing \$50 million to preserve the pristine beauty of Lake Tahoe, Nevada and the designation of 1.7 million acres in Utah as a National Monument -- I am requesting that the President identify and provide \$1.5 million to purchase this site before it is lost to us forever.

An immediate response is needed. This site is no less significant than other sites that the President has preserved. I look forward to hearing from you.

Sincerely,

Silvestre Reyes
Member of Congress

SR/dc

SILVESTRE REYES
16TH DISTRICT, TEXAS

COMMITTEE ON NATIONAL SECURITY

SUBCOMMITTEE ON
MILITARY INSTALLATIONS AND FACILITIES

SUBCOMMITTEE ON
MILITARY RESEARCH AND DEVELOPMENT

COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

CONGRESSIONAL HISPANIC CAUCUS

WHIP
July 18, 1997

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing on behalf of constituents in my district in El Paso, Texas, who are concerned about preserving an historic and endangered piece of property.

The Keystone Site, a 5000-year-old cultural resource, has been recognized as one of the most significant archeological sites yet to be reported in the Southwest. Most of the property is owned by the Burlington Northern-Santa Fe Railway Company.

Six acres of the land have been designated as federally protected wetlands, and this is the last stopping place in the United States for many species of internationally migrating birds (from hummingbirds to eagles). Another section of land, in association with a Corps of Engineers construction site, has been tangentially researched and has been found to contain radiocarbon dated remnants of a 5,000 year old community — the largest and earliest known Native American community in the United States, complete with burial mounds and pit houses. It is interesting to note that estimates have been given that this site may have been occupied for 4,500 years with the research that has been done to Zone 4 at the site. What is even more intriguing is that recent analysis has suggested that there is also a Zone 5.

The railroad has decided to sell 99 acres of this land, probably to a developer if resources are not made available to preserve the property. In 1995, the City of El Paso developed a plan for a 99-acre wildlife sanctuary and dedicated park, but the city does not have the monies to purchase the property. A large group, known as the Supporters of the Doniphan Wetlands Wildlife Park, is actively forming coalitions and working relationships with neighborhood, environmental and wildlife protection groups, as well as local, state and federal agencies. The main obstacle is finding the financial resources to purchase the land.

We cannot afford to lose this valuable natural resource! I am contacting you to solicit your advice and assistance in preserving this historically significant tract of land. I would appreciate any assistance you can provide. Please feel free to contact me or direct your staff to contact my legislative director, Dian Copelin, at 202-225-4831 for further information. I appreciate your attention to this matter and look forward to hearing from you.

Sincerely,



Silvestre Reyes
Member of Congress

SR/dc



Congress of the United States
House of Representatives
Washington, DC 20515

514 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-4831
FAX: (202) 225-2018
DISTRICT OFFICE:
310 N. MEBA, SUITE 400
EL PASO, TX 79901
(915) 634-4400
FAX: (915) 534-7428



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FAX TRANSMITTAL SHEET

Date: _____

Number of Sheets to Follow: 4

TO:

JAY BERMAN / Vicki Radd /

Addressee's Fax #:

Gene Sperling

Addressee's Confirmation #:

From:

Mike Froman

Sender's Fax #: (202) 622-0073

Sender's Confirmation # (202) 622-1906

SPECIAL INSTRUCTIONS/COMMENTS:

PLEASE DELIVER
TO JAY BERMAN
ASAP

From: Dan Decena
To: THOMPSONM, NECHELESP
Date: 10/6/97 12:01pm
Subject: CAIP Loan /Loan Guarantee Summary -- as of 10/3/97

Attached is a summary of CAIP loan/loan guarantees endorsed by the Finance Committee as of 10/3/97, total of 9:

- 1 -- Direct loan
- 2 -- USDA B&I loan guarantees
- 6 -- SBA 7(a) guaranteed loans

CC: YOUNGJ

Jay / Vicki -

9 fully approved loans by
NAD Bank, including 5 in El Paso.
Some quite sizeable.

Mike Froman

Fax: 456-1213

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	RE: CAIP Loan and Loan Guarantees (3 pages)	10/06/1997	b(6)

COLLECTION:

Clinton Presidential Records
National Economic Council
Gene Sperling
OA/Box Number: 19275

FOLDER TITLE:

[Fast Track] [Binder] [1]

2017-0401-F
db4719

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

COMMITTEES:
AGRICULTURE

SUBCOMMITTEES:

ENVIRONMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE

RANKING MEMBER

FORESTRY, RESOURCE CONSERVATION, AND RESEARCH

BUDGET

Congress of the United States

House of Representatives

Washington, DC 20515-3301

FAX SHEET

2250 HARBOR BUILDING
WASHINGTON, DC 20515
(202) 225-3101
oclayton1@mail.house.gov

DISTRICT OFFICES:

134 N. MAIN STREET
WARRENTON, NC 27589
(919) 257-4300

400 WEST 5TH STREET
GREENVILLE, NC 27834
(919) 758-8800
1-800-274-3672

313 SOUTH UNION STREET
SUITE 111
FAVEILLE, NC 28301
(919) 323-9003

Date:

24 OCTOBER, 1997

To:

GENE SPEERLING 456 2878

From:

☒ Johnny Barnes

☐ Corliss Clements James

☐ Francesca Fierro

☐ Aimee Occhetti

☐ Jean Chippel

☐ Veda Lamar

☐ Susan Kelly

☐ Arshi Siddiqui

Pages Transmitted Including Cover Sheet:

3

Special Instructions:

THIS IS THE LETTER TO

THE PRESIDENT THAT

CONGRESSWOMAN CLAYTON

SPOKE TO YOU ABOUT.

THANKX.

JOHNNY

EVA M. CLAYTON
1ST DISTRICT, NORTH CAROLINA

COMMITTEES:

AGRICULTURE

SUBCOMMITTEES:

DEPARTMENT OPERATIONS, NUTRITION, AND FOREIGN AGRICULTURE
RANKING MEMBER

FORESTRY, RESOURCE CONSERVATION, AND RESEARCH

BUDGET

Congress of the United States
House of Representatives
Washington, DC 20515-3301

WASHINGTON OFFICE:

2440 RAYBURN BUILDING
WASHINGTON, DC 20515

(202) 225-3101

ecclayton1@mail.house.gov

DISTRICT OFFICES:

134 N. MAIN STREET

WARRENTON, NC 27589

(919) 257-4300

400 WEST 5TH STREET

GREENVILLE, NC 27634

(919) 759-8800

1-800-274-8872

313 SOUTH UNION STREET

SUITE 111

FAYETTEVILLE, NC 28301

(919) 323-9003

October 24, 1997

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton:

I appreciated our recent discussion regarding the extension of "fast track" authority and am writing to let you know that I am encouraged by your efforts to focus on jobs as a part of this debate.

As we enter a new millennium, it has become increasingly apparent that our continued prosperity as a nation is tied to our ability to provide meaningful employment opportunities at livable wages. Therefore, it is imperative that the goals of free trade be balanced with other considerations, such as helping those adversely affected by shifts in production and most importantly, sustaining the well-being of our communities.

It is my understanding that you are currently exploring various proposals to help displaced workers by fine-tuning and expanding trade adjustment assistance (TAA), as established by the Trade Expansion Act of 1962 and the North American Free Trade Agreement Transitional Adjustment Assistance Program (NAFTA-TAAP), which was established in 1994 to deal with the effects of NAFTA. These programs are important in that they provide employment services, income support, training, job search assistance, and relocation allowances to eligible workers. Yet, TAA and NAFTA-TAAP's primary focus is on helping the individual. As a result, these programs do not go far enough in helping alleviate the effects of job loss on a community, particularly rural communities.

As you know, my District in North Carolina is primarily a rural area in which the unemployment rate is much higher than the national average. Consequently, our communities are more vulnerable to any type of job loss. In 1996, in addition to the many companies who downsized, eighty manufacturing plants closed their doors resulting in the elimination of 16,020 North Carolinian jobs. While programs such as TAA and NAFTA-TAAP helped individuals retrain and relocate, they failed to alleviate the larger problem of the abandoned factories and plants left

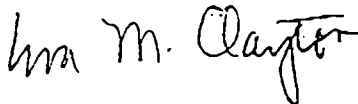
behind. These idle buildings represent more than a loss of employment. The social health of a community is inextricably linked with the ability of displaced workers to find jobs in the area, for the flight of capital exacerbates many of the economic problems already present in these areas. Therefore, the problems caused by these underutilized factories, plants, and buildings must be addressed in order to maintain the prosperity of our communities.

I realize that with or without "fast track" legislation, our economy must adapt to changing times that make some industries less viable because of lower wages in foreign countries. At the same time, it is essential that we help ease the transition towards new and more lucrative industries by providing the resources for community businesses to successfully evolve. This includes providing more funds for the reengineering of buildings, plants and other capital improvements, as well as additional funding for community development programs.

The importance of such measures is highlighted by Apricot, Inc., a textile manufacturing firm in my district that found itself unable to compete with Mexican manufacturing companies whose production costs were significantly lower. As a result, Apricot was forced to downsize from a workforce of 250 to only 60 employees. However, Apricot's downsizing proved to be temporary when the company found a niche in the after dye children's clothing market. Apricot's transition was made possible in part because of its reliance on community development programs. It is this kind of government assistance that is essential in helping both workers and communities thrive in a global market. In essence, we must pursue policy initiatives that promote flexible approaches, tailored to the unique needs of a given community's transition to more competitive industries.

Thank you for your consideration on this matter and I look forward to hearing your thoughts on these issues.

Sincerely,



Eva M. Clayton
Member of Congress

EMC:as

For Gene's use to Rep. Reyes.

Susan - An additional item for El Paso

The El Paso regional office of SBA submitted a request to Washington to extend the CAIP(Community Adjustment Investment Program under NAD Bank) to three additional zip codes in El Paso. The request was just denied because it did not meet the criteria, which include unemployment rate; labor certifications as to job loss from NAFTA; and the definition of an economic zone. It may not have made the first two, but it certainly could qualify under the economic zone. I have a call in to Aida. Erskine should call her.

The CAIP Advisory Board is meeting in El Paso on November 21.

El Paso -

- 1. \$1.5 million for land acquisition of the Keystone site. The money could come from Interior or Ag. He has talked and written to CEQ(see attached) but he still does not feel he was treated right. It needs to be made a priority.**
- 2. \$25 million for an intermodal hub that connects El Paso airport and Ft. Bliss, including a new rail crossing. The rail crossing requires track removal from the current downtown site; hazardous wastes are often transported through the middle of town. A similar project in Laredo used EPA money. The cost of extending the taxiway and other support facilities is a DOT project.**
- 3. A high priority corridor that includes Interstate 10 and Interstate 25 in the funding of the National Highway System Designation. It has been identified as qualifying but there is no money.**

SILVESTRE REYES
18TH DISTRICT, TEXAS

COMMITTEE ON NATIONAL SECURITY

SUBCOMMITTEE ON
MILITARY INSTALLATIONS AND FACILITIES

SUBCOMMITTEE ON
MILITARY RESEARCH AND DEVELOPMENT

COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

CONGRESSIONAL HISPANIC CAUCUS

WHIP



Congress of the United States
House of Representatives
Washington, DC 20515

October 8, 1997

514 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-4831
FAX: (202) 225-2016

DISTRICT OFFICE:
310 N. MESA, SUITE 400
EL PASO, TX 79901
(915) 534-4400
FAX: (915) 534-7426

Ms. Kathleen McGinty, Chair
Council on Environmental Quality
Old Executive Office Building
Room 360
17th and Pennsylvania Avenue, N.W.
Washington, DC 20501

Dear Ms. McGinty:

Thank you for taking the time to meet with my constituent, Ron Holman, to discuss preservation of the Keystone site in El Paso, Texas. I appreciate your willingness to pursue efforts to protect this historically significant site.

The need to identify federal funding to purchase this land is extremely urgent! It is my understanding that the Burlington Northern-Santa Fe railroad, which owns the site, is planning to close a deal to sell to a developer the 99.7 acre site.

In view of the President and Vice President's commitment to preserving our natural resources -- as demonstrated with such actions as providing \$50 million to preserve the pristine beauty of Lake Tahoe, Nevada and the designation of 1.7 million acres in Utah as a National Monument -- I am requesting that the President identify and provide \$1.5 million to purchase this site before it is lost to us forever.

An immediate response is needed. This site is no less significant than other sites that the President has preserved. I look forward to hearing from you.

Sincerely,


Silvestre Reyes
Member of Congress

SR/dc

SILVESTRE REYES

16TH DISTRICT, TEXAS

COMMITTEE ON NATIONAL SECURITY

SUBCOMMITTEE ON
MILITARY INSTALLATIONS AND FACILITIESSUBCOMMITTEE ON
MILITARY RESEARCH AND DEVELOPMENT

COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

CONGRESSIONAL HISPANIC CAUCUS

WHIP

July 18, 1997

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing on behalf of constituents in my district in El Paso, Texas, who are concerned about preserving an historic and endangered piece of property.

The Keystone Site, a 5000-year-old cultural resource, has been recognized as one of the most significant archeological sites yet to be reported in the Southwest. Most of the property is owned by the Burlington Northern-Santa Fe Railway Company.

Six acres of the land have been designated as federally protected wetlands, and this is the last stopping place in the United States for many species of internationally migrating birds (from hummingbirds to eagles). Another section of land, in association with a Corps of Engineers construction site, has been tangentially researched and has been found to contain radiocarbon dated remnants of a 5,000 year old community — the largest and earliest known Native American community in the United States, complete with burial mounds and pit houses. It is interesting to note that estimates have been given that this site may have been occupied for 4,500 years with the research that has been done to Zone 4 at the site. What is even more intriguing is that recent analysis has suggested that there is also a Zone 5.

The railroad has decided to sell 99 acres of this land, probably to a developer if resources are not made available to preserve the property. In 1995, the City of El Paso developed a plan for a 99-acre wildlife sanctuary and dedicated park, but the city does not have the monies to purchase the property. A large group, known as the Supporters of the Doniphan Wetlands Wildlife Park, is actively forming coalitions and working relationships with neighborhood, environmental and wildlife protection groups, as well as local, state and federal agencies. The main obstacle is finding the financial resources to purchase the land.

We cannot afford to lose this valuable natural resource! I am contacting you to solicit your advice and assistance in preserving this historically significant tract of land. I would appreciate any assistance you can provide. Please feel free to contact me or direct your staff to contact my legislative director, Dian Copelin, at 202-225-4831 for further information. I appreciate your attention to this matter and look forward to hearing from you.

Sincerely,


Silvestre Reyes
Member of Congress

SR/dc



Congress of the United States
House of Representatives
Washington, DC 20515

514 CANNON BUILDING
WASHINGTON, DC 20515
(202) 225-4831
FAX: (202) 225-2018

DISTRICT OFFICE:
310 N. MEZA, SUITE 400
EL PASO, TX 79901
(915) 634-4400
FAX: (915) 534-7428

NEC Tracking Worksheet

Date Rec'd

10/14/97

Author 1st Name

Robert

Author Last Name

Rubin

Subject

NADBank

Doc Number

2140

Organization

Department of the Treasury

Filed As

NADBank

Comments

Memo for the President on recent developments with regard to the NADBank Community Adjustment and Investment Program (CAIP)

THE PRESIDENT HAS SEEN
10-14-97

97 OCT 9 - 4:30

Gum/cv Urad

Saw this -
shows now going beyond
NAFTA Committee on
Trade Bank - BC

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

October 9, 1997

SECRETARY OF THE TREASURY

MEMORANDUM FOR THE PRESIDENT

FROM: Robert E. Rubin *RE*

SUBJECT: NADBank Community Adjustment and Investment Program

copied
Sperling
Radd
COS

To follow-up our discussion on Thursday, I am writing to update you on recent developments with regard to the NADBank Community Adjustment and Investment Program (CAIP). As we discussed, the establishment of this new interagency development program took longer than it should have. Since then, however, we have made substantial progress in creating the type of facility that will meet the objectives of this vitally important program.

Since 1996, the NADBank has opened a Los Angeles office and hired staff to assist the CAIP. The CAIP interagency finance committee has conducted seven Presidential Advisory Committee meetings across the country, and designated 47 impacted areas for concentrated agency outreach and expedited loan handling. In the past three months, we have approved nine projects. While, to date, the dollar amount of the loans has been small, the process has been put in place to make substantial loans through the SBA and USDA. In addition, the CAIP finance committee now meets at least on a weekly basis to approve loans, and to consider new ways to identify and assist in trade affected communities.

In recent discussions that the Vice President and Gene Sperling have had with Congressmen Becerra and Torres, the Administration proposed seeking \$37 million in additional appropriations starting in FY 1999 to supplement and expand the CAIP. This represents a 160% increase over our current CAIP program level. While it will take some time, this funding could produce up to \$220 million in new private sector loans, in addition to the loans we expect to generate from the current program.

Importantly, the proposed modifications will help us better address specific needs of NAFTA displaced workers by allowing us to provide technical assistance to communities and businesses, grants that can be used to leverage other assistance, microloans to spur activity involving less skilled workers or communities with few job opportunities (e.g., El Paso), and more direct lending for businesses that may not be able to satisfy Federal agency loan guarantee criteria. I believe that these modifications to the existing CAIP program would result in new commercial activities, with additional jobs, in communities affected by trade.

In addition, we are exploring ways to expand the CAIP to deal with other trade-related dislocations.

I continue to have confidence that the NADBank CAIP can provide important assistance to communities in need of assistance due to trade adjustment, and believe that the proposed enhancements will be key to achieving this objective.

WILLIAM J. JEFFERSON
SECOND DISTRICT, LOUISIANA

WASHINGTON OFFICE:
240 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1802
(202) 225-6636

LIONEL R. COLLINS, JR.
CHIEF OF STAFF

DISTRICT OFFICE:
1012 HALE BOGGS FEDERAL BUILDING
501 MAGAZINE STREET
NEW ORLEANS, LA 70130
(504) 589-2274

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-1802

COMMITTEES:
WAYS AND MEANS
SUBCOMMITTEES:
TRADE
SOCIAL SECURITY

DEMOCRATIC STEERING AND
POLICY COMMITTEE

WHIP AT-LARGE

October 3, 1997

Mr. Gene Sperling
Assistant to the President for Economic
Policy & Director, National Economic Council
The White House
Second Floor, West Wing
Washington, D.C. 20502

Dear Gene:

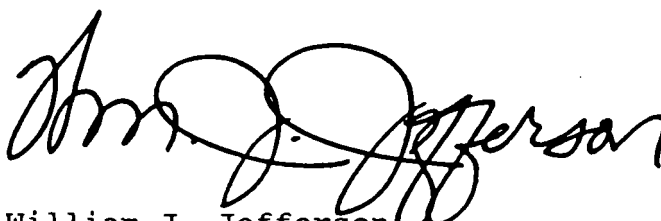
Enclosed is information on legislation that, if enacted, will create jobs especially for those American workers who may be displaced as a result of trade related employment dislocation.

The capital gains tax incentive that I propose is designed to help increase the amount of equity capital available to expand small disadvantaged businesses. My proposal will enhance and build upon certain existing tax provisions for individuals and corporate taxpayers who make equity investments in Specialized Small Business Investment Companies (SSBICs). SSBICs are SBA-licensed investment companies that make long-term loans to, or equity investments in small firms owned by persons who are socially or economically disadvantaged. The draft legislation was developed with the assistance of the House Legislative Counsel and the Democratic staff of the Ways and Means Committee.

Targeted capital formation strategies are an essential, but often overlooked, requirement to address the capital gap that plagues disadvantaged businesses. In fact, access to capital represents the most formidable barrier to the aggregation of financial resources that can be invested to grow successful small disadvantaged firms, and more importantly, produce employment.

Once again, I appreciate your concern and support on this important matter and look forward to hearing from you soon.

Sincerely,



William J. Jefferson
Member of Congress

WILLIAM J. JEFFERSON
SECOND DISTRICT, LOUISIANA

WASHINGTON OFFICE
240 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1802
(202) 225-6636

LIONEL R. COLLINS, JR.
CHIEF OF STAFF

DISTRICT OFFICE
1012 HALE BOGGS FEDERAL BUILDING
501 MAGAZINE STREET
NEW ORLEANS, LA 70130
(504) 589-2274

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-1802

COMMITTEES:
WAYS AND MEANS
SUBCOMMITTEES:
TRADE
SOCIAL SECURITY

DEMOCRATIC STEERING AND
POLICY COMMITTEE

WHIP AT-LARGE

October 3, 1997

Summary of the Legislation Regarding Specialized Small
Business Investment Companies

Conversion to Pass-Through Treatment

Most specialized small business investment companies (SSBIC's) have been organized as regular corporations subject to the corporate income tax. This has been done because of program requirements under the Small Business Investment Company Act. In order for existing SSBIC's to attract new capital, they would like to be able to be treated as pass-through entities, either as regulated investment companies or as partnerships. Pass-through treatment would eliminate the corporate tax imposed at the entity level, but persons holding interest in the SSBIC would be subject to tax on their share of the entity's income.

The proposed bill would make modifications to the regulated investment company provisions of the Code in order to permit SSBICs to utilize those provisions. Income and assets qualifying under the Small Business Investment Company Act would be treated as qualifying income and assets for tax purposes. The bill would disregard earnings and profits accumulated while the entity was an SSBIC. One of the modifications would be a waiver of the requirement to distribute 90 percent of income. The undistributed income would be subject to corporate tax.

The proposed bill would also permit tax free conversions of an SSBIC into a partnership.

Modifications to Rollover Provisions

Under current law gain from the sale of publicly traded securities can be excluded from income to the extent that the proceeds from the sale are reinvested in an interest as a shareholder or partner in an SSBIC. The bill makes several modifications to that rollover provision.

1. The bill extends the period during which the reinvestment can be made from 60 to 180 days.
2. Under current law, there is both an annual cap on the amount of gain that can be excluded under the rollover provision. The bill eliminates the annual cap and increases the lifetime cap from \$500,000 to \$750,000 for individuals and from \$250,000 to \$2,000,000 for corporations.

Modifications to Fifty Percent Exclusion for Gain from Qualified Small Business Stock

Current law provides individuals a 50% exclusion for gain on the sale of the stock acquired at original issue in small business corporations. Stock in an SSBIC which is organized and taxed as a C corporation is eligible for the exclusion. The bill makes several modifications to this exclusion.

1. The bill would provide that corporate investors would be eligible for the exclusion with respect to qualifying gains from an SSBIC.
2. The bill increases from 50 to 60 percent the exclusion for qualifying gains from an SSBIC.
3. The bill liberalizes the flow-through treatment for SSBICs which would make it easier for investors in SSBICs organized as partnerships or regulated investment companies to qualify for the exclusion on qualifying investments held by the SSBIC.

SBIC PROGRAM AND REGULATIONS**Overview of SBIC Program**

The SBIC program is authorized by the Small Business Investment Act (the "SBIA"), as amended, and regulations promulgated pursuant thereto. The SBIA authorizes the licensing of SBICs as vehicles for providing equity capital, long term financing and management assistance to small businesses. Any corporation, limited partnership or limited liability company formed solely for the purpose of operating as a licensee under the SBIA may apply for a license.

A small business, as defined by the SBIA and the SBIA regulations, is a business independently owned and operated that has a net worth (together with any affiliates) of \$18 million or less and average annual net income after U.S. Federal income taxes for the preceding two years of \$6 million or less. (or which satisfies alternative criteria under the SBIA regulations that focus on the industry in which the business is engaged and the number of persons employed by the business or its gross revenues). In addition, at the end of an SBIC's fiscal year, at least twenty percent (20%) of the total amount of a licensee's loans must be made to a subclass of small business which net worth of \$6.0 million or less and average two-year after-tax net income of \$2.0 million or less.

As further described below, licensees are either "regular" SBICs or "specialized" SBICs ("SSBICs") which are specifically oriented toward the needs of entrepreneurs whose opportunities to own or operate businesses have been limited by social or economic disadvantage. Such disadvantaged entrepreneurs include African-Americans, Hispanic-Americans, Asian-Subcontinent Americans, Eskimos, Native Americans, Vietnam-era veterans and other groups identified by SBA. With few exceptions, the same rules and regulations apply to both "regular" and to "specialized" SBICs. (As used hereafter, the term "SBIC" refers to both types of licensees.)

Private Capital and Management Requirements

As noted above, SBICs may be organized as corporations, limited partnerships or limited liability companies. As mandated by the SBIA, an SBIC must have sufficient private capital and management expertise to be operated with safety and soundness.

Investments in an SBIC may be made by "sophisticated investors", corporations, public or private pension plans and, subject to certain limits, by state or local governments. For licensing and regulatory purposes, an SBIC's capital base may include firm commitments from institutional investors (as defined in the SBIA regulations). In addition to raising sufficient capital to support its operations, a prospective licensee must demonstrate to SBA that its management team has more than general business experience (i.e., that it has experience making the types of small business investments of the types and sizes contemplated in its business plan). Once licensed, an SBIC must adhere to certain statutory and regulatory restrictions governing types of investments and manner of operation and becomes subject to certain financial reporting requirements and on-site compliance examinations.

SBIC Program Leverage

SBICs in good standing are eligible to apply for Government funds called "leverage". Specifically, leverage refers to the funds received by an SBIC's issuance of its securities either directly to the SBA or to the private market with a Government guarantee. A regular SBIC may receive leverage of as much as 300 percent of its private capital and a specialized SBIC up to 400 percent. The amount of leverage which may be received is dependent upon the type of leverage requested, the amount of an SBIC's private capital, the types of investments being made by the licensee and the amount of guarantee authority or funds provided by Congress, as well as demand by other licensees.

The most basic type of leverage is a five-year or ten-year debenture that is sold in the public markets which carries a "full faith and credit" guarantee of both principal and interest by the U.S. Government. Typically, debentures require the payment of semi-annual interest with principal repayment at term. SBICs which make only equity investments may apply for SBA participating security leverage. This instrument has a maximum 15-year term and provides for repayment of dividends or interest to the SBA and a profit participation only when the SBIC has earnings (as defined in the SBIA regulations).

SBIC Regulations

Within the SBIC program, SBA does not directly or indirectly approve or disapprove specific financing decisions. Investment decisions are made independently by an SBIC's management.

However, licensees are subject to certain restrictions and requirements under the SBIA and the SBIA regulations; and SBA does monitor SBICs to assure compliance with applicable rules. In summary, the SBIC program regulatory requirements include, but are not limited to, the following:

(a) Types of Financing. A licensee may make equity investments, loans and combination financings, including the use of convertible debt and warrants. Loans may be secured and amortizable, generally for a term of between five and twenty years. However, loans to a disadvantaged small business may have a four-year term (e.g., loans by an SSBIC). Under certain circumstances where longer term financing is contemplated, short-term loans are permissible. All financings may be made in conjunction with other lenders or investors, public or private, including other SSBICs (i.e., syndications).

(b) Loan Interest Rates. The interest rate charged by a licensee on loans to a small business is governed by applicable state laws and by the SBIA regulations. Under the SBIA rules, the interest rate may not exceed the higher of (i) the higher of 19% and (ii) the sum of (a) the higher of (I) the licensee's weighted average cost of funds or (II) the current SBA debenture rate, plus (b) 11%, rounded off to the next lower eighth of one percent.

(c) Lines of Business. SBICs may not invest in other SBICs, in passive or casual businesses (i.e., those not engaged in regular and continuous business operations), or in companies with less than one-half of their assets and operations outside the United States. In addition, SBICs may not invest in small businesses whose primary business is lending or relending, purchasing debt obligations or factoring receivables. However, firms owned by persons who are socially or economically disadvantaged and that are engaged in relending or reinvesting may be financed provided the entity is insured by an agency of the Federal Government. There are also certain restrictions on real estate-related investments.

(d) Portfolio Diversity. The aggregate financing commitment to any single small business as a percentage of the SBIC's total paid-in capital is limited. For an SSBIC, no more than 30% of its paid-in capital may be invested in any single small business.

(e) SBIC Cash Management. Funds that are not invested in small businesses must be invested in certain short-term instruments such as Federal Government securities or certificates of deposit with a Federally insured financial institution.

(f) Control of Small Businesses. Generally, an SBIC may not control a small business which it has financed. In certain cases, where the risk to the SBIC is inordinately high, an SBIC may assume temporary control to protect its investment.

(g) Active Operations. An SBIC must conduct active operations. A licensee is inactive if at the close of its fiscal year it has more than 25% of its assets in idle funds and it has failed to provide financings aggregating 25% of the average amount of its idle funds during the previous 18 months.

(h) Conflicts of Interest. An SBIC may not engage in self-dealing to the advantage of, or with favoritism to, its "associates". Also, an SBIC may not directly or indirectly provide financings to its associates nor borrow money from a small business that it has financed. Under the SBIA regulations, the term "associates" includes officers, directors or employees of a corporate licensee; a general partner of an unincorporated licensee, an investment advisor of an SBIC, or a person or entity owning or controlling 10% or more of the stock or partnership interests of the licensee.

(i) Change of Ownership/Transfer of Control. Prior written consent of SBA is required in the event of any proposed transfer of control of an SBIC and/or any proposed transfer of 15% or more of any class of a licensee's stock or partnership interests.

(j) Examinations. SBICs are subject to examinations by SBA at least bi-annually and are required to pay examination fees and maintain certain records, files, internal control programs and reports. Moreover, if an SBIC engages in a pattern of serious regulatory violations, the SBA is authorized to suspend a licensee's eligibility for leverage, issue cease and desist orders, apply for injunctions to the appropriate Federal District Court and apply for other acts of enforcement.

Small Business Program Improvement Act of 1996

The recently enacted Small Business Program Improvement Act of 1996 (the "Improvement Act"), among other things, amended the

SBIA by consolidating the leverage available to SBICs and by establishing new licensing requirements for program applicants. The Improvement Act, which became effective September 30, 1996, repealed the authority of the SBA to issue new SSBIC-only licenses or provide certain subsidized leverage for which only SSBICs were eligible. The Improvement Act specifically "grandfathers" all existing SSBICs and makes clear that they may participate fully in the SBIC program. Following the enactment of the Improvement Act, the SBA established procedures for existing SSBICs to convert to regular SBICs. The effect of such a conversion would be to modify and expand a licensee's financing options to small businesses generally (as opposed to small businesses owned by persons who are socially or economically disadvantaged). The General Partner of the Fund has no present intention to seek the conversion of the Fund's license to that of a regular SBIC.

The foregoing summary of the SBIC program and certain requirements under the SBIA and regulations thereunder does not purport to be complete and investors are urged to consult the SBIA and regulations promulgated pursuant thereto for more detailed information.

[DISCUSSION DRAFT]

105TH CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. JEFFERSON introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to permit
tax-free reorganizations of specialized small business in-
vestment companies into partnerships and regulated in-
vestment companies, to expand the exclusion for gain
from small business stock for such stock held by such
companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Entrepreneurial Eq-
5 uity Capital Formation Act".

1 **TITLE I—TAX-FREE CONVER-**
2 **SIONS OF SPECIALIZED**
3 **SMALL BUSINESS INVEST-**
4 **MENT COMPANIES INTO**
5 **PASS-THRU ENTITIES**

6 **SEC. 101. MODIFICATIONS TO PROVISIONS RELATING TO**
7 **REGULATED INVESTMENT COMPANIES.**

8 (a) IN GENERAL.—Section 851 of the Internal Reve-
9 nue Code of 1986 (relating to definition of regulated in-
10 vestment company) is amended by adding at the end the
11 following new subsection:

12 “(i) SPECIAL RULES FOR SPECIALIZED SMALL BUSI-
13 NESS INVESTMENT COMPANIES.—

14 “(1) IN GENERAL.—For purposes of determin-
15 ing whether a specialized small business investment
16 company is a regulated investment company for pur-
17 poses of this subchapter—

18 “(A) income derived in connection with ac-
19 tivities as a specialized small business invest-
20 ment company (including compensation for
21 services rendered in connection with invest-
22 ments made as part of such activities) shall be
23 treated as qualifying income under subsection
24 (b)(2),

25 “(B) subsection (b)(3) shall not apply, and

1 “(C) the requirements of subsection (b)(4)
2 shall be treated as met if, at the close of each
3 quarter of the taxable year, at least 50 percent
4 of the value of its total assets is represented
5 by—

6 “(i) assets described in subsection
7 (b)(4)(A)(i), and

8 “(ii) other investments permitted
9 under the Small Business Investment Act
10 of 1958.

11 “(2) WAIVER OF DISTRIBUTION REQUIREMENT;
12 CERTAIN EARNINGS AND PROFITS DISREGARDED.—
13 In the case of a specialized small business invest-
14 ment company—

15 “(A) section 852(a)(1) and section 4982(a)
16 shall not apply, and

17 “(B) earning and profits accumulated
18 while the company is a specialized small busi-
19 ness investment company shall be disregarded
20 for purposes of section 852(a)(2).

21 “(3) SPECIALIZED SMALL BUSINESS INVEST-
22 MENT COMPANY.—For purposes of this subsection,
23 the term ‘specialized small business investment com-
24 pany’ means any corporation which—

1 “(A) as of September 30, 1996, held a li-
2 cense to operate under section 301(d) of the
3 Small Business Investment Act of 1958, or

4 “(B) holds a license from the Small Busi-
5 ness Administration, issued after such date, to
6 operate as a specialized small business invest-
7 ment company.”

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years beginning after
10 December 31, 1996.

11 **SEC. 102. TAX-FREE REORGANIZATION OF SPECIALIZED**
12 **SMALL BUSINESS INVESTMENT COMPANY AS**
13 **A PARTNERSHIP.**

14 (a) IN GENERAL.—If, during the 180-day period be-
15 ginning on the date of the enactment of this Act, a cor-
16 poration which is a specialized small business investment
17 company transfers substantially all of its assets to a part-
18 nership (including its license to operate as a specialized
19 small business investment company) solely in exchange for
20 partnership interests in such partnership, no gain or loss
21 shall be recognized to the corporation on such a transfer
22 if—

23 (1) immediately after such exchange, such cor-
24 poration holds partnership interests in such partner-
25 ship having a value equal to at least 80 percent of

1 the total value of all partnership interests in such
2 partnership, and

3 (2) before the close of such period, such cor-
4 poration transfers all partnership interests held by
5 the corporation in such partnership, and all remain-
6 ing assets of the corporation, to its shareholders in
7 the complete liquidation of such corporation.

8 If, prior to the date of enactment of this Act or at any
9 time before the close of the 120-day period beginning on
10 such date, a corporation files an application with the Small
11 Business Administration for approval of a transfer de-
12 scribed in the preceding sentence, the 180-day period re-
13 ferred to in the preceding sentence shall not expire before
14 the date which is 180 days after the date such Administra-
15 tion grants preliminary approval of such transfer.

16 (b) NONRECOGNITION OF GAIN OR LOSS TO COR-
17 PORATION ON DISTRIBUTION OF PARTNERSHIP INTER-
18 ESTS.—In the case of any distribution of a partnership
19 interest acquired by the liquidating corporation in an ex-
20 change to which subsection (a) applies—

21 (1) no gain or loss shall be recognized to the
22 liquidating corporation by reason of such distribu-
23 tion, and

1 (2) such distribution shall not be treated as a
2 sale or exchange for purposes of section
3 708(b)(1)(B) of the Internal Revenue Code of 1986.

4 (c) GAIN RECOGNIZED BY SHAREHOLDERS ON RE-
5 CEIPT OF PROPERTY OTHER THAN PARTNERSHIP INTER-
6 ESTS.—

7 (1) IN GENERAL.—No gain or loss shall be rec-
8 ognized to a shareholder of a corporation on the
9 transfer of such shareholder's stock in such corpora-
10 tion to such corporation solely in exchange for a
11 partnership interest in the partnership referred to in
12 subsection (a)(1).

13 (2) RECEIPT OF PROPERTY.—If paragraph (1)
14 would apply to an exchange but for the fact that
15 there is received, in addition to the partnership in-
16 terests permitted to be received under paragraph
17 (1), other property or money, then—

18 (A) gain (if any) to such recipient shall be
19 recognized, but not in excess of—

20 (i) the amount of money received, plus
21 (ii) the fair market value of such
22 other property received, and

23 (B) no loss to such recipient shall be rec-
24 ognized.

1 (d) BASIS.—The basis of property received in any ex-
2 change to which this section applies shall be determined
3 in accordance with rules similar to the rules of section 358
4 of the Internal Revenue Code of 1986.

5 (e) IMPOSITION OF TAX IN CERTAIN CASES.—If, at
6 any time during the 3-year period beginning on the date
7 of the transfer referred to in subsection (a) to a partner-
8 ship, such partnership ceases its investment activities or
9 ceases to have at least 75 percent of the value of its assets
10 (at cost) represented by investments permitted for special-
11 ized small business investment companies under the Small
12 Business Investment Act of 1958, there is hereby imposed
13 a tax on the income of such partnership equal to the ag-
14 gregate amount of tax which would have been imposed
15 under chapter 1 of the Internal Revenue Code of 1986
16 but for subsections (a) and (b). Any tax imposed by this
17 subsection shall be treated for purposes of such Code as
18 a tax imposed by chapter 1.

19 (f) SPECIALIZED SMALL BUSINESS INVESTMENT
20 COMPANY.—For purposes of this section, the term “spe-
21 cialized small business investment company” has the
22 meaning given such term by section 1202(k) of the Inter-
23 nal Revenue Code of 1986 (as added by this Act).

1 **TITLE II—ADDITIONAL INCEN-**
2 **TIVES RELATED TO INVEST-**
3 **ING IN SPECIALIZED SMALL**
4 **BUSINESS INVESTMENT COM-**
5 **PANIES**

6 **SEC. 201. EXPANSION OF NONRECOGNITION TREATMENT**
7 **FOR SECURITIES GAIN ROLLED OVER INTO**
8 **SPECIALIZED SMALL BUSINESS INVESTMENT**
9 **COMPANIES.**

10 (a) **EXTENSION OF ROLLOVER PERIOD.**—Paragraph
11 (1) of section 1044(a) of the Internal Revenue Code of
12 1986 (relating to nonrecognition of gain) is amended by
13 striking “60-day period” and inserting “180-day period”.

14 (b) **INCREASE OF MAXIMUM EXCLUSION.**—

15 (1) **IN GENERAL.**—Paragraphs (1) and (2) of
16 section 1044(b) of such Code (relating to limita-
17 tions) are amended to read as follows:

18 “(1) **LIMITATION ON INDIVIDUALS.**—In the
19 case of an individual, the amount of gain which may
20 be excluded under subsection (a) for any taxable
21 year shall not exceed—

22 “(A) \$750,000, reduced by

23 “(B) the amount of gain excluded under
24 subsection (a) for all preceding taxable years.

1 “(2) LIMITATION ON C CORPORATIONS.—In the
2 case of a C corporation, the amount of gain which
3 may be excluded under subsection (a) for any tax-
4 able year shall not exceed—

5 “(A) \$2,000,000, reduced by

6 “(B) the amount of gain excluded under
7 subsection (a) for all preceding taxable years.”

8 (2) CONFORMING AMENDMENT.—Subparagraph
9 (A) of section 1044(b)(3) of such Code (relating to
10 special rules for married individuals) is amended to
11 read as follows:

12 “(A) SEPARATE RETURNS.—In the case of
13 a separate return by a married individual, para-
14 graph (1) shall be applied by substituting
15 ‘\$375,000’ for ‘\$750,000’.”

16 (c) EXTENSION TO PREFERRED STOCK.—Paragraph
17 (1) of section 1044(a) of such Code is amended by striking
18 “common”.

19 (d) DEFINITION OF SPECIALIZED SMALL BUSINESS
20 INVESTMENT COMPANY.—Paragraph (3) of section
21 1044(c) of such Code (relating to definitions and special
22 rules) is amended to read as follows:

23 “(3) SPECIALIZED SMALL BUSINESS INVEST-
24 MENT COMPANY.—The term ‘specialized small busi-

1 ness investment company' means any partnership or
2 corporation which—

3 “(A) as of September 30, 1996, is licensed
4 by the Small Business Administration under
5 section 301(d) of the Small Business Invest-
6 ment Act of 1958, or

7 “(B) holds a license from the Small Busi-
8 ness Administration, issued after such date, to
9 operate as a specialized small business invest-
10 ment company.”

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to sales occurring after the date
13 of the enactment of this Act.

14 **SEC. 202. MODIFICATIONS TO EXCLUSION FOR GAIN FROM**
15 **QUALIFIED SMALL BUSINESS STOCK.**

16 (a) IN GENERAL.—Section 1202 of the Internal Rev-
17 enue Code of 1986 (relating to 50-percent exclusion for
18 gain from certain small business stock) is amended by re-
19 designating subsection (k) as subsection (l) and by insert-
20 ing after subsection (j) the following new subsection:

21 “(k) SPECIAL RULES FOR SPECIALIZED SMALL
22 BUSINESS INVESTMENT COMPANIES.—

23 “(1) INCREASE IN EXCLUSION; CORPORATE IN-
24 VESTORS ELIGIBLE.—In the case of—

1 “(A) the sale or exchange of stock in a
2 specialized small business investment company,
3 and

4 “(B) any amount treated under subsection
5 (g) or paragraph (2) of this subsection as gain
6 described in subsection (a) by reason of the
7 holding, sale, or exchange of an interest in a
8 specialized small business investment company,
9 subsection (a) shall be applied by substituting ‘60
10 percent’ for ‘50 percent’ and, in the case of interests
11 acquired after the date of the enactment of this sub-
12 section, without being limited to taxpayers other
13 than corporations.

14 “(2) EXCLUSION ALLOWABLE FOR CERTAIN
15 GAIN ON SALE OR EXCHANGE OF INTERESTS IN CER-
16 TAIN SPECIALIZED SMALL BUSINESS INVESTMENT
17 COMPANIES.—

18 “(A) IN GENERAL.—If any interest in a
19 specialized small business investment company
20 which is a pass-thru entity (as defined in sub-
21 section (g)(4)) is sold or exchanged, gain on
22 such sale or exchange shall be treated as gain
23 described in subsection (a) to the extent attrib-
24 utable to unrealized small business stock gain.

1 “(B) UNREALIZED SMALL BUSINESS
2 STOCK GAIN.—For purposes of subparagraph
3 (A), the term ‘unrealized small business stock
4 gain’ means the amount which would be eligible
5 gain if the qualified small business stock held
6 by such company had been sold at the time of
7 the sale of the interest referred to in subpara-
8 graph (A).

9 “(C) CERTAIN RULES TO APPLY.—Rules
10 similar to the rules of paragraphs (2)(B) and
11 (3) of subsection (g) shall apply for purposes of
12 this subsection.

13 “(3) APPLICATION OF ACTIVE BUSINESS RE-
14 QUIREMENT TO STOCK HELD BY SPECIALIZED
15 SMALL BUSINESS INVESTMENT COMPANIES.—For
16 purposes of determining whether stock held by a
17 specialized small business investment company is
18 qualified small business stock, subsection (e) shall be
19 applied by treating as a qualified trade or business
20 any trade or business in which such company is per-
21 mitted to invest under the Small Business Invest-
22 ment Act of 1958.

23 “(4) SPECIALIZED SMALL BUSINESS INVEST-
24 MENT COMPANY.—For purposes of this subsection,

1 the term 'specialized small business investment com-
2 pany' means any partnership or corporation which—

3 “(A) as of September 30, 1996, is licensed
4 by the Small Business Administration under
5 section 301(d) of the Small Business Invest-
6 ment Act of 1958, or

7 “(B) holds a license from the Small Busi-
8 ness Administration, issued after such date, to
9 operate as a specialized small business invest-
10 ment company.”

11 (b) DEFINITION OF SPECIALIZED SMALL BUSINESS
12 INVESTMENT COMPANY FOR PURPOSES OF WAIVER OF
13 ACTIVE BUSINESS REQUIREMENT.—Subparagraph (B) of
14 section 1202(c)(2) of such Code is amended to read as
15 follows:

16 “(B) SPECIAL RULE FOR SPECIALIZED
17 SMALL BUSINESS INVESTMENT COMPANIES.—
18 Notwithstanding any provision of subsection
19 (e), a corporation shall be treated as meeting
20 the active business requirements of such sub-
21 section for any period during which such cor-
22 poration qualifies as a specialized small busi-
23 ness investment company (as defined in sub-
24 section (k)(4)).”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1996.

WILLIAM J. JEFFERSON
SECOND DISTRICT, LOUISIANA

WASHINGTON OFFICE:
240 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-1802
(202) 225-6636

LIONEL R. COLLINS, JR.
CHIEF OF STAFF

DISTRICT OFFICE:
1012 HALE BOGGS FEDERAL BUILDING
501 MAGAZINE STREET
NEW ORLEANS, LA 70130
(504) 589-2274

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-1802

COMMITTEES:
WAYS AND MEANS
SUBCOMMITTEES
TRADE
SOCIAL SECURITY

DEMOCRATIC STEERING AND
POLICY COMMITTEE
WHIP AT-LARGE

October 3, 1997

Dear Colleague:

I invite you to join me as an original co-sponsor of the **Entrepreneurial Equity Capital Formation Act**, legislation that is designed to help increase the amount of equity capital available to grow small disadvantaged businesses. This bill will enhance certain existing tax provisions for individual and corporate taxpayers who make equity investments in Specialized Small Business Investment Companies (SSBICs). SSBICs are SBA-licensed investment companies that make long-term loans or equity investments in small firms or those owned by persons who are otherwise "socially or economically disadvantaged".

As you know, small entrepreneurs have a difficult time accessing financing -- particularly patient, equity-type capital. Targeted capital formation strategies are an essential, but often overlooked, requirement to address the capital gap that plagues disadvantaged businesses. In fact, access to capital represents the most formidable barrier to the aggregation of financial resources that can be invested to grow successful minority-owned firms, and more importantly, produce employment.

SSBICs are employed in the bill as vehicles to pool equity capital because they represent the only federally sponsored venture capital network. The SSBIC program began in 1971. Since the program's inception, SSBICs have invested \$1.8 billion in disadvantaged businesses. For example, in 1996 \$134 million of such investments were made in a variety of industries ranging from computer technology, health care, franchises and wholesaling, retail outlets to telecommunications.

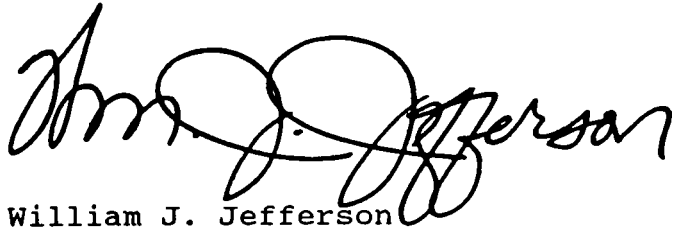
More could be done but the demand for SSBIC financing exceeds the supply of capital. SSBICs' themselves have great difficulty in accessing capital and my bill is designed to encourage more private market responses to increase the size of SSBIC funds. Specifically, the bill would amend sections 1044 and 1202 of the tax code. These two provisions provide investors with tax benefits for equity investments in small businesses. Both provisions were enacted as part of the 1993 Budget Reconciliation legislation. Experience since 1993 has shown that the SSBIC provisions need fine-tuning if we are to achieve the intended incentive effects.

Code section 1044 defers the payment of capital gains tax on the sale of publically traded stock if the gain is rolled-over (i.e., reinvested) in an SSBIC. My bill increases the amount of taxable gain that can be deferred and makes the reinvestment

process easier. Code section 1202 provides taxpayers a 50% capital gains tax exclusion for long-term equity investments in small businesses, however, my legislation provides a 60% exclusion. This legislation will make it easier for taxpayers to invest in SSBICs and potentially receive the exclusion.

The revisions of tax policy proposed in this bill will be a catalyst for aggregating considerable capital that can be invested with small entrepreneurs. I hope you will be able to join me and co-sponsor this legislation. If you would like to be an original co-sponsor, please contact Terri McField at 5-6636.

Sincerely,

A handwritten signature in black ink, reading "Wm. J. Jefferson". The signature is fluid and cursive, with the first name "Wm." and last name "Jefferson" clearly legible.

William J. Jefferson
Member of Congress

DRAFT

Policy Proposals As Part of Fast-Track Trade Negotiating Authority

Mandatory Spending			
<u>Action Number</u>		<u>Total Cost Over Five Years</u>	<u>Cost Needing Offset</u>
1	Reauthorize TAA/NAFTA-TAA for Four Years	1362	102
2	Include Shifts in Production	345	345
23	SSBIC Tax Provisions	50	50
TOTAL		\$1.8 Million	\$497 Million

Discretionary Spending		Annual Cost (in Millions)
3	Modify Waiver for Training Requirements	0
4	Cut Certification Times	0.6
5	Implement Performance Measures	0
6	Issue Guidelines to States on 30-Day Extension	0
7	Expand EDA Budget	40
8	Create Coordinating Body to Deal with Trade Adjustment	10
9	Earmark \$200 Million in Discretionary Fund for Secondary Workers	0
10	Increase JTPA Title III Funding	50
11	Clarify Guidelines so Secondary Firms Can Be Certified If Primary Is Not	1
12-15	Information Campaign to Increase Take-Up Rate of Secondary Workers	0.4
16	Administration Request for Second-Round Urban EZ*	0
17	Expand Youth Build	10
18	Out-of-School Youth**	0
19	Welfare-To-Work Transportation Funds***	0
20	Permit States to Set Aside Training Positions for Welfare Recips./EZ/EC Residents	0
21	Expand JobCorps	50
22	CDFI****	0
24-32	NADBank Proposals	?
TOTAL		\$162 Million

* = Administration requested \$100 million in FY98 and would request this amount again in FY99.

** = Administration requested \$250 million in FY98 and would request this amount again in FY99., even though the House appropriated \$100 million and the Senate appropriated \$250 million.

*** = Administration requested \$100 million in FY98 and would request this amount again in FY99, even though the House appropriated \$42 million and the Senate fully funded the President's request.

**** = Administration requested \$125 million in FY98 and would request this amount again in FY99, even though the Treasury-Postal bill appropriated only \$80 million in FY98.

THE WHITE HOUSE
WASHINGTON

October 7, 1997

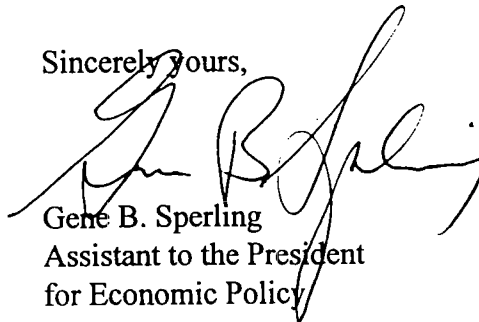
Congressman Xavier Becerra
House of Representatives
Washington, DC 20515

Dear Congressman Becerra:

Please find attached a revised version of our 12-point action plan to cover secondary workers and improve Trade Adjustment Assistance. This revised proposal addresses each of the nine changes that Deirdre requested in her memo of October 6. I believe that this package of proposals would go a long way to helping trade-impacted workers make the transition from one job to another.

I look forward to talking with you later today.

Sincerely yours,



Gene B. Sperling
Assistant to the President
for Economic Policy

12-POINT ACTION PLAN TO COVER SECONDARY WORKERS AND EXPAND AND IMPROVE TAA

\$455 MILLION OVER FIVE YEARS FOR SECONDARY WORKERS:

I. \$200 MILLION OVER FIVE YEARS IN SECRETARY'S DISCRETIONARY FUND EARMARKED FOR SECONDARY WORKERS. In conjunction with the passage of fast track authority, the Department of Labor will issue a Statement of Administrative Action extending the Secretary's discretionary authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. To ensure that adequate funding is available the Secretary of Labor will fence off \$200 million over the next five years to ensure job training and income support for secondary workers.

II. \$250 MILLION IN DISLOCATED WORKER FUNDING EARMARKED TO SECONDARY WORKERS. The Administration will propose a \$50 million increase in JTPA Title III in our FY99 budget and will earmark this money to help secondary workers receive the job training and income support they need and deserve. Between FY99 and FY03, this expansion of dislocated worker funding for secondary workers would mean an additional \$250 million of resources. As with Action Item #1, this proposal would serve secondary workers affected by trade.

- In addition to basic education, training and income support, the \$455 million over five years the Administration will spend on secondary workers will be used to develop better approaches to serving special targeted groups. These grants will be flexible, customized and aimed at filling in the gaps in our training system. Cities, states and local non-profit groups will participate in developing innovating new approaches. For example:
 - The Department will develop a competitive demonstration program to better develop bilingual and literacy training strategies, and contextual learning strategies which incorporate language skills into job training programs and have been shown to be effective. This demonstration program would fund 5 projects -- similar to the CET model -- of \$2 million each from FY97 funds. The awards would be given by March 1998 and providers would be in place by June 1998.
 - The Department will also plan to leverage these grants to support and complement other federal, state and local efforts for economic development and community adjustment.

III. CLARIFY THAT SECONDARY FIRMS CAN BE CERTIFIED FOR TAA/NAFTA-TAA EVEN IF PRIMARY FIRM IS NOT CERTIFIED. Some have expressed concern that secondary firms were being denied benefits because the relevant primary firm had not obtained certification. There are cases when the primary firm does not go through the certification process, but the secondary firm is adversely impacted from trade. Therefore, the Secretary of Labor will clarify that secondary firms -- adversely affected as a result of business lost with a primary firm -- can be certified for TAA or NAFTA-TAA, even if the primary firm is not certified.

- In order to certify these firms, the Labor Department will need to do broader, two-tiered investigations. This will cost an estimated \$5 million over five years.

INFORMATION CAMPAIGN TO INCREASE TAKE-UP RATE OF SECONDARY WORKERS:

- IV. LABOR DEPARTMENT GUIDELINES TO STATES TO URGE THEM TO FIND OUT INFORMATION ABOUT SECONDARY FIRMS.** The best way for the Labor Department to find secondary workers is to start with the primary firm and work outwards. By December 1997, the Labor Department's Employment Training Administration will issue guidelines to the states requesting that they seek information from primary firms about their suppliers during or immediately following the certification process. This information will form the basis for a systemic effort to identify and locate potentially eligible secondary workers.
- V. ISSUE GUIDELINES TO TAKE A PROACTIVE STANCE AND CONTACT SECONDARY FIRMS POTENTIALLY IMPACTED BY LOSS OF BUSINESS.** By December 1997, the Labor Department will issue a set of guidelines so that direct contact with potentially eligible secondary firms and their workers is made. The Labor Department will also disseminate fact sheets and posters to these secondary businesses, and will make information available to personnel offices. The Labor Department will also set up a bilingual web site to help contact secondary workers.
- VI. PUBLIC SERVICE CAMPAIGN IN ENGLISH AND SPANISH ABOUT THE BENEFITS SECONDARY WORKERS CAN RECEIVE.** In order to increase the take-up rate among secondary workers, the Labor Department would run a public education campaign using public service announcements in English and Spanish in trade-impacted areas. Specifications for the bidding process will be in place by December 1997 and the competition will begin soon thereafter. In seeking bids for the project, the Department will include in the specifications a requirement that the firm have experience with the Hispanic media in the region and will ask bidding firms to submit evidence of prior successful public education campaigns. National Economic Advisor Sperling and Secretary of Labor Herman will choose two staff members to monitor the Department's activity in implementing this campaign. (Anne Lewis, Special Assistant to the President for Economic Policy and former Assistant Secretary of Labor for Public Affairs, will be the NEC's representative.)

VII. DISTRIBUTE INFORMATION ON BENEFITS AVAILABLE TO SECONDARY WORKERS AT UNEMPLOYMENT OFFICES. The Labor Department will distribute information to State Employment Service Offices where workers go to file unemployment benefits.

- This information campaign will increase the take-up rate among secondary workers. Outreach efforts can successfully reach many workers who are not, but should be, receiving job training and income support. The resulting increased case load will require 4-5 FTEs, at a cost of \$2 million over five years.

EXPAND AND IMPROVE TAA:

VIII. ISSUE GUIDELINES URGING STATES TO GIVE WORKERS 30 DAY EXTENSION IF THEY ARE RECEIVING REMEDIAL EDUCATION. While the 6/16 requirement -- that is, the requirement that certified workers enroll in training by their 16th week on unemployment insurance, or enroll in training by their 6th week after being certified under NAFTA/TAA -- is statutory and can not be changed administratively, the Labor Department will issue guidelines to the states requesting that they provide 30 additional days for dislocated workers who are receiving English as a second language (ESL) or another form of remedial education to get into training. The statutory language gives certified workers up to 30 additional days on the 6/16 requirement if there are "extenuating circumstances" that do not allow them to be in training by the specified time periods. The Labor Department guidelines will state the ESL or other remedial education programs classify as "extenuating circumstances."

IX. CUT CERTIFICATION TIMES BY ONE-THIRD. In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days. See attached time lines for changes in certification process.

- Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be \$2.5 to \$3 million over five years.

X. IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS. The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data -- including, for example, age, gender, family status, work experience, pre- and post-training wage levels, education levels, type of service received, ethnicity -- for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

- These performance measures can be accomplished within current administrative cost and program budget limitations.

XI. CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT. DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

- The Administration would propose \$10 million per year -- or \$50 million over five years -- for funding this coordinating body, which would require approximately 8 FTEs.

XII. AN ADMINISTRATION COMMITMENT TO WORKING WITH CONGRESS TO ENSURE FUNDING IS APPROPRIATED. National Economic Advisor Sperling will coordinate a quarterly meeting between the relevant Administration representatives and Congressman Becerra and other Members of Congress. The purpose of this quarterly meeting would be to evaluate the progress of the Administration's efforts to help trade-impacted workers and regions. Moreover, the Administration's commitment to ensure that funding for trade-impacted workers is achieved would be made: first, in the President's FY99 budget, and second, in writing at the time of the Appropriations process.

THE WHITE HOUSE

WASHINGTON

October 4, 1997

Congressman William Jefferson
House of Representatives
Washington, DC 20515

Dear Congressman Jefferson:

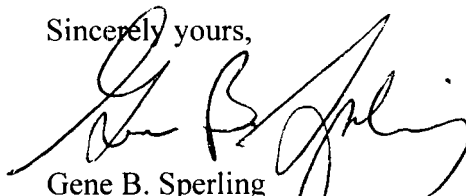
In light of our discussions and my previous conversations with Congressman Rangel, we have drafted the attached document. The package of proposals for our discussion reflect a commitment by the Administration to job-training, community-adjustment, and job-creation initiatives in the context of the passage of fast-track authority.

As we discussed, the package would contain the reauthorization of TAA and NAFTA-TAA, and an expansion of TAA to cover factories that shift production to other countries, if the Republicans would go along with this proposal. Additionally, we would implement the series of TAA reforms that you discussed previously with Secretary Herman, and the Administration would seek additional funding for the dislocated worker program. The attached proposals also include an expanded community adjustment initiative, with new funds for EDA and the creation of a coordinating body to help regions adversely impacted by trade.

Finally, to ensure that we fully tap our greatest market for growth -- the undeveloped potential in our urban centers -- the Administration would provide \$3 billion over the next five years in expansions of current initiatives that have proven records of helping to create jobs and opportunity for disadvantaged Americans. If we include the reauthorization of TAA (which does not require offsets), improvements and expansions in TAA, and the community assistance proposals, this entire package of policies is worth \$5 billion over five years. We hope these proposals would allow Democrats to support fast track in the context of a multi-billion dollar job-creation commitment.

I look forward to working with you on this discussion draft and developing a strong job-training and job-creation package. If you have any questions regarding these proposals, please feel free to call me anytime at (202) 456-2807. If I am not in the office, you can reach me through the White House operator by calling (202) 757-5000.

Sincerely yours,



Gene B. Sperling
Assistant to the President
for Economic Policy

POSSIBLE POLICY IDEAS FOR JOB CREATION AND TRADE-ADJUSTMENT ASSISTANCE PLAN

October 4, 1997

I. Reauthorization of TAA:

1. **REAUTHORIZE TAA AND NAFTA-TAA FOR FOUR YEARS.** The Senate Finance has approved an extension of TAA and NAFTA-TAA for two years. (TAA and NAFTA-TAA expire September 30, 1998.) The Finance Committee paid for NAFTA-TAA extension by extending a processing fee (\$5) for commercial passengers entering the U.S. from Mexico, Canada, and the Caribbean. The fee would be extended for a time period sufficient to pay for the two-year extension. The Administration would propose the reauthorization of TAA and NAFTA-TAA through fiscal year 2002.
 - CBO estimates the costs of the NAFTA-TAA extension for four years at about \$102 million. While TAA extension costs \$1.26 billion over four years, it does not require offsets since it is already included in the baseline.

II. Possible Improvements to TAA:

LEGISLATIVE CHANGES:

2. **GIVE WORKERS IN FIRMS WHICH SHIFT PRODUCTION TO ANOTHER COUNTRY TRADE ADJUSTMENT ASSISTANCE.** Under TAA, workers may only be certified for assistance if their firm is adversely affected by imports. Under NAFTA-TAA, workers may be certified if either their firm is adversely affected or their firm shifts production to Mexico or Canada. This proposal would give workers in firms which shift production to another country trade adjustment assistance.
 - Covering shifts in production under TAA, as well as NAFTA-TAA, would cost \$69 million per year or about \$345 million over five years.
3. **MODIFY WAIVER FOR TRAINING REQUIREMENTS FOR TAA AND NAFTA-TAA SO THAT THEY ARE SIMILAR.** Theoretically, TAA requires that a participant be enrolled in training in order to qualify for income support, but waivers are granted very often. In contrast, there is no waiver authority under NAFTA-TAA. As part of reauthorization, the Administration could propose to narrow waiver authority under TAA and loosen it under NAFTA-TAA. This would serve to both reduce the abuse of the waive provision under TAA and to harmonize the two programs.
 - The costs of this proposal are still being determined, but it is likely revenue-neutral. This proposal could also be done administratively.

ADMINISTRATIVE CHANGES:

4. **CUT CERTIFICATION TIMES BY ONE-THIRD.** In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days.
 - Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be \$2.5 to \$3 million over five years.
5. **IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS.** The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.
 - These performance measures can be accomplished within current administrative cost and program budget limitations.

III. Community Adjustment Assistance and Expansion of Trade Adjustment to Include Secondary Workers:

6. **\$200 MILLION TO EXPAND EDA SO THEY CAN EFFECTIVELY DEAL WITH TRADE ADJUSTMENT.** Expand EDA's budget by \$200 million over the next five years, so that they could provide comprehensive economic development assistance to regions affected by major plant closings. Some priority could be given to trade-impacted regions.
 - So that EDA could provide more comprehensive economic development assistance, including trade-impacted areas, the Administration would propose expanding EDA's budget by \$200 million over the next five years.

7. **CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT.** DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

- The Administration would propose \$50 million over five years for funding this coordinating body.

SECONDARY WORKERS:

We are currently working with Congressman Becerra on a package to cover secondary workers under the Trade Adjustment Assistance program. Our discussions have focused on providing more dislocated worker funding for secondary workers. We are also working to initiate an informational campaign to increase the take-up rate of dislocated worker benefits by secondary workers.

IV. Job Creation Initiatives (Combined With Proposals Outlined in Section III):

8. **MAKE FLEXIBLE FUNDING AVAILABLE FOR SECOND-ROUND URBAN EMPOWERMENT ZONES.** The Administration would request \$100 million per year -- or \$500 million over five years -- in grant funds for second-round urban EZs. This funding could be used for a wide range of activities, including economic development and housing projects, project-based rental assistance, and job training. Although the Administration requested \$100 million in flexible urban EZ funding for FY 1998, the FY98 VA-HUD conference report includes only \$5 million in EZ planning funds, with no guarantee of actual program funding for FY 1999.
- Providing flexible funding for the second-round of urban Empowerment Zones would cost \$100 million per year, or \$500 million over the next five years.
9. **EXPAND THE YOUTHBUILD PROGRAM.** YouthBuild provides high school dropouts 16-24 with general academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing. The FY 1998 VA-HUD conference report will likely include \$35 million for YouthBuild. This proposal would provide, beginning in FY 1999, an increase of \$10 million per year for YouthBuild (above the FY 98 conference level).
- Expanding the YouthBuild program would cost \$10 million per year or \$50 million over five years.

10. **CREATE OPPORTUNITY AREAS FOR OUT-OF-SCHOOL YOUTH.** The Administration requested and continues to advocate strongly for \$250 million in competitive grants to selected high-poverty urban and rural areas, including designated EZs and ECs, to increase youth employment. The House Labor-HHS-Education Appropriations bill includes \$100 million in forward funding for FY 1999; the Senate bill \$250 million (also forward funded).
- The Administration would work to ensure that the out-of-school youth program receive \$250 million per year or \$1.25 billion over the next five years.
11. **\$250 MILLION IN DISLOCATED WORKER FUNDING.** In order to provide training to more dislocated workers, the Administration would increase funding for the dislocated worker program.
- The Administration will propose a \$50 million increase in JTPA Title III in our FY99 budget. Between FY99 and FY03, this expansion of dislocated worker funding would mean an additional \$250 million of resources for dislocated workers.
12. **\$500 MILLION IN WELFARE-TO-WORK TRANSPORTATION FUNDS.** The Administration requested \$100 million for an unspecified number of projects. The initial House bill provided \$42 million for 10 projects. The Senate transit legislation reported by the Banking Committee fully funds the President's request. To help move people from welfare-to-work, the Administration will continue working to secure full funding for welfare-to-work transportation funds.
- The Administration will work to ensure that welfare-to-work transportation funds receive \$500 million over the next five years.
13. **PERMIT STATES TO SET ASIDE ON-THE-JOB TRAINING POSITIONS FOR WELFARE RECIPIENTS AND EZ/EC RESIDENTS ON FEDERALLY-FUNDED HIGHWAY PROJECTS.** The Administration would work to permit states to set aside on-the-job training positions for welfare recipients and residents of EZ/ECs on Federally-funded highway projects. This NEXTEA provision is not included as proposed in either the House or Senate transportation bills, although the House bill does include a preference for welfare recipients.
- The annual cost of this proposal is zero.
14. **\$250 MILLION TO OPEN ADDITIONAL JOBCORPS CENTERS AND IMPROVE EXISTING ONES.** JobCorps centers provide basic education, training, work experience, and other support to economically disadvantaged youth typically from debilitating environments. The Administration would propose to increase funding for JobCorps so that additional centers could be opened and existing centers could be improved.
- The Administration would propose a \$50 million increase in JobCorps funding -- over five years, that's an additional \$250 million.

15. **\$225 MILLION FOR CDFIs TO EXPAND THE AVAILABILITY OF CREDIT IN DISTRESSED URBAN AND RURAL AREAS.** The Community Development Financial Institution (CDFI) fund is designed to expand the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. The Administration requested \$125 million for CDFIs, but the Treasury-Postal conference report provided \$80 million for FY98.

- The Administration will propose a \$45 million increase over the conference report in our next budget -- that's \$225 million over five years for CDFIs.

Border - 2.5m + 2m Corridor BRT, 10m wide

Work print - F.A

7 Possible

Overall layout

N. Arch
on
Pine B.R.F.

① Look for \$8-10 m. ill.

② Dot if you project -- we
will be \$8-10 m. ill.

Border in F + Corridor

entirely right
+ States work out in Corridor

③ Project for Utah

Good Project: EPA sign

Use river for

DECC

- we will really sign

1 of 5 members

\$65 m. ill.

1st Plan

Good Project

Low incl. of F799 B.H.

Let Bank in this

- [Needs to be approved]

[Colonias Int] (Work with Rules)

~~Spent 6 months~~

NAD Bank

③

NBC

help

Apple met

Part of Labor
spokes: 1/2 So. Tex. C.

engage like concepts

Dr. Reed Oetle

idea of
Lith. 7m
hot ring

pasture

Woodhouse
Adm. Cmt

THE WHITE HOUSE
WASHINGTON

October 7, 1997

Congressman Xavier Becerra
House of Representatives
Washington, D.C. 20515

Dear Congressman Becerra:

Please find attached a 9-point action plan to improve the North American Development Bank (NADBank) Community Adjustment and Investment Program (CAIP). As you will see, the first 4 action items respond directly to the recommendations that Deirdre Martinez outlined in her fax of October 6, 1997. In combination, the proposed actions would result in a nearly 170 percent expansion of CAIP resources and a significant strengthening of the current program.

I look forward to discussing these proposals with you later today.

Sincerely yours,

Gene B. Sperling
Assistant to the President
for Economic Policy

9-POINT ACTION PLAN TO IMPROVE NADBANK CAIP

- I. Leveraging Federal Programs:** To provide maximum leverage for every dollar spent, the North American Development Bank (NADBank) Community Adjustment and Investment Program (CAIP) should take advantage of all existing federal direct lending and loan guarantee programs related to job creation and economic and community development.
- The White House (National Economic Council and Office of Management and Budget) will coordinate with senior Administration officials to compile an inventory of federal programs that address job creation and community development.
 - The CAIP Presidential Advisory Committee will hold a public meeting to review this inventory and solicit recommendations from community members.
 - The Finance Committee will investigate the potential of each such program to achieve CAIP's mission, and establish an indirect lending relationship where the potential is high.
- II. Direct Lending Criteria:** To ensure that the CAIP criteria for direct lending are well developed and widely disseminated, the CAIP will work to refine the criteria of the direct lending program to better address community needs and disseminate them widely through a variety of media. The direct lending guidelines should be formulated with sufficient flexibility to permit the CAIP to use innovative collateral structures to extend loans for projects that are creditworthy but outside the standard guidelines of banks and other commercial institutions.
- The Presidential Advisory Committee will hold a public meeting to solicit input on the direct lending criteria. The Finance Committee will work with the professional NADBank staff to ensure these criteria are formulated to be responsive to community needs.
 - CAIP staff will work to establish a Web Site that will make widely available detailed explanations of the direct lending criteria and application forms in both English and Spanish. CAIP will aim to have a prototype up and running by the end of the year.

October 7, 1997; 9 am

III. Grantmaking Authority: To address the need for grantmaking authority, the operating guidelines of the CAIP must be amended. The effectiveness of the CAIP could be significantly enhanced by enabling it to provide a combination of loans and grants, permitting more affordable financing for business development in trade-impacted communities.

- The Department of the Treasury will amend its agreement with NADBank to provide the CAIP with grantmaking authority. The Finance Committee would seek approval for this new facility from the NADBank Board of Directors, if this approval were deemed necessary.
- The Los Angeles CAIP will be provided with the resources and authority to make matching grants to eligible applicants, in connection with direct loans and indirect loans through participating federal programs. CAIP could provide grants as a form of credit enhancement or equity contribution. New grantmaking authority would require new funding in an amount equivalent to the CAIP's current direct lending program.

IV. Puerto Rico Eligibility: Efforts must be made to permit communities within the Commonwealth of Puerto Rico that have been adversely impacted by trade and production shifts associated with NAFTA to access CAIP resources.

- In October 1997, the CAIP Finance Committee will develop a marketing plan identifying the appropriate authorities and community development organizations in Puerto Rico that should be provided with extensive information about CAIP eligibility requirements and programs.
- CAIP staff will work directly with Department of Labor (DOL) and Economic Development Administration (EDA) staff to identify communities in Puerto Rico that may be eligible for assistance through CAIP as well as through NAFTA Transitional Adjustment Assistance (TAA) and EDA.
- In eligible communities, CAIP is prepared to hold round tables with community groups, bankers, elected officials, and community leaders to market the program.

- V. **Micro-Lending Program:** Meetings with workers groups such as La Mujer Obrera have underscored the importance of micro-lending programs to address the specialized needs of dislocated workers. Working through existing federal programs and direct loans, the CAIP would expand its activities to provide micro-loans to encourage small start-ups and microeconomic development.
- The Finance Committee will examine the prerequisites for establishing such a program for dislocated workers, working with existing micro-lending programs.
 - Additional funding of \$1 million would be used to provide micro-loans.
- VI. **Expand CAIP Staffing:** Additional CAIP staff will be required to administer the expansion of CAIP programs and authority. At a cost of \$1 million over four years, the number of professional staff could be doubled, greatly expanding the capacity for outreach, technical assistance and loan assessments.
- VII. **Expand Finance Committee to Improve Coordination:** To ensure high-level coordination with NAFTA-TAA and EDA, the membership of the NADBank CAIP Finance Committee will be expanded to include representatives from the Departments of Labor and Commerce. This group will meet as frequently as once a week for the next six months to provide oversight to the CAIP, including determinations of community eligibility and loan approvals.
- VIII. **Provide Technical Assistance:** Trade-impacted communities are in need of significant technical assistance to develop strategic plans to help identify opportunities and attract investment. For a cost of \$8 million over four years, CAIP could provide such assistance to eligible communities, working closely with EDA.
- IX. **Expand Direct Lending:** The direct lending program allows the CAIP to assist a wide range of commercial and nonprofit borrowers who would otherwise lack access to commercial lending institutions. This program allows loans to be extended directly or used for innovative credit enhancements through intermediaries such as establishing loan loss reserves or taking a "first loss" position on a participated loan. The direct lending program, which is currently funded at \$7 million, could benefit from an expansion of \$20 million over four years.

CAIP Grants - Grant d.m.

MOU ~~7m~~
7m + CAIP

2 NAD B & L + ~~Fed Grant~~
^{Power mg + Fed Gs}

COFZ
22 m. l.k.

220

⁵
Our paid is ~~cpd~~ ~~7m~~

~~Ante~~
(grants to land) Pool

- ① Case ① Start with tax cuts + public school
② Limit price till 2005 + limit only govt
~~But they stop~~

Issue + Repl it

Hybrid low to low govt :

Number :

THE WHITE HOUSE
WASHINGTON

October 7, 1997

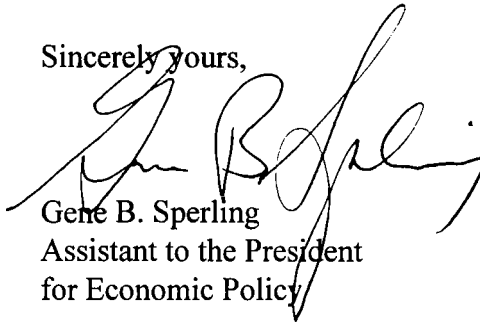
Congressman Xavier Becerra
House of Representatives
Washington, DC 20515

Dear Congressman Becerra:

Please find attached a revised version of our 12-point action plan to cover secondary workers and improve Trade Adjustment Assistance. This revised proposal addresses each of the nine changes that Deirdre requested in her memo of October 6. I believe that this package of proposals would go a long way to helping trade-impacted workers make the transition from one job to another.

I look forward to talking with you later today.

Sincerely yours,



Gene B. Sperling
Assistant to the President
for Economic Policy

12-POINT ACTION PLAN TO COVER SECONDARY WORKERS AND EXPAND AND IMPROVE TAA

\$455 MILLION OVER FIVE YEARS FOR SECONDARY WORKERS:

- I. \$200 MILLION OVER FIVE YEARS IN SECRETARY'S DISCRETIONARY FUND EARMARKED FOR SECONDARY WORKERS.** In conjunction with the passage of fast track authority, the Department of Labor will issue a Statement of Administrative Action extending the Secretary's discretionary authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. To ensure that adequate funding is available the Secretary of Labor will fence off \$200 million over the next five years to ensure job training and income support for secondary workers.
- II. \$250 MILLION IN DISLOCATED WORKER FUNDING EARMARKED TO SECONDARY WORKERS.** The Administration will propose a \$50 million increase in JTPA Title III in our FY99 budget and will earmark this money to help secondary workers receive the job training and income support they need and deserve. Between FY99 and FY03, this expansion of dislocated worker funding for secondary workers would mean an additional \$250 million of resources. As with Action Item #1, this proposal would serve secondary workers affected by trade.
 - In addition to basic education, training and income support, the \$455 million over five years the Administration will spend on secondary workers will be used to develop better approaches to serving special targeted groups. These grants will be flexible, customized and aimed at filling in the gaps in our training system. Cities, states and local non-profit groups will participate in developing innovating new approaches. For example:
 - The Department will develop a competitive demonstration program to better develop bilingual and literacy training strategies, and contextual learning strategies which incorporate language skills into job training programs and have been shown to be effective. This demonstration program would fund 5 projects -- similar to the CET model -- of \$2 million each from FY97 funds. The awards would be given by March 1998 and providers would be in place by June 1998.
 - The Department will also plan to leverage these grants to support and complement other federal, state and local efforts for economic development and community adjustment.

III. CLARIFY THAT SECONDARY FIRMS CAN BE CERTIFIED FOR TAA/NAFTA-TAA EVEN IF PRIMARY FIRM IS NOT CERTIFIED. Some have expressed concern that secondary firms were being denied benefits because the relevant primary firm had not obtained certification. There are cases when the primary firm does not go through the certification process, but the secondary firm is adversely impacted from trade. Therefore, the Secretary of Labor will clarify that secondary firms -- adversely affected as a result of business lost with a primary firm -- can be certified for TAA or NAFTA-TAA, even if the primary firm is not certified.

- In order to certify these firms, the Labor Department will need to do broader, two-tiered investigations. This will cost an estimated \$5 million over five years.

INFORMATION CAMPAIGN TO INCREASE TAKE-UP RATE OF SECONDARY WORKERS:

IV. LABOR DEPARTMENT GUIDELINES TO STATES TO URGE THEM TO FIND OUT INFORMATION ABOUT SECONDARY FIRMS. The best way for the Labor Department to find secondary workers is to start with the primary firm and work outwards. By December 1997, the Labor Department's Employment Training Administration will issue guidelines to the states requesting that they seek information from primary firms about their suppliers during or immediately following the certification process. This information will form the basis for a systemic effort to identify and locate potentially eligible secondary workers.

V. ISSUE GUIDELINES TO TAKE A PROACTIVE STANCE AND CONTACT SECONDARY FIRMS POTENTIALLY IMPACTED BY LOSS OF BUSINESS. By December 1997, the Labor Department will issue a set of guidelines so that direct contact with potentially eligible secondary firms and their workers is made. The Labor Department will also disseminate fact sheets and posters to these secondary businesses, and will make information available to personnel offices. The Labor Department will also set up a bilingual web site to help contact secondary workers.

VI. PUBLIC SERVICE CAMPAIGN IN ENGLISH AND SPANISH ABOUT THE BENEFITS SECONDARY WORKERS CAN RECEIVE. In order to increase the take-up rate among secondary workers, the Labor Department would run a public education campaign using public service announcements in English and Spanish in trade-impacted areas. Specifications for the bidding process will be in place by December 1997 and the competition will begin soon thereafter. In seeking bids for the project, the Department will include in the specifications a requirement that the firm have experience with the Hispanic media in the region and will ask bidding firms to submit evidence of prior successful public education campaigns. National Economic Advisor Sperling and Secretary of Labor Herman will choose two staff members to monitor the Department's activity in implementing this campaign. (Anne Lewis, Special Assistant to the President for Economic Policy and former Assistant Secretary of Labor for Public Affairs, will be the NEC's representative.)

VII. DISTRIBUTE INFORMATION ON BENEFITS AVAILABLE TO SECONDARY WORKERS AT UNEMPLOYMENT OFFICES. The Labor Department will distribute information to State Employment Service Offices where workers go to file unemployment benefits.

- This information campaign will increase the take-up rate among secondary workers. Outreach efforts can successfully reach many workers who are not, but should be, receiving job training and income support. The resulting increased case load will require 4-5 FTEs, at a cost of \$2 million over five years.

EXPAND AND IMPROVE TAA:

VIII. ISSUE GUIDELINES URGING STATES TO GIVE WORKERS 30 DAY EXTENSION IF THEY ARE RECEIVING REMEDIAL EDUCATION. While the 6/16 requirement -- that is, the requirement that certified workers enroll in training by their 16th week on unemployment insurance, or enroll in training by their 6th week after being certified under NAFTA/TAA -- is statutory and can not be changed administratively, the Labor Department will issue guidelines to the states requesting that they provide 30 additional days for dislocated workers who are receiving English as a second language (ESL) or another form of remedial education to get into training. The statutory language gives certified workers up to 30 additional days on the 6/16 requirement if there are "extenuating circumstances" that do not allow them to be in training by the specified time periods. The Labor Department guidelines will state the ESL or other remedial education programs classify as "extenuating circumstances."

IX. CUT CERTIFICATION TIMES BY ONE-THIRD. In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days. See attached time lines for changes in certification process.

- Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be \$2.5 to \$3 million over five years.

X. IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS. The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data -- including, for example, age, gender, family status, work experience, pre- and post-training wage levels, education levels, type of service received, ethnicity -- for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

- These performance measures can be accomplished within current administrative cost and program budget limitations.

XI. CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT. DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

- The Administration would propose \$10 million per year -- or \$50 million over five years -- for funding this coordinating body, which would require approximately 8 FTEs.

XII. AN ADMINISTRATION COMMITMENT TO WORKING WITH CONGRESS TO ENSURE FUNDING IS APPROPRIATED. National Economic Advisor Sperling will coordinate a quarterly meeting between the relevant Administration representatives and Congressman Becerra and other Members of Congress. The purpose of this quarterly meeting would be to evaluate the progress of the Administration's efforts to help trade-impacted workers and regions. Moreover, the Administration's commitment to ensure that funding for trade-impacted workers is achieved would be made: first, in the President's FY99 budget, and second, in writing at the time of the Appropriations process.

THE WHITE HOUSE
WASHINGTON

October 7, 1997

Congressman Xavier Becerra
House of Representatives
Washington, DC 20515

Dear Congressman Becerra:

Please find attached a revised version of our 12-point action plan to cover secondary workers and improve Trade Adjustment Assistance. This revised proposal addresses each of the nine changes that Deirdre requested in her memo of October 6. I believe that this package of proposals would go a long way to helping trade-impacted workers make the transition from one job to another. I hope that you agree and are satisfied with the revised plan.

I look forward to working with you on this issue, as we ensure that TAA works better, while we provide job training and income support to secondary workers.

Sincerely yours,

Gene B. Sperling
Assistant to the President
for Economic Policy

12-POINT ACTION PLAN TO COVER SECONDARY WORKERS AND EXPAND AND IMPROVE TAA

\$455 MILLION OVER FIVE YEARS FOR SECONDARY WORKERS:

- I. \$200 MILLION OVER FIVE YEARS IN SECRETARY'S DISCRETIONARY FUND EARMARKED FOR SECONDARY WORKERS.** In conjunction with the passage of fast track authority, the Department of Labor will issue a Statement of Administrative Action extending the Secretary's discretionary authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. To ensure that adequate funding is available the Secretary of Labor will fence off \$200 million over the next five years to ensure job training and income support for secondary workers.
- II. \$250 MILLION IN DISLOCATED WORKER FUNDING EARMARKED TO SECONDARY WORKERS.** The Administration will propose a \$50 million increase in JTPA Title III in our FY99 budget and will earmark this money to help secondary workers receive the job training and income support they need and deserve. Between FY99 and FY03, this expansion of dislocated worker funding for secondary workers would mean an additional \$250 million of resources. As with Action Item #1, this proposal would serve secondary workers affected by trade.
 - In addition to basic education, training and income support, the \$455 million over five years the Administration will spend on secondary workers will be used to develop better approaches to serving special targeted groups. These grants will be flexible, customized and aimed at filling in the gaps in our training system. Cities, states and local non-profit groups will participate in developing innovating new approaches. For example:
 - The Department will develop a competitive demonstration program to better develop bilingual and literacy training strategies, and contextual learning strategies which incorporate language skills into job training programs and have been shown to be effective. This demonstration program would fund 5 projects -- similar to the CET model -- of \$2 million each from FY97 funds. The awards would be given by March 1998 and providers would be in place by June 1998.
 - The Department will also plan to leverage these grants to support and complement other federal, state and local efforts for economic development and community adjustment.

III. CLARIFY THAT SECONDARY FIRMS CAN BE CERTIFIED FOR TAA/NAFTA-TAA EVEN IF PRIMARY FIRM IS NOT CERTIFIED. Some have expressed concern that secondary firms were being denied benefits because the relevant primary firm had not obtained certification. There are cases when the primary firm does not go through the certification process, but the secondary firm is adversely impacted from trade. Therefore, the Secretary of Labor will clarify that secondary firms -- adversely affected as a result of business lost with a primary firm -- can be certified for TAA or NAFTA-TAA, even if the primary firm is not certified.

- In order to certify these firms, the Labor Department will need to do broader, two-tiered investigations. This will cost an estimated \$5 million over five years.

INFORMATION CAMPAIGN TO INCREASE TAKE-UP RATE OF SECONDARY WORKERS:

- IV. LABOR DEPARTMENT GUIDELINES TO STATES TO URGE THEM TO FIND OUT INFORMATION ABOUT SECONDARY FIRMS.** The best way for the Labor Department to find secondary workers is to start with the primary firm and work outwards. By December 1997, the Labor Department's Employment Training Administration will issue guidelines to the states requesting that they seek information from primary firms about their suppliers during or immediately following the certification process. This information will form the basis for a systemic effort to identify and locate potentially eligible secondary workers.
- V. ISSUE GUIDELINES TO TAKE A PROACTIVE STANCE AND CONTACT SECONDARY FIRMS POTENTIALLY IMPACTED BY LOSS OF BUSINESS.** By December 1997, the Labor Department will issue a set of guidelines so that direct contact with potentially eligible secondary firms and their workers is made. The Labor Department will also disseminate fact sheets and posters to these secondary businesses, and will make information available to personnel offices. The Labor Department will also set up a bilingual web site to help contact secondary workers.
- VI. PUBLIC SERVICE CAMPAIGN IN ENGLISH AND SPANISH ABOUT THE BENEFITS SECONDARY WORKERS CAN RECEIVE.** In order to increase the take-up rate among secondary workers, the Labor Department would run a public education campaign using public service announcements in English and Spanish in trade-impacted areas. Specifications for the bidding process will be in place by December 1997 and the competition will begin soon thereafter. In seeking bids for the project, the Department will include in the specifications a requirement that the firm have experience with the Hispanic media in the region and will ask bidding firms to submit evidence of prior successful public education campaigns. National Economic Advisor Sperling and Secretary of Labor Herman will choose two staff members to monitor the Department's activity in implementing this campaign. (Anne Lewis, Special Assistant to the President for Economic Policy and former Assistant Secretary of Labor for Public Affairs, will be the NEC's representative.)

VII. DISTRIBUTE INFORMATION ON BENEFITS AVAILABLE TO SECONDARY WORKERS AT UNEMPLOYMENT OFFICES. The Labor Department will distribute information to State Employment Service Offices where workers go to file unemployment benefits.

- This information campaign will increase the take-up rate among secondary workers. Outreach efforts can successfully reach many workers who are not, but should be, receiving job training and income support. The resulting increased case load will require 4-5 FTEs, at a cost of \$2 million over five years.

EXPAND AND IMPROVE TAA:

VIII. ISSUE GUIDELINES URGING STATES TO GIVE WORKERS 30 DAY EXTENSION IF THEY ARE RECEIVING REMEDIAL EDUCATION. While the 6/16 requirement -- that is, the requirement that certified workers enroll in training by their 16th week on unemployment insurance, or enroll in training by their 6th week after being certified under NAFTA/TAA -- is statutory and can not be changed administratively, the Labor Department will issue guidelines to the states requesting that they provide 30 additional days for dislocated workers who are receiving English as a second language (ESL) or another form of remedial education to get into training. The statutory language gives certified workers up to 30 additional days on the 6/16 requirement if there are "extenuating circumstances" that do not allow them to be in training by the specified time periods. The Labor Department guidelines will state the ESL or other remedial education programs classify as "extenuating circumstances."

IX. CUT CERTIFICATION TIMES BY ONE-THIRD. In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days. See attached time lines for changes in certification process.

- Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be \$2.5 to \$3 million over five years.

X. IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS. The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data -- including, for example, age, gender, family status, work experience, pre- and post-training wage levels, education levels, type of service received, ethnicity -- for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

- These performance measures can be accomplished within current administrative cost and program budget limitations.

XI. CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT. DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

- The Administration would propose \$10 million per year -- or \$50 million over five years -- for funding this coordinating body, which would require approximately 8 FTEs.

XII. AN ADMINISTRATION COMMITMENT TO WORKING WITH CONGRESS TO ENSURE FUNDING IS APPROPRIATED. National Economic Advisor Sperling will coordinate a quarterly meeting between the relevant Administration representatives and Congressman Becerra and other Members of Congress. The purpose of this quarterly meeting would be to evaluate the progress of the Administration's efforts to help trade-impacted workers and regions. Moreover, the Administration's commitment to ensure that funding for trade-impacted workers is achieved would be made: first, in the President's FY99 budget, and second, in writing at the time of the Appropriations process.

THE WHITE HOUSE
WASHINGTON

October 7, 1997

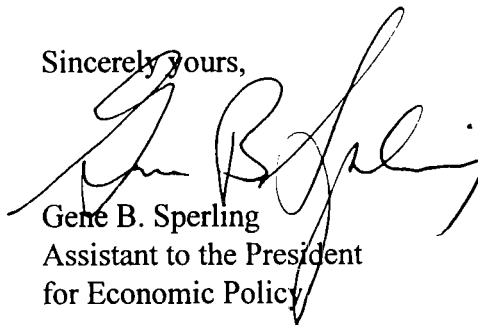
Congressman Xavier Becerra
House of Representatives
Washington, DC 20515

Dear Congressman Becerra:

Please find attached a revised version of our 12-point action plan to cover secondary workers and improve Trade Adjustment Assistance. This revised proposal addresses each of the nine changes that Deirdre requested in her memo of October 6. I believe that this package of proposals would go a long way to helping trade-impacted workers make the transition from one job to another.

I look forward to talking with you later today.

Sincerely yours,



Gene B. Sperling
Assistant to the President
for Economic Policy

12-POINT ACTION PLAN TO COVER SECONDARY WORKERS AND EXPAND AND IMPROVE TAA

\$455 MILLION OVER FIVE YEARS FOR SECONDARY WORKERS:

- I. \$200 MILLION OVER FIVE YEARS IN SECRETARY'S DISCRETIONARY FUND EARMARKED FOR SECONDARY WORKERS.** In conjunction with the passage of fast track authority, the Department of Labor will issue a Statement of Administrative Action extending the Secretary's discretionary authority to use JTPA Title III funds to serve secondary workers in firms doing business with primary firms eligible for or certified for TAA. To ensure that adequate funding is available the Secretary of Labor will fence off \$200 million over the next five years to ensure job training and income support for secondary workers.

- II. \$250 MILLION IN DISLOCATED WORKER FUNDING EARMARKED TO SECONDARY WORKERS.** The Administration will propose a \$50 million increase in JTPA Title III in our FY99 budget and will earmark this money to help secondary workers receive the job training and income support they need and deserve. Between FY99 and FY03, this expansion of dislocated worker funding for secondary workers would mean an additional \$250 million of resources. As with Action Item #1, this proposal would serve secondary workers affected by trade.
 - In addition to basic education, training and income support, the \$455 million over five years the Administration will spend on secondary workers will be used to develop better approaches to serving special targeted groups. These grants will be flexible, customized and aimed at filling in the gaps in our training system. Cities, states and local non-profit groups will participate in developing innovating new approaches. For example:
 - The Department will develop a competitive demonstration program to better develop bilingual and literacy training strategies, and contextual learning strategies which incorporate language skills into job training programs and have been shown to be effective. This demonstration program would fund 5 projects -- similar to the CET model -- of \$2 million each from FY97 funds. The awards would be given by March 1998 and providers would be in place by June 1998.
 - The Department will also plan to leverage these grants to support and complement other federal, state and local efforts for economic development and community adjustment.

III. CLARIFY THAT SECONDARY FIRMS CAN BE CERTIFIED FOR TAA/NAFTA-TAA EVEN IF PRIMARY FIRM IS NOT CERTIFIED. Some have expressed concern that secondary firms were being denied benefits because the relevant primary firm had not obtained certification. There are cases when the primary firm does not go through the certification process, but the secondary firm is adversely impacted from trade. Therefore, the Secretary of Labor will clarify that secondary firms -- adversely affected as a result of business lost with a primary firm -- can be certified for TAA or NAFTA-TAA, even if the primary firm is not certified.

- In order to certify these firms, the Labor Department will need to do broader, two-tiered investigations. This will cost an estimated \$5 million over five years.

INFORMATION CAMPAIGN TO INCREASE TAKE-UP RATE OF SECONDARY WORKERS:

IV. LABOR DEPARTMENT GUIDELINES TO STATES TO URGE THEM TO FIND OUT INFORMATION ABOUT SECONDARY FIRMS. The best way for the Labor Department to find secondary workers is to start with the primary firm and work outwards. By December 1997, the Labor Department's Employment Training Administration will issue guidelines to the states requesting that they seek information from primary firms about their suppliers during or immediately following the certification process. This information will form the basis for a systemic effort to identify and locate potentially eligible secondary workers.

V. ISSUE GUIDELINES TO TAKE A PROACTIVE STANCE AND CONTACT SECONDARY FIRMS POTENTIALLY IMPACTED BY LOSS OF BUSINESS. By December 1997, the Labor Department will issue a set of guidelines so that direct contact with potentially eligible secondary firms and their workers is made. The Labor Department will also disseminate fact sheets and posters to these secondary businesses, and will make information available to personnel offices. The Labor Department will also set up a bilingual web site to help contact secondary workers.

VI. PUBLIC SERVICE CAMPAIGN IN ENGLISH AND SPANISH ABOUT THE BENEFITS SECONDARY WORKERS CAN RECEIVE. In order to increase the take-up rate among secondary workers, the Labor Department would run a public education campaign using public service announcements in English and Spanish in trade-impacted areas. Specifications for the bidding process will be in place by December 1997 and the competition will begin soon thereafter. In seeking bids for the project, the Department will include in the specifications a requirement that the firm have experience with the Hispanic media in the region and will ask bidding firms to submit evidence of prior successful public education campaigns. National Economic Advisor Sperling and Secretary of Labor Herman will choose two staff members to monitor the Department's activity in implementing this campaign. (Anne Lewis, Special Assistant to the President for Economic Policy and former Assistant Secretary of Labor for Public Affairs, will be the NEC's representative.)

VII. DISTRIBUTE INFORMATION ON BENEFITS AVAILABLE TO SECONDARY WORKERS AT UNEMPLOYMENT OFFICES. The Labor Department will distribute information to State Employment Service Offices where workers go to file unemployment benefits.

- This information campaign will increase the take-up rate among secondary workers. Outreach efforts can successfully reach many workers who are not, but should be, receiving job training and income support. The resulting increased case load will require 4-5 FTEs, at a cost of \$2 million over five years.

EXPAND AND IMPROVE TAA:

VIII. ISSUE GUIDELINES URGING STATES TO GIVE WORKERS 30 DAY EXTENSION IF THEY ARE RECEIVING REMEDIAL EDUCATION. While the 6/16 requirement -- that is, the requirement that certified workers enroll in training by their 16th week on unemployment insurance, or enroll in training by their 6th week after being certified under NAFTA/TAA -- is statutory and can not be changed administratively, the Labor Department will issue guidelines to the states requesting that they provide 30 additional days for dislocated workers who are receiving English as a second language (ESL) or another form of remedial education to get into training. The statutory language gives certified workers up to 30 additional days on the 6/16 requirement if there are "extenuating circumstances" that do not allow them to be in training by the specified time periods. The Labor Department guidelines will state the ESL or other remedial education programs classify as "extenuating circumstances."

IX. CUT CERTIFICATION TIMES BY ONE-THIRD. In order to cut the certification time from 60 days to 40 days, the Department of Labor will take the following four steps: (1) reduce investigator caseload to allow for more timely follow-up in obtaining relevant company and customer data; (2) develop an enhanced in-house system for tracking import trends and performing import-impact analysis; (3) reduce the amount of time from 21 to 14 days between the day the Labor Department requests and receive data from companies; and (4) reduce the length of the customer survey from 21 to 14 days. See attached time lines for changes in certification process.

- Technological improvements as well as possible staffing increases will allow the Department to assemble, review, and analyze investigative data and information in a more timely manner. The total cost for these improvements would be \$2.5 to \$3 million over five years.

X. IMPLEMENT PERFORMANCE MEASURES FOR TAA/NAFTA-TAA PROGRAMS. The Labor Department does not receive information on how workers do after they participate in either TAA or NAFTA-TAA programs. To ensure that the programs work effectively, the Labor Department is developing and implementing performance measures, and collecting outcome-based performance data -- including, for example, age, gender, family status, work experience, pre- and post-training wage levels, education levels, type of service received, ethnicity -- for workers who receive adjustment assistance. This will permit better tracking of TAA/NAFTA-TAA program effectiveness, and thus, improved outcomes for participants.

- These performance measures can be accomplished within current administrative cost and program budget limitations.

XI. CREATE COORDINATING BODY TO DEAL WITH TRADE ADJUSTMENT. DOD's Office of Economic Adjustment (OEA) was the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. Learning from the defense conversion experience, we would create an OEA-type body to coordinate the Administration's response to trade-impacted regions by working with Labor, Commerce, SBA, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop credible economic adjustment strategies. They also would bring the appropriate state, local and federal groups to the table to provide adequate resources for implementing plans. The expert staff at OEA could be detailed to this body to help trade-impacted regions and workers.

- The Administration would propose \$10 million per year -- or \$50 million over five years -- for funding this coordinating body, which would require approximately 8 FTEs.

XII. AN ADMINISTRATION COMMITMENT TO WORKING WITH CONGRESS TO ENSURE FUNDING IS APPROPRIATED. National Economic Advisor Sperling will coordinate a quarterly meeting between the relevant Administration representatives and Congressman Becerra and other Members of Congress. The purpose of this quarterly meeting would be to evaluate the progress of the Administration's efforts to help trade-impacted workers and regions. Moreover, the Administration's commitment to ensure that funding for trade-impacted workers is achieved would be made: first, in the President's FY99 budget, and second, in writing at the time of the Appropriations process.



Dorothy Robyn
09/30/97 10:11:47 AM

Record Type: Record

To: Gene B. Sperling/OPD/EOP

cc: Ann F. Lewis/WHO/EOP, Lael Brainard/CEA/EOP, Jonathan Orszag/OPD/EOP, Russell W. Horwitz/OPD/EOP

Subject: Trade & Community Economic Development Adjustment Initiative

Attached is a quick update of the community-adjustment proposal I wrote up last week but which you had not seen; it puts more flesh on the bones of OEA and EDA, which to me are the key to this approach. Based on our conversation of last evening, I will flesh out the OEA piece still more; expand on the NADBank component; and add in some of the other suggestions, such as additional Export Assistance Centers and expanded SBA assistance.

TRADE & COMMUNITY ECONOMIC ADJUSTMENT INITIATIVE

September 30, 1997

Background: The Administration has had considerable success in helping regions hurt by defense downsizing through its coordinated, community-based approach to providing economic adjustment assistance. Initially developed to respond to communities experiencing a military base closure, this approach has been used effectively as well in regions suffering from defense industry cutbacks. Three features distinguish the approach:

- ***Focus on community organization and planning:*** Staff from DoD's superb Office of Economic Adjustment intervene early to help a community organize itself and develop a credible economic adjustment strategy. In addition to providing generous planning grants, OEA staff help communities access other sources of federal assistance as well as state, local and private resources.
- ***Targeted support for implementation:*** Defense-impacted regions have received dedicated funds for worker training/assistance from the Department of Labor, and for economic development (primarily infrastructure grants and revolving loan funds) from Commerce's Economic Development Administration. Other sources of support include: DOT funds for converting military airports to civilian use, SBA loan guarantees, and competitively awarded R&D grants from DoD and elsewhere.
- ***Close interagency coordination:*** Although the NEC coordinates the Administration's defense economic adjustment *policy*, day-to-day implementation is coordinated through an interagency committee established in 1970 and formalized by executive order in 1992. OEA effectively chairs this group, and each OEA staffmember is responsible for coordinating with one or more participating agencies.

Proposal: Undertake a Trade & Community Economic Adjustment Initiative modeled after the Administration's defense economic adjustment effort. At a minimum, the initiative would a) establish a mechanism for better interagency coordination of trade adjustment assistance and b) detail OEA staff to the Department of Commerce and give them the resources to award planning grants and provide on-site expertise and help in accessing federal funds for implementing the adjustment plan. Existing programs such as EDA grants, SBA loan guarantees and NADBank would be part of any community-adjustment option. A more ambitious initiative would make additional, dedicated EDA resources available for trade-impacted communities.

- ***Interagency Coordination:*** Establish a President's Interagency Trade and Economic Adjustment Committee, chaired by the Secretaries of Commerce and Labor and staffed by OEA project managers on detail to and funded by the Commerce Department. (To avoid delay, this should be done by executive memorandum rather than EO.) The committee's mandate would be to improve outreach to and assistance for trade-impacted regions.

Planning Grants and Expertise to Help Communities Develop an Economic Adjustment Strategy: Provide funds to allow detailed OEA project managers to award planning grants and help trade-impacted communities bring the appropriate local groups to the table to develop a credible economic adjustment plan. Project managers also would help communities tap into federal funds for worker training, economic development and other implementation activities. (Estimated cost: \$10 million/year) [See OEA attachment for more detail.]

Targeted Support for Worker Training, Business Assistance and Economic Development: Trade-impacted communities currently can receive funds for economic adjustment activities under several programs dedicated to trade adjustment, including DOL's Trade Adjustment Assistance (TAA) and NAFTA-TAA programs; the North American Development Bank (NADBank); the Community Adjustment & Investment Program (CAIP); and Commerce's Trade Adjustment Assistance Centers (see program descriptions, attached).

Trade-impacted communities also can apply for EDA Title IX funds (technical assistance, revolving loan funds, infrastructure grants) and SBA loans and loan guarantees. EDA is the single most valuable source of federal assistance for implementing an economic development plan. However, EDA's funds (which have been critical to defense adjustment) are heavily oversubscribed.

Options: The Administration could pursue the Trade-Impacted Community Adjustment Initiative in one of three ways. The key difference has to do with the level of funding for EDA.

Option 1 would request no new funds for EDA; the Administration would simply try to do a better job of serving trade-impacted communities using existing resources (and the steps described in the first two bullets above).

A second option would be to give trade-impacted communities priority in the allocation of scarce economic development funds -- notably EDA Title IX funds.

A third option would be to request additional, **dedicated** EDA funds for trade-impacted communities. (Estimated cost: \$10-50M/year)

EDA's appropriators would oppose Option 2, as borrowing from Peter to pay Paul. Thus, realistically, the choice is between Options 1 and 3.

ATTACHMENTS

1. Office of Economic Adjustment
2. President's (Defense) Economic Adjustment Committee
3. Selected Program Descriptions
 - a. NADBank/CAIP
 - b. Trade Adjustment Assistance Centers
 - c. EDA economic adjustment programs
4. Details on Option 3 (EDA funds dedicated to trade economic adjustment)
 - a. Budget
 - b. Community Assistance Scenario
 - c. Communities Assisted per Year
5. Eligibility Criteria

Office of Economic Adjustment

A key ingredient in the Administration's successful defense economic adjustment strategy has been DoD's Office of Economic Adjustment. OEA was created in 1961 to help communities cope with military base closures, and that has been its traditional role. Typically, OEA helps communities organize a planning group, provides a planning grant, guides the group through government requirements for base closures, and helps it develop a "reuse" plan for redevelopment of the base.

With the end of the Cold War, OEA's responsibilities have expanded to include help for communities hit by closings and cutbacks of defense plants. For example, in St. Louis, where McDonnell Douglas laid off 30,000 workers, OEA was instrumental in helping the region develop a broad strategy for worker adjustment and firm diversification.

OEA's superb reputation is due to several factors:

- Intervention typically comes early, before serious impact has occurred;
- OEA staff catalyze a local, grassroots adjustment planning process, using planning grants as financial carrot to get all key stakeholders at the table;
- OEA's 30 project managers are economic adjustment experts, with skill at helping communities create an appropriate economic adjustment strategy or vision;
- OEA is at center of network of federal adjustment specialists, and skilled at helping communities tap into JTPA, EDA and other programs at the appropriate time.

Because OEA's focus is on the planning stage, it does a lot with relatively few resources: a single OEA project manager oversees 3-4 communities simultaneously. And planning grants (which are typically staggered over several years) are in the range of \$500,000-\$3 million per community.

As part of a Trade & Community Economic Adjustment Initiative, [6-8] OEA staff would be "detailed" (either physically or in a virtual sense) to the Department of Commerce. Although Commerce would host and pay for them, OEA staff would retain the key characteristics that make their organization so effective within DoD: small, flexible and with a focused mission on planning.

An individual project manager would handle 3-4 trade-impacted communities. Their major function would be to: make early and frequent site visits to trade-impacted communities; provide planning grants; using those grants as the carrot, bring the key local stakeholders to the table and help them develop a credible economic adjustment plan; assemble a federal team representing the agencies with resources appropriate to a particular community and (where desirable) bring the team to the community.

PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE AND DEFENSE ECONOMIC ADJUSTMENT PROGRAM

Introduction

On January 15, 1992, the President signed Executive Order (E.O.) 12788. This Order updates and replaces E.O. 12049. It reaffirms the President's Economic Adjustment Committee (EAC), established in 1970, and the Defense Economic Adjustment Program. It also incorporates statutory requirements for this Program.

Background

The Program was established in 1961 by the Secretary of Defense to help mitigate adverse effects of Defense closures and contract cutbacks. The Committee was first designated as the President's Interagency Economic Adjustment Committee in 1970 by an Executive Memorandum. This Committee and Program were subsequently formalized in 1978 under Executive Order 12049, "Defense Economic Adjustment Program," which broadened program support to include Defense expansion.

Composition

The Chair is the Secretary of Defense. The Vice Chair is the Assistant Secretary of Defense who oversees the Office of Economic Adjustment (OEA) which serves as the Committee staff. The Committee is presently composed of 23 Cabinet-level departments and agencies. Three levels of representation are:

Members - Department and agency heads. They meet at the discretion of the Chair. Also, they or their designee, formally identify the Members of the Advisory and Working Groups for their respective departments or agencies.

Advisory Group - Undersecretaries or their equivalent. They address policies peculiar to member departments and agencies and appropriate support to be given to the Defense economic adjustment program.

Working Group - Department and agency officials who can address the daily technical and program issues of the community Defense economic adjustment projects.

Committee Functions

Mandate - The Committee gives priority consideration to requests for Federal technical assistance, financial resources, excess or surplus property, and other requirements for communities adversely affected by Defense program changes. These changes include: military base closures and realignments, new military bases and expansions, and Defense contract reductions. Committee program support is also given to projects addressing the encroachment of incompatible development around military installations.

(over)

Benefits - The Committee and the affected community mutually benefit from their coordinated efforts. EAC assistance helps Defense impacted communities proceed quickly toward economic recovery. Member agency program objectives are attained through coordinated economic adjustment assistance programs.

Meetings - Normally, the Working Group meets to address the operational matters of the Defense economic adjustment program and individual community needs. They are apprised of current Defense impact situations and their support is requested.

Member and Advisory Group meetings are held when policy decisions are required, or immediate Committee support is needed to offset impacts caused by critical program changes.

Task Forces - When required, Committee task forces can be created to support major economic adjustment problems or new initiatives. Task forces may be organized at the headquarters level, but are more likely to be formed in the Federal regions.

A task force may be established on the recommendation of a member agency or by an OEA project manager with the concurrence of the OEA Director. Notification occurs through a memorandum from the Director to the appropriate Federal agencies at headquarters, requesting the designation of a point of contact to support the project. The memorandum includes a brief explanation of the need and expected agency participation level.

OEA Support to EAC And Defense EAP

Each member of the OEA staff is assigned to one or more EAC agencies for policy coordination and program liaison purposes. Each apprises the other of project support requirements or program funding potential.

OEA project managers identify, as early as possible, EAC support requirements. OEA transmits these requirements to the EAC for consideration in current and following year budgets.