THE SOUTHWEST BORDER REGION

Executive Summary

The focus of this analysis is the fifty-six-county region contiguous with the United States' southwestern border with Mexico. While important differences exist among the counties within this area, they also share a number of common features that substantially differentiate the Border region from the rest of the United States.

- The **population** in the Border region is growing twice as fast and is generally much younger and more heavily Hispanic than is typical throughout the United States.

- A higher concentration of this region's residents are **foreign-born** compared to the entire country and more of this region's residents **speak Spanish at home** than in the United States as a whole.

- **Unemployment** is higher in the Border region than in all but two states and a disproportionately large share of this region's residents are living in **poverty** compared to the entire country.

- **Per capita personal income** in the Border region lags that of the United States by more than 10 percent and **average annual pay** in the manufacturing sector, which usually exceeds the average compensation paid by other industries, is actually 2 percent *below* the very low average yearly pay in all of this region's private industries combined.

- Rates of **educational attainment** are alarmingly low in the Border region -- close to one-quarter of the adult population has not graduated from high school.

- Based on measures of unemployment and poverty, **fifty-three counties* in the Border region were categorized as "troubled". The gap between the Border and the United States is *even wider* for this subset.**

The immediate outlook for the Border region is not favorable, given the pervasiveness of poverty, general lack of formal education, and rapid pace at which the youngest and oldest segments of the Border's population is expanding. All of these factors are likely to place additional strain on government resources in the near future. The relatively low level of economic development that has occurred in this region also has serious implications for the law enforcement community, as a significant relationship has been shown to exist between economic condition and crime. Unless adequate steps are taken to alleviate the economic distress from which this region currently suffers, the Border will likely continue to pose significant enforcement resource issues for the government.

November 5, 1998

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*Three counties -- Orange County (CA), San Diego County (CA), and McMullen County (TX) -- were excluded based on the following economic criteria: the unemployment rate in 1997 was below the national rate of 5.0 percent, per capita personal income was close to or above the U.S. level of $24,436 in 1996, and the poverty rate was near or below the U.S. rate of 15.1 percent in 1993.

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Economic studies have shown that a strong link exists between the economic environment and crime. This finding has important implications for the Southwest Border Region, an area of the country plagued with high unemployment, widespread poverty, and low levels of educational achievement. The following paper provides a brief overview of the general conclusions that can be drawn from the economic literature on crime, followed by a detailed profile of the Southwest Border Region which includes a description of its people and its industry as well as the current state of its economy.

Economic Analysis of Crime

The economic discipline's analysis of crime emanates from the baseline perspective that crime can be modeled as a rational choice where an individual comparatively weighs the cost and benefits of his/her actions. The individual is assumed to be a rational utility maximizer who compares the probability of being caught, and the various costs and benefits of the crime, before making a decision. Sociologists and criminologists, in contrast, focus more on personal traits such as age, sex, race and intelligence, and environmental factors such as family background and community conditions, as determinants of criminal activity.

Starting in the late 1960's economists first formulated models of crime before subsequently proceeding to more empirical work. Studies focused on both economic conditions and deterrence variables. Many also incorporated personal trait variables, most notably age and race, into the rational choice framework. Although the studies yield a wide range of results, general conclusions can be drawn from the economic crime literature. (Refer to Appendix 1 for a more detailed description of this literature.)

- **Economic incentives** are important determinants of crime and crime can be treated as a **rational choice**.
- **Areas with high unemployment rates tend to have high crime rates** and unemployment rates are generally positively related to most types of crime.
- There is a **positive correlation between measures of income and crime rates**. Results for measures of income inequality and poverty are mixed, although empirical crime studies point to **a positive relationship between poverty measures and property crime**.
- **Deterrence lowers the expected return to criminal activity** and is therefore effective. In general, the greatest deterrent to criminal activity is the probability of getting caught, followed, to a lesser degree, by the probability and severity of punishment.

Hispanic Americans rises by almost one-third and the fraction of the population speaking Spanish at home increases to more than 40 percent. The average level of educational attainment plummets, the unemployment rate surges, per capita income falls by over 20 percent, and poverty rates climb even higher.

Characteristics of the Border Population

The Border region included 12.3 million of the nation's 267.3 million people in 1997 -- accounting for about 4-1/2 percent of the U.S. population. (Table 1, attached, shows details of the population.) The population of this area is greater than that of 61 other nations of the world.

- Among the Border's residents, nearly 7 million were located in California, 4 million in Texas, 1.1 million in Arizona, and just slightly more than 1/4 million in New Mexico.

- During the first seven years of the 1990's, the population of the Border region grew at a 2.0 percent annual rate, twice as fast as the population of the country as a whole, with gains ranging between 1.7 percent for the Border counties of California and 2.8 percent for New Mexico.

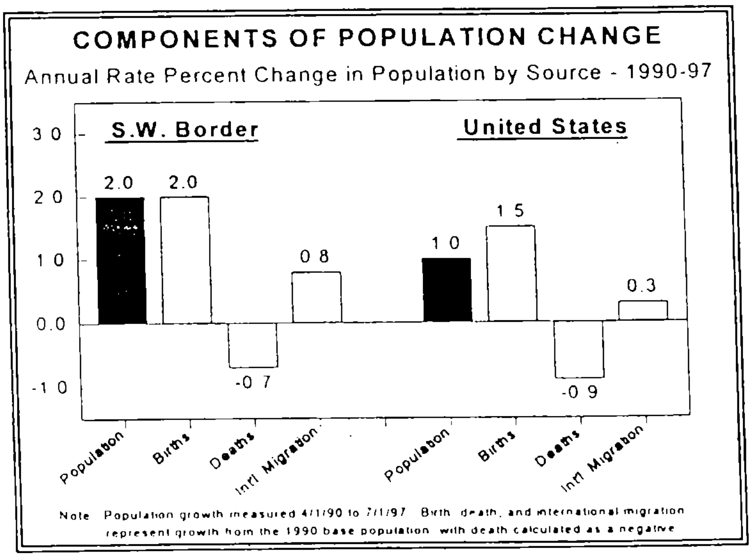

Figure 1

Faster population growth in the Border region reflects a higher birth rate, lower rate of death (since the Border population is relatively young) and greater international migration relative to the country as a whole, as shown in Figure 1.

- If the Southwest Border area were the 51st state[3], its **birth rate** of 18.2 per 1,000 people in 1997 would have been the second highest in the nation after Utah's 20.5 per 1,000 rate. Both far outpace the 14.6 per 1,000 U.S. rate.

- The Border's **death rate** of 6.7 per 1,000 in 1997 ranked 47th among the states.

- The **rate of international migration** for the Southwest Border of 7.7 per 1,000 in 1997 exceeded that of every State and was more than double the nation's rate of 3.1 per 1,000.

The **age profile** of the Southwestern Border population is generally younger than that of the nation as a whole. Just over 39 percent of the Border population is less than 25 years old (compared to 35 percent for the total United States). In the Texas and New Mexico Border areas, this group accounts for 42 percent or more of the population. The concentration of residents 65 years or older is also less in the Border region -- 11 percent of the population compared to 13 percent nationwide.

- More rapid population growth than for the nation as a whole extends across the age spectrum but is particularly significant for the youngest and oldest population groups (see Figure 2). These are the groups likely to rely the most on government resources including education, income maintenance, and health services, but usually contribute the least to the tax base.

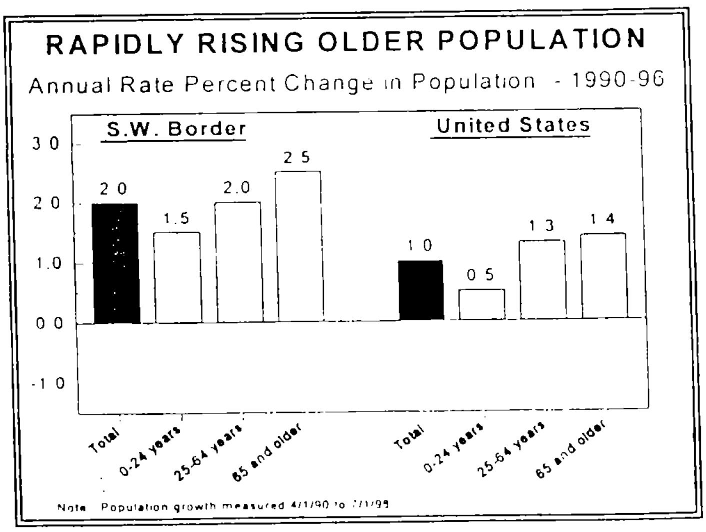

Figure 2

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[3]When comparing the Border region to the fifty states, the counties falling within the Border region were *not* excluded from their respective states due to difficulties encountered when trying to disaggregate the data

The region's historical links and proximity to Mexico have resulted in a high **concentration of Hispanic Americans** living in the Border area.

- Hispanic whites make up about 41 percent of the Border population -- far eclipsing the less than 10 percent of the population that they account for nationwide (see Figure 3).

  -- The aggregate of the Border area masks diverse patterns within States. Hispanic whites account for 27 percent of the population in the California Border region and about 30 percent in Arizona but 54 percent in New Mexico and nearly 68 percent in Texas.

  -- Recent trends suggest that the Hispanic share of the population in the Border region will continue to grow. From 1990 to 1996, the white Hispanic population expanded at a 3.8 percent annual rate, with growth rates for this group ranging from about 3 percent in New Mexico and Texas to 4.0 percent in Arizona and 4.6 percent in California.

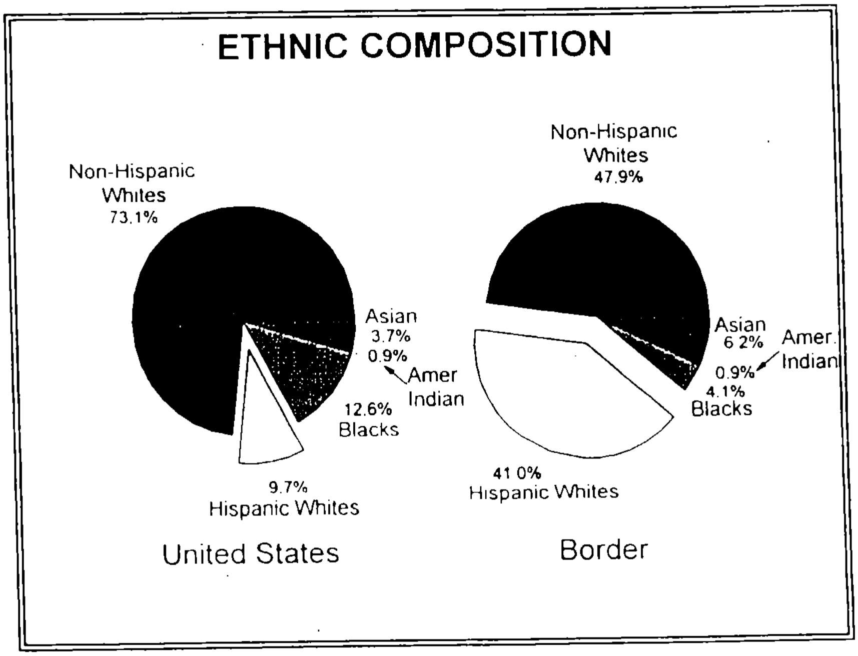

Figure 3

- The Border as a whole also has a higher proportion of people of **Asian and Pacific Island** backgrounds -- 6.2 percent of the population compared to 3.7 percent nationwide. This is entirely because of the influence of the large California area, where Asians account for nearly 10 percent of the population. Among the Border regions of the remaining three states, this group is less represented than in the nation as a whole

-- While small in proportion to the population for the Border areas other than California, the Asian population is growing even faster than that of Hispanics -- 4.6 percent compared to 3.8 percent. Rapid growth is occurring in each of the Border states.

Not only is the ethnic composition of the Border region vastly different than that of the entire United States, it also has a much higher share of the population that is **foreign-born.** The latest data are for 1990 and show that about 17 percent of the Border area's population was born outside of the United States -- more than double the nearly 8 percent for the nation as a whole (see Figure 4).

- While California has by far the largest foreign-born share of the population, other Border states have shares well above the average for the nation. Because of the rapid growth of immigration since 1990, it seems likely that these shares may have risen further.

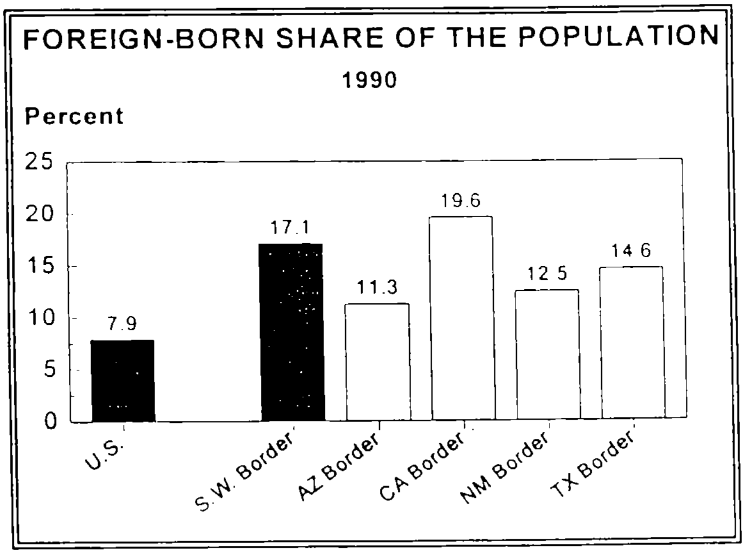

Figure 4

The importance of the foreign-born population and the heavily Hispanic concentration of the population have resulted in an unusually large share of the population **speaking a language other than English at home.** In 1990, fully 38 percent of the Border population spoke a foreign language in the home (see Figure 5), nearly triple the share averaged for the nation and ranking the Border region above any state. By far the greatest intensity of foreign language use was in the Texas Border region, where nearly 60 percent of the population spoke a foreign language -- predominantly Spanish (see Figure 6).

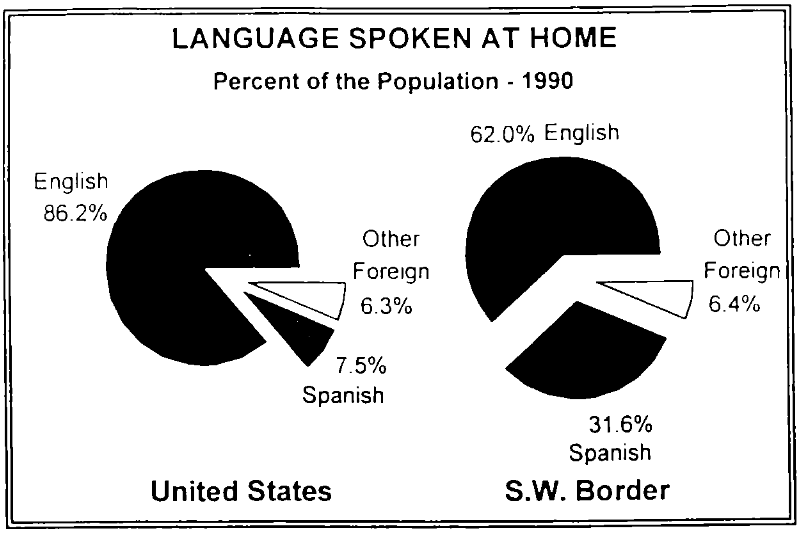

Figure 5

- Obscured by these compilations are areas of even greater foreign language use. In ten of Texas' forty-three Border counties, foreign languages were spoken in the home by more than 80 percent of the population, in one county in Arizona foreign language usage exceeded 75 percent and in one California county it reached nearly 64 percent. While many of these counties are quite small, the relative predominance of foreign language use can pose challenges especially in the areas of education and government administration, where English may be the only language used, but may not be well understood.

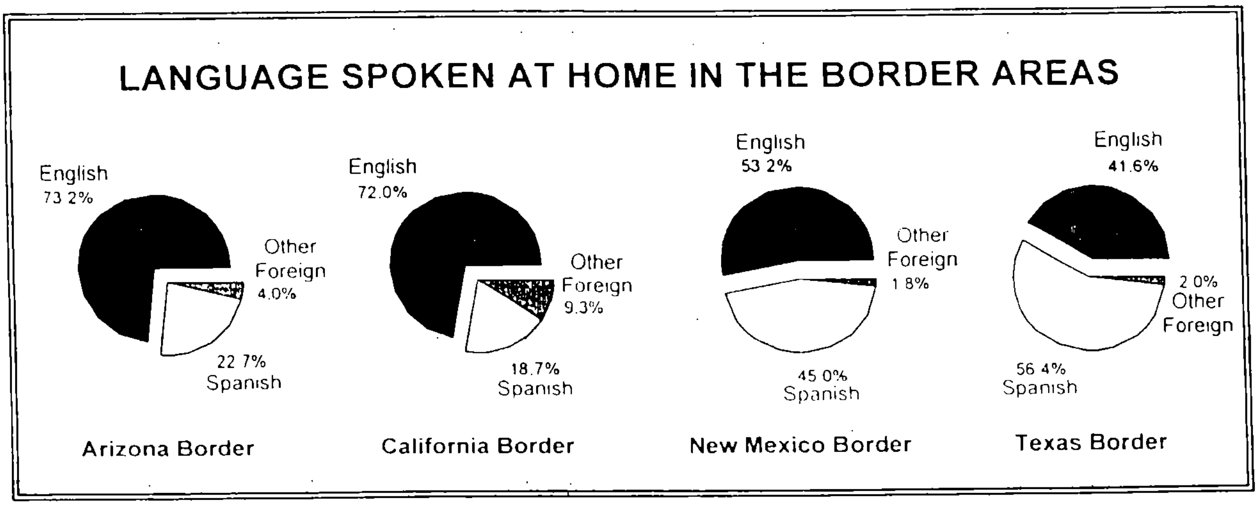

Figure 6

The Economic Situation Along the U.S.-Mexican Border

In general, the 12.3 million people who live and work in this fifty-six county area are less likely to be employed and tend to be poorer and less educated than the average American. The economy in this region varies, however, not only across the four state Border areas it includes but also between counties within those areas. (Most statistics referred to in the text that follows can be found in Table 2.)

- The four-county California Border area, which is home to nearly 60 percent of the Border region's residents, appears to be the most prosperous: the unemployment rate in 1997 was below the national average, per capita personal income exceeded the U.S. level and poverty was slightly less pervasive than it was across the entire country. Yet one county within that area, Imperial County, experienced double-digit unemployment and poverty rates, its per capita income was just two-thirds of the U.S. level and only about half of its residents have completed high school.

- The three remaining state Border areas provide a sharp contrast. Per capita income was significantly below the national level, poverty was more common, and unemployment exceeded the national average by more than 20 percentage points in some areas.

Services and Retail Trade Dominate the Border Region's Economy

In some respects, the industrial profile of the Border region is very similar to that of the nation as a whole. As the figure below indicates, the same broad sectors clearly dominate the economy in both the Border area and at the national level. Moreover the region's largest industry, services, employs virtually the same share of the total workforce as in the United States. Yet there also exist important differences. As Figure 7 also shows, the retail sector, which employs the second largest share of the workforce both along the Border and nationwide, appears to be slightly more important in the Border region than in the United States. In contrast, the manufacturing sector accounts for a much smaller share of overall employment in the Border region than in the country as a whole.

If Orange (CA), San Diego (CA), and McMullen (TX) counties are excluded, the industrial profile of the Border region is altered considerably: the services industry is still the dominant employer in the region, but the share of the labor force working in the retail sector jumps up to 26-1/2 percent --surpassing the U.S. share by 5-1/2 percentage points, and the share employed by the manufacturing sector plunges to 11.8 percent; the construction industry, which employs 6.3 percent of the Border area's labor force but only 5.0 percent of the national labor force, moves into fourth place; and the finance, insurance and real estate (FIRE) industries account for a smaller 5.9 percent share of total employment, compared with the nation's 7.0 percent share.

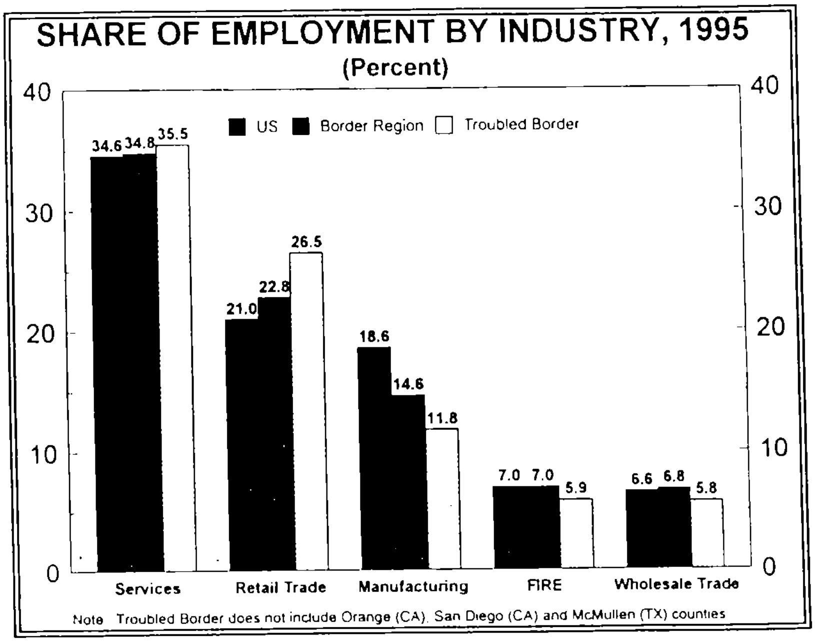

Figure 7

Border Residents Are More Likely Than Other Americans To Be Unemployed

In 1997, the rate of **unemployment** in the Border region was 6.5 percent, well above the 5.0 percent national unemployment rate and higher than in forty-eight states (including the four states which share the Border area). A much less favorable picture of the region's labor market emerges when one decomposes the region by state and county.

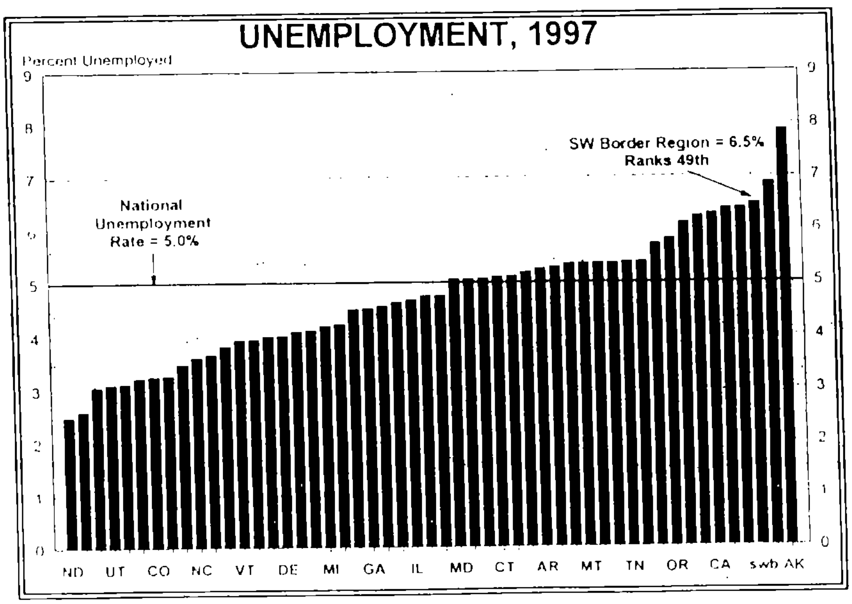

Figure 8

- The Arizona, New Mexico and Texas Border areas all recorded unemployment rates much higher than the national average, but together account for only 41 percent of the Border's total work force (see Figure 9).

- San Diego and Orange counties in California together account for almost half of the entire region's labor force. With their low unemployment rates (4.2 and 3.3 percent, respectively) and disproportionately large share of the Border's workers, they kept the rate for the entire Border region artificially low. If they are excluded[4], the unemployment rate for the Border region jumps from 6.5 to 8.9 percent.

- One-third of the counties within the Border region recorded unemployment rates *below* the national average (see lefthand panel of Figure 10), yet it is not unusual to find these communities enveloped by counties with double-digit rates of unemployment.

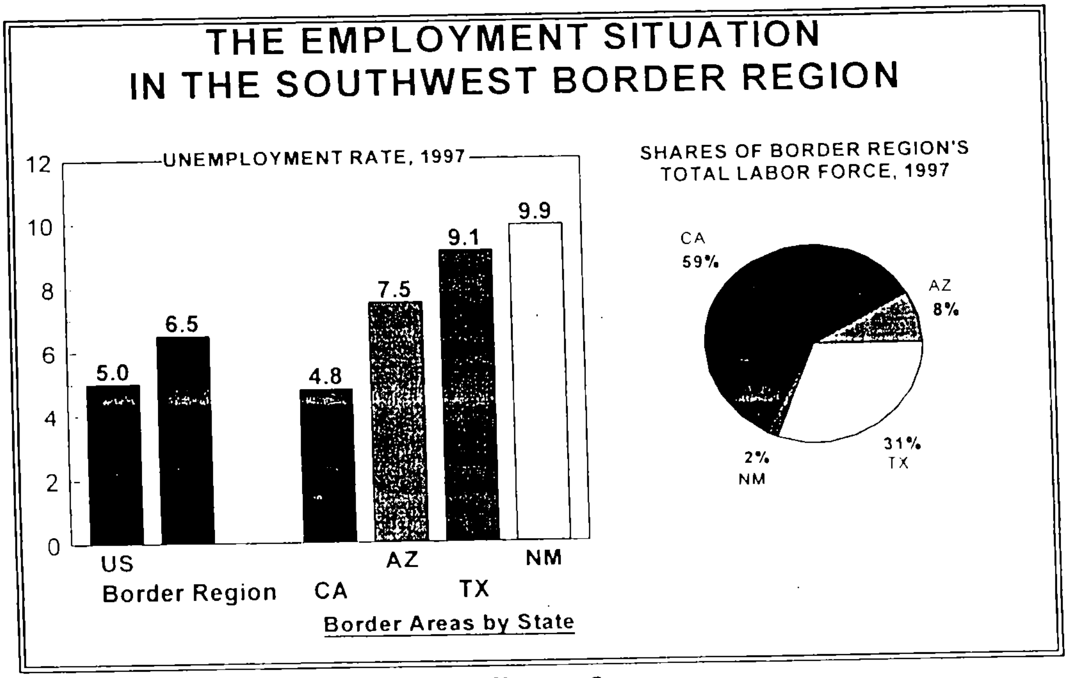

Figure 9

[4]McMullen County in Texas, which also has very low unemployment but accounts for only a negligible share of the Border's labor force, was also dropped.

Poverty Is A Way of Life for Many in the Southwest Border Region

Despite intermittent pockets of low unemployment, **poverty** appears to be a way of life for a disproportionately high number of this area's residents. As the lefthand panel of Figure 10 indicates, all but four of the Border region's fifty-six counties registered poverty rates above the 15.1 percent national average in 1993 (the latest year for which these data are available).

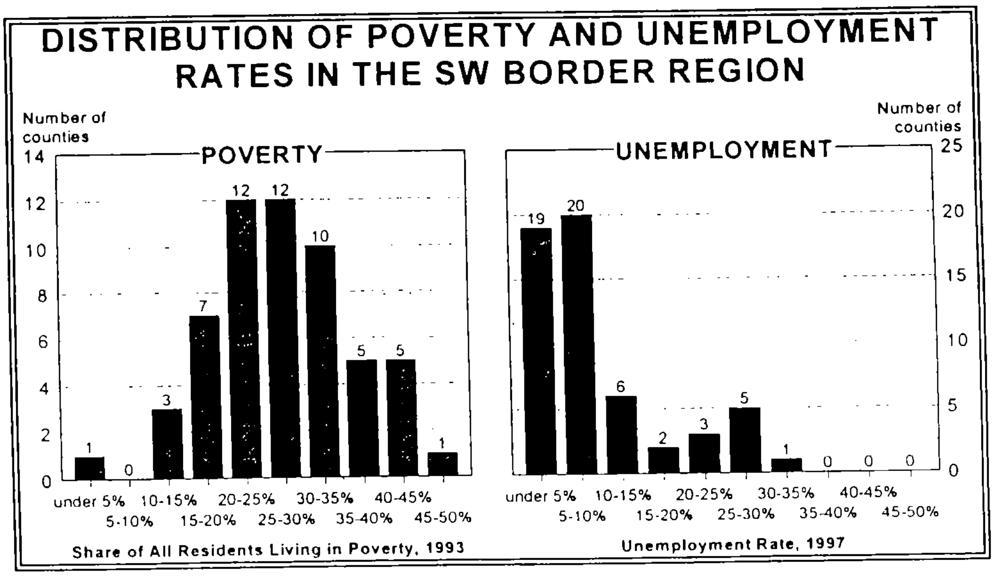

Figure 10

- All together, 20.4 percent of the Border region's residents were living at or below the poverty level in 1993. This topped the national rate of 15.1 percent and exceeded poverty rates in 46 states.

-- Poverty was most pervasive along the eastern-most stretch of the Border: in both the Texas and New Mexico Border areas one-third of the population was impoverished while one-fifth of the Arizona Border population was poverty stricken. A much smaller 15.0 percent share of the population living along California's border with Mexico was living in poverty during that same year.

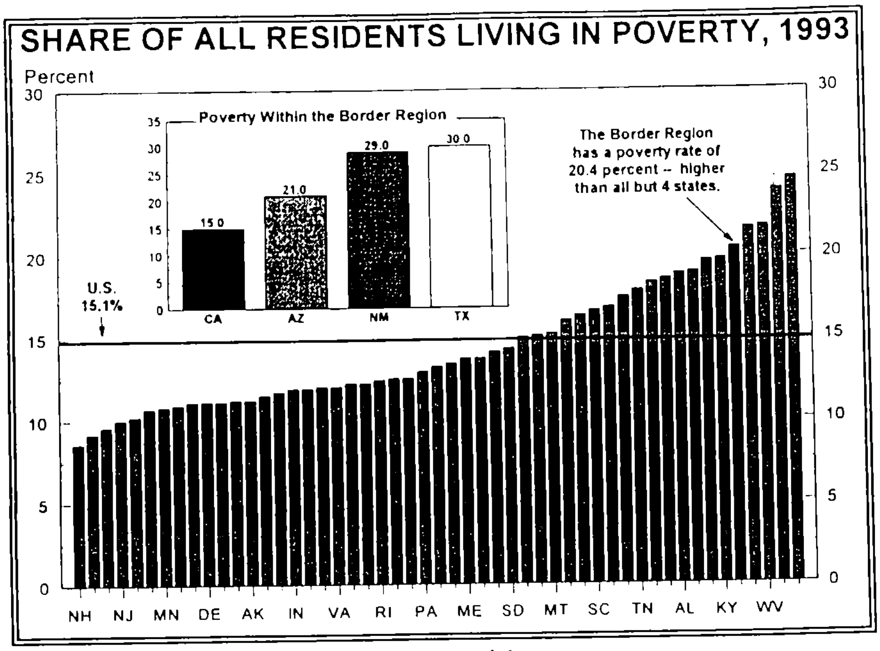

Figure 11

- Pockets of relative prosperity can and do exist side-by-side with highly impoverished areas.

  -- In the California Border area, Imperial County recorded a 28.6 percent poverty rate but neighboring San Diego and Riverside counties registered rates of 16.3 and 15 percent, respectively – much closer to the national poverty rate.

  -- In Texas, Bandera County showed a poverty rate of only 12.3 percent, yet it is surrounded on all sides by counties with poverty rates ranging from 16.3 to 32.7 percent.

- *The situation for children living in Border communities is even bleaker.* Almost one-third of all of the region's children under the age of 18 were living in poverty in 1993. The national poverty rate for children during the same year was a much lower 22.7 percent.

  -- The Texas and New Mexico Border areas had the highest child poverty rates – 41.3 and 39.7 percent respectively, followed by Arizona at 30.2 percent. California's 22.4 percent child poverty rate was just under the national rate.

As recently as 1996, **per capita personal income** in the fifty-six counties along the U.S. border with Mexico was a low $21,492, 12 percent below U.S. per capita income. As shown in Figure 13, growth in this region's per capita personal income between 1990 and 1996 trailed far behind that of the rest of the United States.

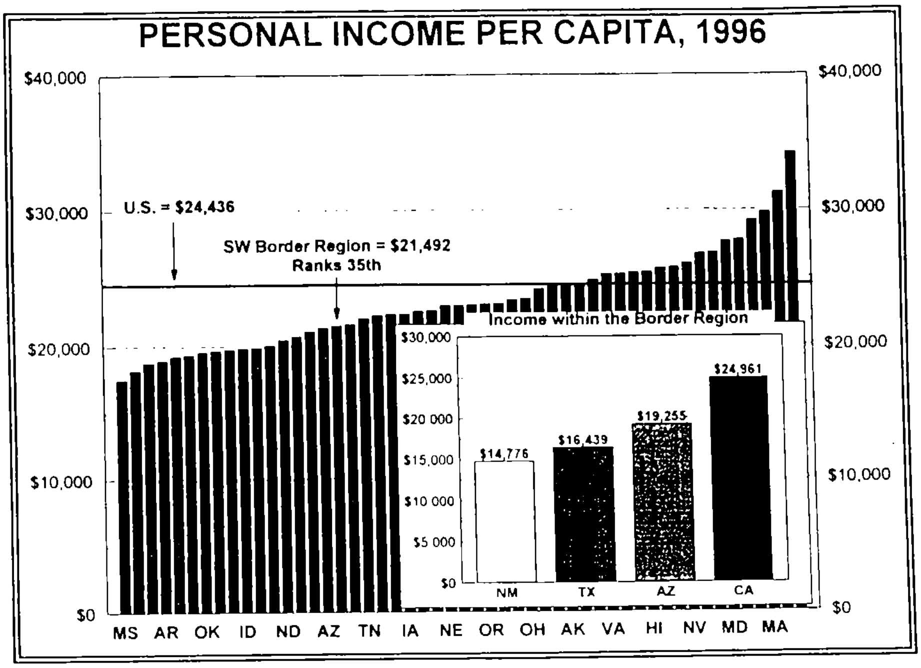

Figure 12

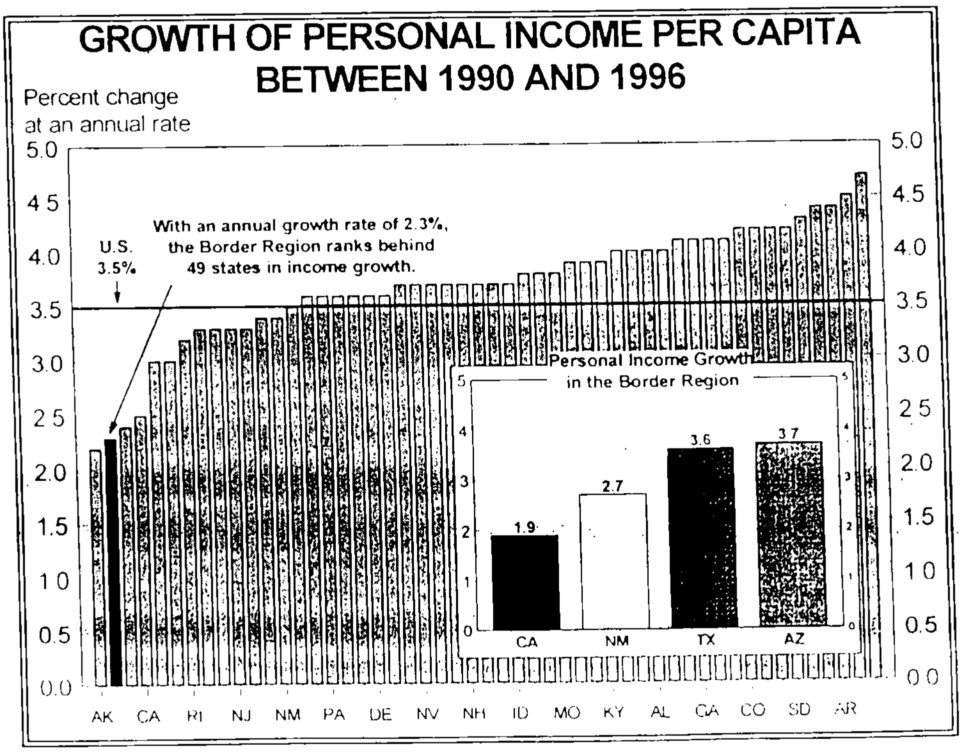

Figure 13

For many residents of the Border region a large part of personal income is derived from **transfer payments**. These payments, which include welfare, retirement, and unemployment benefits, accounted for 17.3 percent of the Border region's total personal income in 1996, compared to 16.5 percent in the United States as a whole. Between 1990 and 1996, this share grew by 7.0 percent at an annual rate in the Southwest Border region, faster than the 6.5 percent U.S. pace. When measured against the 50 states, the region ranked near the bottom -- only 15 states registered speedier growth rates. Moreover, each of the three major components of transfer payments expanded at a faster rate in the Border region than in the entire U.S.

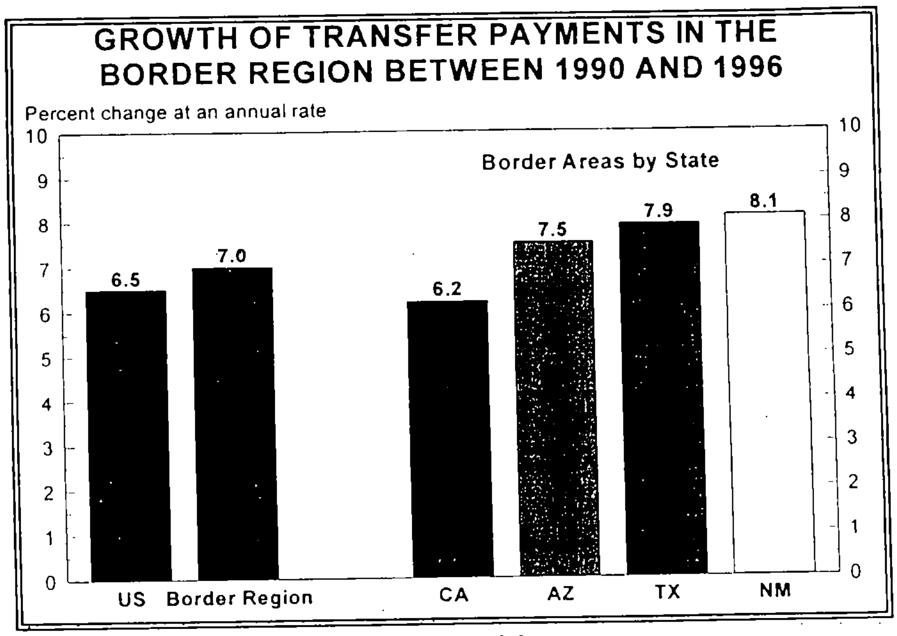

Figure 14

- **Welfare benefits** (which include Supplemental Security Income, Aid to Families with Dependent Children, food stamps, and other forms of supplemental income payments) accounted for approximately 9 percent of all U.S. transfer payments in 1996. In the Southwest Border region, however, they accounted for nearly 12 percent of transfer payments (see Figure 15). The share of transfer payments funneled into welfare benefits that year was larger in only three states.

- Given the low level of per capita income, high unemployment, and rapid pace at which the population in this area is expanding, growth of transfer payments in the Border region is likely to continue to exceed that of the nation in the years to come, placing additional stress on government resources.

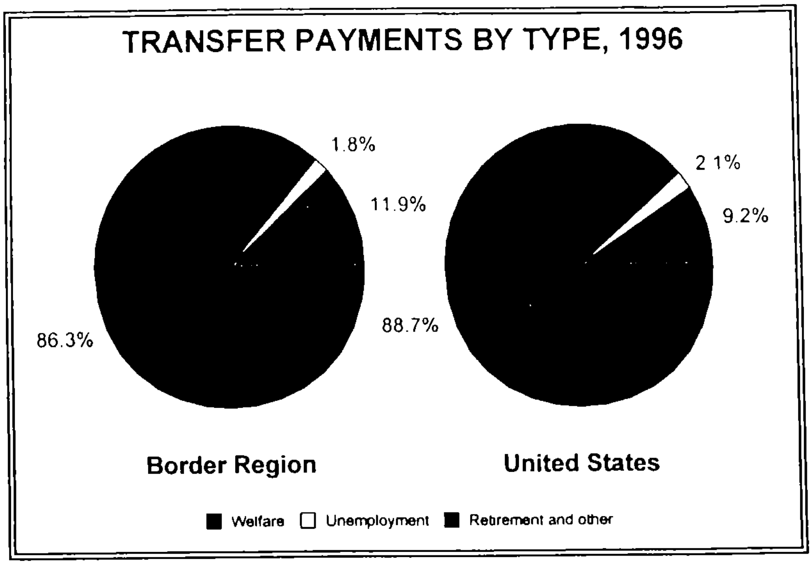

Figure 15

Average annual pay in the communities along the Border also lagged behind the national average in 1996, providing a partial explanation for the relatively low per capita personal income in this region relative to the entire country. For all private industries combined average annual pay in the Border region amounted to $25,915, almost 10 percent less than the U.S. average of $28,581. While the manufacturing sector typically pays more on average than other industries, this was clearly not the case within 100 miles north of the Mexican border (see Figure 16). In 1996, average annual pay for private manufacturing was $25,589, only 71 percent of the $36,235 U.S. average and almost 2 percent *below* the average yearly compensation paid by all private industries combined in that same area.

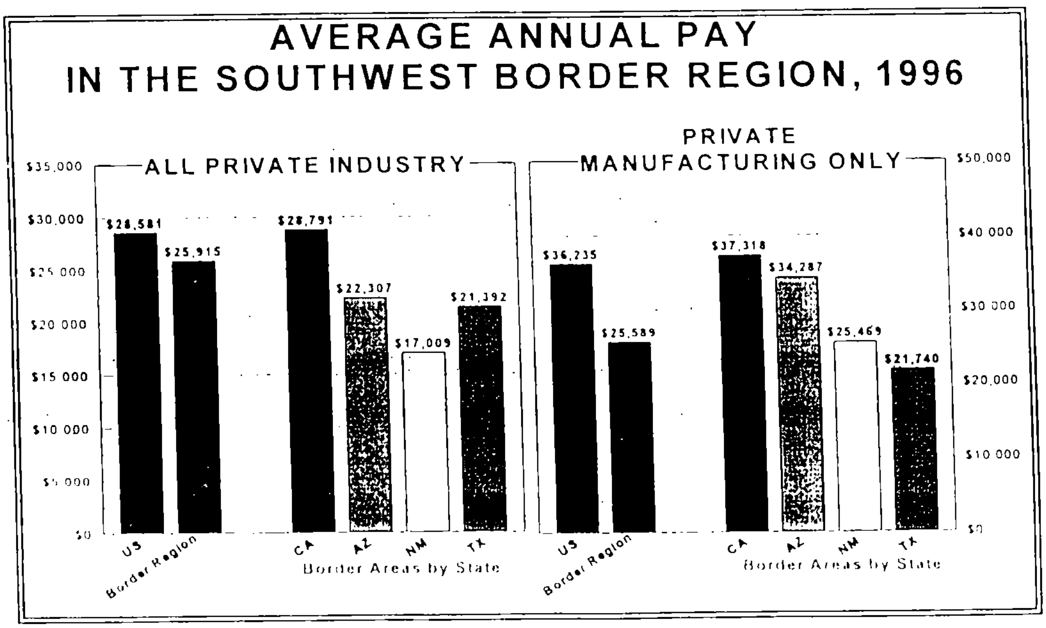

Figure 16

Educational Attainment and Public School Enrollment in the Border Region

Unless workers acquire the skills and education necessary to obtain higher paying jobs, incomes are unlikely to rise. As of 1990, about one-quarter of the region's adult population did not have a **high school diploma**. While this proportion is only slightly larger than in the United States as a whole, the Border region placed near the bottom when ranked against the 50 states. The **high school dropout rate** paints a more ominous picture. In 1990 , roughly 13 percent of 16-to-19-year-olds had dropped out of school, giving the Border region one of the highest dropout rates in the nation.

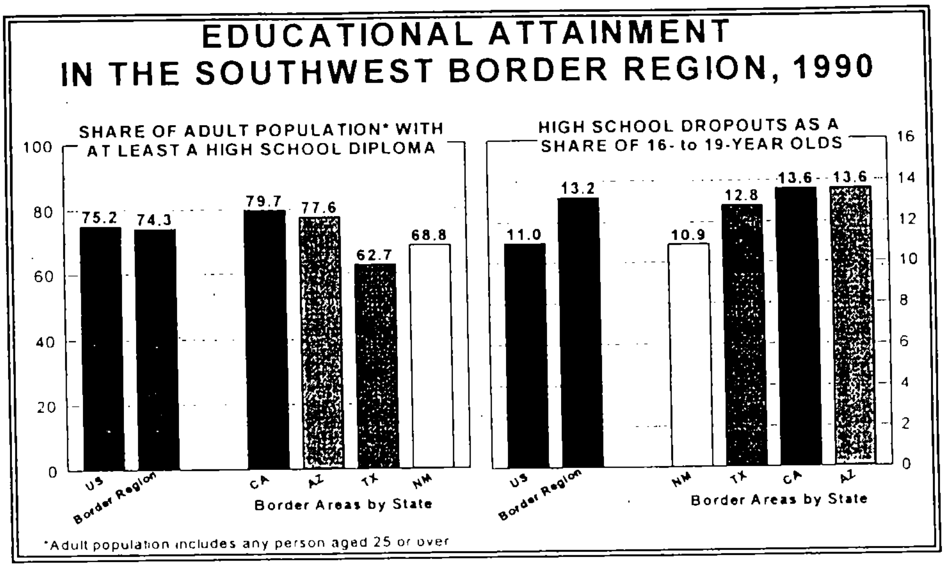

Figure 17

As the next figure clearly shows, there is a strong positive relationship between educational attainment and poverty. Those Border counties with the largest shares of adult residents who had not graduated from high school also tended to have the largest shares living in poverty.

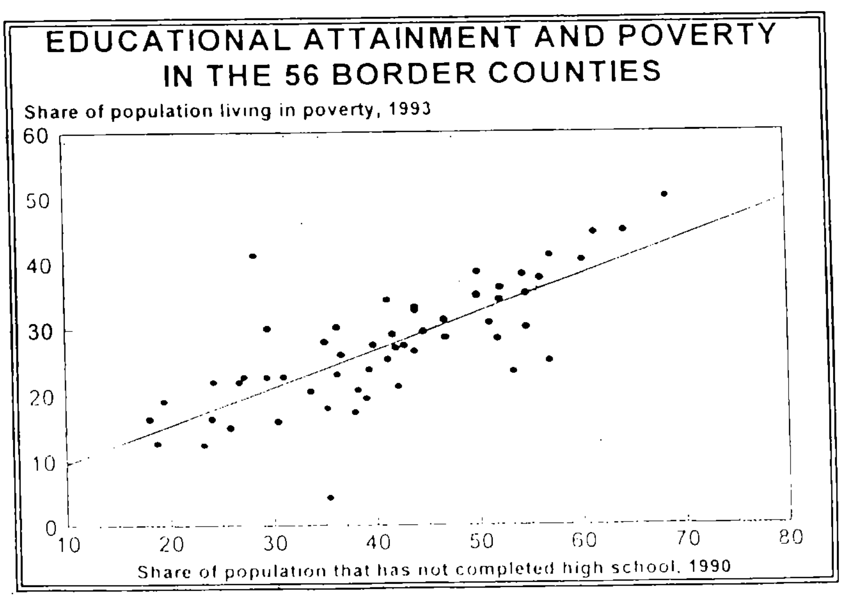

Figure 18

While the **proportion of Border residents who had completed college** in 1990 was slightly higher than the 20.3 percent national figure, the largest concentration of bachelor's degree holders lived in the most affluent, and most populated counties in the California border region: Orange County and San Diego County. If these counties are excluded[5], the share of college educated residents in the Border region plunges to 16.3 percent, giving the Border one of the lowest proportions of college-educated residents in the nation.

The fraction of **children enrolled in public elementary and secondary schools** throughout the region was a very high 67.1 percent in 1990. This was almost 4 percentage points above the nation's 63.6 percent and surpassed enrollment rates in 41 states. In light of the rapid rate at which the population of school-aged children is currently expanding, public school enrollment is likely to grow further, placing additional demands on the Border's public resources in the years to come.

Conclusions

The immediate outlook for the Border region is not favorable, given the pervasiveness of poverty, low level of educational attainment, and rapid pace at which the youngest and oldest segments of the Border's population is expanding. All of these factors are likely to place additional stress on government resources in the near future.

- If the youngest and oldest segments of the population – those who typically account for the smallest share of government receipts yet are the most likely to rely upon the government for education, health care, supplemental income, and myriad other services – continue to grow at their current rates, government resources will be strained further in the future.

- If opportunity for employment continues to remain elusive for so many of the region's residents, poverty will remain a way of life for a large number of the Border's residents.

- If the region's workforce fails to acquire the education and skills necessary to obtain higher paying jobs, incomes will not rise sufficiently to lift many of these workers out of poverty.

The relatively low level of economic development that has occurred in this region also has serious implications for the law enforcement community. In light of the relationship between economic condition and crime, it is imperative that a higher level of commitment be developed to alleviate the economic distress from which this region

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[5]For the sake of consistency, McMullen County (TX) was also excluded, although in terms of educational achievement it clearly trails far behind the nation. However, because this county's total population is very small, excluding it had virtually no effect on the outcome.

currently suffers. Economic studies have clearly shown that the decision to commit a crime can be treated as a rational choice. The results of these studies argue for a balanced approach in policies between increasing deterrence efforts and improving legitimate market opportunities and general economic conditions.

- In 1996, Richard Freeman analyzed the increasing involvement in criminal activity of less skilled, less educated young men. He related the increase in crime to the decline in employment demand for less skilled males. Freeman stated, "if the supply of youth to crime is sufficiently elastic then the criminal justice system can at best cap the crime rate at rising costs." He concluded that any long term solution must include improved labor market opportunities, especially for less skilled youth.[6]

The Treasury Department and other entities of the U.S. government can play an important role in addressing certain aspects of the economic distress enveloping the Southwest border. Current efforts by Treasury include:

- The North American Development Bank (NAD Bank), with components dedicated to the environmental infrastructure development of the border and to the assistance of communities affected by trade dislocations (CAIP). The objective of the Community Adjustment Investment Program (CAIP) is to serve as a development catalyst helping finance job-creating projects in U.S. Southwest border communities affected by trade adjustment. Presently, the NAD Bank's institutional development program includes projects in 20 U.S. border communities. The NAD Bank's geographic focus on the Southwest border parallels Treasury's enforcement interest in combating narcotics trafficking and other crimes in the region.

- The Community Development Financial Institutions Fund is another instrument that could help provide access to capital on the border. Credit and investment capital are essential ingredients for creating and retaining jobs, developing affordable housing, starting or expanding businesses, and revitalizing neighborhoods. The CDFI is dedicated to the creation of a network of financial institutions that are specifically concerned with funding and supporting community development. The CDFI Fund's support of Accion Texas, Inc., a community lending institution in South Texas, is an example of funding assistance to the border area.

The Treasury Department is in the process of establishing an internal Southern Border Working Group in order to coordinate Treasury policy programs and to explore potential new instruments with regard to a southern border target. Treasury's evaluation of programs and resources dedicated to the issues of the Southwest border can be complemented by a parallel review in other agencies via an interagency task force.

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[6]Freeman, Richard B (1996)

- For example, the Justice Department's Weed and Seed program can help distressed neighborhoods in the Southwest border region. The program aims to weed out violent crime, gang activity, drug use, and drug trafficking in targeted neighborhoods and then to provide assistance supporting economic and social revitalization. Neighborhood revitalization assistance helps fund economic opportunities for residents, improved housing conditions, enhanced social services, and improved public services in the target area.

The Labor Department, the Department of Housing and Urban Development, and the Department of Agriculture also possess valuable expertise and resources.

Over time, efforts must be made to raise the education and skill levels of the Border's residents and provide more opportunity for employment in this region. Otherwise, the Border's economy is likely to continue to lag behind the rest of the United States and continue to pose significant enforcement resource issues for the government.

Table 1

BORDER POPULATION: YOUNGER, FASTER-GROWING, MORE FOREIGN-BORN

	United States	Southwest Border: Total	Southwest Border: Rank* against 50 States	Southwest Border: Troubled Border**	Southwest Border: Rank against 50 States	Arizona: State	Arizona: Border	California: State	California: Border	New Mexico: State	New Mexico: Border	Texas: State	Texas: Border
CHARACTERISTICS OF THE POPULATION													
Population, July 1, 1997 (millions)	267.6	12.3	5	6.9	12	4.6	1.1	32.3	7.0	1.7	0.2	19.4	4.0
share of U.S. or State		4.6		2.6			23.3		21.7		13.9		20.6
Growth of population, 1990 to 1997 (annual rate)	1.0	2.0	8	2.5	6	3.0	2.3	1.1	1.7	1.8	2.8	1.9	2.3
Rates per 1,000 population, 1996-97													
Birth rate	14.6	18.2	2	18.9	2	16.5	16.7	16.7	17.0	15.8	16.8	17.0	20.6
Death rate	8.7	6.7	47	7.0	46	8.1	8.7	6.9	6.5	7.3	7.3	7.2	6.4
Rate of net international migration	3.1	7.7	1	7.7	1	2.7	5.0	7.2	7.3	4.5	11.9	5.2	8.8
Age composition (percent of total, 1996)													
0 to 24 years	35.4	39.1	5	40.7	3	35.7	36.0	37.2	37.4	39.2	42.0	38.8	42.5
25 to 64 years	51.8	49.9	42	47.9	50	51.1	50.5	51.7	51.4	49.7	46.0	51.0	47.2
65 years and older	12.8	11.1	44	11.5	39	13.2	13.6	11.0	11.2	11.0	12.0	10.2	10.2
Ethnic makeup (percent of total, 1996)													
Non-Hispanic white	73.1	47.9	50	39.4	50	69.0	60.6	51.7	58.0	49.1	43.2	57.0	27.2
Hispanic white	9.7	41.0	1	53.6	1	19.9	30.5	28.3	26.9	37.9	53.5	27.8	67.6
Black	12.6	4.1	32	4.0	32	3.5	3.8	7.4	4.4	2.5	1.6	12.2	3.6
American Indian	0.9	0.9	21	1.0	17	5.6	2.8	1.0	0.8	9.2	0.8	0.5	0.4
Asian and Pacific Islander	3.7	6.2	3	2.0	19	2.0	2.3	11.6	9.9	1.3	0.9	2.6	1.1
Foreign-born share of total population, 1990 (percent)	7.9	17.1	2	14.3	4	7.6	11.3	21.7	19.6	5.3	12.5	9.0	14.6
Language spoken at home, 1990													
Share of pop. speaking language other than English	13.8	38.0	1	46.5	1	20.8	27.9	31.5	28.0	35.5	46.8	25.4	58.4
Share of population speaking Spanish	7.5	31.6	1	43.6	1	14.2	23.7	20.0	18.7	27.9	45.0	22.1	56.4

*Ranked from highest to lowest where 1 = highest and 51 = lowest.
**Orange and San Diego counties in California and McMullen County in Texas have been excluded.

TABLE 2

BORDER RESIDENTS TEND TO BE POORER, LESS EDUCATED, AND ARE MORE LIKELY TO BE UNEMPLOYED

	United States	Southwest Border: Total	Southwest Border: Rank* against 50 States	Southwest Border: Troubled Border**	Southwest Border: Rank against 50 States	Arizona: State	Arizona: Border	California: State	California: Border	New Mexico: State	New Mexico: Border	Texas: State	Texas: Border
EMPLOYMENT													
Labor Force, 1997 (thousands)	136,285	5,676		3,014		2,165.3	474.3	15,971.4	3,358.8	820.5	98.1	9,880.0	1,744.4
Share of border region's total labor force (percent)							8.4		59.2		1.7		30.7
Unemployment Rate (percent)	5.0	6.5	49	8.9	51	4.7	7.5	6.3	4.8	6.3	9.9	5.4	9.1
Range in border area		2.1 - 33.1					3.3 - 27.9		3.3 - 26.5		3.5 - 25.2		2.1 - 33.1
Number of counties above U.S. rate		37 of 56					3 of 4		2 of 4		3 of 5		29 of 43
INCOME & POVERTY													
Per capita personal income, 1996	$24,436	$21,492	35	$17,501	51	$21,335	$19,255	$25,368	$24,961	$18,814	$14,776	$22,324	$16,439
Share of U.S. personal income (percent)		88.0		71.6		87.3	78.8	103.8	102.1	77.0	60.5	91.4	67.3
Range in border area		$7,233 - $28,936					$13,784 - $20,535		$14,394 - $28,936		$12,633 - $17,124		$7,233 - $27,648
Number of counties below U.S. level		54 of 56					4 of 4		3 of 4		5 of 5		42 of 43
Annual rate of growth, 1990 to 1996	3.5%	2.3%	50	2.8%	48	3.6%	3.7%	2.5%	1.9%	3.4%	2.7%	3.7%	3.6%
Transfer payments as a share of personal income, 1996	16.5%	17.3%	32	21.7%	51	17.3%	20.7%	15.5%	14.7%	20.1%	26.4%	15.0%	22.8%
Annual rate of growth, 1990 to 1996:													
All Transfer payments	6.5%	7.0%	36	7.8%	46	7.5%	7.1%	6.2%	6.2%	6.9%	8.9%	7.9%	8.2%
Welfare benefits only***	7.0%	8.5%	36	9.3%	39	10.1%	10.0%	6.6%	7.6%	7.9%	12.5%	9.4%	9.3%
Average Annual Pay, 1996													
All Private Industry	$28,581	$25,915	27	$21,536	47	$25,923	$22,307	$31,183	$28,791	$22,604	$17,009	$28,421	$21,392
Share of U.S. average (percent)		90.7		75.4		90.7	78.0	109.1	100.7	79.1	59.5	99.4	74.8
Range in border area		$12,156 - $27,715					$16,434 - $23,678		$16,430 - $27,715		$13,117 - $23,909		$12,156 - $25,156
Number of counties below U.S. level		55 of 56					4 of 4		3 of 4		5 of 5		43 of 43
Private Manufacturing	$36,235	$25,589	48	$23,462	51	$37,168	$34,287	$39,810	$37,318	$29,630	$25,469	$36,163	$21,740
Share of U.S. average (percent)		70.6		64.8		102.6	94.6	109.9	103.0	81.8	70.3	99.8	60.0
Range in border area		$8,952 - $41,612					$22,022 - $35,710		$23,635 - $38,269		$12,242 - $41,028		$8,952 - $41,612
Number of counties below U.S. level		41 of 46					4 of 4		2 of 4		3 of 5		32 of 33
Poverty Rates:****													
All residents living in poverty, 1993 (percent)	15.1	20.4	47	25.1	51	18.5%	20.7%	17.4%	14.9%	21.6%	29.0%	19.6%	29.5%
Range in border area		4.3 - 49.9					19.0% - 28.0%		12.6% - 28.6%		22.6% - 34.3%		4.3% - 49.9%
Number of counties with poverty rate above U.S. rate		52 of 56					4 of 4		2 of 4		5 of 5		41 of 43
Residents under 18 living in poverty, 1993 (percent)	22.7	30.1	47	35.5	51	28.0%	30.2%	26.4%	22.4%	30.6%	39.7%	38.6%	41.3%
Range in border area		5.4 - 59.3					29% - 34.5%		18.9% - 25.3%		28.5% - 44.6%		5.4% - 59.3%
Number of counties with poverty rate above U.S. rate		51 of 56					4 of 4		2 of 4		5 of 5		40 of 43
EDUCATION													
Educational Attainment, 1990													
Percent of Adult Population (aged 25 and over) with:													
High school diploma or higher	75.2	74.3	37	67.7	43	78.7	77.6	76.2	79.7	75.1	68.8	72.1	62.7
Bachelor's degree or higher	20.3	21.2	18	16.3	41	20.3	21.0	23.4	24.0	20.4	18.8	20.3	15.7
School Enrollment, 1990													
Public Elementary and Secondary School Enrollment as share of population aged 3-19 (percent)	63.6	67.1	10	69.8	1	65.3	64.1	65.4	63.9	68.2	69.7	68.5	72.3
High School Dropouts as a share of population aged 16-19 (percent)	11.0	13.2	45	13.2	45	14.2	13.6	13.8	13.6	11.4	10.9	12.7	12.8

*Ranked from best to worst where 1 = best in the U.S. and 51 = worst in the U.S. except in the case of public school enrollment as a share of the school-aged population where 1 = highest in U.S. and 51 = lowest.

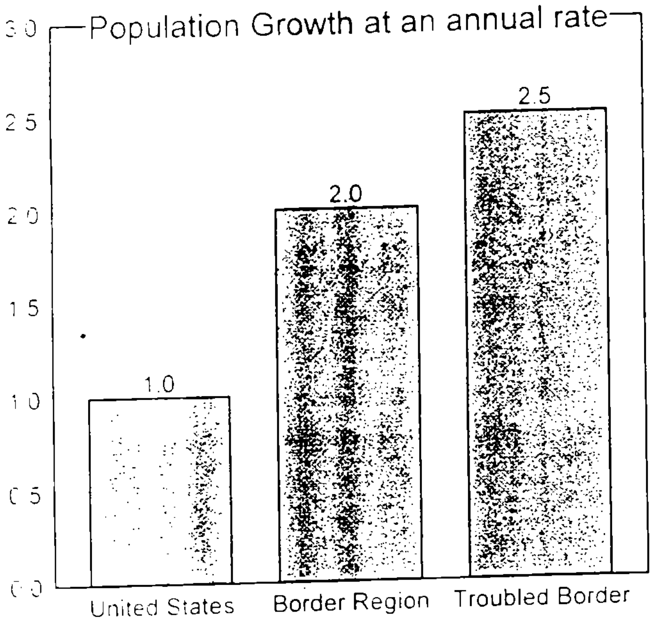
**Orange and San Diego counties in California and McMullen County in Texas have been excluded.

*** Welfare benefits include Supplemental Security Income, Aid to Families with Dependent Children, food stamps, and other income maintenance programs.

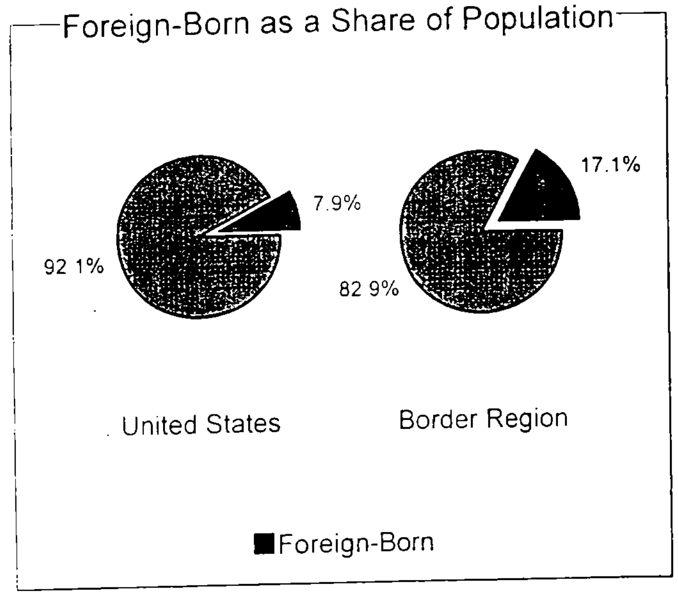
****[illegible] female headed households were not available at the county level.

SNAPSHOT OF THE SOUTHWEST BORDER REGION

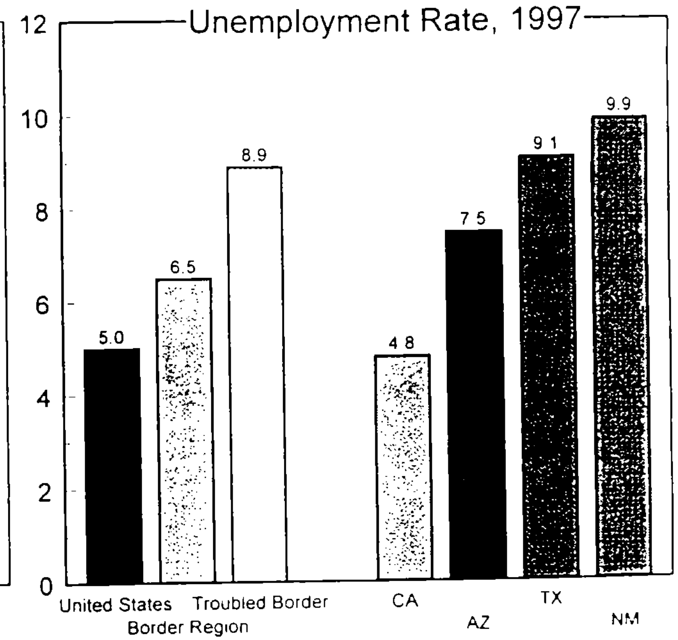
The Border's population is growing twice as fast as in the entire country



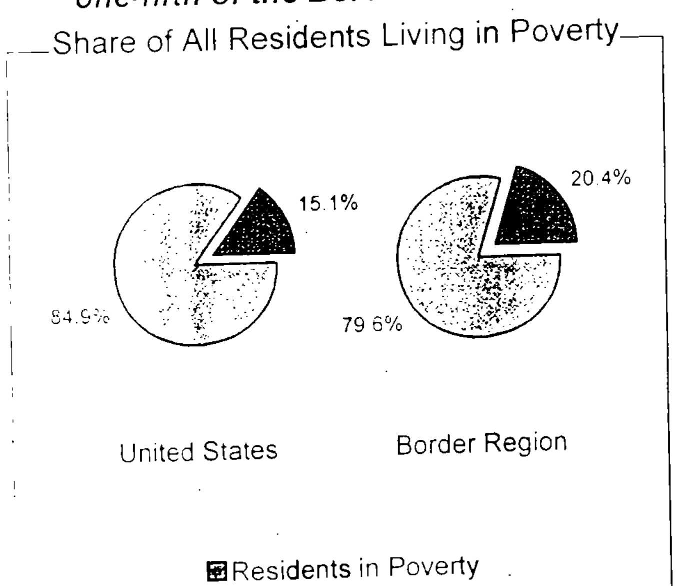
More of the Border's residents are foreign-born than is typical nationwide



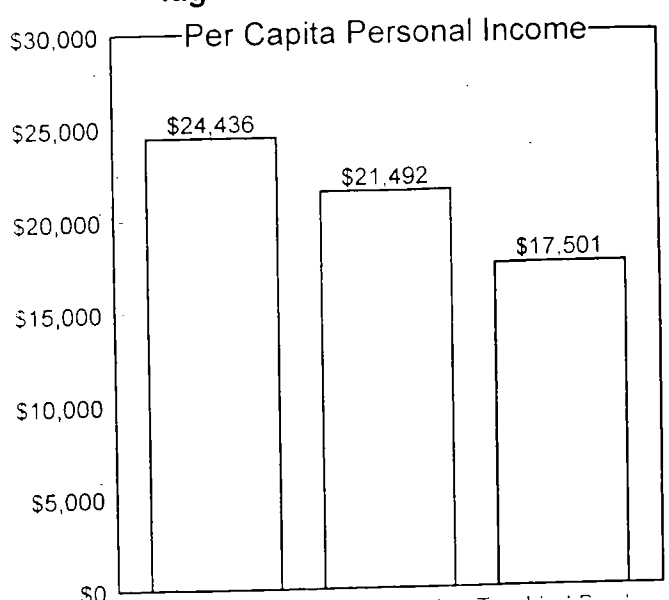
The Border's unemployment rate is well above the national average



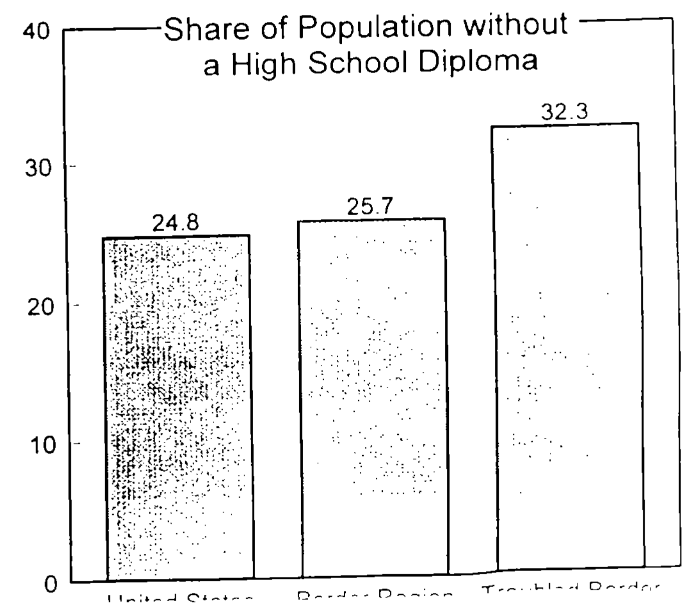
Poverty is a way of life for one-fifth of the Border's residents



Incomes along the Border lag well behind the U.S. level



Educational attainment is lower than average along the Border



APPENDIX 1
ECONOMIC ANALYSIS OF CRIME

ECONOMIC ANALYSIS OF CRIME

The economic discipline's analysis of crime emanates from an approach developed in a treatise entitled Crime and Punishment: An Economic Approach (1968) by Gary Becker. This study established the baseline perspective that crime can be modeled as a rational choice where an individual comparatively weighs the costs and benefits of his/her actions. The individual is assumed to be a rational utility maximizer who compares the probability of being caught, and the various costs and benefits of the crime, before making a decision. Sociologists and criminologists, in contrast, focus more on personal traits such as age, sex, race and intelligence, and environmental factors such as family background and community conditions, as determinants of criminal activity. Many of the post-Becker economic studies incorporate some personal trait variables, most notably age and race, into the rational choice framework.

The focus of Becker's essay specifically was on the cost of crime and on how to minimize the social loss in income from crime. It provided the basic economic framework for analyzing crime. Subsequent models (Steigler (1970), Harris (1970), Ehrlich (1973)) took a more comprehensive view of both the costs and benefits of legal and illegal activities that enter into the individual's choice set. The focus of Steigler's model was optimal law enforcement. Harris extended the basic model by making the legal framework no longer a given but subject to policy choice. Ehrlich's model incorporated rewards, not just punishment, and the concept of uncertainty in the decision process model.

Empirical and Statistical Studies

Empirical and statistical studies of crime have provided the field work for testing the basic hypotheses of the economic models and have added further insight into other socio-economic conditions that enter into the choice process. These studies vary from simple correlation studies to multi-stage least squares models, including both time series and cross sectional analysis.

Correlation studies provide a simple method by which to analyze the relationship between crime rates and punishment. These studies (Eide (1994)) depicted ***a negative relationship between probability of arrest and crime rates*** for the various categories of crime. Severity of imprisonment was not generally significant with few exceptions, notably homicide, but did become relevant in studies that controlled for the effects of certainty of imprisonment (Logan (1972), Bailey and Smith (1972)).

Cross sectional models have been used to analyze the relationships among deterrence variables, socioeconomic factors, and crime rates by type of crime. Ehrlich (1973) investigated seven types of crime in the U.S He found the probability of punishment had a negative and significant effect on all types of crime. The variable for severity of punishment was also negatively correlated for all types crime but only statistically significant for about half of the categories. With regard to socioeconomic variables, Ehrlich found ***a positive relationship between crime rates and income*** and also ***a positive relationship between crime rates and the distribution of income, a measure of relative poverty***. The degree of significance, however, depended on the method of estimation. Subsequent work by other authors (Eide (1994)) has expanded the scope of cross sectional analysis of crime. In general, these studies confirm the relationship between deterrence variables and crime rates. For most studies the elasticities of crime with respect to the probability and severity of punishment variables are estimated to be between 0 and -2, with a median value of approximately -0.5. There is little unanimity regarding the relationship between crime and the level of income and the degree of income inequality. Several studies include a poverty variable and find a positive relationship to crime. Vandaele (1978) reestimated the Erlich model and found ***a positive relationship between crime and poverty***. Pogue (1975) also found a direct relationship between crime rates and poverty, measured as the percentage of households with annual income below $3,000. Additionally, in studies that included the proportion of youth and nonwhites as variables, the effects on crime depicted a direct relationship.

Many cross sectional studies, including some of those noted above, have analyzed crime rates across states, cities, or standard metropolitan statistical areas (SMSAs). Freeman (1983) summarized the results from a large number of these studies and found ***a positive relationship between unemployment and crime***. Stronger results were obtained for deterrence variables, with a majority of studies showing that severe sanctions reduce criminal activity. This is generally consistent with the findings of other cross sectional studies.

Time series studies (Eide (1994), Freeman (1983)) of crime reinforce the conclusions of the basic economic models and the results of the correlation and cross sectional studies while providing additional insight. Deterrence is estimated to have the greatest impact. In general, the probability of being caught has the most significant negative effect on the crime rate, followed by the probability of being punished. Analysis of severity of punishment or imprisonment variables has not produced consistent results, with most studies showing a negative but only slightly significant correlation to the crime rate. Furthermore, the studies demonstrate that the relative size of the male youth population is a critical factor.

The link between economic variables and crime is shown to be directly related, yet in some instances statistically inconclusive, in the studies that use a time series framework. It is consistently demonstrated that ***increases in unemployment are positively related to rising crime rates***, particularly property crime. Moreover, ***measures of income and income inequality are positively correlated with crime***. Regression analysis results (Freeman (1983)), after adjusting for time trends, estimate that a one point increase in the unemployment rate will result in a rise in the uniform crime rate by 0.05 per 100,000 inhabitants or, ***a halving of the unemployment rate from 10 percent to 5 percent would reduce the crime rate by 5 percent.***

Individual Comparisons and Ethnographic Studies

Studies comparing the economic circumstances of individuals to the commission of crime and ethnographic studies of crime provide additional information on what determines the individual's decision to commit a crime. These studies provide some of the strongest evidence that crime is related to the economic conditions facing the individual and to the individual's response to economic incentives.

Individual studies often rely on surveys of released prisoners or the self-reporting of criminal activity and, as a result, do not represent an accurate cross section of society. These studies, therefore, focus on individuals making decisions and their economic environment. These investigations have found that criminals tend to be less educated and have low and decreasing income and employment opportunities. Moreover, they generally show ***a positive correlation between the unemployment rate and crime rate***, and that deterrence lowers the crime rate (Freeman (1994), Eide (1994))

A study by W. Kip Viscusi (1986) of a broader population group than just criminals also found a very strong relationship between economic variables and the propensity to commit crime. The study used National Bureau of Economic Research survey data on the nature of illegal activities of urban youth, their earnings from crime, and perceptions regarding the relative attractiveness of crime and the probability of apprehension. ***The gap between expected gains from crime and expected job income, weighed against the probability of legal sanctions, was a highly significant factor in the decision to engage in crime.*** Further, individuals who were not employed or in school were much more strongly driven by economic incentives. In this study, it was the relative economic rewards from crime that contributed more to criminal behavior than legal sanctions. Approximately three-fourths of the respondents believed the probability of arrest was low; a higher proportion believed that even if they were arrested the chance of conviction was low; and few believed that if convicted they would go to prison. Drug use was highly correlated with criminal activity, as drug users were more apt to engage in illegal pursuits and more likely to have opportunities to sell drugs.

Ethnographic studies show that gangs have shifted focus in recent years. Fagan (1992) reports that "Gangs in South Central Los Angeles, Chicago, and Detroit changed in recent years from ethnic enterprises organized around turf, ethnicity, conflict, and natural group processes to business organizations with monetary and material goals." Other ethnographic studies (Freeman (1994)) support Fagan's conclusion that economic factors are a driving force in gang activity.

Summary

The economic models and statistical studies reviewed have shown that ***economic incentives are important determinants of crime and that crime can be treated as a rational choice***. The early Becker and Ehrlich theoretical models and much of the following statistical analysis support the hypothesis that deterrence lowers the expected return to criminal activity and is therefore effective. In general, the greatest deterrent to criminal activity is the probability of getting caught, followed, to a lesser degree, by the probability and severity of punishment.

Studies show that areas with high unemployment rates tend to have high crime rates and that unemployment rates are generally positively related to most types of crime. Elasticities, however, appear to be small. The literature demonstrates a ***positive correlation between measures of income and crime rates***. Results for measures of income inequality and poverty are generally mixed, although empirical crime studies point to a positive relationship between poverty measures and property crime (Allen (1996)).

The more conclusive results from the models and cross sectional and time series studies for deterrence variables may reflect the nature and measurement of the variables, the structure of the models, and the general focus of the studies. The early models, beginning with Becker, were concerned with crime and enforcement. Deterrence variables relate directly to the options facing potential criminals. General labor market conditions and wage rates may be relevant to the potential criminal's decision, but this relationship may not be adequately captured by the use of aggregate economic variables in the current models and thereby produces less robust results.

Policy Approaches

Several observations can be drawn from the economic literature on crime. First, deterrence variables have a significant impact on the decision to commit a crime. For most crimes, the probability of being caught is a greater deterrent than the severity of the punishment. Secondly, the studies generally show a positive relationship between crime rates and economic conditions. Furthermore, the evidence depicts a positive correlation between unemployment and crime and between levels of income or income inequality and crime.

Economic models and most statistical studies have focused on aggregate economic and deterrence variables, which may have understated the importance of the economic conditions facing the potential criminal. Freeman (1996) analyzed the increasing involvement in criminal activity of less skilled, less educated young men. He relates the increase in crime to the decline in employment demand for less skilled males. Freeman states, "if the supply of youth to crime is sufficiently elastic then the criminal justice system can at best cap the crime rate at rising costs." Any long term solution must include improved labor market opportunities, especially for less skilled youth. In summary, the results of economic studies argue for a balanced approach in policies between increased deterrence efforts and increased legitimate market opportunities for the less skilled.

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APPENDIX 2
COUNTIES LOCATED IN THE SOUTHWEST BORDER REGION

COUNTIES LOCATED IN THE SOUTHWEST BORDER REGION

CALIFORNIA
Imperial
Orange
Riverside
San Diego

ARIZONA
Cochise
Pima
Santa Cruz
Yuma

NEW MEXICO
Dona Ana
Hidalgo
Grant
Luna
Sierra

TEXAS
Atascosa
Bandera
Bexar
Brewster
Brooks
Cameron
Crockett
Culberson
Dimmit
Duval
Edwards
El Paso
Frio
Hidalgo
Hudspeth
Jeff Davis
Jim Hogg
Jim Wells
Kenedy
Kerr
Kimble
Kinney

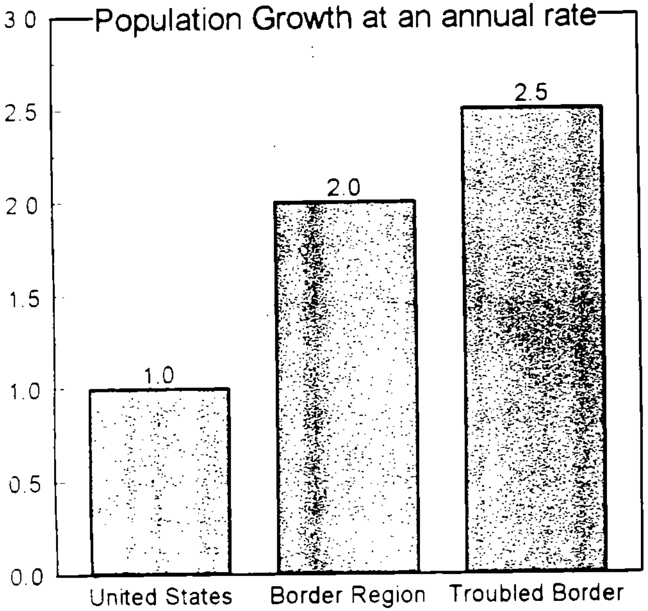
TEXAS continued
Kleberg
La Salle
Live Oak
Maverick
McMullen
Medina
Nueces
Pecos
Presidio
Real
Reeves
San Patricio
Starr
Sutton
Terrell
Uvalde
Val Verde
Webb
Willacy
Zapata
Zavala

DATA SOURCES

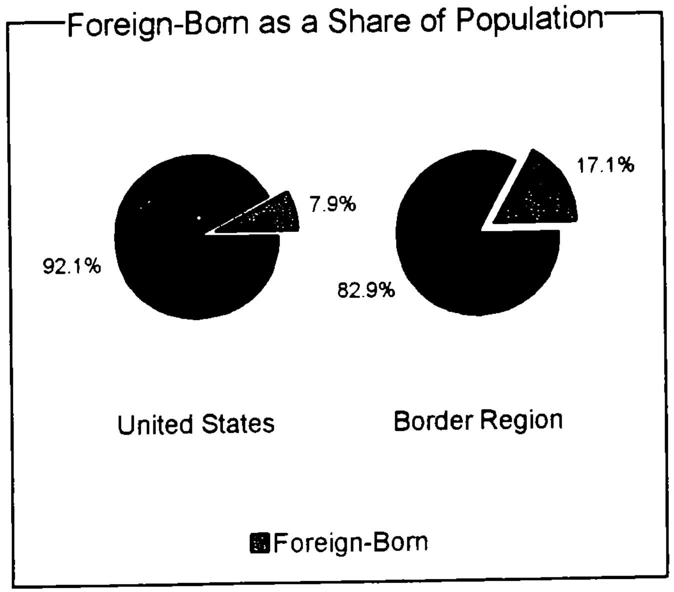
Average Annual Pay:	U.S. Bureau of Labor Statistics.
Employment:	U.S. Bureau of Labor Statistics Local Area Unemployment Statistics; and U.S. Bureau of the Census, 1995 County Business Patterns for the United States.
Land Area:	U.S. Bureau of the Census.
Language Use at Home:	U.S. Bureau of the Census.
Personal Income:	Bureau of Economic Analysis Regional Information System.
Population:	U.S. Bureau of the Census Population Estimates Program.
Poverty:	U.S. Bureau of the Census Small Area Income and Poverty Estimates Program.
Transfer Payments:	Bureau of Economic Analysis Regional Information System.

SNAPSHOT OF THE SOUTHWEST BORDER REGION

The Border's population is growing twice as fast as in the entire country

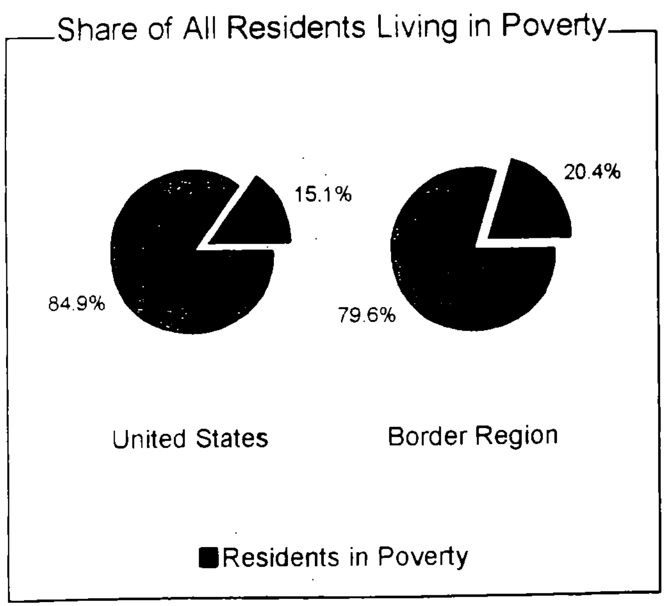


More of the Border's residents are foreign-born than is typical nationwide

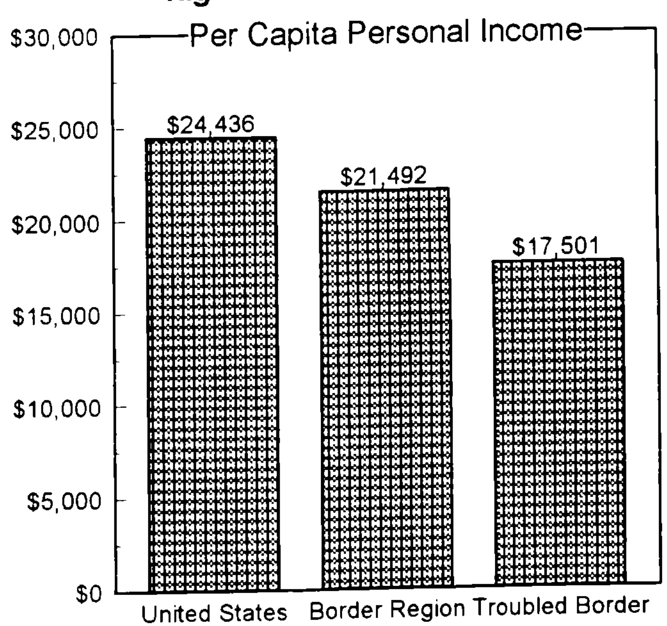


The Border's unemployment rate is well above the national average

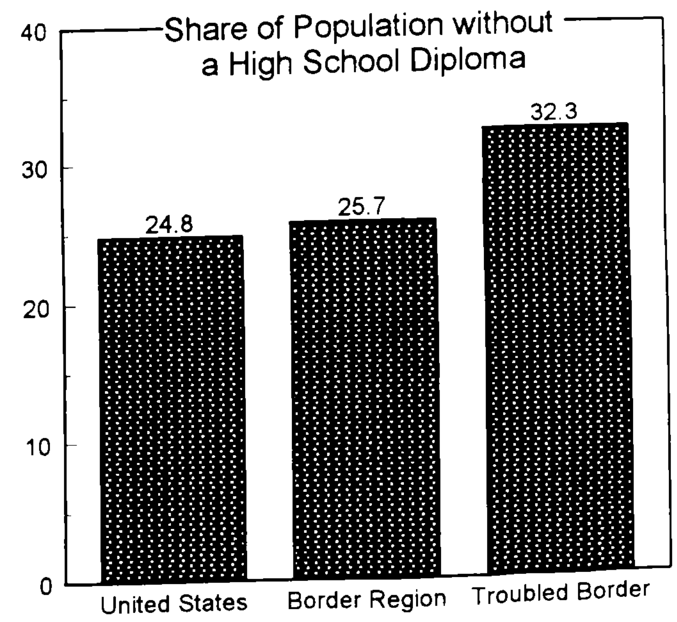
Poverty is a way of life for one-fifth of the Border's residents



Incomes along the Border lag well behind the U.S. level



Educational attainment is lower than average along the Border



JONATHAN A. KAPLAN
05/20/99 03:57:48 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP, Melissa G. Green/OPD/EOP@EOP

cc:
Subject: Pine Ridge

Unbelievable.

---------------------- Forwarded by Jonathan A. Kaplan/OPD/EOP on 05/20/99 03:57 PM ---------------------------

Lynn G. Cutler
05/20/99 03:49:10 PM

Record Type: Record

To: Maria Echaveste/WHO/EOP@EOP, Gene B. Sperling/OPD/EOP@EOP

cc: Marjorie Tarmey/WHO/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP
Subject: Pine Ridge

I have just received a memo from Jackie Johnson at HUD, who is DAS for Native American programs there, making Andrew's case for Pine Ridge, which is fine. I just wanted you to know that she carboned it to Daschle and Dorgan staff, which is not helpful.
If calls come in on this, we should talk about it. Maria was in the meeting last week and knows the dynamic on this from Andrew's perspective.

3:30

Rm. 476 on Border Task Force

JONATHAN A. KAPLAN
05/19/99 06:34:25 PM

Record Type: Record

To: Lael Brainard/OPD/EOP@EOP
cc: Lisa Green/OPD/EOP@EOP
bcc:
Subject: Re: Maria Echaveste & SW Border initiative

You, Rick and Lisa Green should connect on this. I have not discussed this with Gene; do you know if Rick (or you) has ever mentioned the SW border initiative to him?

Thanks.

Lael Brainard

Lael Brainard
05/19/99 06:31:51 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP@EOP
cc:
bcc:
Subject: Re: Maria Echaveste & SW Border initiative

I think we may be able to make a connection with SW Border. Apparently it is almost completely covered by EZs. Also, Treasury looking at whether there should be an institutional connection bet this task force & the Community Empowerment Board. Who is our domestic EZ/EC person & are they working on the trip?
JONATHAN A. KAPLAN

JONATHAN A. KAPLAN
05/19/99 06:23:12 PM

Record Type: Record

To: Lael Brainard/OPD/EOP@EOP
cc: richard m. samans/opd/eop@eop
bcc:
Subject: Re: Maria Echaveste & SW Border initiative

The President's basic message is going to be:

Six and a half years of progress in economic development in our underserved rural and urban areas

A. regional vs. national

B. [illegible] vs. [illegible]

Brownfields
EZ/EC
Public Charge [illegible] Issues Forum

- EZs/ECs
- CDFI
- CRA
- etc.

But many areas are still hurting and need investment, so our agenda moving forward is New Markets, the July tour, etc.
Lael Brainard

Lael Brainard
05/19/99 05:58:55 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP@EOP
cc: Richard M. Samans/OPD/EOP@EOP
bcc:
Subject: Re: Maria Echaveste & SW Border initiative

I will be happy to call Maria & explain the SW Border initiative, history, etc, but I do not know enough about the Texas event to see if there is any fit at all. You said it is a national conference on urban and rural EZs and ECs. Any more detail on announcements/ deliverables? SW Border Initiative is very specific regional response to somewhat unique regional problem associated with 2000 mile border with a much poorer country & associated economic problems (both real & alleged).

JONATHAN A. KAPLAN

JONATHAN A. KAPLAN
05/19/99 05:22:15 PM

Record Type: Record

To: Lael Brainard/OPD/EOP@EOP
cc: Sharon H. Yuan/OPD/EOP@EOP
Subject: Re: Maria Echaveste & SW Border initiative

If you haven't spoken with Maria about this yet, can we be sure to forward her this information? Thanks.
--------------------- Forwarded by Jonathan A. Kaplan/OPD/EOP on 05/19/99 05:21 PM ---------------------------

Richard M. Samans
05/19/99 03:21:35 PM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP@EOP
cc: lael brainard/opd/eop@eop, sharon h. yuan/opd/eop@eop, melissa g. green/opd/eop@eop
Subject: Re: Maria Echaveste & SW Border initiative

FYI: For the past couple of months, the VP's office has been interested in the creation of this "strike force" as a deliverable for the conference in Texas. They've never indicated to our group a desire for a more national deliverable. Announcement of the Task Force created by the E.O. will be accompanied by the first-ever estimate of the aggregate amount of federal funding on border development activities across all agencies.

JONATHAN A. KAPLAN
05/19/99 06:42:28 PM

Record Type: Record

To: Richard M. Samans/OPD/EOP@EOP
cc: lael brainard/opd/eop@eop, jonathan a. kaplan/opd/eop@eop, Lisa Green/OPD/EOP@EOP, Sharon H. Yuan/OPD/EOP@EOP
bcc:
Subject: Re: Maria Echaveste & SW Border initiative

I think if we could convey that in one email or phone call to Maria, that would be great. If Lael hasn't called her yet, let's be sure she has that information.
Richard M. Samans

Richard M. Samans
05/19/99 06:39:37 PM

Record Type: Record

To: Lael Brainard/OPD/EOP@EOP
cc: jonathan a. kaplan/opd/eop@eop
Subject: Re: Maria Echaveste & SW Border initiative

Just to clarify: this is an initiative aimed at poor communities on the US side of the border only, many of which are EZ and EC communities. The idea is to improve coordination of all relevant federal econ. development activities, of which EZ/EC benefits are a subset.

While clearly not national in scope, the initiative would nonetheless seem to have a pretty solid nexus to the conference, given its topic and location. The host of the conference is the local, border empowerment zone, and its head is also the chair of the SW Partnership --- the association of all border empowerment zones. Also, the conference program will be taking participants to various sites thoughout the border and conducting workshops on a broad range of economic development issues, not just EZ benefits. Hence, people in our working group maintain that the conference would be a good venue to roll this stuff out.

BorderPlex Coordination and Response Initiative: The Pilot Program
(Section C-5 of Executive Order; Section II-E of Memorandum of Understanding)

Background

The regional approach to community solutions was inspired and encouraged by Vice President Gore at the White House Empowerment Zone conference in Detroit, Michigan. The Rio Grande Valley (Texas) Empowerment Zone heard the challenge and agreed to work with the Department of Agriculture by organizing a Border conference.

Conference dialogue pointed to numerous studies that documented the experience of the Southwest Border region (Arizona, California, New Mexico and Texas) with regard to long-term unemployment, inadequate infrastructure, high incidence of poverty and economic disparity.

On October 19, 1998, Treasury authored a study of the economic conditions of the Southwest Border depicting an unfavorable outlook for the Border region given the pervasiveness of poverty, low levels of educational attainment, and the rapid pace at which the youngest and oldest segments of the Border's population are expanding. The study was transmitted to the Vice President, the National Economic Council and various government agencies. The Treasury analysis was the basis for the formation of the NEC Interagency Working Group on the Southwest Border. The challenge to the working group was to review current policies affecting the Southwest Border and formulate both short term and long term policy proposals for the Administration.

Simultaneously, a grass roots effort was being developed by border communities.

The Community Response

In response to these and other problems facing the Border Region, and in response to Vice President Gore's challenge to the Empowerment Zones to revitalize their communities through regional community development, the *Southwest Border Partnership* was created. The intent of this regional initiative is to build a sustainable economy in concert with a sustainable environment.

The Federal Government Response

As part of this effort, the Department of Agriculture has been working with the rural border communities to develop a regional strategic plan that will create economic opportunities for the communities. Contemporaneously, other federal government departments and agencies have been independently focusing on border issues. The Department of Labor's efforts in El Paso and the Department of the Treasury's efforts via the North American Development Bank and the Community Development Financial Institutions are but two examples.

While there is much current government activity along the border region, that effort is not fully effective for the following reasons:

*Efforts are sporadic and disconnected from each other, rather than holistic and coordinated;

*Programs are delivered "to" organizations from the government, rather than planned and implemented "with" the citizens and the communities involved;

*Usually there has been no performance basis to measure the progress of the actions in meeting established objectives.

Federal efforts, therefore, must be coordinated in order to meet the immense economic needs of the Southwest Border, decrease the fixed costs of program exposure, and to derive economies of scale through cooperative efforts.

Proposed Policy Model

- Borderplex Coordination and Response Initiative; and
- Borderplex Information Network.

Purpose

The purpose of the BorderPlex Coordination and Response Initiative is to provide a structure for cooperative and expeditious response by the federal government on the common and critical issues facing the southwest states of Arizona, California, New Mexico and Texas by:

- Redefining the federal role as a community partner;
- Establishing a means by which the federal agencies can operate;
- Demonstrating a long-term commitment to the issues, rather than a commitment to a political initiative;
- Focusing on specific problems, producing tangible results;
- Delegating to the level of effective implementation (The communities most directly affected are best suited for developing the local strategy.);
- Pooling financial resources and technical assistance to efficiently manage economic transition; and
- Integrating new Administration initiatives particularly the New Markets Initiative into the design of border economic development actions.

Coordination Model

- Formulate an **Executive Order** establishing the "BorderPlex Coordination and Response Initiative" and the BorderPlex Coordination & Response Task Force ("Task Force") reporting to the Vice President and composed of relevant federal departments and senior executive branch officials as may be determined by the Co-Chairs of the Task Force. The Secretaries of Treasury, Agriculture, and labor would Co-Chair the Task Force on an annual rotating basis and the Director of the NEC, as Vice Chair of the CEB, shall serve as Vice Chair of the Task Force for the duration of the Executive Order. The Task Force would ensure the creation of a coordinated national policy on border economic development; an aggressive implementation of the pilot response initiative; and the development of long term recommendations to the Vice President.)

- Develop and sign a **Memorandum of Understanding**, delineating the participation of the various departments.

Response Model
(See Figure 1)

- The Vice President will call the initial meeting of the Task Force in order to review the initiative, frame the agenda, and set the action plan.

- The Task Force, in coordination with the Southwest Partnership and in cooperation with the Community Empowerment Board (CEB), will select four pilot communities based on established criteria (one from each border state). The common link to all the communities is their involvement with the EZ/EC initiative; their natural geographic link through proximity to an international boundary with Mexico; and their shared economic concerns. Moreover, these communities, via the EZ/EC framework, have:

    - ➢ gone through extensive strategic planning processes;
    - ➢ established long-term community visions;
    - ➢ established benchmarks for their strategic plans; and
    - ➢ are positioned to receive priority funding from the federal government allowing them to leverage local partnerships that are established.

- **Community Coordination and Response Teams (CCRT):** Each strategic plan will be assessed by the Task Force in cooperation with the CEB and plans of action will be coordinated with the local community. In concordance with the EZ/EC framework each community will create a community coordination and response team (CCRT) that would assess the community's local strategic plans and priorities. This team would be actively involved in interfacing with the local and state funding sources and the federal BorderPlex Task Force.

- **Border Response Teams:** The community response teams would establish priorities, with the review and cooperation of the Southwest Partnership. Individual communities are likely to have potentially different sets of priorities. A one-size-fits-all approach is, therefore, not acceptable; requiring the BorderPlex Task Force to form virtual teams, Border Response Teams, depending on each of the communities' priorities. In turn, the lead agency in the BRTs would differ for each community.

- The BorderPlex Task Force will, on a six month basis, monitor the progress of each of the community strategic plans and will annually present to the Vice President progress reports from the lead agencies and agency teams; thereby establishing an accountability mapping among communities, agency teams, and the Task Force.

Information Network

The BorderPlex Information Network, a website, would disseminate the activities of the BorderPlex Task Force and establish a continuous communication link with communities and individual policy makers on the border.

This innovative approach to community development is designed to obtain and reflect the needs of communities rather than government, and one that takes the time to include the community's vision of who they are; what they would like to be; and how they will get there. This model brings together government and community efforts to stimulate a coherent and comprehensive approach to border community development. Moreover, it sets a flexible team framework that demand results and establishes accountability based on established benchmarks.

Community economic development strategies can serve as catalysts, forging short and long-range change along the Southwest Border Region. This model is a precursor of a comprehensive plan for coordinated decision making, without a harmonized plan the Southwest Border Region will continue to suffer ***"swift growth without prosperity."*** Ultimately, the implementation of a comprehensive regional strategy is the key to unlocking the gateway to a regional border economy, thus leading the way to the 21^{st} century.

CLOSE HOLD

EXECUTIVE ORDER

ECONOMIC DEVELOPMENT OF THE SOUTHWEST BORDER

By the authority vested in me as President, by the Constitution and the laws of the United States of America, and in order to increase living standards and the economic profile of the Southwest Border so that it may approach the average in the nation, it is hereby ordered as follows:

Section 1. Establishment of a BorderPlex Coordination and Response Task Force

(a) There is established the "BorderPlex Coordination and Response Task Force," ("Task Force") that reports to the Vice President. The Task Force shall comprise the Secretary of Agriculture, Secretary of Commerce, Secretary of Defense, Secretary of Education, Secretary of Health and Human Services, Secretary of Housing and Urban Development, Secretary of Labor, Secretary of Transportation, Secretary of Treasury, Administrator of the Small Business Administration, Administrator of the Environmental Protection Agency and such other senior executive branch officials as may be determined by the Co-Chairs of the Task Force.

(b) The Secretaries of Treasury, Agriculture, and Labor shall Co-Chair the Task Force with the Chair rotating annually. The Director of the National Economic Council (NEC), as Vice Chair of the Community Empowerment Board, shall serve as Vice Chair of the Task Force for the duration of this order.

(c) The purpose of the Task Force is to create a coordinated and aggressive action plan for the Southwest Border in order to increase the living standards and the overall economic profile of the Southwest Border so that it may approach the average of the nation. Policy recommendations shall encompass short term and long term economic development objectives. Specifically, the Task Force shall:

(1) analyze the existing programs and policies of Task Force members that relate to the Southwest Border to determine what changes, modifications, and innovations should be considered;

(2) consider statistical and data analysis, research, and policy studies related to the Southwest Border;

(3) develop and recommend short term and long term options for economic development;

(4) coordinate and collaborate on research and demonstration priorities of Task

Force member agencies related to the Southwest Border;

(5) establish a pilot project as stated in attached description related to coordination, response, and communication networks;

(6) integrate Administration initiatives particularly the New Markets Initiative into the design of sustainable economic development actions for the Southwest Border; and

(7) recommend to the Vice President additional steps that can be taken to advance the Southwest Border, including legislative proposals, regulatory changes, and program and budget initiatives.

(d) (1) The members of the Task Force shall make the activities and initiatives set forth in this order a high priority within their respective agencies within the levels provided in the President's budget.

(2) The Task Force shall issue an interim report to the Vice President by December 15, 1999. The Task Force shall issue its first annual report to the Vice President on July 15, 2000 with subsequent reports to follow yearly and a final report on July 15, 2002. The reports shall describe the actions taken by, and progress of, each member of the Task Force in carrying out this order. The Task Force shall terminate 30 days after submitting its final report unless a Task Force consensus recommends continuation of activities.

Section 2. Specific Activities by Task Force members and other agencies.

(a) The Departments shall work together and report to the Task Force by November 15, 1999 on the examination of their programs to see if coordinated response frameworks can be constructed and utilized.

(b) The Task Force shall submit an interim report to the Vice President by December 15, 1999 on the progress of the designated community pilot projects and on the efficacy of the overall coordination framework.

(c) The Task Force shall report to the Vice President by July 15, 2000, and thereafter every year on July 15, on the initial progress on each of the individual community strategic plans (C-5) and on the other activities of the Task Force (C-1, 2, 3, 4, 6, 7).

(d) Executive agencies that are not members of the Task Force shall:

(1) coordinate and cooperate with the Task Force; and

(2) review their programs and policies to ensure that they are coordinating delivery of services to the designated pilot projects.

Section 3. Cooperation

All efforts taken by the executive departments and agencies under Sections 1 and 2 of this order shall, as appropriate, further partnerships and cooperation with organizations that represent the Southwest Border and with state and local governments.

Section 4. Judicial Review

This order does not create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

WILLIAM J. CLINTON

THE WHITE HOUSE
(date)

INTERAGENCY MEMORANDUM OF UNDERSTANDING
FOR A BORDERPLEX COORDINATION AND RESPONSE INITIATIVE

I. Parties

This is an agreement among the following parties:

- The Secretary of Agriculture;
- The Secretary of Commerce;
- The Secretary of Defense;
- The Secretary of Education;
- The Secretary of Health and Human Services;
- The Secretary of Housing and Urban Development;
- The Secretary of Labor;
- The Secretary of Transportation;
- The Secretary of the Treasury;
- The Administrator of the Environmental Protection Agency; and
- The Administrator of the Small Business Administration;

II. Purpose

The purpose of this Memorandum is to carry out the Executive Order, *Economic Development of the Southwest Border*, which mandates the creation of the BorderPlex Coordination and Response Task Force ("Task Force"). The Task Force is to create a coordinated and aggressive action plan for the Southwest Border in order to increase the living standards and the overall economic profile of the Southwest Border. This memorandum establishes the principles that will guide the parties' cooperation in this undertaking, sets forth the objectives of this collaborative effort, and outlines the responsibilities of the parties. It also defines the structure of federal coordination that is designed to work closely with the Southwest Partnership, the Community Empowerment Board, state and local governments, Tribal nations, and others. This construct is intended to make the optimum use of federal resources by improving interagency coordination through the enhancement of the delivery, tracking, and evaluation of economic assistance to communities on the Southwest Border affected by the Executive Order. Specifically, the Task Force shall:

A. Analyze the existing programs and policies of Task Force members that relate to the Southwest Border to determine what changes, modifications, and innovations should be considered;

B. Consider statistical and data analysis, research, and policy studies related to the Southwest Border;

C. Develop and recommend short term and long term options for economic development;

D. Coordinate and collaborate on research and demonstration priorities of Task Force member agencies related to the Southwest Border;

E. Establish a pilot project as stated in Sections III and IV of this Memorandum related to Border coordination, response, and communications;

F. Integrate Administration initiatives particularly the New Market Initiative into the design of sustainable economic development actions for the Southwest Border; and

G. Recommend to the Vice President additional steps that can be taken to advance the Southwest Border, including legislative proposals, regulatory changes, and program and budget initiatives.

III. Structure

A. **Equal Status:** The parties are equal partners of this cooperative relationship.

B. **Multi-Agency Command:** Each of the parties shall, within 7 days of the signing of this memorandum, designate one individual to serve as liaison and to report directly to the appropriate party. These individuals shall comprise the BorderPlex Coordination and Response Task Force (Task Force). The Secretaries of Treasury, Agriculture, and Labor shall designate a second representative to serve as co-Chairs of the Task Force with annual rotation of the Chair among the three agencies. The Director of the National Economic Council (NEC), as Vice Chair of the Community Empowerment Board (CEB), shall serve as Vice Chair of the Task Force for the duration of this agreement.

The Task Force, under the guidance of the parties, shall have oversight and policymaking authority and responsibilities as consistent with the authority delegated each party; shall develop policy recommendations for action; and shall report directly to the Vice President.

C. **Response Framework: Pilot Project**

(1) Site Selection: The Task Force, in coordination with the Southwest Partnership and in cooperation with the Community Empowerment Board, will designate four pilot communities (one from each Border state). The designation will be based on economic/demographic profiles, community strategic plans, and community vision statements as previously submitted via the EZ/EC framework. The common link to all the communities is their involvement with the EZ/EC initiative; their natural geographic link through proximity to an international boundary with Mexico; and their shared economic concerns.

(2) Community Coordination and Response Teams: The strategic plan of each community will be assessed by the Task Force in cooperation with the CEB. Each community will create a community coordination and response team (CCRT) that will assess the community's local strategic plans and priorities. Working with the CCRTs, the Task Force will create customized virtual teams, known as Border Response Teams

(BRTs), that will be tasked with liaison activities and implementation of strategic plans. Strategic needs will be prioritized by the communities and in coordination with the Southwest Partnership and the Community Empowerment Board, the BRTs will produce response plans to be presented to the Task Force within 60 days.

(3) Border Response Teams: Secretaries and Administrators shall, within 14 days of signing this Memorandum, each designate one or more representatives to participate in Border Response Teams (BRTs). The actual configuration of the teams is dependent on the priorities identified by the pilot communities creating the potential for differing membership per team – a virtual team based on community need. The BRT under the guidance of the Task Force and the parties, shall have decision authority, as consistent with federal law, to act as liaisons from the Task Force to the pilot communities; implement programmatic solutions from each agency; and report to the Task Force on project status. However, nothing in this memorandum shall be construed to expand or diminish the authority of federal, state, or local officials participating in the initiative.

D. Task Force would disseminate the activities of the Task Force and establish a communication link with Border communities, Border states, and the Southwest Partnership via the BorderPlex Information website.

IV. Responsibilities of the Parties

In the development and execution of economic adjustment activities, the Community Empowerment Board, the Southwest Partnership, state and local governments, Tribal Nations, and others shall play a critical role in partnership with the Task Force in determining how best to meet the priority needs of the pilot communities. Federal officials should resolve interagency differences, coordinate interagency activity, and, if within administrative remedy, remove any unnecessary regulatory impediments to economic adjustment and assistance.

A. Community Response Plans

The Community Response Plans will be jointly developed by the BRT's and CCRT's under the guidance of the Task Force and in cooperation with the Southwest Partnership, the CEB, and state and local governments. The plans shall be consistent with the Executive Order and shall address a three-year period beginning June 15, 1999 and include:

- A detailed statement of the goals of the Response Plans for each pilot community;
- A streamlined process for the delivery of assistance and services;
- A detailed description of agency responsibilities for each community;
- Established benchmarks for progress based on community priorities;
- A detailed plan for integrating and implementing the relevant programs and services of each of the Departments and of Administration initiatives particularly the New Markets Initiative;

- A detailed plan for a clearinghouse of services and communications links via the internet;
- A plan for the uniform reporting to the Task Force; and,
- A detailed plan and timetable for the actual receipt of assistance by pilot communities.

B. Execution

The parties shall make available, to the extent permitted by budget authority and appropriations, the resources necessary to execute the response plan for each pilot community, including the financial resources and the personnel and support services.

V. Reports

Every six months, the Departments and Agencies shall promptly prepare and file with the Task Force a report which:

- Assesses the progress made in the preceding period toward the goals and objectives identified in individual pilot communities' strategic plans; and,
- Suggests any adjustments or amendments in the cooperative relationship that the Task Force considers desirable.

Annually, the Task force will present to the Vice President a progress report assessing the actions of the Border Response Teams and the lead agencies. In this way a joint accountability mapping is established among communities, agencies, and the Task Force.

VI. Liability

This is not a legally binding or enforceable agreement. The matters covered in this memorandum are intended only to improve the internal management of the Executive Branch and are not intended to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

VII. Terms

The term of this agreement is three years from the date of execution. At that time, the parties may; by consensus, extend this agreement for any additional period. This agreement may be amended by unanimous consent of the parties. Any party may terminate its participation in this agreement.

AGREED

Secretary of the -------	Secretary of ----------

DEPARTMENT: **Department of Agriculture**

FISCAL YEAR: **1999**

DECRIPTION: USDA activities on the border support a diverse spectrum of programs including: Agricultural Research Service, Cooperative State Research, Food and Nutrition Service, Rural Utilities Service, Rural Housing Service, Rural Business Cooperative Service, Natural Resources Conservation, Farm Service Agency, Food Safety, Animal and Plant Inspection, Agriculture Marketing Service, and Economic Research.

PROGRAM EXAMPLE:

Of particular import to the border is the Rural Development mission area (Rural Utilities Service, Rural Housing Service, and Rural Business-Cooperative Service). The 1999 budget will support such initiatives as Water 2000 targeted to 2.5 million rural Americans who have some of the nations most serious drinking water problems; National Homeownership Initiative which has helped the nation reach its highest level of homeownership (66%); and Empowerment Zones and Enterprise Communities (EZ/EC). Specific examples include:

- $583 million for rental assistance to multi-family and farm labor housing project owners.
- $500 million in grants and $839 million in loans for water and waste disposal projects.

FUNDING:

TX $574,249,244
NM 101,184,311
CA 146,910,429
AZ 781,391,982

TOTAL $1,603,735,946

DEPARTMENT: **Economic Development Administration**
Department of Commerce

FISCAL: **1999**

DESCRIPTION: The Border region is a key investment zone for the Austin Regional Office. Transportation, workforce development, capacity building, and infrastructure are key investment opportunities for the EDA.

PROGRAM EXAMPLE:

Capacity building investments include: Lower Rio Grande Empowerment Zone ($375,000). The University of Texas Pan American was added to EDA's university center progrm in FY 1997. The University center provides technical assistance and other development services to small communities in the lower Rio Grande Valley ($100,000). Infrastructure investments include: City of Laredo ($2 million) to fund water and wastewater extensions for the construction of a regional hospital and expanded cargo handling capacity at Laredo's International Airport.

FUNDING: **$24,175,250**

DEPARTMENT: **Department of Labor**

FISCAL YEAR: **1999**

DESCRIPTION: Programs active in the Southwest border include:
* Job Corps Centers;
* JTPA Titles II, III, IV;
* NAFTA-TAA (trade-related);
* Welfare-To-Work (Competitive and U/R Grants);
* National Reserve Account (disasters and emergencies), and
* Wagner-Peyser.

PROGRAM EXAMPLE:

The David L. Carrasco Job Corps Center, located in El Paso, Texas, is consistently among the Department of Labor's top three best performers nationwide in terms of job placement and student achievement. The Center enjoys a 112.9% over all rating on its outcome performance measures. The measures include literacy, math, GED attainment, completion of vocational training, and wage placement after a 13-week follow up. The Center assists young men and women to become more responsible, employable and productive citizens by providing the training and opportunity to succeed. The Center is geared to serve 415 students, ages 16-24 years. They offer eight trades - clerical, food service, health occupation, building and apartment maintenance, welding, electronics, and auto repair.

TOTAL: **$174,490,260**

DEPARTMENT: **Department of State**

FISCAL: **1999**

DESCRIPTION: Programs active on the Southwest Border include: Border Liaison Mechanism (BLM), Bureau for International Narcotics and Law Enforcement Affairs (INL), and International Boundary and Water Commission (IBWC).

PROGRAM EXAMPLE:

- IBWC in1996 completed construction of a jointly funded sewage treatment plant in Nuevo Laredo to assist in resolving pollution of Rio Grande waters.
- IBWC in 1997 completed construction of the primary treatment plant, a part of the South Bay International Wastewater Treatment Plant in San Diego.
- IBWC is leading binational multi-agency surveys of the water quality in the Rio Grande River, Colorado River and New River
- In the Lower Rio Grande Valley, IBWC operates the Falcon and Amistad Dams, which it constructed on behalf of the two governments in the early 1950's and late 1960's respectively, to conserve water, control floods, generate power, and to divide the waters of the Rio Grande between the two countries.

FUNDING: **$25,400,000 (IBWC)**

DEPARTMENT: **Environmental Protection Agency**

FISCAL: **1999**

DESCRIPTION: The La Paz Agreement (1983) established formal methods for the countries to work cooperatively on the border environment. The most recent planning mechanism the two countries have produced is the *Border XXI Program* released in 1996 and covering the period through 2000. The program emphasizes public participation and strengthened cooperation with state and local agencies to achieve sustainable development along the border. Bilateral and international institutions figure prominently in EPA's border work such as the IBWC, the NAD Bank, the Commission for Environmental Cooperation (CEC) and the Border Environment Cooperation Commission (BECC). EPA provides significant grant funding for border infrastructure projects both through the IBWC and BECC-NADBank.

PROGRAM EXAMPLE:

EPA granted $10 million in1996 and an additional $10 million in1999 to the BECC. The funds are used for the water-related technical assistance program, under which assistance is provided to U.S. and Mexican communities to develop high quality projects for BECC certification, and in many cases ultimately for financing participation by NADBank.

A cooperative agreement with NADBank was developed whereby NADBank administers $170 million in EPA grant funds for the construction of water-related projects in the U.S. and Mexico

FUNDING: **$73,304,100 (1999)**
144,315,200 (1998)
174,004,000 (1997)

DEPARTMENT: **Department of the Treasury**

FISCAL: **1999**

DESCRIPTION: The Department of the Treasury activities on the border encompass economic development and enforcement. In the economic development realm the Community Development Financial Institution (CDFI) and the U.S.Community Adjustment Investment Program (CAIP) are the main programmatic instruments. The Treasury also holds the Chair of the Board for the bi-national North American Development Bank (NADBank).

PROGRAM EXAMPLE(S):

• NAD Bank - As of 4/30/99 the Bank has authorized a total of $149 million in loans, guaranties, and grants for water, waste water treatment, ans solid waste projects in15 border communities (six in Mexico and nine in the U.S.) representing a total investment of $492 million and benefitting over six million border residents. The nine projects on the U.S. side of the border represent a total investment in the U.S. of $72.5 million. The Institutional Development Program that focuses on technical assistance has 93 projects in process totaling $5.15 million. Of this, approximately $1.4 million is committed to 36 projects in 29 communities in the U.S. (See more information on attachment and on success stories.)

•CDFI Fund - A combination capital grant, loan, and technical assistance grant was awarded ACCION Texas, a non-profit micro-enterprise program. ACCION Texas' service area includes San Antonio and the Rio Grande Valley. ACCION Texas projects that it will make over 6,000 loans valued at $23 million to more than 4,000 entrepreneurs over the next five years. ACCION Texas plans to create and retain jobs by providing micro-entrepreneurs with access to credit and business support services not available from the commercial banking sector.

• The CAIP makes direct loans and grants and subsidizes the guarantee fees associated with USDA and SBA lending through the Business & Industry Loan Guarantee Program (B&I) and the 7(a) Loan Guaranty Program, respectively. CAIP eligibility guidelines were amended on December 22, 1998 to include all the border counties serviced by the NAD

Bank. Since its inception, the CAIP has facilitated 88 loans in the border region through its agency programs with SBA and USDA in the principal amount of $20.1 million helping to create 540 new jobs and retain 99 existing jobs. The CAIP has also committed $1 million to a direct loan in El Paso, Texas and $600,000 for its grant program pilot project in Dona Ana, New Mexico.

FUNDING:

NAD Bank (Fiscal 4/1/97 to 3/31/98)
$40,000,000 authorized in loans, grants or guaranties for water and waste water treatment projects in six border communities, representing a total investment of $118.5 million.
The Institutional Development Program had 25 projects in process totaling $2.5 million.

CDFI Fund support for Border servicing CDFI's: $6.4 million

CAIP funding (guarantee fees and subsidy costs for SBA and USDA loans) in Border counties: $780,000; $1 million in direct loans; $600,000 in grants.

TOTAL $51.3 Million

NADBank / BECC

The North American Development Bank (NADBank) and its sister institution, the Border Environment Cooperation Commission (BECC), were chartered under the auspices of the North American Free Trade Agreement (NAFTA) to finance environmental infrastructure projects along the U.S./Mexico border, as well as community adjustment and investment in both nations. Established in FY 1995 and funded jointly by the US and Mexico, the NADBank provides financing (loans, guaranties, and grants) for projects that have been certified by the BECC principally in water, wastewater, and solid waste treatment within 100 km of either side of the border.

The NADBank and the BECC are making significant progress in border clean-up by financing and constructing environmental infrastructure projects. For example:

- Since its establishment, the Bank has approved a total of $105 million in loans, guaranties, and grants to help finance 14 environmental projects, five in Mexico and nine in the U.S., representing a total investment of $408 million and benefiting over four million residents on both sides of the border.

- The NADBank has created a Mexican domestic subsidiary, a 'SOFOL', to allow direct lending to Mexican public entities. This development is expected to increase the amount of lending on the Mexican side of the border.

- In April, 1997, the NADBank and EPA established the Border Environment Infrastructure Fund (BEIF), under which the Bank administers $170 million in EPA grants in conjunction with its lending. With the BEIF, the NADBank puts together affordable financing packages for poor border communities.

- The NADBank has established an institutional development program (IDP) to improve the management capacity of local utilities in the border region. The IDP has 83 projects in 64 border communities for a total cost of almost $4 million.

- The NADBank recently began development of a Border Utility Management Institute (UMI), funded through its institutional development program. The UMI will provide the Bank's clients -- utility managers and their staff members – with an on-going professional development program that is aimed at enhancing managerial and financial skills.

- The United States Community Adjustment and Investment Program (USCAIP), established with 10% of the NADBank's paid-in-capital, provides financial assistance to create or retain jobs in communities experiencing temporary NAFTA-related job losses. As of April, 1999 the CAIP had approved 199 loans in 25 states, largely through its agency programs with the Small Business Administration and Department of Agriculture, with a total principal amount of approximately $157.3 million, creating or preserving over 5,100 jobs.

Success stories:

Ciudad Juarez, Chihuahua Wastewater Treatment Plants

Until now, the city of Ciudad Juarez has had no wastewater treatment. With the implementation of this $31 million project, certified by the BECC in June of 1998, 93% of the population will have sewage services and 100% of the city's wastewater will be treated. Construction has recently begun on one of the two treatment plants, which together will prevent direct wastewater discharges into irrigation canals and other bodies of water and eliminate health problems and diseases directly related to untreated wastewater, wastewater leaks into underground water sources, and runoff from the sewerage system.

The NADBank is participating in the project with a $2.8 million loan to the private sector concessionaire and a grant of $11.08 million from the Border Environment Infrastructure Fund (BEIF). The Juarez project is a showcase project for the Bank since it represents the first wastewater treatment facility for this border city of one million residents, providing primary treatment for **all** of the city's wastewater. This will have a positive impact not only on the quality of life in Juarez, but also in neighboring El Paso.

Hook-ups to Supply Sewage Service to Lower Valley Residents

An estimated 2,600 households in the Lower Valley of El Paso, Texas will be connected to a central wastewater treatment system by the year 2001, as a result of residential hook-ups funded by the North American Development Bank (NADBank) and put forward by the BECC.

As part of a $98 million water and wastewater project, the Lower Valley District is constructing a sewage system to improve the delivery and quality of wastewater treatment to economically distressed areas. For residents living in nearby colonias, or communities, of Socorro and San Elizario, this project will provide a basic amenity that other areas take for granted.

The NADBank is participating in the project through a $17.5 million grant from the Border Environment Infrastructure Fund (BEIF). An integral part of this grant is $2 million of hook-up assistance that will not only help residents in connecting their households as soon as services are available in their neighborhood, but also will strengthen the district's cash flow. The Lower Valley project is the first to include hook-up assistance as part of a BEIF assistance package.

THE SOUTHWEST BORDER REGION

Executive Summary

The focus of this analysis is the fifty-six-county region contiguous with the United States' southwestern border with Mexico. While important differences exist among the counties within this area, they also share a number of common features that substantially differentiate the Border region from the rest of the United States.

- The **population** in the Border region is growing twice as fast and is generally much younger and more heavily Hispanic than is typical throughout the United States.

- A higher concentration of this region's residents are **foreign-born** compared to the entire country and more of this region's residents **speak Spanish at home** than in the United States as a whole.

- **Unemployment** is higher in the Border region than in all but two states and a disproportionately large share of this region's residents are living in **poverty** compared to the entire country.

- **Per capita personal income** in the Border region lags that of the United States by more than 10 percent and **average annual pay** in the manufacturing sector, which usually exceeds the average compensation paid by other industries, is actually 2 percent *below* the very low average yearly pay in all of this region's private industries combined.

- Rates of **educational attainment** are alarmingly low in the Border region -- close to one-quarter of the adult population has not graduated from high school.

- Based on measures of unemployment and poverty, **fifty-three counties* in the Border region were categorized as "troubled". The gap between the Border and the United States is *even wider* for this subset.**

The immediate outlook for the Border region is not favorable, given the pervasiveness of poverty, general lack of formal education, and rapid pace at which the youngest and oldest segments of the Border's population is expanding. All of these factors are likely to place additional strain on government resources in the near future. The relatively low level of economic development that has occurred in this region also has serious implications for the law enforcement community, as a significant relationship has been shown to exist between economic condition and crime. Unless adequate steps are taken to alleviate the economic distress from which this region currently suffers, the Border will likely continue to pose significant enforcement resource issues for the government.

November 5, 1998

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*Three counties -- Orange County (CA), San Diego County (CA), and McMullen County (TX) -- were excluded based on the following economic criteria: the unemployment rate in 1997 was below the national rate of 5.0 percent, per capita personal income was close to or above the U.S. level of $24,436 in 1996, and the poverty rate was near or below the U.S. rate of 15.1 percent in 1993.

THE SOUTHWEST BORDER REGION

Economic studies have shown that a strong link exists between the economic environment and crime. This finding has important implications for the Southwest Border Region, an area of the country plagued with high unemployment, widespread poverty, and low levels of educational achievement. The following paper provides a brief overview of the general conclusions that can be drawn from the economic literature on crime, followed by a detailed profile of the Southwest Border Region which includes a description of its people and its industry as well as the current state of its economy.

Economic Analysis of Crime

The economic discipline's analysis of crime emanates from the baseline perspective that crime can be modeled as a rational choice where an individual comparatively weighs the cost and benefits of his/her actions. The individual is assumed to be a rational utility maximizer who compares the probability of being caught, and the various costs and benefits of the crime, before making a decision. Sociologists and criminologists, in contrast, focus more on personal traits such as age, sex, race and intelligence, and environmental factors such as family background and community conditions, as determinants of criminal activity.

Starting in the late 1960's economists first formulated models of crime before subsequently proceeding to more empirical work. Studies focused on both economic conditions and deterrence variables. Many also incorporated personal trait variables, most notably age and race, into the rational choice framework. Although the studies yield a wide range of results, general conclusions can be drawn from the economic crime literature. (Refer to Appendix 1 for a more detailed description of this literature.)

- **Economic incentives** are important determinants of crime and crime can be treated as a **rational choice**.

- **Areas with high unemployment rates tend to have high crime rates** and unemployment rates are generally positively related to most types of crime.

- There is a **positive correlation between measures of income and crime rates**. Results for measures of income inequality and poverty are mixed, although empirical crime studies point to **a positive relationship between poverty measures and property crime**.

- **Deterrence lowers the expected return to criminal activity** and is therefore effective. In general, the greatest deterrent to criminal activity is the probability of getting caught, followed, to a lesser degree, by the probability and severity of punishment.

The Southwest Border Region

There exist numerous metrics for defining the Southwest Border region. Each definition is specific to its prime concern or focus.[1] We have defined the Border region as the counties that are reached if one travels 100 miles into the United States from Mexico.[2] This area covers a land base over six times the size of Israel and includes four counties each in California and Arizona, five counties in New Mexico, and forty-three counties in Texas. (See Appendix 2 for a complete list of the counties included.) Its residents number 12.3 million, a population that is almost four times larger than that of Costa Rica.

The economic profile of this region varies considerably from county to county and state to state, with areas of prosperity intermingled amongst areas of great poverty. However, there also exist a number of similarities -- many derived from the region's proximity to Mexico -- that have affected standards of living and economic development throughout the area. The population is generally younger and growing more rapidly than in the country as a whole. Hispanic Americans outnumber all non-white ethnic groups and represent a much larger segment of the total population relative to the entire country. More of the Border region's residents were born outside of the United States than is typical nationwide and Spanish is the primary language spoken in almost one-third of the region's households. The disparity that exists between the Border region's economy and that of the entire United States is striking. On balance, those who call this region home tend to be poorer and less well-educated than the average American and are far more likely to be unemployed.

Three counties -- Orange County (CA), San Diego County (CA), and McMullen County (TX) -- clearly stand apart from the rest of the region. According to measures of employment, income and poverty, they appear to be better off than the nation as a whole. If these three counties (which together account for roughly 44 percent of the Border's total population) are excluded, the differences that exist between the Border region and the United States grow even more extreme (see column labeled "Troubled Border" in Tables 1 and 2). The composition of the population becomes more heavily skewed towards younger age groups and population growth accelerates. The share of

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[1]The North American Development Bank, which was created under the auspices of the North American Free Trade Agreement to preserve and promote the health and welfare of border residents and their environment, defines the U.S. Border region as the area within roughly 62 miles north of the boundary between the United States and Mexico. The White House Office of National Drug Control Policy defines this area as the twenty-three counties located directly adjacent to the U.S. border with Mexico. Given the specialized focus of the mandates of the above agencies and the very different focus of this paper, and in light of conversations with and information gathered from state officials familiar with the area, a broader definition of the Border region was deemed necessary.

[2]If more than half of a county fell outside of the 100-mile limit it was not included

Hispanic Americans rises by almost one-third and the fraction of the population speaking Spanish at home increases to more than 40 percent. The average level of educational attainment plummets, the unemployment rate surges, per capita income falls by over 20 percent, and poverty rates climb even higher.

Characteristics of the Border Population

The Border region included 12.3 million of the nation's 267.3 million people in 1997 -- accounting for about 4-1/2 percent of the U.S. population. (Table 1, attached, shows details of the population.) The population of this area is greater than that of 61 other nations of the world.

- Among the Border's residents, nearly 7 million were located in California, 4 million in Texas, 1.1 million in Arizona, and just slightly more than 1/4 million in New Mexico.

- During the first seven years of the 1990's, the population of the Border region grew at a 2.0 percent annual rate, twice as fast as the population of the country as a whole, with gains ranging between 1.7 percent for the Border counties of California and 2.8 percent for New Mexico.

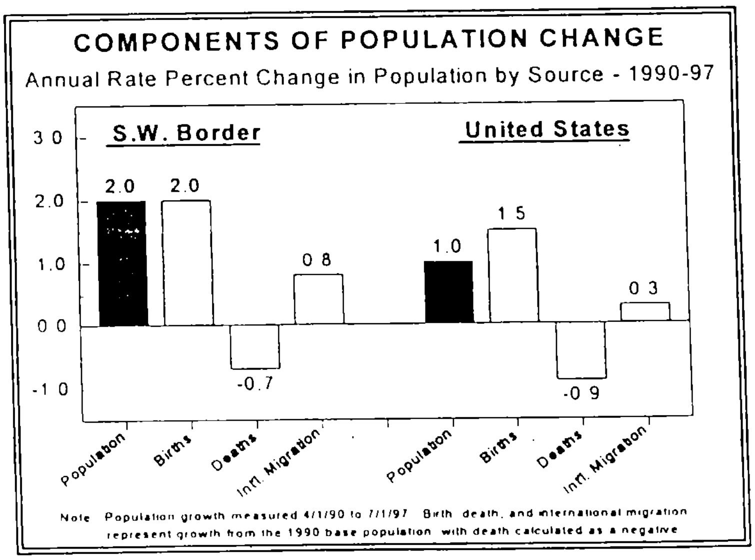

Figure 1

Faster population growth in the Border region reflects a higher birth rate, lower rate of death (since the Border population is relatively young) and greater international migration relative to the country as a whole, as shown in Figure 1.

- If the Southwest Border area were the 51st state[3], its **birth rate** of 18.2 per 1,000 people in 1997 would have been the second highest in the nation after Utah's 20.5 per 1,000 rate. Both far outpace the 14.6 per 1,000 U.S. rate.

- The Border's **death rate** of 6.7 per 1,000 in 1997 ranked 47th among the states.

- The **rate of international migration** for the Southwest Border of 7.7 per 1,000 in 1997 exceeded that of every State and was more than double the nation's rate of 3.1 per 1,000.

The **age profile** of the Southwestern Border population is generally younger than that of the nation as a whole. Just over 39 percent of the Border population is less than 25 years old (compared to 35 percent for the total United States). In the Texas and New Mexico Border areas, this group accounts for 42 percent or more of the population. The concentration of residents 65 years or older is also less in the Border region -- 11 percent of the population compared to 13 percent nationwide.

- More rapid population growth than for the nation as a whole extends across the age spectrum but is particularly significant for the youngest and oldest population groups (see Figure 2). These are the groups likely to rely the most on government resources including education, income maintenance, and health services, but usually contribute the least to the tax base.

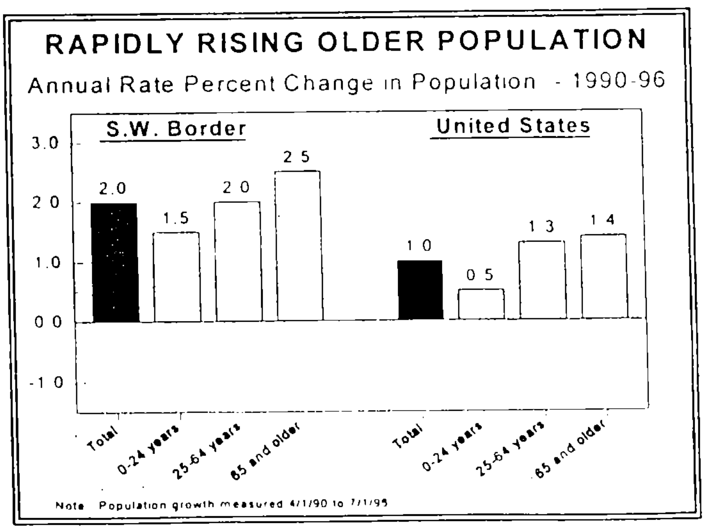

Figure 2

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[3]When comparing the Border region to the fifty states, the counties falling within the Border region were *not* excluded from their respective states due to difficulties encountered when trying to disaggregate the data.

The region's historical links and proximity to Mexico have resulted in a high **concentration of Hispanic Americans** living in the Border area.

- Hispanic whites make up about 41 percent of the Border population -- far eclipsing the less than 10 percent of the population that they account for nationwide (see Figure 3).

  -- The aggregate of the Border area masks diverse patterns within States. Hispanic whites account for 27 percent of the population in the California Border region and about 30 percent in Arizona but 54 percent in New Mexico and nearly 68 percent in Texas.

  -- Recent trends suggest that the Hispanic share of the population in the Border region will continue to grow. From 1990 to 1996, the white Hispanic population expanded at a 3.8 percent annual rate, with growth rates for this group ranging from about 3 percent in New Mexico and Texas to 4.0 percent in Arizona and 4.6 percent in California.

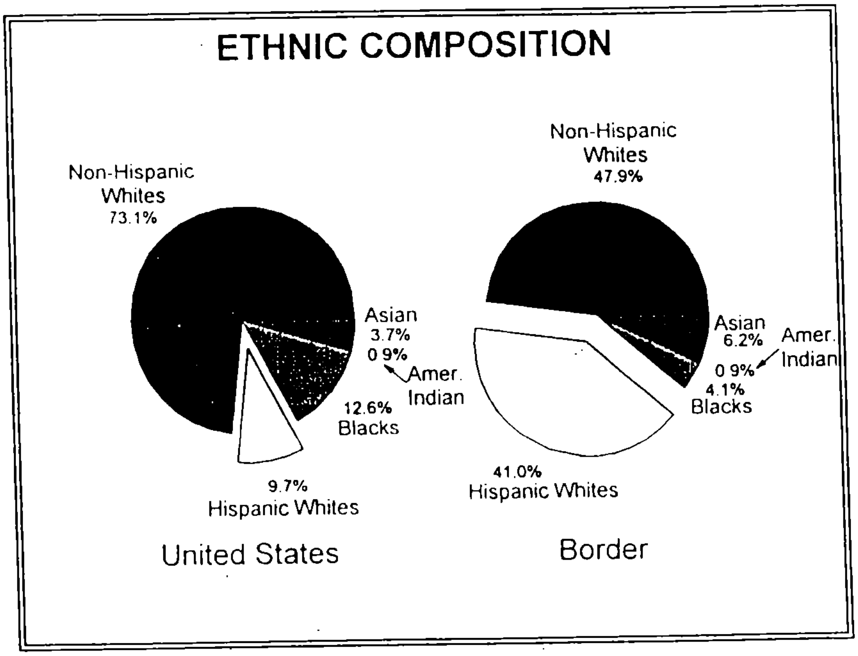

Figure 3

- The Border as a whole also has a higher proportion of people of **Asian and Pacific Island** backgrounds -- 6.2 percent of the population compared to 3.7 percent nationwide. This is entirely because of the influence of the large California area, where Asians account for nearly 10 percent of the population. Among the Border regions of the remaining three states, this group is less represented than in the nation as a whole.

-- While small in proportion to the population for the Border areas other than California, the Asian population is growing even faster than that of Hispanics -- 4.6 percent compared to 3.8 percent. Rapid growth is occurring in each of the Border states.

Not only is the ethnic composition of the Border region vastly different than that of the entire United States, it also has a much higher share of the population that is **foreign-born.** The latest data are for 1990 and show that about 17 percent of the Border area's population was born outside of the United States -- more than double the nearly 8 percent for the nation as a whole (see Figure 4).

- While California has by far the largest foreign-born share of the population, other Border states have shares well above the average for the nation. Because of the rapid growth of immigration since 1990, it seems likely that these shares may have risen further.

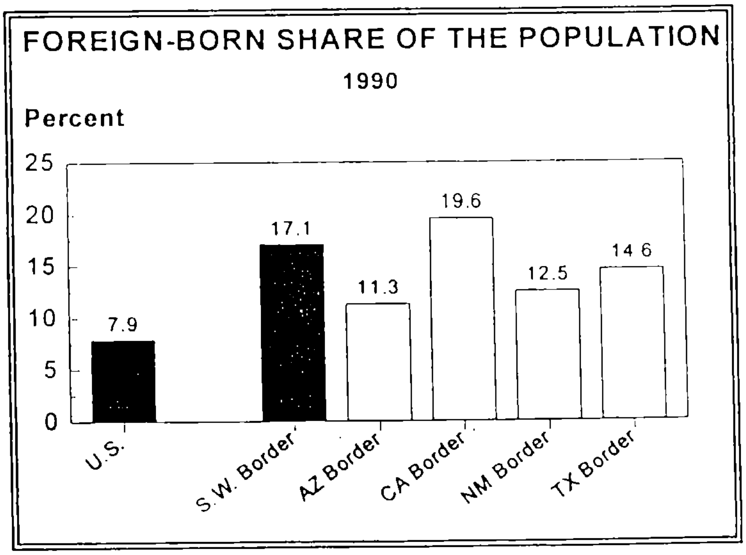

Figure 4

The importance of the foreign-born population and the heavily Hispanic concentration of the population have resulted in an unusually large share of the population **speaking a language other than English at home.** In 1990, fully 38 percent of the Border population spoke a foreign language in the home (see Figure 5), nearly triple the share averaged for the nation and ranking the Border region above any state. By far the greatest intensity of foreign language use was in the Texas Border region, where nearly 60 percent of the population spoke a foreign language -- predominantly Spanish (see Figure 6).

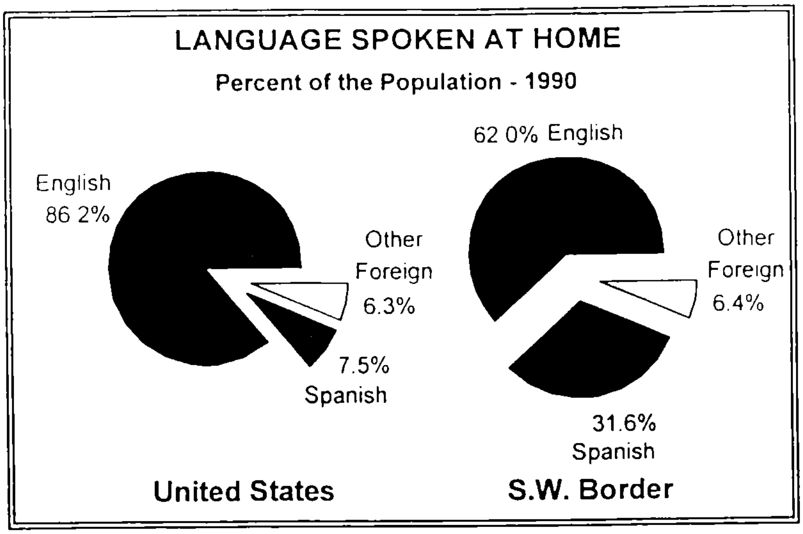

Figure 5

- Obscured by these compilations are areas of even greater foreign language use. In ten of Texas' forty-three Border counties, foreign languages were spoken in the home by more than 80 percent of the population, in one county in Arizona foreign language usage exceeded 75 percent and in one California county it reached nearly 64 percent. While many of these counties are quite small, the relative predominance of foreign language use can pose challenges especially in the areas of education and government administration, where English may be the only language used, but may not be well understood.

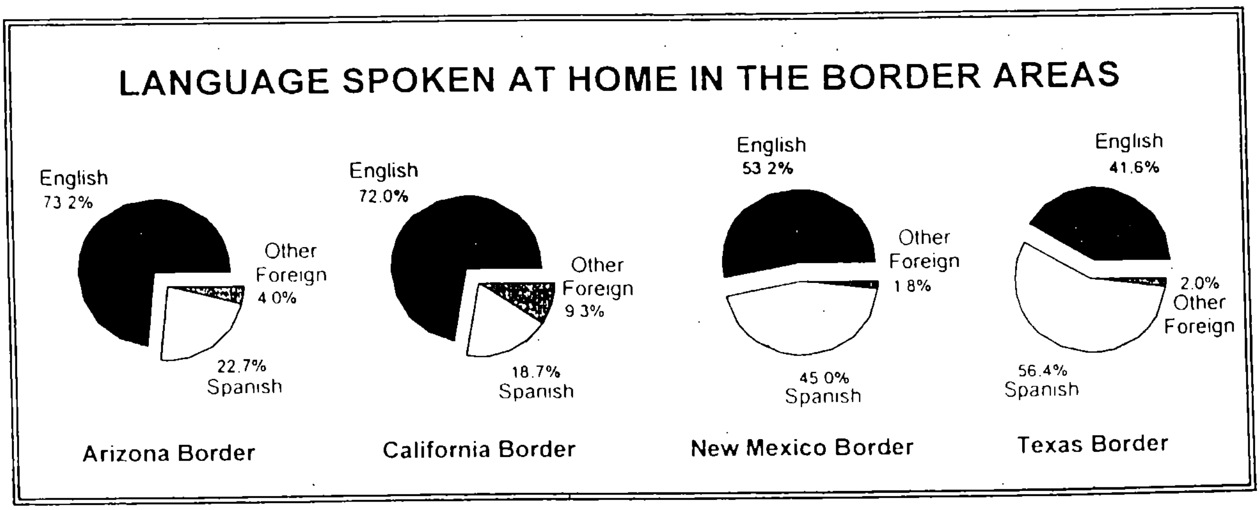

Figure 6

The Economic Situation Along the U.S.-Mexican Border

In general, the 12.3 million people who live and work in this fifty-six county area are less likely to be employed and tend to be poorer and less educated than the average American. The economy in this region varies, however, not only across the four state Border areas it includes but also between counties within those areas. (Most statistics referred to in the text that follows can be found in Table 2.)

- The four-county California Border area, which is home to nearly 60 percent of the Border region's residents, appears to be the most prosperous: the unemployment rate in 1997 was below the national average, per capita personal income exceeded the U.S. level and poverty was slightly less pervasive than it was across the entire country. Yet one county within that area, Imperial County, experienced double-digit unemployment and poverty rates, its per capita income was just two-thirds of the U.S. level and only about half of its residents have completed high school.

- The three remaining state Border areas provide a sharp contrast. Per capita income was significantly below the national level, poverty was more common, and unemployment exceeded the national average by more than 20 percentage points in some areas.

Services and Retail Trade Dominate the Border Region's Economy

In some respects, the industrial profile of the Border region is very similar to that of the nation as a whole. As the figure below indicates, the same broad sectors clearly dominate the economy in both the Border area and at the national level. Moreover the region's largest industry, services, employs virtually the same share of the total workforce as in the United States. Yet there also exist important differences. As Figure 7 also shows, the retail sector, which employs the second largest share of the workforce both along the Border and nationwide, appears to be slightly more important in the Border region than in the United States. In contrast, the manufacturing sector accounts for a much smaller share of overall employment in the Border region than in the country as a whole.

If Orange (CA), San Diego (CA), and McMullen (TX) counties are excluded, the industrial profile of the Border region is altered considerably: the services industry is still the dominant employer in the region, but the share of the labor force working in the retail sector jumps up to 26-1/2 percent --surpassing the U.S. share by 5-1/2 percentage points, and the share employed by the manufacturing sector plunges to 11.8 percent; the construction industry, which employs 6.3 percent of the Border area's labor force but only 5.0 percent of the national labor force, moves into fourth place; and the finance, insurance and real estate (FIRE) industries account for a smaller 5.9 percent share of total employment, compared with the nation's 7.0 percent share.

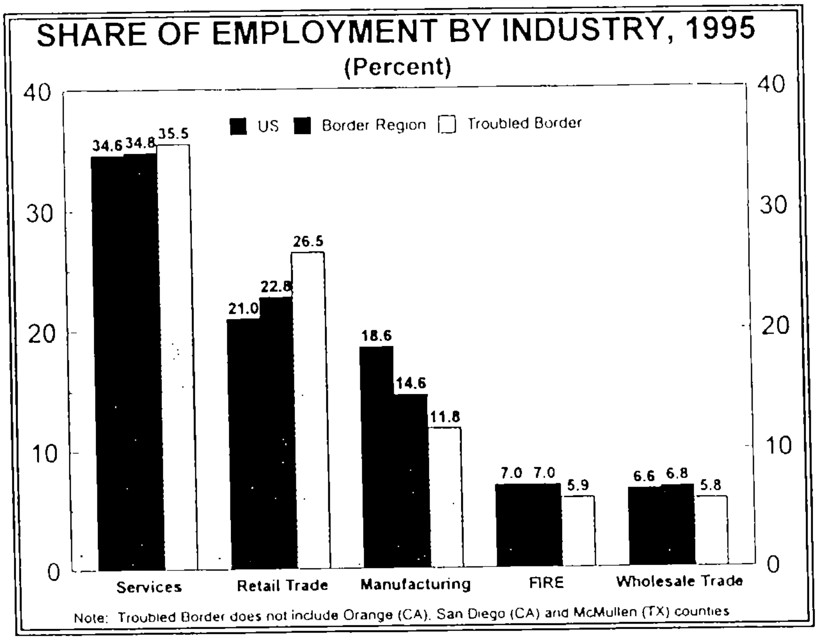

Figure 7

Border Residents Are More Likely Than Other Americans To Be Unemployed

In 1997, the rate of **unemployment** in the Border region was 6.5 percent, well above the 5.0 percent national unemployment rate and higher than in forty-eight states (including the four states which share the Border area). A much less favorable picture of the region's labor market emerges when one decomposes the region by state and county.

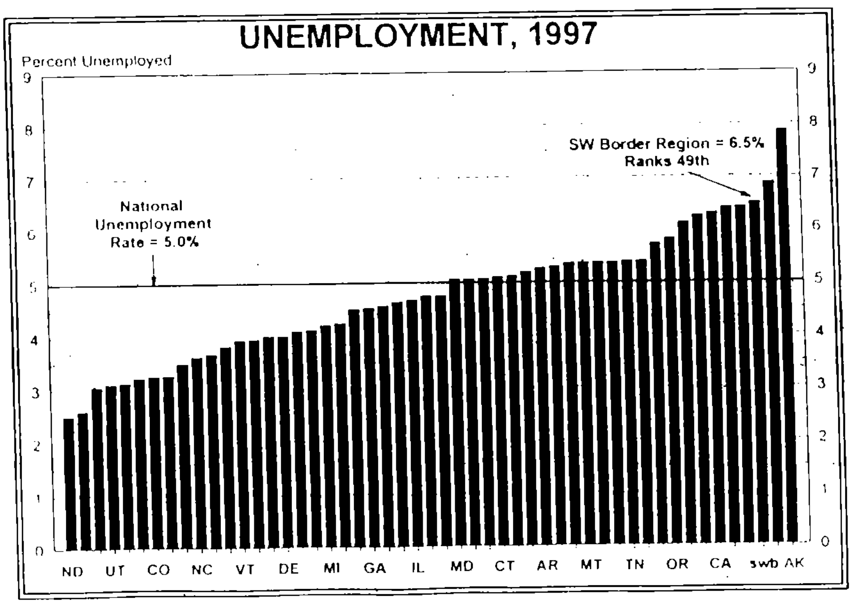

Figure 8

- The Arizona, New Mexico and Texas Border areas all recorded unemployment rates much higher than the national average, but together account for only 41 percent of the Border's total work force (see Figure 9).

- San Diego and Orange counties in California together account for almost half of the entire region's labor force. With their low unemployment rates (4.2 and 3.3 percent, respectively) and disproportionately large share of the Border's workers, they kept the rate for the entire Border region artificially low. If they are excluded[4], the unemployment rate for the Border region jumps from 6.5 to 8.9 percent.

- One-third of the counties within the Border region recorded unemployment rates *below* the national average (see lefthand panel of Figure 10), yet it is not unusual to find these communities enveloped by counties with double-digit rates of unemployment.

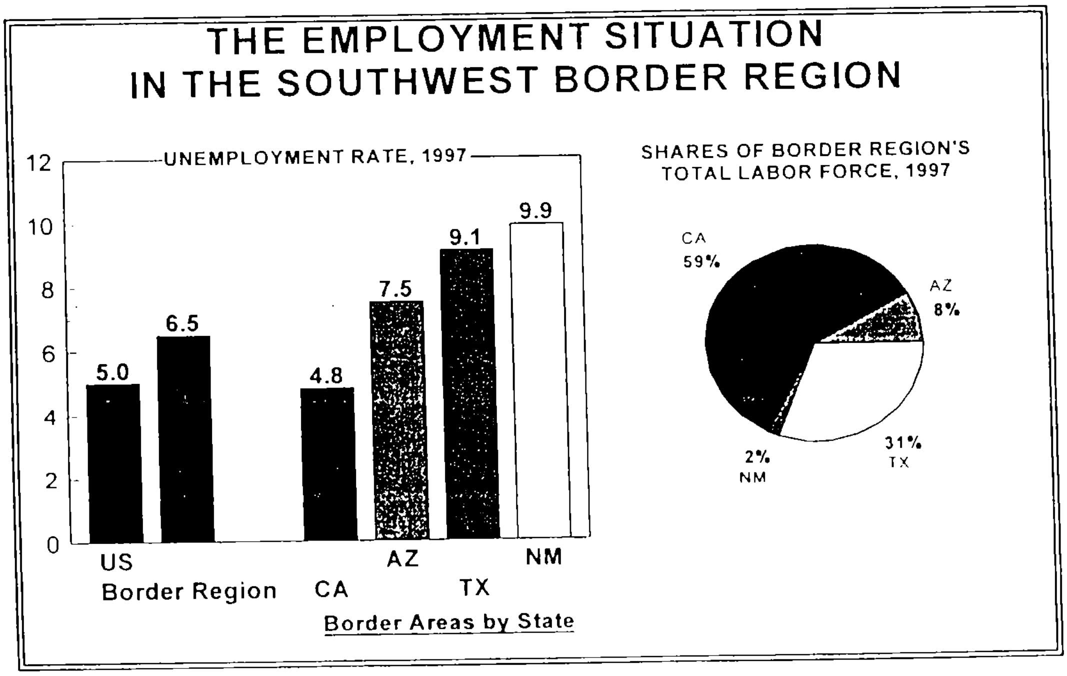

Figure 9

[4]McMullen County in Texas, which also has very low unemployment but accounts for only a negligible share of the Border's labor force, was also dropped

Poverty Is A Way of Life for Many in the Southwest Border Region

Despite intermittent pockets of low unemployment, **poverty** appears to be a way of life for a disproportionately high number of this area's residents. As the lefthand panel of Figure 10 indicates, all but four of the Border region's fifty-six counties registered poverty rates above the 15.1 percent national average in 1993 (the latest year for which these data are available).

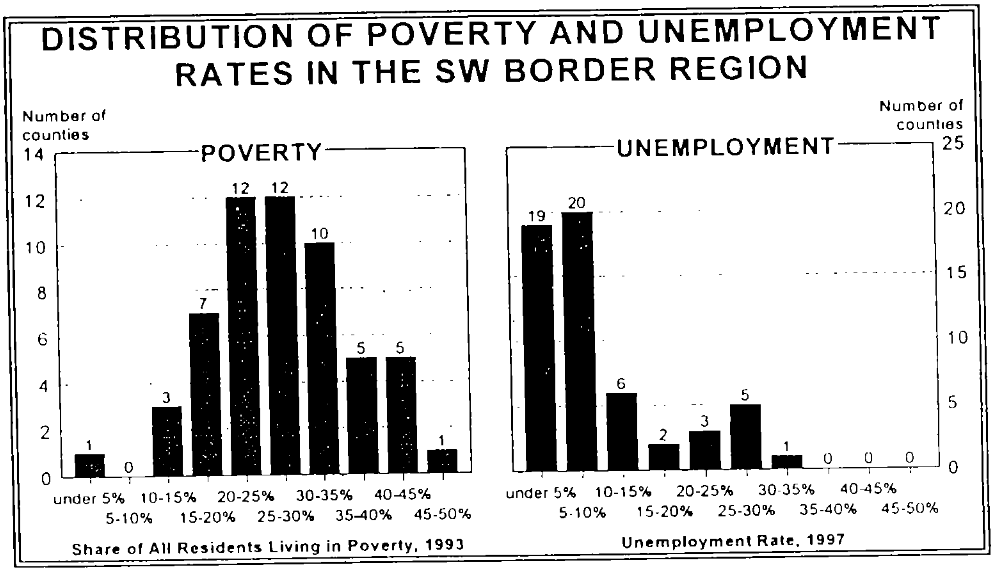

Figure 10

- All together, 20.4 percent of the Border region's residents were living at or below the poverty level in 1993. This topped the national rate of 15.1 percent and exceeded poverty rates in 46 states.

  -- Poverty was most pervasive along the eastern-most stretch of the Border: in both the Texas and New Mexico Border areas one-third of the population was impoverished while one-fifth of the Arizona Border population was poverty stricken. A much smaller 15.0 percent share of the population living along California's border with Mexico was living in poverty during that same year.

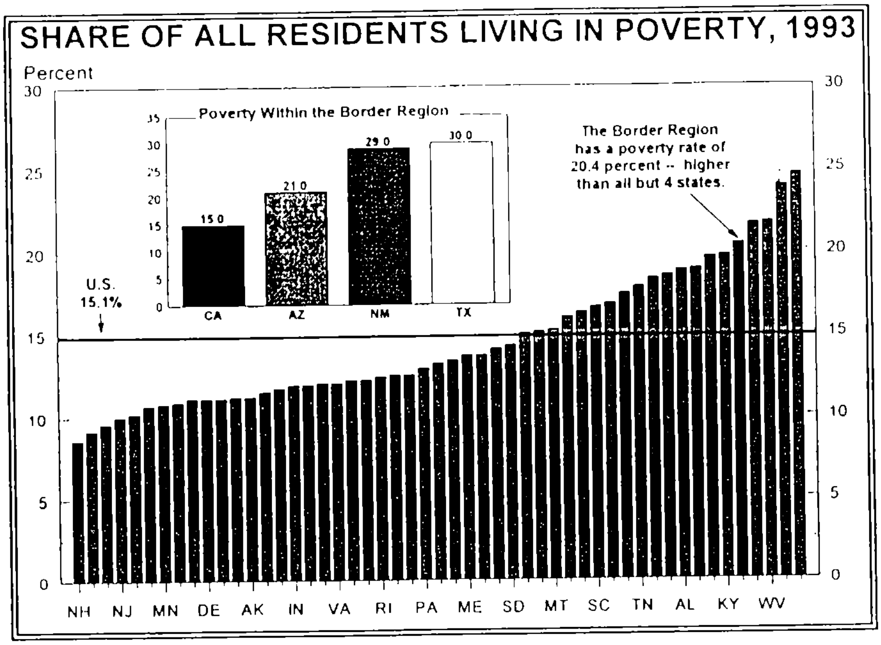

Figure 11

- Pockets of relative prosperity can and do exist side-by-side with highly impoverished areas.

  -- In the California Border area, Imperial County recorded a 28.6 percent poverty rate but neighboring San Diego and Riverside counties registered rates of 16.3 and 15 percent, respectively – much closer to the national poverty rate.

  -- In Texas, Bandera County showed a poverty rate of only 12.3 percent, yet it is surrounded on all sides by counties with poverty rates ranging from 16.3 to 32.7 percent.

- *The situation for children living in Border communities is even bleaker.* Almost one-third of all of the region's children under the age of 18 were living in poverty in 1993. The national poverty rate for children during the same year was a much lower 22.7 percent.

  -- The Texas and New Mexico Border areas had the highest child poverty rates – 41.3 and 39.7 percent respectively, followed by Arizona at 30.2 percent. California's 22.4 percent child poverty rate was just under the national rate.

As recently as 1996, **per capita personal income** in the fifty-six counties along the U.S. border with Mexico was a low $21,492, 12 percent below U.S. per capita income. As shown in Figure 13, growth in this region's per capita personal income between 1990 and 1996 trailed far behind that of the rest of the United States.

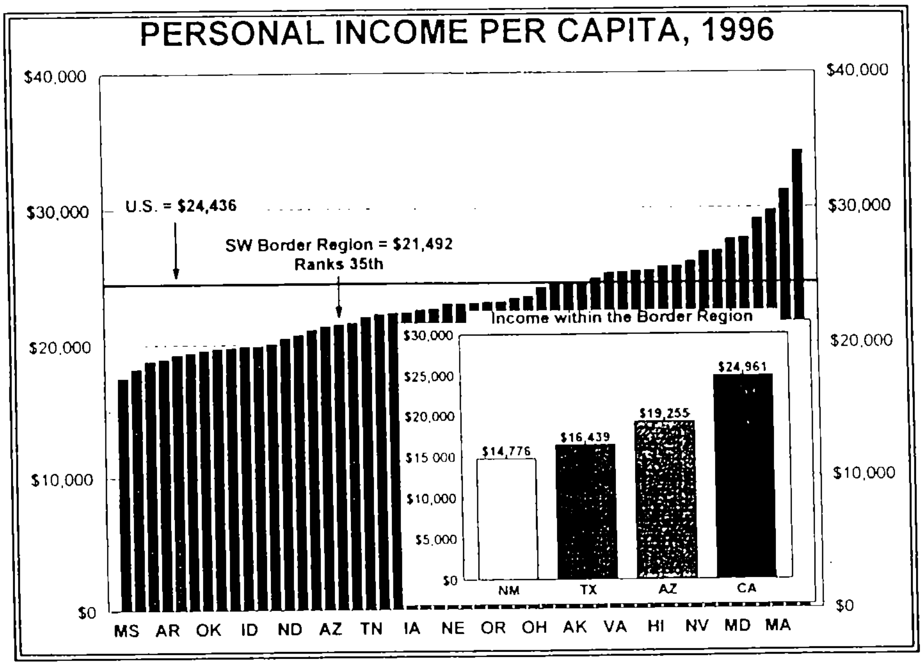

Figure 12

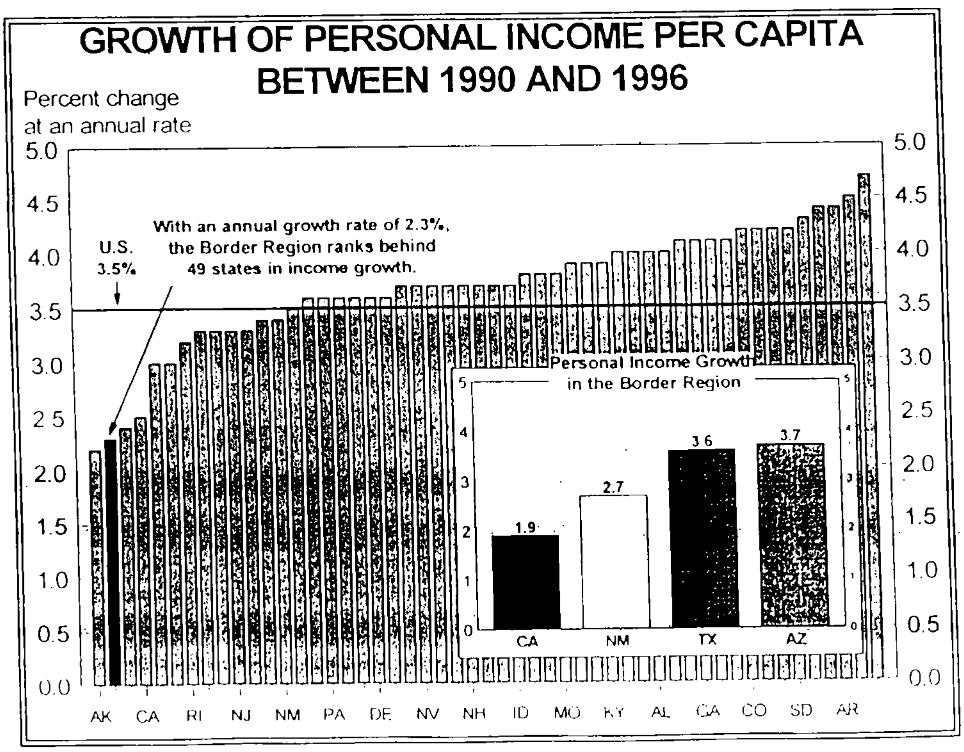

Figure 13

For many residents of the Border region a large part of personal income is derived from **transfer payments**. These payments, which include welfare, retirement, and unemployment benefits, accounted for 17.3 percent of the Border region's total personal income in 1996, compared to 16.5 percent in the United States as a whole. Between 1990 and 1996, this share grew by 7.0 percent at an annual rate in the Southwest Border region, faster than the 6.5 percent U.S. pace. When measured against the 50 states, the region ranked near the bottom -- only 15 states registered speedier growth rates. Moreover, each of the three major components of transfer payments expanded at a faster rate in the Border region than in the entire U.S.

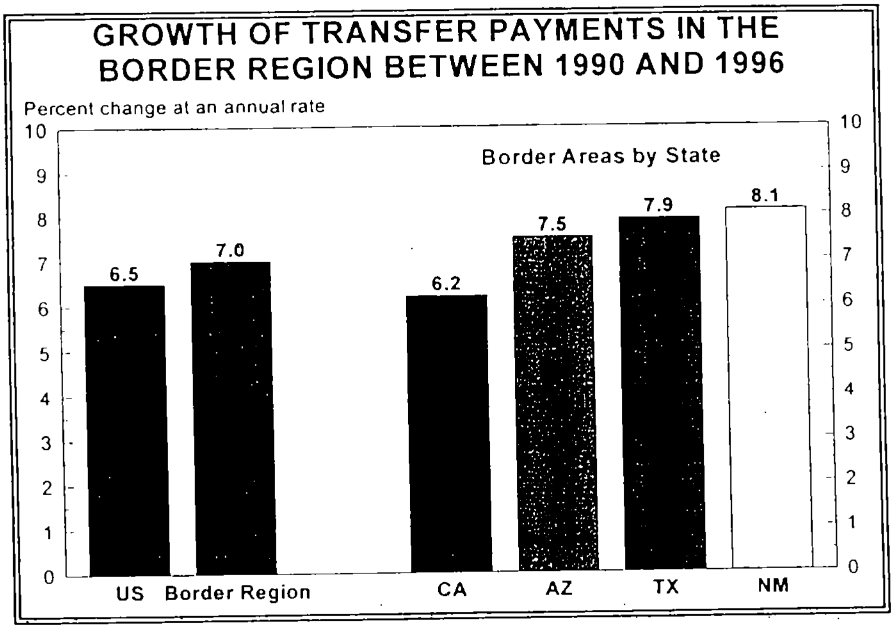

Figure 14

- **Welfare benefits** (which include Supplemental Security Income, Aid to Families with Dependent Children, food stamps, and other forms of supplemental income payments) accounted for approximately 9 percent of all U.S. transfer payments in 1996. In the Southwest Border region, however, they accounted for nearly 12 percent of transfer payments (see Figure 15). The share of transfer payments funneled into welfare benefits that year was larger in only three states.

- Given the low level of per capita income, high unemployment, and rapid pace at which the population in this area is expanding, growth of transfer payments in the Border region is likely to continue to exceed that of the nation in the years to come, placing additional stress on government resources.

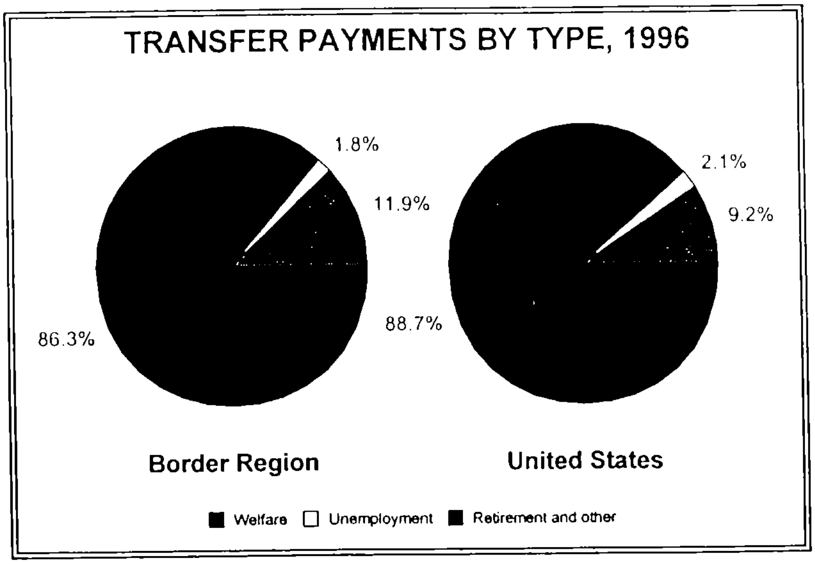

Figure 15

Average annual pay in the communities along the Border also lagged behind the national average in 1996, providing a partial explanation for the relatively low per capita personal income in this region relative to the entire country. For all private industries combined average annual pay in the Border region amounted to $25,915, almost 10 percent less than the U.S. average of $28,581. While the manufacturing sector typically pays more on average than other industries, this was clearly not the case within 100 miles north of the Mexican border (see Figure 16). In 1996, average annual pay for private manufacturing was $25,589, only 71 percent of the $36,235 U.S. average and almost 2 percent *below* the average yearly compensation paid by all private industries combined in that same area.

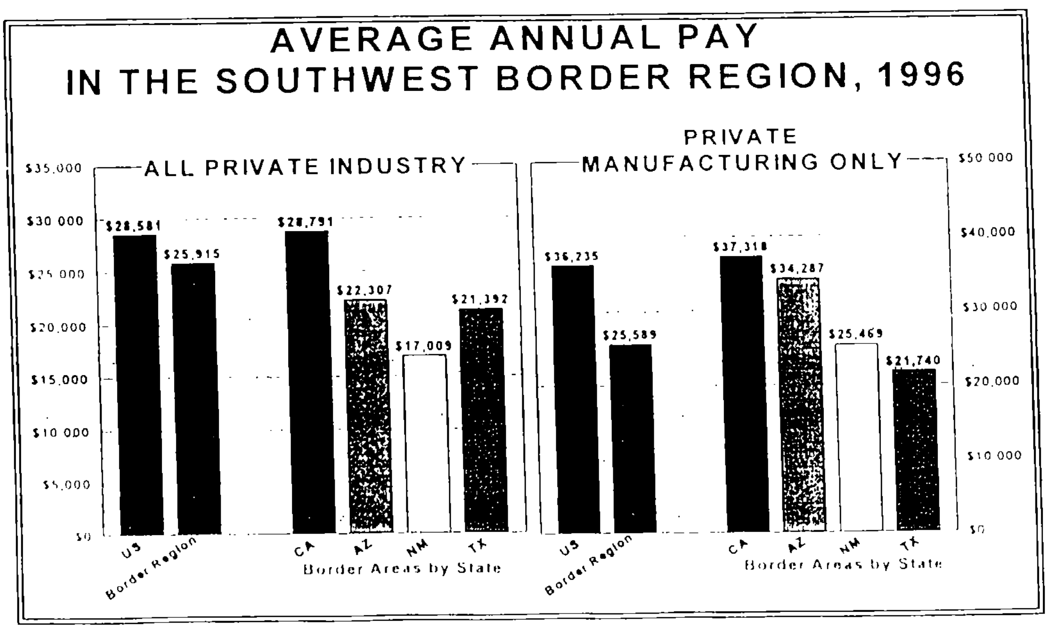

Figure 16

Educational Attainment and Public School Enrollment in the Border Region

Unless workers acquire the skills and education necessary to obtain higher paying jobs, incomes are unlikely to rise. As of 1990, about one-quarter of the region's adult population did not have a **high school diploma**. While this proportion is only slightly larger than in the United States as a whole, the Border region placed near the bottom when ranked against the 50 states. The **high school dropout rate** paints a more ominous picture. In 1990 , roughly 13 percent of 16-to-19-year-olds had dropped out of school, giving the Border region one of the highest dropout rates in the nation.

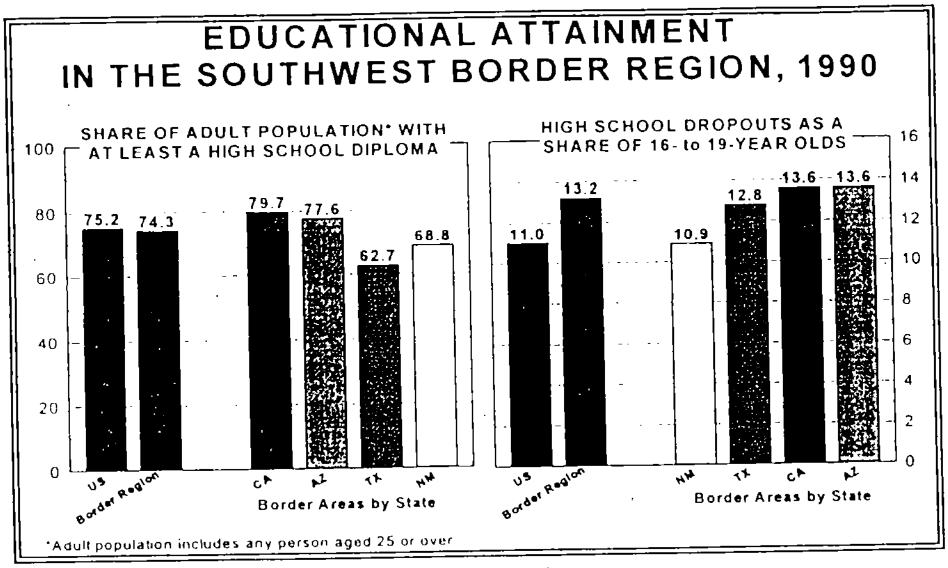

Figure 17

As the next figure clearly shows, there is a strong positive relationship between educational attainment and poverty. Those Border counties with the largest shares of adult residents who had not graduated from high school also tended to have the largest shares living in poverty.

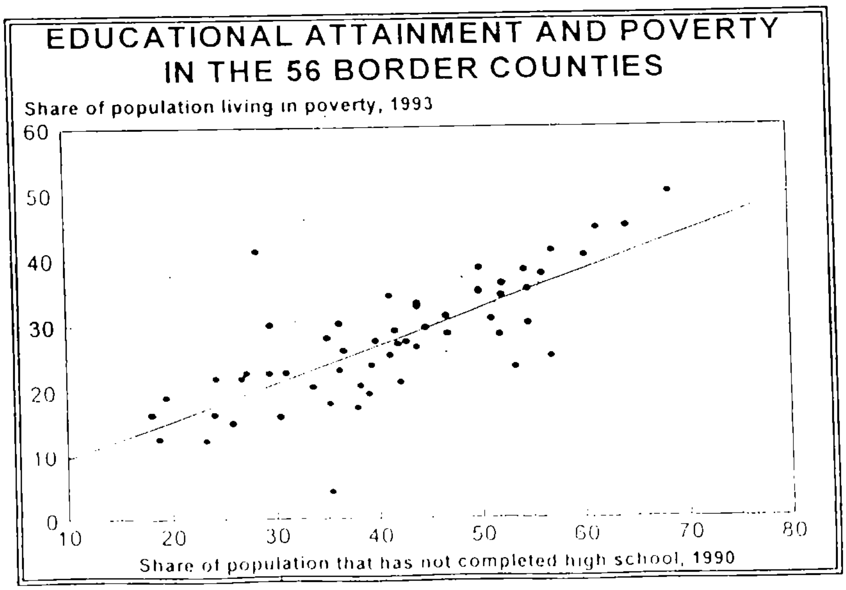

Figure 18

While the **proportion of Border residents who had completed college** in 1990 was slightly higher than the 20.3 percent national figure, the largest concentration of bachelor's degree holders lived in the most affluent, and most populated counties in the California border region: Orange County and San Diego County. If these counties are excluded[5], the share of college educated residents in the Border region plunges to 16.3 percent, giving the Border one of the lowest proportions of college-educated residents in the nation.

The fraction of **children enrolled in public elementary and secondary schools** throughout the region was a very high 67.1 percent in 1990. This was almost 4 percentage points above the nation's 63.6 percent and surpassed enrollment rates in 41 states. In light of the rapid rate at which the population of school-aged children is currently expanding, public school enrollment is likely to grow further, placing additional demands on the Border's public resources in the years to come.

Conclusions

The immediate outlook for the Border region is not favorable, given the pervasiveness of poverty, low level of educational attainment, and rapid pace at which the youngest and oldest segments of the Border's population is expanding. All of these factors are likely to place additional stress on government resources in the near future.

- If the youngest and oldest segments of the population – those who typically account for the smallest share of government receipts yet are the most likely to rely upon the government for education, health care, supplemental income, and myriad other services – continue to grow at their current rates, government resources will be strained further in the future.
- If opportunity for employment continues to remain elusive for so many of the region's residents, poverty will remain a way of life for a large number of the Border's residents.
- If the region's workforce fails to acquire the education and skills necessary to obtain higher paying jobs, incomes will not rise sufficiently to lift many of these workers out of poverty.

The relatively low level of economic development that has occurred in this region also has serious implications for the law enforcement community. In light of the relationship between economic condition and crime, it is imperative that a higher level of commitment be developed to alleviate the economic distress from which this region

[5]For the sake of consistency, McMullen County (TX) was also excluded, although in terms of educational achievement it clearly trails far behind the nation. However, because this county's total population is very small, excluding it had virtually no effect on the outcome.

currently suffers. Economic studies have clearly shown that the decision to commit a crime can be treated as a rational choice. The results of these studies argue for a balanced approach in policies between increasing deterrence efforts and improving legitimate market opportunities and general economic conditions.

- In 1996, Richard Freeman analyzed the increasing involvement in criminal activity of less skilled, less educated young men. He related the increase in crime to the decline in employment demand for less skilled males. Freeman stated, "if the supply of youth to crime is sufficiently elastic then the criminal justice system can at best cap the crime rate at rising costs." He concluded that any long term solution must include improved labor market opportunities, especially for less skilled youth.[6]

The Treasury Department and other entities of the U.S. government can play an important role in addressing certain aspects of the economic distress enveloping the Southwest border. Current efforts by Treasury include:

- The North American Development Bank (NAD Bank), with components dedicated to the environmental infrastructure development of the border and to the assistance of communities affected by trade dislocations (CAIP). The objective of the Community Adjustment Investment Program (CAIP) is to serve as a development catalyst helping finance job-creating projects in U.S. Southwest border communities affected by trade adjustment. Presently, the NAD Bank's institutional development program includes projects in 20 U.S. border communities. The NAD Bank's geographic focus on the Southwest border parallels Treasury's enforcement interest in combating narcotics trafficking and other crimes in the region.

- The Community Development Financial Institutions Fund is another instrument that could help provide access to capital on the border. Credit and investment capital are essential ingredients for creating and retaining jobs, developing affordable housing, starting or expanding businesses, and revitalizing neighborhoods. The CDFI is dedicated to the creation of a network of financial institutions that are specifically concerned with funding and supporting community development. The CDFI Fund's support of Accion Texas, Inc., a community lending institution in South Texas, is an example of funding assistance to the border area.

The Treasury Department is in the process of establishing an internal Southern Border Working Group in order to coordinate Treasury policy programs and to explore potential new instruments with regard to a southern border target. Treasury's evaluation of programs and resources dedicated to the issues of the Southwest border can be complemented by a parallel review in other agencies via an interagency task force.

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[6]Freeman, Richard B (1996).

- For example, the Justice Department's Weed and Seed program can help distressed neighborhoods in the Southwest border region. The program aims to weed out violent crime, gang activity, drug use, and drug trafficking in targeted neighborhoods and then to provide assistance supporting economic and social revitalization. Neighborhood revitalization assistance helps fund economic opportunities for residents, improved housing conditions, enhanced social services, and improved public services in the target area.

The Labor Department, the Department of Housing and Urban Development, and the Department of Agriculture also possess valuable expertise and resources.

Over time, efforts must be made to raise the education and skill levels of the Border's residents and provide more opportunity for employment in this region. Otherwise, the Border's economy is likely to continue to lag behind the rest of the United States and continue to pose significant enforcement resource issues for the government.

Table 1

BORDER POPULATION: YOUNGER, FASTER-GROWING, MORE FOREIGN-BORN

	United States	Southwest Border: Total	Southwest Border: Rank* against 50 States	Southwest Border: Troubled Border**	Southwest Border: Rank against 50 States	Arizona: State	Arizona: Border	California: State	California: Border	New Mexico: State	New Mexico: Border	Texas: State	Texas: Border
CHARACTERISTICS OF THE POPULATION													
Population, July 1, 1997 (millions)	267.6	12 3	5	6 9	12	4.6	1.1	32 3	7.0	1 7	0 2	19 4	4 0
share of U S or State		4 6		2.6			23.3		21 7		13 9		20 6
Growth of population, 1990 to 1997 (annual rate)	1.0	2.0	8	2 5	6	3.0	2.3	1 1	1 7	1 8	2 8	1 9	2 3
Rates per 1,000 population, 1996-97													
Birth rate	14 6	18 2	2	18 9	2	16 5	16.7	16 7	17 0	15 8	16 8	17.0	20.6
Death rate	8.7	6 7	47	7 0	46	8.1	8.7	6.9	6.5	7 3	7.3	7 2	6.4
Rate of net international migration	3 1	7.7	1	7.7	1	2.7	5.0	7 2	7.3	4.5	11 9	5 2	8 8
Age composition (percent of total, 1996)													
0 to 24 years	35.4	39.1	5	40 7	3	35 7	36.0	37.2	37.4	39.2	42 0	38 8	42 5
25 to 64 years	51 8	49 9	42	47.9	50	51.1	50.5	51.7	51 4	49 7	46.0	51.0	47 2
65 years and older	12.8	11.1	44	11.5	39	13.2	13 6	11.0	11.2	11 0	12 0	10 2	10 2
Ethnic makeup (percent of total, 1996)													
Non-Hispanic white	73 1	47.9	50	39.4	50	69.0	60.6	51.7	58.0	49 1	43.2	57.0	27 2
Hispanic white	9 7	41 0	1	53.6	1	19.9	30.5	28 3	26.9	37 9	53 5	27.8	67 6
Black	12.6	4 1	32	4.0	32	3 5	3.8	7.4	4.4	2.5	1 6	12 2	3.6
American Indian	0.9	0 9	21	1 0	17	5.6	2.8	1 0	0 8	9 2	0.8	0.5	0 4
Asian and Pacific Islander	3 7	6.2	3	2.0	19	2.0	2.3	11 6	9.9	1.3	0 9	2 6	1 1
Foreign-born share of total population, 1990 (percent)	7 9	17 1	2	14.3	4	7.6	11 3	21 7	19.6	5.3	12.5	9 0	14 6
Language spoken at home, 1990													
Share of pop. speaking language other than English	13 8	38.0	1	46.5	1	20.8	27.9	31.5	28.0	35 5	46.8	25.4	58 4
Share of population speaking Spanish	7 5	31.6	1	43.6	1	14.2	23.7	20 0	18.7	27 9	45.0	22 1	56 4

*Ranked from highest to lowest where 1 = highest and 51 = lowest.
**Orange and San Diego counties in California and McMullen County in Texas have been excluded.

TABLE 2

BORDER RESIDENTS TEND TO BE POORER, LESS EDUCATED, AND ARE MORE LIKELY TO BE UNEMPLOYED

	United States	Southwest Border Total	Southwest Border Rank* against 50 States	Southwest Border Troubled Border**	Southwest Border Rank against 50 States	Arizona State	Arizona Border	California State	California Border	New Mexico State	New Mexico Border	Texas State	Texas Border
EMPLOYMENT													
Labor Force, 1997 (thousands)	136,285	5,676		3,014		2,165.3	474.3	15,971.4	3,358.8	820 5	98 1	9,880.0	1,744.4
Share of border region's total labor force (percent)							8.4		59 2		1 7		30 7
Unemployment Rate (percent)	5.0	6 5	49	8.9	51	4.7	7.5	6.3	4.8	6.3	9.9	5.4	9.1
Range in border area		2.1 - 33.1					3.3 - 27.9		3.3 - 26 5		3 5 - 25 2		2 1 - 33 1
Number of counties above U S rate		37 of 56					3 of 4		2 of 4		3 of 5		29 of 43
INCOME & POVERTY													
Per capita personal income, 1996	$24,436	$21,492	35	$17,501	51	$21,335	$19,255	$25,368	$24,961	$18,814	$14,776	$22,324	$16,439
Share of U S personal income (percent)		88.0		71 6		87 3	78.8	103.8	102.1	77 0	60 5	91.4	67 3
Range in border area		$7,233 - $28,936					$13,784 - $20,535		$14,394 - $28,936		$12,633 - $17 124		$7 233 - $27,648
Number of counties below U S level		54 of 56					4 of 4		3 of 4		5 of 5		42 of 43
Annual rate of growth, 1990 to 1996	3 5%	2.3%	50	2.8%	48	3 6%	3.7%	2.5%	1 9%	3.4%	2 7%	3 7%	3 6%
Transfer payments as a share of personal income, 1996	16 5%	17.3%	32	21 7%	51	17.3%	20.7%	15.5%	14.7%	20.1%	26 4%	15.0%	22.8%
Annual rate of growth, 1990 to 1996													
All Transfer payments	6 5%	7 0%	36	7 8%	46	7.5%	7 1%	6.2%	6 2%	6 9%	8 9%	7 9%	8 2%
Welfare benefits only***	7 0%	8 5%	36	9 3%	39	10 1%	10.0%	6.6%	7.6%	7 9%	12 5%	9 4%	9 3%
Average Annual Pay, 1996													
All Private Industry	$28,581	$25,915	27	$21,536	47	$25,923	$22,307	$31,183	$28,791	$22,604	$17,009	$28,421	$21,392
Share of U S average (percent)		90 7		75.4		90.7	78.0	109.1	100 7	79.1	59.5	99 4	74 8
Range in border area		$12,156 - $27,715					$16,434 - $23 678		$16,430 - $27,715		$13 117 - $23 909		$12,156 - $25,156
Number of counties below U S level		55 of 56					4 of 4		3 of 4		5 of 5		43 of 43
Private Manufacturing	$36,235	$25,589	48	$23,462	51	$37,168	$34,287	$39,810	$37,318	$29,630	$25,469	$36,163	$21,740
Share of U S average (percent)		70 6		64.8		102 6	94.6	109.9	103 0	81 8	70 3	99 8	60 0
Range in border area		$8,952 - $41,612					$22,022 - $35,710		$23,635 - $38,269		$12,242 - $41,028		$8 952 - $41,612
Number of counties below U S level		41 of 46					4 of 4		2 of 4		3 of 5		32 of 33
Poverty Rates:****													
All residents living in poverty, 1993 (percent)	15.1	20.4	47	25.1	51	18 5%	20.7%	17.4%	14.9%	21.6%	29 0%	19.6%	29 5%
Range in border area		4.3 - 49 9					19 0% - 28 0%		12.6% - 28.6%		22 6% - 34 3%		4 3% - 49 9%
Number of counties with poverty rate above U S rate		52 of 56					4 of 4		2 of 4		5 of 5		41 of 43
Residents under 18 living in poverty, 1993 (percent)	22.7	30.1	47	35.5	51	28.0%	30.2%	26.4%	22.4%	30.6%	39.7%	38.6%	41.3%
Range in border area		5.4 - 59.3					29% - 34 5%		18.9% - 25.3%		28 5% - 44 6%		5 4% - 59 3%
Number of counties with poverty rate above U S rate		51 of 56					4 of 4		2 of 4		5 of 5		40 of 43
EDUCATION													
Educational Attainment, 1990													
Percent of Adult Population (aged 25 and over) with:													
High school diploma or higher	75.2	74.3	37	67.7	43	78.7	77.6	76.2	79.7	75.1	68.8	72.1	62 7
Bachelor's degree or higher	20.3	21.2	18	16 3	41	20.3	21.0	23.4	24.0	20.4	18.8	20.3	15.7
School Enrollment, 1990													
Public Elementary and Secondary School Enrollment as share of population aged 3 -19 (percent)	63 6	67.1	10	69.8	1	65.3	64.1	65.4	63.9	68.2	69 7	68 5	72.3
High School Dropouts as a share of population aged 16-19 (percent)	11.0	13.2	45	13.2	45	14.2	13.6	13.8	13.6	11.4	10.9	12.7	12.8

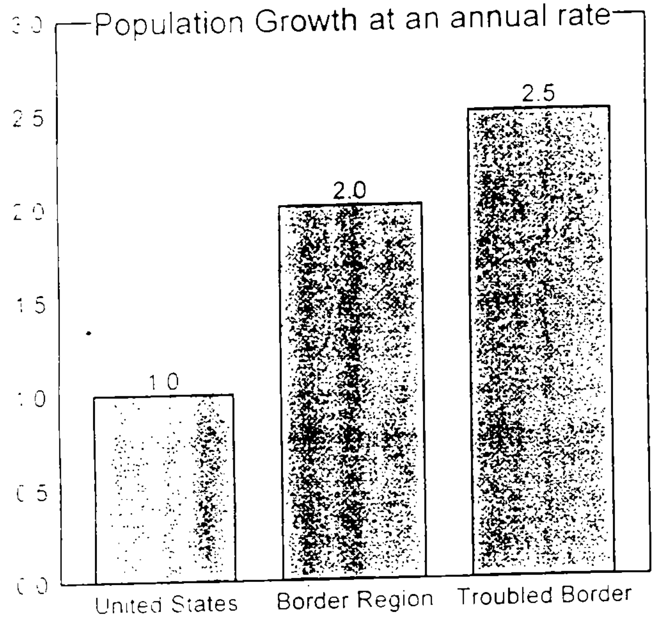
*Ranked from best to worst where 1 = best in the U. S. and 51 = worst in the U S except in the case of public school enrollment as a share of the school-aged population where 1 = highest in U S. and 51 = lowest

**Orange and San Diego counties in California and McMullen County in Texas have been excluded.

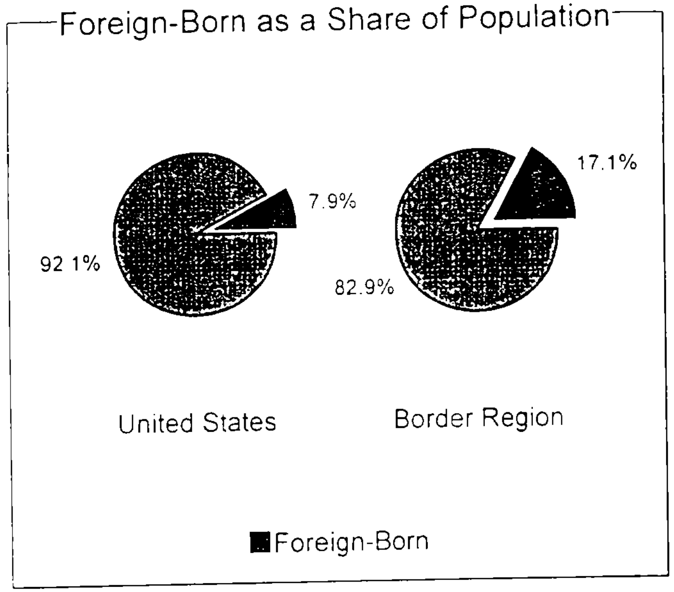
***Welfare benefits include Supplemental Security Income, Aid to Families with Dependent Children, food stamps, and other income maintenance programs

SNAPSHOT OF THE SOUTHWEST BORDER REGION

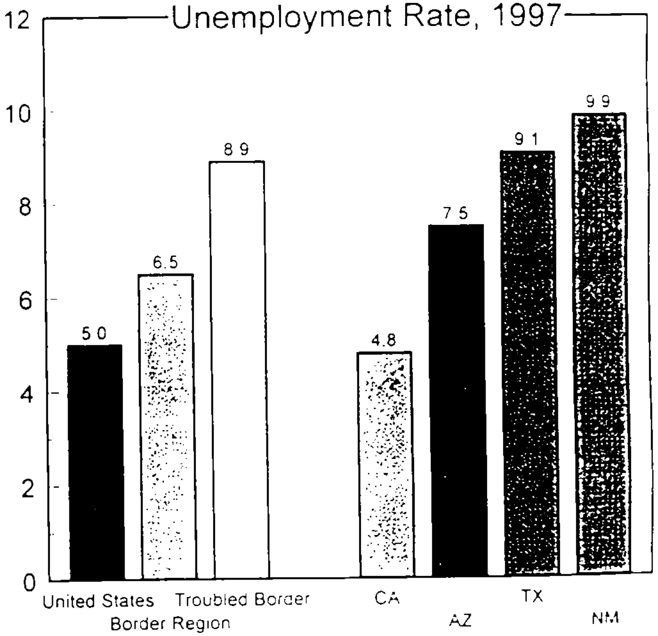
The Border's population is growing twice as fast as in the entire country



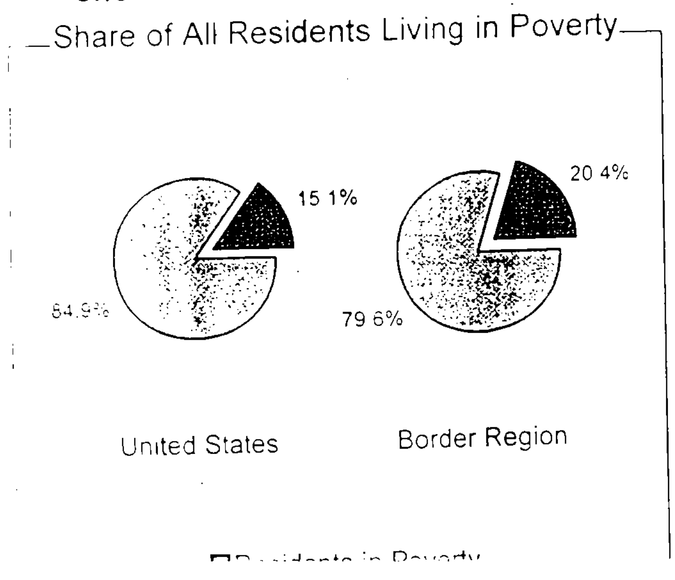
More of the Border's residents are foreign-born than is typical nationwide



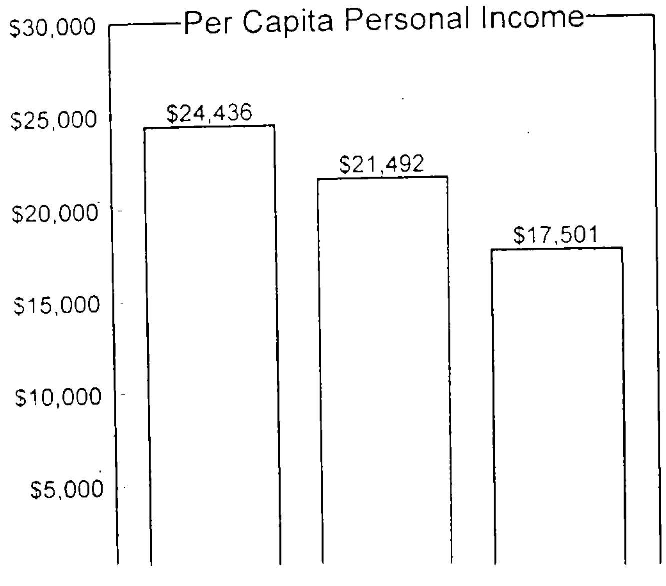
The Border's unemployment rate is well above the national average



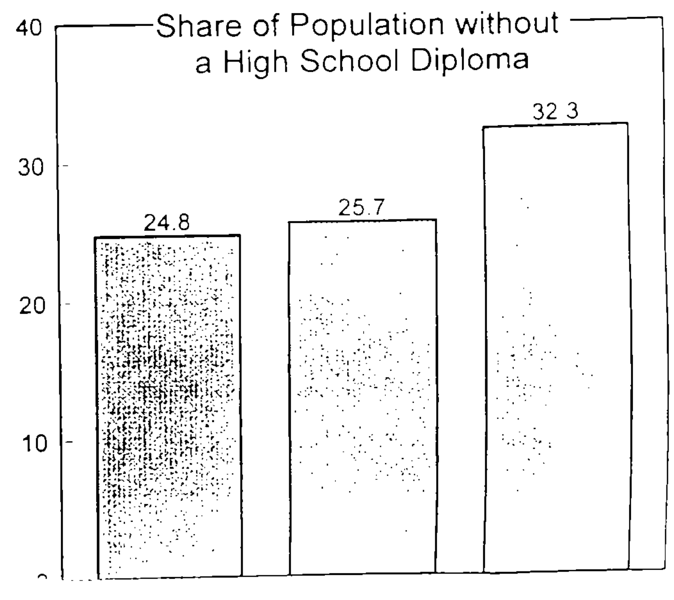
Poverty is a way of life for one-fifth of the Border's residents



Incomes along the Border lag well behind the U.S. level



Educational attainment is lower than average along the Border



APPENDIX 1
ECONOMIC ANALYSIS OF CRIME

ECONOMIC ANALYSIS OF CRIME

The economic discipline's analysis of crime emanates from an approach developed in a treatise entitled Crime and Punishment: An Economic Approach (1968) by Gary Becker. This study established the baseline perspective that crime can be modeled as a rational choice where an individual comparatively weighs the costs and benefits of his/her actions. The individual is assumed to be a rational utility maximizer who compares the probability of being caught, and the various costs and benefits of the crime, before making a decision. Sociologists and criminologists, in contrast, focus more on personal traits such as age, sex, race and intelligence, and environmental factors such as family background and community conditions, as determinants of criminal activity. Many of the post-Becker economic studies incorporate some personal trait variables, most notably age and race, into the rational choice framework.

The focus of Becker's essay specifically was on the cost of crime and on how to minimize the social loss in income from crime. It provided the basic economic framework for analyzing crime. Subsequent models (Steigler (1970), Harris (1970), Ehrlich (1973)) took a more comprehensive view of both the costs and benefits of legal and illegal activities that enter into the individual's choice set. The focus of Steigler's model was optimal law enforcement. Harris extended the basic model by making the legal framework no longer a given but subject to policy choice. Ehrlich's model incorporated rewards, not just punishment, and the concept of uncertainty in the decision process model.

Empirical and Statistical Studies

Empirical and statistical studies of crime have provided the field work for testing the basic hypotheses of the economic models and have added further insight into other socio-economic conditions that enter into the choice process. These studies vary from simple correlation studies to multi-stage least squares models, including both time series and cross sectional analysis.

Correlation studies provide a simple method by which to analyze the relationship between crime rates and punishment. These studies (Eide (1994)) depicted ***a negative relationship between probability of arrest and crime rates*** for the various categories of crime. Severity of imprisonment was not generally significant with few exceptions, notably homicide, but did become relevant in studies that controlled for the effects of certainty of imprisonment (Logan (1972), Bailey and Smith (1972)).

Cross sectional models have been used to analyze the relationships among deterrence variables, socioeconomic factors, and crime rates by type of crime. Ehrlich (1973) investigated seven types of crime in the U.S He found the probability of punishment had a negative and significant effect on all types of crime. The variable for severity of punishment was also negatively correlated for all types crime but only statistically significant for about half of the categories. With regard to socioeconomic variables, Ehrlich found ***a positive relationship between crime rates and income*** and also ***a positive relationship between crime rates and the distribution of income, a measure of relative poverty***. The degree of significance, however, depended on the method of estimation. Subsequent work by other authors (Eide (1994)) has expanded the scope of cross sectional analysis of crime. In general, these studies confirm the relationship between deterrence variables and crime rates. For most studies the elasticities of crime with respect to the probability and severity of punishment variables are estimated to be between 0 and -2, with a median value of approximately -0.5. There is little unanimity regarding the relationship between crime and the level of income and the degree of income inequality. Several studies include a poverty variable and find a positive relationship to crime. Vandaele (1978) reestimated the Erlich model and found ***a positive relationship between crime and poverty***. Pogue (1975) also found a direct relationship between crime rates and poverty, measured as the percentage of households with annual income below $3,000. Additionally, in studies that included the proportion of youth and nonwhites as variables, the effects on crime depicted a direct relationship.

Many cross sectional studies, including some of those noted above, have analyzed crime rates across states, cities, or standard metropolitan statistical areas (SMSAs). Freeman (1983) summarized the results from a large number of these studies and found ***a positive relationship between unemployment and crime***. Stronger results were obtained for deterrence variables, with a majority of studies showing that severe sanctions reduce criminal activity. This is generally consistent with the findings of other cross sectional studies.

Time series studies (Eide (1994), Freeman (1983)) of crime reinforce the conclusions of the basic economic models and the results of the correlation and cross sectional studies while providing additional insight. Deterrence is estimated to have the greatest impact. In general, the probability of being caught has the most significant negative effect on the crime rate, followed by the probability of being punished. Analysis of severity of punishment or imprisonment variables has not produced consistent results, with most studies showing a negative but only slightly significant correlation to the crime rate. Furthermore, the studies demonstrate that the relative size of the male youth population is a critical factor.

The link between economic variables and crime is shown to be directly related, yet in some instances statistically inconclusive, in the studies that use a time series framework. It is consistently demonstrated that ***increases in unemployment are positively related to rising crime rates***, particularly property crime. Moreover, ***measures of income and income inequality are positively correlated with crime***. Regression analysis results (Freeman (1983)), after adjusting for time trends, estimate that a one point increase in the unemployment rate will result in a rise in the uniform crime rate by 0.05 per 100,000 inhabitants or, ***a halving of the unemployment rate from 10 percent to 5 percent would reduce the crime rate by 5 percent.***

Individual Comparisons and Ethnographic Studies

Studies comparing the economic circumstances of individuals to the commission of crime and ethnographic studies of crime provide additional information on what determines the individual's decision to commit a crime. These studies provide some of the strongest evidence that crime is related to the economic conditions facing the individual and to the individual's response to economic incentives.

Individual studies often rely on surveys of released prisoners or the self-reporting of criminal activity and, as a result, do not represent an accurate cross section of society. These studies, therefore, focus on individuals making decisions and their economic environment. These investigations have found that criminals tend to be less educated and have low and decreasing income and employment opportunities. Moreover, they generally show ***a positive correlation between the unemployment rate and crime rate***, and that deterrence lowers the crime rate (Freeman (1994), Eide (1994))

A study by W. Kip Viscusi (1986) of a broader population group than just criminals also found a very strong relationship between economic variables and the propensity to commit crime. The study used National Bureau of Economic Research survey data on the nature of illegal activities of urban youth, their earnings from crime, and perceptions regarding the relative attractiveness of crime and the probability of apprehension. ***The gap between expected gains from crime and expected job income, weighed against the probability of legal sanctions, was a highly significant factor in the decision to engage in crime.*** Further, individuals who were not employed or in school were much more strongly driven by economic incentives. In this study, it was the relative economic rewards from crime that contributed more to criminal behavior than legal sanctions. Approximately three-fourths of the respondents believed the probability of arrest was low; a higher proportion believed that even if they were arrested the chance of conviction was low; and few believed that if convicted they would go to prison. Drug use was highly correlated with criminal activity, as drug users were more apt to engage in illegal pursuits and more likely to have opportunities to sell drugs.

Ethnographic studies show that gangs have shifted focus in recent years. Fagan (1992) reports that "Gangs in South Central Los Angeles, Chicago, and Detroit changed in recent years from ethnic enterprises organized around turf, ethnicity, conflict, and natural group processes to business organizations with monetary and material goals." Other ethnographic studies (Freeman (1994)) support Fagan's conclusion that economic factors are a driving force in gang activity.

Summary

The economic models and statistical studies reviewed have shown that ***economic incentives are important determinants of crime and that crime can be treated as a rational choice***. The early Becker and Ehrlich theoretical models and much of the following statistical analysis support the hypothesis that deterrence lowers the expected return to criminal activity and is therefore effective. In general, the greatest deterrent to criminal activity is the probability of getting caught, followed, to a lesser degree, by the probability and severity of punishment.

Studies show that areas with high unemployment rates tend to have high crime rates and that unemployment rates are generally positively related to most types of crime. Elasticities, however, appear to be small. The literature demonstrates a ***positive correlation between measures of income and crime rates***. Results for measures of income inequality and poverty are generally mixed, although empirical crime studies point to a positive relationship between poverty measures and property crime (Allen (1996)).

The more conclusive results from the models and cross sectional and time series studies for deterrence variables may reflect the nature and measurement of the variables, the structure of the models, and the general focus of the studies. The early models, beginning with Becker, were concerned with crime and enforcement. Deterrence variables relate directly to the options facing potential criminals. General labor market conditions and wage rates may be relevant to the potential criminal's decision, but this relationship may not be adequately captured by the use of aggregate economic variables in the current models and thereby produces less robust results.

Policy Approaches

Several observations can be drawn from the economic literature on crime. First, deterrence variables have a significant impact on the decision to commit a crime. For most crimes, the probability of being caught is a greater deterrent than the severity of the punishment. Secondly, the studies generally show a positive relationship between crime rates and economic conditions. Furthermore, the evidence depicts a positive correlation between unemployment and crime and between levels of income or income inequality and crime.

Economic models and most statistical studies have focused on aggregate economic and deterrence variables, which may have understated the importance of the economic conditions facing the potential criminal. Freeman (1996) analyzed the increasing involvement in criminal activity of less skilled, less educated young men. He relates the increase in crime to the decline in employment demand for less skilled males. Freeman states, "if the supply of youth to crime is sufficiently elastic then the criminal justice system can at best cap the crime rate at rising costs." Any long term solution must include improved labor market opportunities, especially for less skilled youth. In summary, the results of economic studies argue for a balanced approach in policies between increased deterrence efforts and increased legitimate market opportunities for the less skilled.

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APPENDIX 2
COUNTIES LOCATED IN THE SOUTHWEST BORDER REGION

COUNTIES LOCATED IN THE SOUTHWEST BORDER REGION

CALIFORNIA
Imperial
Orange
Riverside
San Diego

ARIZONA
Cochise
Pima
Santa Cruz
Yuma

NEW MEXICO
Dona Ana
Hidalgo
Grant
Luna
Sierra

TEXAS
Atascosa
Bandera
Bexar
Brewster
Brooks
Cameron
Crockett
Culberson
Dimmit
Duval
Edwards
El Paso
Frio
Hidalgo
Hudspeth
Jeff Davis
Jim Hogg
Jim Wells
Kenedy
Kerr
Kimble
Kinney

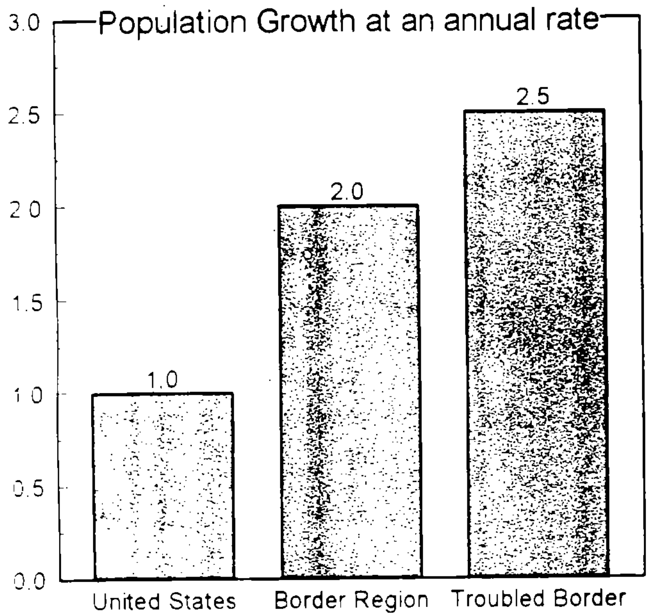
TEXAS continued
Kleberg
La Salle
Live Oak
Maverick
McMullen
Medina
Nueces
Pecos
Presidio
Real
Reeves
San Patricio
Starr
Sutton
Terrell
Uvalde
Val Verde
Webb
Willacy
Zapata
Zavala

DATA SOURCES

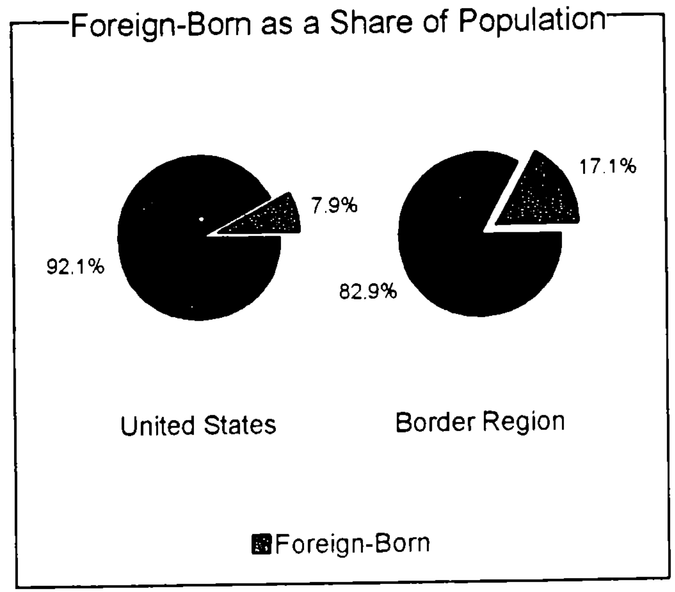
Average Annual Pay:	U.S. Bureau of Labor Statistics.
Employment:	U.S. Bureau of Labor Statistics Local Area Unemployment Statistics; and U.S. Bureau of the Census, 1995 County Business Patterns for the United States.
Land Area:	U.S. Bureau of the Census.
Language Use at Home:	U.S. Bureau of the Census.
Personal Income:	Bureau of Economic Analysis Regional Information System.
Population:	U.S. Bureau of the Census Population Estimates Program.
Poverty:	U.S. Bureau of the Census Small Area Income and Poverty Estimates Program.
Transfer Payments:	Bureau of Economic Analysis Regional Information System.

SNAPSHOT OF THE SOUTHWEST BORDER REGION

The Border's population is growing twice as fast as in the entire country

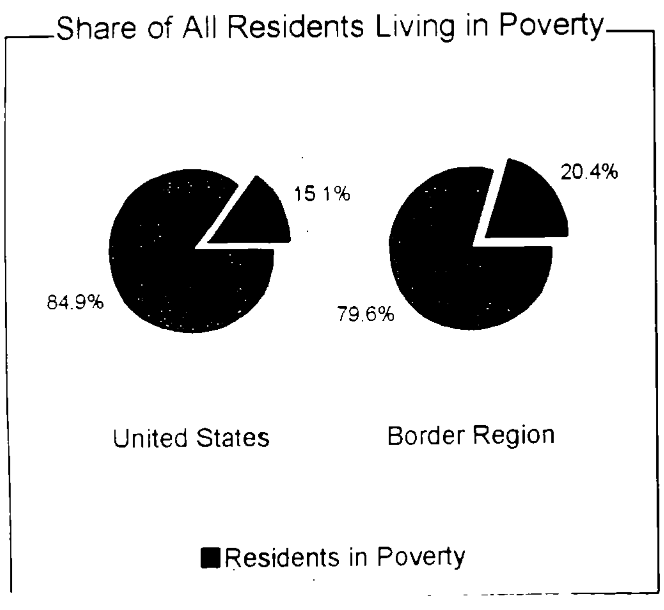


More of the Border's residents are foreign-born than is typical nationwide

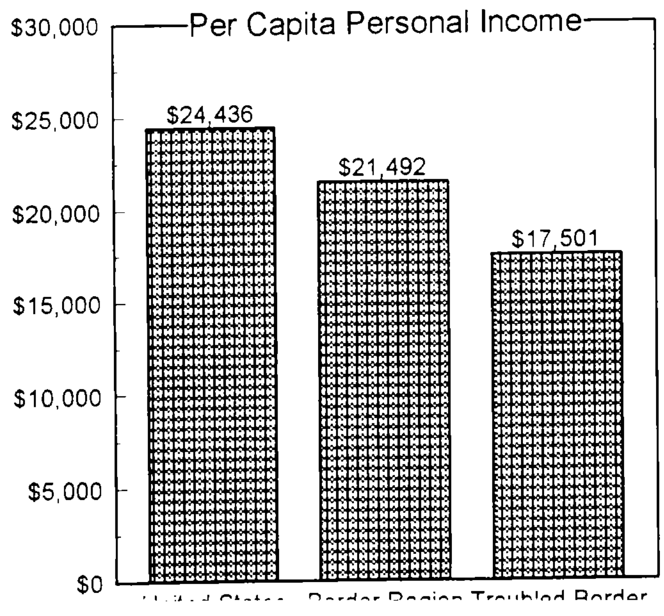


The Border's unemployment rate is well above the national average

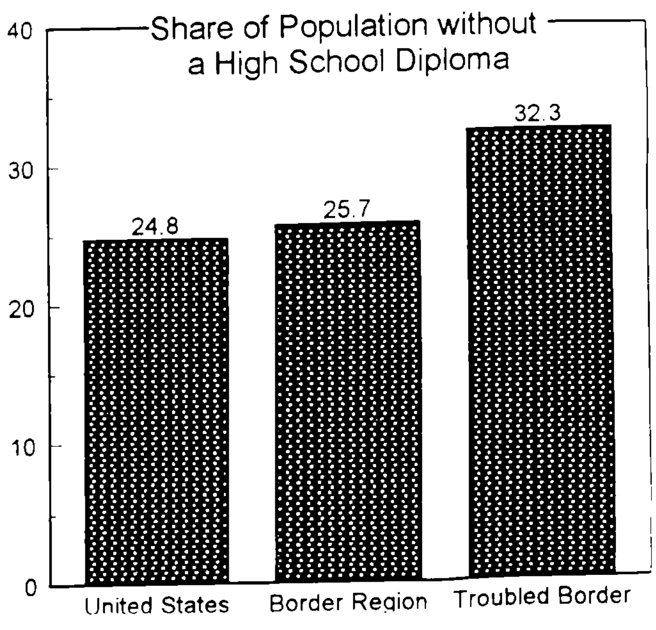
Poverty is a way of life for one-fifth of the Border's residents



Incomes along the Border lag well behind the U.S. level



Educational attainment is lower than average along the Border



SW Border

EXECUTIVE ORDER

SW BORDER

Vision for Economic Development

The President and Vice President see the Federal government's role in community economic development as that of a catalyst, with the potential to forge short- and long-term change in the Southwest Border Region.

Task Force

- President Clinton, through Executive Order 13122, created the *Interagency Task Force on the Economic Development of the Southwest Border,* which reports to the Vice President.
- The *Task Force* is composed of a number of Federal agencies including the Departments of Treasury, Agriculture, Labor, State, Commerce, Education, Energy, Interior, Defense, Housing and Urban Development, Health and Human Services, Transportation, the Small Business Administration, the Attorney General, the Office of Management and Budget, and the Environmental Protection Agency.

Mission of the Task Force

The mission of the *Task Force* is to coordinate and better leverage existing Administration efforts aimed at the Southwest Border, in concert with locally led efforts, in order to elevate the standard of living and overall economic profile of the region so that it is on a par with the rest of the nation as we move into the 21st Century.

Actions

- Analyze existing programs and policies of member agencies that relate to the Southwest Border to determine what changes and innovations should be considered;
- Consider data and studies related to the Southwest Border;
- Develop and recommend short- and long-term options for promoting sustainable development;
- Consult and coordinate activities with state and local authorities, community leaders, Members of Congress, and other stakeholders;
- Coordinate and collaborate on research and demonstration priorities of *Task Force* members; and
- Establish a demonstration pilot to focus on enhanced coordinated Federal response with respect to several communities in the Southwest Border.

MISSION, FRAMEWORK AND GOALS

SW BORDER

The Mission

The mission of the *Task Force* is to coordinate and better leverage existing Administration efforts aimed at the Southwest Border, in concert with locally led efforts, in order to elevate the standard of living and overall economic profile of the Southwest Border Region so that it is on a par with the rest of the nation as we move into the 21st Century.

The Framework

In carrying out its mission, the *Task Force* will rely on the following framework and on a comprehensive consultative process to achieve each of its goals.

- Maximize the efficiency, responsiveness, coordination and impact of *current Federal government initiatives* related to the Southwest Border.
- Identify and develop *new options* that fill any current "gaps" in Federal government efforts.
- Advance *innovative alternatives* for sustainable development of the Southwest Border.

The Goals

Community Planning and Investment:
- Spurring economic development and supporting pilot communities.
- Helping Border communities attract capital, improve access to credit, and foster small business development.

Development of Human Capital:
- Promoting education.
- Investing in job training and skills development.
- Nurturing children, youth and families.
- Providing affordable housing.
- Improving access to quality healthcare.

Sustainable Development and Infrastructure:
- Focusing on Agricultural and Rural Assistance Programs.
- Improving infrastructure in rural communities.
- Cleaning up the environment.

International Cooperation and Coordination:
- Protecting the Border, shoring up law enforcement and preventing crime.
- Advancing our partnership with Mexico.

COMMUNITY SOLUTIONS

SW BORDER

Background

- The regional approach to community solutions was inspired and encouraged by Vice President Gore at the White House Empowerment conference in Detroit, Michigan in April 1997.

Community Response

- The *Southwest Border Partnership* was created in response to Vice President Gore's challenge to the Empowerment Zones to revitalize their communities through regional community development. The intent of this regional initiative is to build a sustainable economy in concert with a sustainable environment.

Federal Government Response

- President Clinton, through an Executive Order, created the *Interagency Task Force on the Economic Development of the Southwest Border,* which reports to the Vice President.
- As part of its mandate the *Task Force* will establish a demonstration project emphasizing enhanced coordinated Federal response with respect to several communities in the Southwest Border.

Pilot Program

- In close collaboration with state and local authorities, community leaders, and community-based organizations, the *Task Force* will pilot a project that will include communities from each of the four Border states. The common link between these communities is their involvement with the EZ/EC initiative; their natural geographic link through close proximity to Mexico; and their shared economic concerns.
- Two types of response teams will be formed: a Community Coordination and Response Team that will assess the community's local strategic plans and priorities, and a Federal Border Response Team, which will be created for each community based on the community's particular set of priorities. These virtual teams of agency and community representatives will jointly develop a community response plan consistent with the Executive Order.
- The *Task Force* will monitor the progress of each community's strategic plan and will present to the Vice President annual progress reports from the lead agencies and agency teams.
- The *Task Force* will also develop a website and other vehicles by which to disseminate information about the activities of the *Task Force* and to establish continuous communication with the communities and policy makers in the Southwest Border Region.

FACSIMILE COVER SHEET
OFFICE OF ECONOMIC POLICY
OFFICE OF MACROECONOMIC ANALYSIS

Date: 10 September 1999

NUMBER OF PAGES TO FOLLOW: 3

FAX TO: Aram Kailian

ADDRESSEE'S FAX NUMBER: 202-456-9054

ADDRESSEE'S CONFIRMATION NUMBER:

FROM: Rachel Cononi
Economist

SENDER'S FAX NUMBER: 202-622-2563

SENDER'S CONFIRMATION NUMBER: 202-622-0156

COMMENTS/SPECIAL INSTRUCTIONS:

Aram,

The attached pages are from the SW Border Task Force "information kit." The first page (Executive Order) provides an overview of the Task Force's mandate, the second page (Mission, Framework and Goals) gives more detail on specific issues the Task Force intends to address, and the third page (Community Solutions) describes the pilot program. If you have any questions or require further information, please let me know.

Regards,
Rachel Cononi