Lisa, I was sent to the Hill. I marked the provisions that were taken out from the original HR 815 bill and marked the ones that are new to the last week's HR 2488. Hope to be back soon to explain everything in person.

Alex V.

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H.R.2488

Financial Freedom Act of 1999 (Introduced in the House)

TITLE VII--TAX RELIEF FOR DISTRESSED COMMUNITIES AND INDUSTRIES

Subtitle A--American Community Renewal Act of 1999

SEC. 701. SHORT TITLE.

This subtitle may be cited as the `American Community Renewal Act of 1999'.

SEC. 702. DESIGNATION OF AND TAX INCENTIVES FOR RENEWAL COMMUNITIES.

(a) IN GENERAL- Chapter 1 is amended by adding at the end the following new subchapter:

`Subchapter X--Renewal Communities

`Part I. Designation.

`Part II. Renewal community capital gain; renewal community business.

`Part III. Family development accounts.

`Part IV. Additional incentives.

`PART I--DESIGNATION

`Sec. 1400E. Designation of renewal communities.

`SEC. 1400E. DESIGNATION OF RENEWAL COMMUNITIES.

`(a) Designation-

`(1) DEFINITIONS- For purposes of this title, the term `renewal community' means any area--

`(A) which is nominated by one or more local governments and the State or States in which it is located for designation as a renewal community (hereinafter in this section referred to as a `nominated area'); and

`(B) which the Secretary of Housing and Urban Development designates as a renewal community, after consultation with--

`(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury; the Director of the Office of Management and Budget; and the Administrator of the Small Business Administration; and

`(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

`(2) Number of designations-

`(A) IN GENERAL- The Secretary of Housing and Urban Development may designate not more than 20 nominated areas as renewal communities.

`(B) MINIMUM DESIGNATION IN RURAL AREAS- Of the areas designated under paragraph (1), at least 4 must be areas--

`(i) which are within a local government jurisdiction or jurisdictions with a population of less than 50,000,

`(ii) which are outside of a metropolitan statistical area (within the meaning of section 143(k)(2)(B)), or

`(iii) which are determined by the Secretary of Housing and Urban Development, after consultation with the Secretary of Commerce, to be rural areas.

`(3) AREAS DESIGNATED BASED ON DEGREE OF POVERTY, ETC-

`(A) IN GENERAL- Except as otherwise provided in this section, the nominated areas designated as renewal communities under this subsection shall be those nominated areas with the highest average ranking with respect to the criteria described in subparagraphs (B), (C), and (D) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion. with the area which exceeds such criterion by the greatest amount given the highest ranking.

`(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC- An area shall not be designated under subparagraph (A) if the Secretary of Housing and Urban Development determines that the course of action described in subsection (d)(2) with respect to such area is inadequate.

`(C) PRIORITY FOR EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES WITH RESPECT TO FIRST HALF OF DESIGNATIONS- With respect to the first 10 designations made under this section--

`(i) all shall be chosen from nominated areas which are empowerment zones or enterprise communities (and are otherwise eligible for designation under this section); and

`(ii) 2 shall be areas described in paragraph (2)(B).

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Bill Summary & Status for the 106th Congress

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H.R.815
SPONSOR: Rep Watts, J. C., Jr. (introduced 02/24/99)

RELATED BILLS: S.463

Jump to: Titles, Status, Committees, Amendments, Cosponsors, Summary

TITLE(S):

- SHORT TITLE(S) AS INTRODUCED:
  American Community Renewal Act of 1999
- OFFICIAL TITLE AS INTRODUCED:
  A bill to amend the Internal Revenue Code of 1986 to provide for the designation of renewal communities, to provide tax incentives relating to such communities, and for other purposes.

STATUS: Floor Actions

NONE

STATUS: Detailed Legislative Status

House Actions

Feb 24, 99:
Referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Commerce, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.
Mar 18, 99:
Referred to the Subcommittee on Housing and Community Opportunity.
Mar 18, 99:
Referred to the Subcommittee on Financial Institutions and Consumer Credit.
Feb 24, 99:
Referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Commerce, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.
Referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Commerce, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.
Mar 11, 99:
Referred to the Subcommittee on Health and Environment, for a period to be subsequently determined by the Chairman.
Feb 24, 99:
Referred to the Committee on Ways and Means, and in addition to the Committees on Banking and Financial Services, Commerce, and the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

STATUS: Congressional Record Page References

NONE

COMMITTEE(S):

- COMMITTEE(S) OF REFERRAL:
  House Ways and Means
  House Banking and Financial Services
  House Commerce
  House Budget

- SUBCOMMITTEE(S):
  Hsc Health and the Environment
  Hsc Housing and Community Opportunity
  Hsc Financial Institutions and Consumer Credit

AMENDMENT(S):

NONE

COSPONSORS(111):

Rep Davis, Danny K. - 02/24/99
Rep Clyburn, James E. - 02/24/99
Rep Frost, Martin - 02/24/99
Rep English, Phil - 02/24/99
Rep Pryce, Deborah - 02/24/99
Rep Lipinski, William O. - 02/24/99
Rep Kolbe, Jim - 02/24/99
Rep Christian-Green, Donna M. - 02/24/99
Rep Knollenberg, Joe - 02/24/99
Rep Cubin, Barbara - 02/24/99
Rep Hill, Rick - 02/24/99
Rep Terry, Lee - 02/24/99
Rep Ballenger, Cass - 02/24/99
Rep Chambliss, Saxby - 02/24/99
Rep Tancredo, Thomas G. - 02/24/99
Rep Norwood, Charlie - 02/24/99
Rep Dickey, Jay - 02/24/99
Rep Green, Mark - 02/24/99
Rep Largent, Steve - 02/24/99
Rep Pitts, Joseph R. - 02/24/99
Rep Burr, Richard - 02/24/99
Rep Buyer, Stephen E. - 02/24/99
Rep Simpson, Michael K. - 02/24/99
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Rep Armey, Richard K. - 02/24/99
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SUMMARY:

(AS INTRODUCED)

TABLE OF CONTENTS:

- Title I: Designation of and Tax Incentives for Renewal Communities
- Title II: Additional Provisions

American Community Renewal Act of 1999 - **Title I: Designation of and Tax Incentives for Renewal Communities** - Amends the Internal Revenue Code to authorize the Secretary of Housing and Urban Development to designate (upon local or State nomination) up to 100 renewal communities, of which at least 20 percent shall be in rural areas.

Requires for nomination purposes that: (1) the area be experiencing high rates of poverty and unemployment and general distress; and (2) State and local governments enter into written contracts with community organizations to promote specified economic growth and employment activities.

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Excludes from gross income capital gains on the sale or exchange of a qualified community asset (stock, business property, or partnership interest) held for more than five years.

Allows a specified deduction for amounts paid into a family development account on behalf of an individual or another qualified individual who is a renewal community resident. Excludes from gross income account distributions used for qualified family development expenses (postsecondary education, first-home purchase, business capitalization, medical, and rollovers). Provides a penalty (with exceptions) in addition to inclusion as gross income for nonqualifying distributions.

Provides for designation of up to five qualifying renewal communities as matching demonstration areas eligible to receive family development account matching contributions.

Authorizes: (1) designation of earned income tax credit payments for family development account deposit; (2) a commercial building revitalization tax credit; (3) increased first year expensing for renewal community businesses; (4) extension of environmental remediation cost expensing and the work opportunity credit for renewal communities; and (5) similar tax treatment of renewal communities and enterprise zones for specified youth residence requirements.

(Sec. 104) Permits a deduction for contributions to a family development account whether or not a taxpayer itemizes.

Makes conforming amendments to provisions respecting: (1) tax on excess contributions and prohibited transactions; (2) trust and annuity information; (3) tax exemption applications; and (4) the commercial revitalization credit.

(Sec. 105) Sets forth reporting requirements.

(Sec. 106) Directs the Director of the Office of Management and Budget not to make any estimates of changes in receipts under the pay-as-you-go estimate provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 resulting from the enactment of this Act.

Title II: Additional Provisions - Provides for local government transfer of unoccupied and substandard Department of Housing and Urban Development multifamily and single family housing in renewal communities, with subsequent disposition priority to be given to community development corporations.

(202) Amends the Public Health Service Act to declare that the amendments made by this Act apply to each program that makes awards of Federal financial assistance to prevent or treat substance abuse.

Allows, notwithstanding any other provision of law, a religious organization to be an award recipient, make subawards, provide services through vouchers, or accept vouchers for providing services. Makes religious organizations eligible on the same basis as any other nonprofit private organization. Prohibits Federal or State: (1) discrimination against an organization on the basis that the organization has a religious character; and (2) requirements that a religious organization, in order to be a program participant, remove religious art, icons, scripture, or other symbols.

Requires a religious organization to arrange for services through an alternative entity if an individual objects to the religious organization. Allows a religious organization to require a beneficiary who has elected to receive services from the organization to actively participate in religious practice, worship,

and instruction.

Prohibits using funds for sectarian worship or instruction, unless the beneficiary may choose where the assistance is redeemed or allocated.

Declares that assistance to or on behalf of a beneficiary is aid to the beneficiary and not to the organization. Requires, if a State law or constitution would prevent the expenditure of State or local funds by religious organizations, that the Federal funds shall be segregated from State or other public funds.

Requires for personnel working in religious organization drug treatment programs, giving credit for religious education and training equivalent to credit given for secular course work. Mandates waiver of educational requirements if the religious organization has a record of successful drug treatment and the State or local government fails to demonstrate empirically that the educational qualifications are necessary.

(Sec. 2) Amends the Community Reinvestment Act of 1977 to provide that a financial institution's investments in community development organizations located in renewal communities may be considered in evaluations under such Act.

THE NEW MARKETS INITIATIVE: BUDGET IMPACT

The New Markets initiative will prompt approximately $15 billion in new investment in urban and rural areas over five years through:

The New Markets Tax Credit --To help spur $6 billion in new equity capital for investment in Americas New Markets, the New Markets Tax Credit will be worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, new investment company programs (targeted SBICs, NMVC firms, and APICs -- see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to attract investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

Budget Impact: ***The New Markets Tax Credit will cost approximately $980 million over five years.***

America's Private Investment Companies (APICs). For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put equity into new private investment partnerships to be known as America' s Private Investment Companies (APICs). HUD and SBA working together will provide up two times the private capital in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government.

Budget impact: ***APICs will cost $36 million in credit subsidy (at a rate of 3.6%, allowing up to $1 billion in government guarantees) and $1 million for HUD's administrative costs.***

SBICs Targeted to New Markets. Over 40 years, the SBA's small business investment company (SBIC) program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed loan to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small

businesses before they must produce a return. In addition, SBA will conduct an aggressive outreach campaign around the country to promote LMI investments.

Budget impact: ***No new loan subsidy budget authority is required for this initiative as the SBIC debentures program has a 0% credit subsidy rate. However, the commitment level for the SBIC debenture program must be increased (from $640 million in FY 99 to $800 million in FY 2000) in order to ensure that the new targeted activity does not crowd out activity by traditional SBICs.***

New Markets Venture Capital Firms (NMVCs). There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with loan guarantees of up to $10 million per NMVC, with interest on the debt deferred. Investors must also provide at least $1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

Budget impact: ***The NMVC firms will cost $15 million in credit subsidy for loan guarantees (at a credit subsidy rate of 15%, allowing $100 million in government guarantees) and $30 million for technical assistance grants.***

New Markets Lending Companies (NMLC). For the first time in many years, SBA will approve approximately 10 new non-bank lenders -- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.

Budget Impact: ***No additional budget authority is necessary to license these new non-bank lenders.***

Continued Growth for CDFIs. Community Development Financial Institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas, represent an important vehicle for greater investment in new markets. The federal contribution to building these institutions must continue to grow.

Budget impact: ***The CDFI Fund will cost $125 million in FY 2000, including $15 million for new microenterprise activities under the Program for Investments in Microentrepenuers (PRIME) Act (now pending with***

bipartisan support before Congress) and an increase of $15 million over FY 99 levels.

Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include: (1) PRIME, under which the CDFI Fund will provide microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs; (2) doubling support for technical assistance in SBA's Microloan Program, which links loans entrepreneurs with the provision of training and technical assistance; (3) doubling support for SBA lending to leverage over $75 million in new microlending; (4) doubling funding for Individual Development Accounts (IDAs), to empower lower-income individuals to start a new business, invest in a first home, or save for post-secondary education; and (5) tripling funding for SBA's One-Stop Capital Shops, which offer microenterprise development (including direct access to microlenders), personal finance, and even credit repair services in Empowerment Zones.

Budget impact: ***(1) As described above, PRIME will cost $15 million in FY 2000; (2) SBA's microloan technical assistance and training will cost $ 32 million in FY 2000 (up from $16 million in FY 99); (3) SBA's microlending will cost $5 million in credit subsidy (up from $3 million in FY 99); (4) IDAs will cost $20 million in FY 2000 (up from $10 million in FY 99); and (5) One-Stop Capital Shops will cost $10 million in FY 2000 up from $3.1 million in FY 99.***

BusinessLINC. The President's budget provides resources to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez --to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.

Budget Impact: ***BusinessLINC will cost $3 million in FY 2000.***

Specialized Small Business Investment Companies (SSBICs). The President's budget will expand current tax incentives to increase the amount of equity capital available to economically disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

Budget Impact: ***This change to tax rules will have a negligible budget impact.***

THE NEW MARKETS INITIATIVE: BUDGET IMPACT

The New Markets initiative will prompt approximately $15 billion in new investment in urban and rural areas over five years through:

The New Markets Tax Credit --To help spur $6 billion in new equity capital for investment in Americas New Markets, the New Markets Tax Credit will be worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, new investment company programs (targeted SBICs, NMVC firms, and APICs -- see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to attract investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

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Budget impact: ***No new loan subsidy budget authority is required for this initiative as the SBIC debentures program has a 0% credit subsidy rate. However, the commitment level for the SBIC debenture program must be increased (from $640 million in FY 99 to $800 million in FY 2000) in order to ensure that the new targeted activity does not crowd out activity by traditional SBICs.***

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Budget impact: ***The NMVC firms will cost $15 million in credit subsidy for loan guarantees (at a credit subsidy rate of 15%, allowing $100 million in government guarantees) and $30 million for technical assistance grants.***

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Budget Impact: ***No additional budget authority is necessary to license these new non-bank lenders.***

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Budget Impact: ***BusinessLINC will cost $3 million in FY 2000.***

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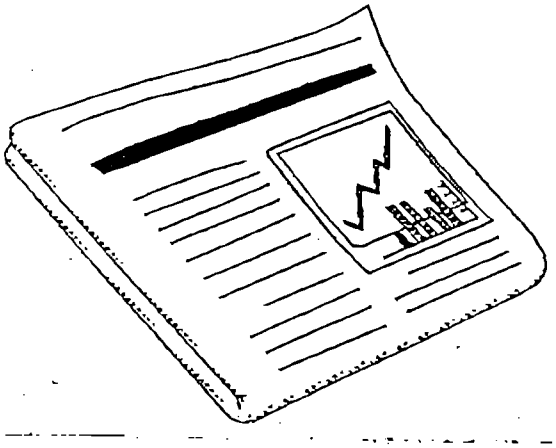
Budget Impact: ***This change to tax rules will have a negligible budget impact.***



Lisa
D.L.G.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Assistant Secretary for Policy
Development and Research

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5/12/99
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PHONE: — **PHONE:** 708-1600 (RB)

FAX NUMBER: 456-2223

SUBJECT: Lisa, Here is a table (2, actually) that shows that, under the proposed AEIC eligibility guidelines, [275] Congressional districts would have 20% or more of their population in AEIC-eligible areas. We are currently adding the names of reps to these tables.

THE PHONE NUMBER FOR FAX MACHINE IS (202) 619-8000.

NMTC Eligible 20% or More

Percent of Population in New Market Tax Credit-Eligible Census Tracts for 275 Congressional Districts with 20% or More of Population in Eligible Tracts

District	Percent	District	Percent	District	Percent	District	Percent	District	Percent	District	Percent
AK00	25.3%	CO01	57.6%	KS02	23.2%	MT00	29.0%	OK01	26.7%	TX01	47.5%
AL01	40.6%	CO02	24.5%	KS03	22.3%	NC01	67.7%	OK02	56.1%	TX02	50.1%
AL02	36.9%	CO03	27.3%	KS04	23.7%	NC02	28.8%	OK03	59.6%	TX04	21.0%
AL03	35.7%	CO04	27.0%	KY01	44.9%	NC03	20.4%	OK04	26.7%	TX05	52.5%
AL04	32.6%	CO05	21.2%	KY02	31.3%	NC07	25.6%	OK05	23.8%	TX06	20.4%
AL07	81.3%	CT01	26.8%	KY03	31.1%	NC08	23.6%	OK06	39.9%	TX09	29.0%
AR01	62.1%	CT02	23.7%	KY04	36.3%	NC11	21.4%	OR02	22.4%	TX10	38.7%
AR02	24.3%	CT03	24.8%	KY05	90.1%	NC12	52.0%	OR03	34.9%	TX11	35.1%
AR03	20.9%	CT04	34.4%	KY06	35.4%	ND00	20.6%	OR04	20.4%	TX12	38.2%
AR04	52.3%	CT05	20.1%	LA01	29.3%	NE02	25.9%	PA01	83.6%	TX13	50.1%
AZ01	24.0%	DC98	70.6%	LA02	64.5%	NJ04	28.4%	PA02	66.7%	TX14	49.3%
AZ02	66.9%	FL01	24.6%	LA03	53.1%	NJ06	26.8%	PA03	47.0%	TX15	87.8%
AZ03	26.4%	FL02	41.5%	LA04	85.2%	NJ08	34.2%	PA11	21.7%	TX16	65.0%
AZ05	22.4%	FL03	56.0%	LA05	53.4%	NJ09	20.8%	PA12	27.8%	TX17	45.3%
AZ06	44.8%	FL05	35.8%	LA06	42.8%	NJ10	68.1%	PA14	39.8%	TX18	69.6%
CA01	21.9%	FL06	24.6%	LA07	53.3%	NJ13	53.3%	PA18	20.2%	TX19	29.1%
CA02	20.5%	FL10	22.0%	MA01	21.3%	NM01	31.1%	PA20	32.0%	TX20	52.3%
CA03	24.8%	FL11	31.1%	MA03	22.6%	NM02	61.7%	RI01	25.4%	TX23	63.8%
CA05	40.2%	FL12	26.3%	MA05	24.9%	NM03	54.9%	RI02	20.3%	TX24	46.5%
CA07	32.1%	FL13	24.1%	MA08	61.2%	NV01	25.8%	SC02	22.7%	TX25	23.9%
CA08	42.2%	FL17	60.7%	MA09	26.0%	NV02	21.2%	SC03	26.0%	TX27	62.9%
CA09	63.3%	FL18	40.3%	MD03	29.3%	NY01	31.5%	SC04	21.2%	TX28	68.5%
CA11	30.5%	FL22	24.9%	MD04	36.2%	NY07	21.1%	SC05	39.3%	TX29	85.7%
CA16	40.6%	FL23	59.7%	MD07	62.3%	NY08	36.1%	SC06	76.9%	TX30	62.9%
CA17	23.1%	GA01	35.2%	ME02	20.1%	NY10	68.4%	SD00	28.9%	UT02	22.1%
CA18	28.7%	GA02	73.4%	MI01	21.6%	NY11	57.7%	TN01	31.2%	UT03	30.7%
CA19	29.3%	GA05	56.2%	MI02	23.4%	NY12	77.2%	TN02	25.7%	VA02	21.9%
CA20	76.3%	GA07	28.6%	MI04	29.0%	NY15	87.1%	TN03	28.9%	VA03	58.8%
CA21	30.1%	GA08	46.9%	MI05	28.1%	NY16	90.1%	TN04	37.3%	VA04	24.4%
CA22	28.6%	GA10	32.0%	MI06	22.3%	NY17	51.2%	TN05	29.3%	VA09	42.1%
CA23	34.7%	GA11	48.4%	MI07	21.6%	NY21	24.0%	TN07	21.8%	WA04	38.5%
CA26	35.5%	HI02	26.6%	MI09	31.1%	NY23	20.2%	TN08	26.2%	WA05	29.5%
CA27	22.2%	IA03	21.1%	MI13	24.7%	NY24	22.7%	TN09	51.6%	WA06	23.9%
CA29	22.4%	ID01	20.0%	MI14	63.3%	NY25	22.2%			WA07	38.9%
CA30	79.4%	IL01	60.4%	MI15	90.0%	NY26	26.1%			WA09	23.3%
CA31	44.8%	IL02	48.0%	MN04	33.5%	NY28	27.6%			WI03	21.9%
CA32	56.4%	IL04	90.8%	MN05	45.9%	NY29	23.2%			WI04	22.4%
CA33	90.3%	IL05	26.2%	MN07	27.9%	NY30	34.4%			WI05	46.6%
CA35	62.0%	IL07	65.7%	MN08	23.7%	OH01	39.7%			WI07	23.2%
CA37	63.6%	IL09	39.1%	MO01	48.1%	OH03	31.6%			WI08	21.4%
CA38	21.2%	IL12	36.0%	MO03	21.9%	OH06	54.0%			WV01	31.8%
CA39	20.1%	IL15	22.9%	MO04	22.7%	OH09	28.0%			WV02	56.4%
CA40	34.1%	IL17	20.1%	MO05	43.2%	OH10	27.9%			WV03	63.1%
CA42	29.5%	IL19	31.3%	MO07	25.8%	OH11	55.6%				
CA44	44.7%	IL20	20.0%	MO08	62.4%	OH12	30.1%				
CA45	21.3%	IN01	31.1%	MO09	20.2%	OH14	30.0%				
CA46	59.3%	IN02	30.6%	MS01	48.0%	OH15	26.1%				
CA49	35.3%	IN08	31.0%	MS02	84.4%	OH17	27.3%				
CA50	50.6%	IN10	49.4%	MS03	55.2%	OH18	35.6%				
CA52	27.2%			MS04	64.5%						
				MS05	49.1%						

NMTC Eligible Less than 20%

Percent of Population in New Market Tax Credit-Eligible Census Tracts for 160 Congressional Districts with Less than 20% of Population in Eligible Tracts

District	Percent	District	Percent	District	Percent	District	Percent
AL05	19.4%	ID02	19.6%	NC04	19.4%	PA04	19.9%
AL06	12.6%	IL03	11.5%	NC05	18.5%	PA05	19.4%
AZ04	16.9%	IL06	2.4%	NC06	10.5%	PA06	17.8%
CA04	3.8%	IL08	1.0%	NC09	13.1%	PA07	7.1%
CA06	11.7%	IL10	11.4%	NC10	6.6%	PA08	3.7%
CA10	11.8%	IL11	16.7%	NE01	13.4%	PA09	12.5%
CA12	8.3%	IL13	1.1%	NE03	13.3%	PA10	13.4%
CA13	17.3%	IL14	11.2%	NH01	14.5%	PA13	4.8%
CA14	14.5%	IL16	11.7%	NH02	9.9%	PA15	14.0%
CA15	13.0%	IL18	15.6%	NJ01	19.2%	PA16	12.2%
CA24	5.1%	IN03	15.5%	NJ02	15.9%	PA17	15.4%
CA25	2.3%	IN04	16.0%	NJ03	16.1%	PA19	10.1%
CA28	2.9%	IN05	13.3%	NJ05	3.8%	PA21	18.9%
CA34	19.9%	IN06	7.2%	NJ07	9.7%	SC01	18.4%
CA36	7.4%	IN07	17.5%	NJ11	3.1%	TN06	18.2%
CA41	15.2%	IN09	14.4%	NJ12	3.9%	TX03	2.7%
CA43	15.2%	KS01	10.0%	NY02	13.5%	TX06	5.6%
CA47	16.8%	MA02	19.3%	NY03	6.4%	TX07	3.2%
CA48	19.0%	MA04	16.0%	NY04	15.7%	TX21	8.1%
CA51	11.2%	MA06	19.0%	NY05	3.9%	TX22	9.7%
CO06	13.6%	MA07	14.8%	NY06	16.4%	TX26	1.6%
CT06	14.1%	MA10	8.6%	NY09	14.6%	UT01	16.1%
DE00	17.7%	MD01	11.6%	NY13	12.2%	VA01	15.2%
FL04	12.5%	MD02	14.7%	NY14	11.3%	VA05	18.0%
FL07	8.0%	MD05	15.7%	NY18	3.8%	VA06	16.8%
FL08	13.9%	MD06	18.9%	NY19	7.3%	VA07	13.0%
FL09	14.0%	MD08	7.1%	NY20	10.6%	VA08	17.3%
FL14	19.0%	ME01	6.0%	NY22	10.0%	VA10	9.7%
FL15	15.7%	MI03	16.6%	NY27	13.3%	VA11	7.2%
FL16	14.8%	MI08	17.8%	NY31	17.5%	VT00	16.0%
FL19	11.5%	MI10	10.9%	OH02	12.5%	WA01	5.1%
FL20	8.4%	MI11	1.2%	OH04	18.4%	WA02	17.9%
FL21	16.6%	MI12	11.3%	OH05	4.2%	WA03	17.7%
GA03	19.8%	MI16	13.3%	OH07	18.8%	WA08	1.3%
GA04	7.7%	MN01	11.0%	OH08	19.0%	WI01	16.3%
GA06	2.1%	MN02	9.3%	OH13	11.8%	WI02	16.3%
GA09	13.8%	MN03	4.1%	OH16	19.0%	WI06	10.0%
IA01	14.8%	MN06	2.9%	OH19	10.9%	WI09	2.9%
IA02	12.4%	MO02	3.4%	OR01	15.2%	WY00	18.3%
IA04	19.1%	MO06	19.8%	OR05	18.5%		
IA05	8.4%						

5/13/99

Sarah, Lisa, Michael, Xav and David,

Attached is the version of the 2 tables showing the percentage of the population in each Congressional district that reside in APIC-eligible areas under the current APIC eligibility guidelines. The districts have been divided into 2 tables depending on whether the percentage of their population in APIC-eligible areas was greater or less than 20 percent.

Please call if you have any questions (708-1600, x5846).

Xav should be in on Monday.

Raphael

Distribution:
Sarah Rosen, NEC (fax)
Lisa Green, NEC (fax)
Michael Barr, Treasury (fax)
David Kass, HUD
Xavier Briggs, HUD
Raphael Bostic, HUD

A1

NMTC Eligible 20% or More

Percent of Population in New Market Tax Credit-Eligible Census Tracts for 275 Congressional Districts with 20% or More of Population in Eligible Tracts

District	Percent	Member	District	Percent	Member	District	Percent	Member
AK00	25.3%	Don Young (R)	CO01	57.6%	Diana DeGette (D)	KS02	23.2%	Jim Ryun (R)
AL01	40.6%	Sonny Callahan (R)	CO02	24.5%	David Skaggs (D)	KS03	22.3%	Vince Snowbarger (R)
AL02	36.9%	Terry Everett (R)	CO03	27.3%	Scott McInnis (R)	KS04	23.7%	Todd Tiahrt (R)
AL03	35.7%	Bob Riley (R)	CO04	27.0%	Bob Schaffer (R)	KY01	44.9%	Edward Whitfield (R)
AL04	32.6%	Robert Aderholt (R)	CO05	21.2%	Joel Hefley (R)	KY02	31.3%	Ron Lewis (R)
AL07	81.3%	Earl Hilliard (D)	CT01	26.8%	Babara Kennelly (D)	KY03	31.1%	A. Meagher Northrup (R)
AR01	62.1%	Marion Berry (D)	CT02	23.7%	Sam Gejdenson (D)	KY04	36.3%	Jim Bunning (R)
AR02	24.3%	Vic Snyder (D)	CT03	24.8%	Rosa DeLauro (D)	KY05	90.1%	Harold Rogers (R)
AR03	20.9%	Asa Hutchinson (R)	CT04	34.4%	Christopher Shays (R)	KY06	35.4%	Scotty Baesler (D)
AR04	52.3%	Jay Dickey (R)	CT05	20.1%	James Maloney (D)	LA01	29.3%	Bob Livingston (R)
AZ01	24.0%	Matt Salmon (R)	DC98	70.6%	E. Holmes-Norton (D)	LA02	64.5%	William Jefferson (D)
AZ02	66.9%	Ed Pastor (D)	FL01	24.6%	Joe Scarborough (R)	LA03	53.1%	W. J. Tauzin (R)
AZ03	26.4%	Bob Stump (R)	FL02	41.5%	Allen Boyd (D)	LA04	85.2%	Jim McCrery (R)
AZ05	22.4%	Jim Kolbe (R)	FL03	56.0%	Corrine Brown (D)	LA05	53.4%	John Cooksey (R)
AZ06	44.8%	J. D. Hayworth (R)	FL05	35.8%	Karen Thurman (D)	LA06	42.8%	Robert Baker (R)
CA01	21.9%	Frank Riggs (R)	FL06	24.6%	Clifford Stearns (R)	LA07	53.3%	Christopher John (D)
CA02	20.5%	Wally Herger (R)	FL10	22.0%	C. W. Bill Young (R)	MA01	21.3%	John Olver (D)
CA03	24.8%	Vic Fazio (D)	FL11	31.1%	James Davis (D)	MA03	22.6%	James McGovern (D)
CA05	40.2%	Robert Matsui (D)	FL12	26.3%	Charles Canady (R)	MA05	24.9%	Martin Meehan (D)
CA07	32.1%	George Miller (D)	FL13	24.1%	Dan Miller (R)	MA08	61.2%	Joseph Kennedy (D)
CA08	42.2%	Nancy Pelosi (D)	FL17	60.7%	Carrie Meek (D)	MA09	26.0%	John Moakley (D)
CA09	63.3%	Barbara Lee (D)	FL18	40.3%	Ileana Rs-Lehtinen (R)	MD03	29.3%	Benjamin Cardin (D)
CA11	30.5%	Richard Pombo (R)	FL22	24.9%	E. Clay Shaw (R)	MD04	36.2%	Albert Wynn (D)
CA16	40.6%	Joe Lofgren (D)	FL23	59.7%	Alcee Hastings (D)	MD07	62.3%	Elijah Cummings (D)
CA17	23.1%	Sam Farr (D)	GA01	35.2%	Jack Kingston (R)	ME02	20.1%	John Baldacci (D)
CA18	28.7%	Gary Condit (D)	GA02	73.4%	Sanford Bishop, Jr. (D)	MI01	21.6%	Bart Stupak (D)
CA19	29.3%	George Radonovich (R)	GA05	58.2%	John Lewis (D)	MI02	23.4%	Peter Hoekstra (R)
CA20	76.3%	Calvin Dooley (D)	GA07	28.6%	Bob Barr (R)	MI04	29.0%	Dave Camp (R)
CA21	30.1%	William Thomas (R)	GA08	46.9%	Saxby Chambliss (R)	MI05	26.1%	James Barcia (D)
CA22	28.6%	Lois Capps (R)	GA10	32.0%	Charlie Norwood (R)	MI06	22.3%	Fred Upton (R)
CA23	34.7%	Elton Gallegly (R)	GA11	48.4%	John Linder (R)	MI07	21.6%	Nick Smith (R)
CA26	35.5%	Howard Berman (D)	HI02	26.6%	Patsy Mink (D)	MI09	31.1%	Dale Klidee (D)
CA27	22.2%	James Rogan (R)	IA03	21.1%	Leonard Boswell (D)	MI13	24.7%	Lynn Rivers (D)
CA29	22.4%	Henry Waxman (D)	ID01	20.0%	Helen Chenoweth (R)	MI14	63.3%	John Conyers, Jr. (D)
CA30	79.4%	Xavier Becerra (D)	IL01	60.4%	Bobby Rush (D)	MI15	90.0%	Carolyn Kilpatrick (D)
CA31	44.8%	Matthew Martinez (D)	IL02	48.0%	Jesse Jackson, Jr. (D)	MN04	33.5%	Burce Vento (D)
CA32	56.4%	Julian Dixon (D)	IL04	90.8%	Luis Gutierrez (D)	MN05	45.3%	Martin Olva Sabo (D)
CA33	90.3%	Lucille Roybal-Allard (D)	IL05	26.2%	Rod Blagojevich (D)	MN07	27.9%	Colin Peterson (D)
CA35	62.0%	Maxine Waters (D)	IL07	65.7%	Danny Davis (D)	MN08	23.7%	James Oberstar (D)
CA37	63.6%	J. Milender-MacDonald (D)	IL09	39.1%	Sidney Yates (D)	MO01	48.1%	William Clay (D)
CA38	21.2%	Stephen Horn (R)	IL12	36.0%	Jerry Costello (D)	MO03	21.9%	Richard Gephardt (D)
CA39	20.1%	Edward Royce (R)	IL15	22.9%	Thomas Ewing (R)	MO04	22.7%	Ike Skelton (D)
CA40	34.1%	Jerry Lewis (R)	IL17	20.1%	Lane Evans (D)	MO05	43.2%	Karen McCarthy (D)
CA42	29.5%	George Brown, Jr. (D)	IL19	31.3%	Glen Poshard (D)	MO07	25.8%	Roy Blunt (R)
CA44	44.7%	Mary Bono (R)	IL20	20.0%	John Shimkus (R)	MO08	62.4%	Jo Ann Emerson (R)
CA45	21.3%	Dana Rohrabacher (R)	IN01	31.1%	Peter Visclosky (D)	MO09	20.2%	Kenny Hulshof (R)
CA46	59.3%	Loretta Sanchez (D)	IN02	30.6%	David McIntosh (R)	MS01	48.0%	Roger Wicker (R)
CA49	35.3%	Brian Bilbray (R)	IN08	31.0%	John Hostettler (R)	MS02	84.4%	Benny Thompson (D)
CA50	50.6%	Bob Filner (D)	IN10	49.4%	Julia Carson (D)	MS03	55.2%	Charles Pickering, Jr. (R)
CA52	27.2%	Duncan Hunter (R)				MS04	64.5%	Mike Parker (R)
						MS05	49.1%	Gene Taylor (R)

A2

NMTC Eligible 20% or More

District	Percent	Member
MT00	29.0%	Rick Hill (R)
NC01	67.7%	Eva Clayton (D)
NC02	28.8%	Bob Etheridge (D)
NC03	20.4%	Walter Jones (R)
NC07	25.6%	Mike McIntyre (D)
NC08	23.6%	W. G. Hefner (D)
NC11	21.4%	Charles Taylor (R)
NC12	62.0%	Melvin Watt (D)
ND00	20.6%	Earl Pomeroy (D)
NE02	25.9%	Jon Christensen (R)
NJ04	28.4%	Christopher Smith (R)
NJ06	26.6%	Frank Pallone, Jr. (D)
NJ08	34.2%	William Pascrell, Jr. (D)
NJ09	20.8%	Steven Rothman (D)
NJ10	68.1%	David Payne (D)
NJ13	53.3%	Robert Menendez (D)
NM01	31.1%	Heather Wilson (R)
NM02	61.7%	Joe Skeen (R)
NM03	54.9%	Bill Redmond (R)
NV01	25.8%	John Ensign (R)
NV02	21.2%	Jim Gibbons (R)
NY01	31.5%	Michael Forbes (R)
NY07	21.1%	Thomas Manton (D)
NY08	36.1%	Jerrold Nadler (D)
NY10	68.4%	Edolphus Towns (D)
NY11	57.7%	Major Owens (D)
NY12	77.2%	Nydia Velazquez (D)
NY15	87.1%	Charles Rangel (D)
NY16	90.1%	Jose Serrano (D)
NY17	51.2%	Eliot Engel (D)
NY21	24.0%	Michael McNulty (D)
NY23	20.2%	Sherwood Boehlert (R)
NY24	22.7%	John McHugh (R)
NY25	22.2%	James Walsh (R)
NY26	26.1%	Maurice Hinchey (D)
NY28	27.6%	Louise Slaughter (R)
NY29	23.2%	John LaFalce (D)
NY30	34.4%	Jack Quinn (R)
OH01	39.7%	Steve Chabot (R)
OH03	31.6%	Tony Hall (D)
OH06	54.0%	Ted Strickland (D)
OH09	28.0%	Marcy Captur (D)
OH10	27.9%	Dennis Kucinich (D)
OH11	55.6%	Louis Stokes (D)
OH12	30.1%	John Kaisch (R)
OH14	30.0%	Thomas Sawyer (D)
OH15	26.1%	Deborah Pryce (R)
OH17	27.3%	James Traficant, Jr. (D)
OK01	26.7%	Steve Largent (R)
OK02	56.1%	Tom Coburn (R)
OK03	59.6%	Wes Watkins (R)
OK04	26.7%	J. C. Watts, Jr. (R)
OK05	23.8%	Ernest Istook, Jr. (R)
OK06	39.9%	Frank Lucas (R)
OR02	22.4%	Robert Smith (R)
OR03	34.9%	Earl Blumenauer (D)
OR04	20.4%	Peter DeFazio (D)
PA01	83.6%	Robert Brady (D)
PA02	66.7%	Chaka Fattah (D)
PA03	47.0%	Robert Borski (D)
PA11	21.7%	Paul Kanjorski (D)
PA12	27.8%	John Murtha (D)
PA14	39.8%	William Coyne (D)
PA18	20.2%	Michael Doyle (D)
PA20	32.0%	Frank Mascara (D)
RI01	25.4%	Patrick Kennedy (D)
RI02	20.3%	Robert Weygand (D)
SC02	22.7%	Floyd Spence (R)
SC03	26.0%	Lindsay Graham (R)
SC04	21.2%	Bob Inglis (R)
SC05	39.3%	John Spratt, Jr. (D)
SC06	76.9%	James Clyburn (D)
SD00	28.9%	John Thune (R)
TN01	31.2%	William Jenkins (R)
TN02	25.7%	John Duncan, Jr. (R)
TN03	28.9%	Zach Wamp (R)
TN04	37.3%	Van Hilleary (R)
TN05	29.3%	Bob Clement (D)
TN07	21.8%	Ed Bryant (R)
TN08	26.2%	John Tanner (D)
TN09	51.6%	Harold Ford, Jr. (D)
TX01	47.5%	Max Sandlin (D)
TX02	50.1%	Jim Turner (D)
TX04	21.0%	Ralph Hall (D)
TX05	52.5%	Pete Sessions (R)
TX06	20.4%	Kevin Brady (R)
TX09	29.0%	Nick Lampson (D)
TX10	38.7%	Lloyd Doggett (D)
TX11	35.1%	Chet Edwards (D)
TX12	38.2%	Kay Granger (R)
TX13	50.1%	William Thornberry (R)
TX14	49.3%	Ron Paul (R)
TX15	67.8%	Ruben Hinojosa (D)
TX16	65.0%	Silvestre Reyes (D)
TX17	45.3%	Charles Stenholm (D)
TX18	69.6%	Sheila Jackson Lee (D)
TX19	29.1%	Larry Combest (R)
TX20	52.3%	Henry Gonzalez (R)
TX23	63.8%	Henry Bonilla (R)
TX24	46.5%	Martin Frost (D)
TX25	23.9%	Ken Bentsen (D)
TX27	62.9%	Solomon Ortiz (D)
TX28	68.5%	Ciro Rodriguez (D)
TX29	85.7%	Gene Green (D)
TX30	62.9%	Eddie Johnson (D)
UT02	22.1%	Merill Cook (R)
UT03	30.7%	Christopher Cannon (R)
VA02	21.9%	Owen Pickett (D)
VA03	58.8%	Robert Scott (D)
VA04	24.4%	Norman Sisisky (D)
VA09	42.1%	Rich Boucher (D)
WA04	38.5%	Doc Hastings (R)
WA05	29.5%	Gene Nethercutt, Jr. (R)
WA06	23.9%	Norm Dicks (D)
WA07	38.9%	Jim McDermott (D)
WA09	23.3%	Jennifer Dunn (R)
WI03	21.9%	Ron Kind (D)
WI04	22.4%	Jerry Kleczka (D)
WI05	46.5%	Thomas Barrett (D)
WI07	23.2%	David Obey (D)
WI08	21.4%	Jay Johnson (D)
WV01	31.8%	Alan Mollahan (D)
WV02	56.4%	Bob Wise (D)
WV03	63.1%	Nick Rahall, II (D)

B1

NMTC Eligible Less than 20%

Percent of Population in New Market Tax Credit-Eligible Census Tracts for 275 Congressional Districts with Less than 20% of Population in Eligible Tracts

District	Percent	Member	District	Percent	Member
AL05	19.4%	Robert Cramer (D)	ID02	19.6%	Michael Crapo (R)
AL06	12.6%	Spencer Bachus (D)	IL03	11.5%	William Lipinski (D)
AZ04	16.9%	John Shadegg (R)	IL06	2.4%	Henry Hyde (R)
CA04	3.8%	John Doolittle (R)	IL08	1.0%	Philip Crane (R)
CA06	11.7%	Lynn Woolsey (D)	IL10	11.4%	John Edward Proctor (R)
CA10	11.8%	Ellen Tauscher (D)	IL11	16.7%	Gerald Weller (R)
CA12	8.3%	Tom Lantos (D)	IL13	1.1%	Harris Fawell (R)
CA13	17.3%	Pete Stark (D)	IL14	11.2%	Dennis Hastert (R)
CA14	14.5%	Anna Eshoo (D)	IL16	11.7%	Donald Manzullo (R)
CA15	13.0%	Tom Campbell (R)	IL18	15.6%	Ray LaHood (R)
CA24	5.1%	Brad Sherman (D)	IN03	15.5%	Tom Roemer (D)
CA25	2.3%	Howard McKeon (R)	IN04	16.0%	Mark Souder (R)
CA28	2.9%	David Dreier (R)	IN05	13.3%	Stephen Buyer (R)
CA34	19.9%	Esteban Torres (D)	IN06	7.2%	Dan Burton (R)
CA36	7.4%	Jane Harman (D)	IN07	17.5%	Edward Pease (R)
CA41	15.2%	Jay Kim (R)	IN09	14.4%	Lee Hamilton (D)
CA43	15.2%	Ken Calvert (R)	KS01	10.0%	Jerry Moran (R)
CA47	16.8%	Christopher Cox (R)	MA02	19.3%	Richard Neal (D)
CA48	19.0%	Ron Packard (R)	MA04	16.0%	Barney Frank (D)
CA51	11.2%	Randy Cunningham (R)	MA06	19.0%	John Tierney (D)
CO06	13.6%	Dan Schaefer (R)	MA07	14.8%	Edward Markey (D)
CT06	14.1%	Nancy Johnson (R)	MA10	8.6%	William Delahunt (D)
DE00	17.7%	Michael Castle (R)	MD01	11.6%	Wayne Gilchrest (R)
FL04	12.5%	Tillie Fowler (R)	MD02	14.7%	Robert Ehrlich (R)
FL07	8.0%	John Mica (R)	MD05	15.7%	Steny Hoyer (D)
FL08	13.9%	Bill McCollum (R)	MD06	18.9%	Roscoe Bartlett (R)
FL09	14.0%	Michael Bilirakas (R)	MD08	7.1%	Constance Morella (R)
FL14	19.0%	Porter Gross (R)	ME01	6.0%	Thomas Allen (D)
FL15	15.7%	Dave Weldon (R)	MI03	16.6%	Vernon Ehlers (R)
FL16	14.8%	Mark Foley (R)	MI08	17.8%	Debbie Stabenow (D)
FL19	11.5%	Robert Wexler (D)	MI10	10.9%	David Bonior (D)
FL20	8.4%	Peter Deutsch (D)	MI11	1.2%	Joe Knollenberg (R)
FL21	16.6%	Lincoln Diaz-Balart (R)	MI12	11.3%	Sander Levin (D)
GA03	19.8%	Michael Collins (R)	MI16	13.3%	John Dingell (D)
GA04	7.7%	Cynthia McKinney (D)	MN01	11.0%	Gil Gurtknecht (R)
GA06	2.1%	Newt Gingrich (R)	MN02	9.3%	David Minge (D)
GA09	13.8%	Nathan Deal (R)	MN03	4.1%	Jim Ramstad (R)
IA01	14.6%	James Leach (R)	MN06	2.9%	Bill Luther (D)
IA02	12.4%	Jim Nussle (R)	MO02	3.4%	James Talent (R)
IA04	19.1%	Greg Ganske (R)	MO06	19.8%	Pat Danner (D)
IA05	8.4%	Tom Latham (R)			

B2

NMTC Eligible Less than 20%

District	Percent	Member	District	Percent	Member
NC04	19.4%	David Price (D)	PA04	19.9%	Ron Klink (D)
NC05	18.5%	Richard Burr (R)	PA05	19.4%	John Peterson (R)
NC06	10.5%	Howard Coble (R)	PA06	17.6%	Tim Holden (D)
NC09	13.1%	Sue Myrick (R)	PA07	7.1%	Curt Weldon (R)
NC10	6.6%	Cass Ballenger (R)	PA08	3.7%	James Greenwood (R)
NE01	13.4%	Doug Bereuter (R)	PA09	12.5%	Bud Shuster (R)
NE03	13.3%	Jim Christensen (R)	PA10	13.4%	Joseph McDale (R)
NH01	14.5%	John Sununu (R)	PA13	4.8%	Jon Fox (R)
NH02	9.9%	Charles Bass (R)	PA15	14.0%	Paul McHale (D)
NJ01	19.2%	Robert Andrews (D)	PA16	12.2%	Joseph Pitts (R)
NJ02	15.9%	Frank LoBiondo (R)	PA17	15.4%	George Gekas (R)
NJ03	16.1%	Jim Saxton (R)	PA19	10.1%	William Gooding (R)
NJ05	3.8%	Marge Roukema (R)	PA21	18.9%	Phil English (R)
NJ07	9.7%	Bob Franks (R)	SC01	18.4%	Marshall Sanford (R)
NJ11	3.1%	Rodney Frelinghuysen (R)	TN06	18.2%	Bart Gordon (D)
NJ12	3.9%	Mike Pappas (R)	TX03	2.7%	Sam Johnson (R)
NY02	13.5%	Rick Lazio (R)	TX06	5.6%	Joe Barton (R)
NY03	6.4%	Peter King (R)	TX07	3.2%	Bill Archer (R)
NY04	15.7%	Carolyn McCarthy (D)	TX21	8.1%	Lamar Smith (R)
NY05	3.9%	Gary Ackerman (D)	TX22	9.7%	Tom DeLay (R)
NY06	16.4%	Gregory Meeks (D)	TX26	1.6%	Richard Armey (R)
NY09	14.6%	Charles Schumer (D)	UT01	16.1%	James Hansen (R)
NY13	12.2%	Vito Fossella (R)	VA01	15.2%	Herbert Bateman (R)
NY14	11.3%	Carolyn Maloney (D)	VA05	18.0%	Virgil Goode, Jr. (D)
NY18	3.8%	Nita Lowey (D)	VA06	16.8%	Bob Goodlatte (R)
NY19	7.3%	Sue Kelly (R)	VA07	13.0%	Tim Bliley (R)
NY20	10.6%	Benjamin Gilman (R)	VA08	17.3%	James Moran (D)
NY22	10.0%	Gerald Soloman (R)	VA10	9.7%	Frank Wolf (R)
NY27	13.3%	Bill Paxon (R)	VA11	7.2%	Thomas Davis, III (R)
NY31	17.5%	Amo Houghton (R)	VT00	16.0%	Bernard Sanders (I)
OH02	12.5%	Bob Portman (R)	WA01	5.1%	Rick White (R)
OH04	18.4%	Michael Oxley (R)	WA02	17.9%	Jack Metcalf (R)
OH05	4.2%	Paul Gilmor (R)	WA03	17.7%	Linda Smith (R)
OH07	18.8%	David Hobson (R)	WA08	1.3%	Jennifer Dunn (R)
OH08	19.0%	John Boehner (R)	WI01	16.3%	Mark Neumann (R)
OH13	11.8%	Sherrod Brown (D)	WI02	16.3%	Scott Klug (R)
OH16	19.0%	Ralph Regula (R)	WI06	10.0%	Thomas Petri (R)
OH19	10.9%	Steven LaTourette (R	WI09	2.9%	James Sensenbrenner (R)
OR01	15.2%	Gordon Smith (R)	WY00	18.3%	Barbara Cubin (R)
OR05	18.5%	Darlene Hooley (D)			

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Assistant Secretary for Policy
Development and Research

TELECOPIER COVER SHEET

5/13/99
DATE

NUMBER OF PAGES (INCLUDING THIS PAGE) 6

TO: Lisa Green **FROM:** Rachel Bostic

NEC

PHONE: _____ **PHONE:** 708-1600

FAX NUMBER: 456-2223

SUBJECT: _____

THE PHONE NUMBER FOR FAX MACHINE IS (202) 619-8000.

5/13/99

Sarah, Lisa, Michael, Xav and David,

Attached is the version of the 2 tables showing the percentage of the population in each Congressional district that reside in APIC-eligible areas under the current APIC eligibility guidelines. The districts have been divided into 2 tables depending on whether the percentage of their population in APIC-eligible areas was greater or less than 20 percent.

Please call if you have any questions (708-1600, x5846).

Xav should be in on Monday.

Raphael

Distribution:
Sarah Rosen, NEC (fax)
Lisa Green, NEC (fax)
Michael Barr, Treasury (fax)
David Kass, HUD
Xavier Briggs, HUD
Raphael Bostic, HUD

A1

NMTC Eligible 20% or More

District	Percent	Member	District	Percent	Member	District	Percent	Member
AK00	25.3%	Don Young (R)	CO01	57.6%	Diana DeGette (D)	KS02	23.2%	Jim Ryun (R)
AL01	40.6%	Sonny Callahan (R)	CO02	24.5%	David Skaggs (D)	KS03	22.3%	Vince Snowbarger (R)
AL02	36.9%	Terry Everett (R)	CO03	27.3%	Scott McInnis (R)	KS04	23.7%	Todd Tiahrt (R)
AL03	35.7%	Bob Riley (R)	CO04	27.0%	Bob Schaffer (R)	KY01	44.9%	Edward Whitfield (R)
AL04	32.6%	Robert Aderholt (R)	CO05	21.2%	Joel Heffley (R)	KY02	31.3%	Ron Lewis (R)
AL07	81.3%	Earl Hilliard (D)	CT01	26.8%	Babara Kennelly (D)	KY03	31.1%	A. Meagher Northrup (R)
AR01	62.1%	Marion Berry (D)	CT02	23.7%	Sam Gejdenson (D)	KY04	36.3%	Jim Bunning (R)
AR02	24.3%	Vic Snyder (D)	CT03	24.8%	Rosa DeLauro (D)	KY05	90.1%	Harold Rogers (R)
AR03	20.9%	Asa Hutchinson (R)	CT04	34.4%	Christopher Shays (R)	KY06	35.4%	Scotty Baesler (D)
AR04	52.3%	Jay Dickey (R)	CT05	20.1%	James Maloney (D)	LA01	29.3%	Bob Livingston (R)
AZ01	24.0%	Matt Salmon (R)	DC98	70.6%	E. Holmes-Norton (D)	LA02	64.5%	William Jefferson (D)
AZ02	66.9%	Ed Pastor (D)	FL01	24.6%	Joe Scarborough (R)	LA03	53.1%	W. J. Tauzin (R)
AZ03	26.4%	Bob Stump (R)	FL02	41.5%	Allen Boyd (D)	LA04	65.2%	Jim McCrery (R)
AZ05	22.4%	Jim Kolbe (R)	FL03	56.0%	Corrine Brown (D)	LA05	53.4%	John Cooksey (R)
AZ06	44.8%	J. D. Hayworth (R)	FL05	35.8%	Karen Thurman (D)	LA06	42.8%	Robert Baker (R)
CA01	21.9%	Frank Riggs (R)	FL06	24.6%	Clifford Stearns (R)	LA07	53.3%	Christopher John (D)
CA02	20.5%	Wally Herger (R)	FL10	22.0%	C. W. Bill Young (R)	MA01	21.3%	John Oliver (D)
CA03	24.8%	Vic Fazio (D)	FL11	31.1%	James Davis (D)	MA03	22.6%	James McGovern (D)
CA05	40.2%	Robert Matsui (D)	FL12	26.3%	Charles Canady (R)	MA05	24.9%	Martin Meehan (D)
CA07	32.1%	George Miller (D)	FL13	24.1%	Dan Miller (R)	MA08	61.2%	Joseph Kennedy (D)
CA08	42.2%	Nancy Pelosi (D)	FL17	60.7%	Carrie Meek (D)	MA09	26.0%	John Moakley (D)
CA09	63.3%	Barbara Lee (D)	FL18	40.3%	Ibeana Rs-Lehtinen (R)	MD03	29.3%	Benjamin Cardin (D)
CA11	30.5%	Richard Pombo (R)	FL22	24.9%	E. Clay Shaw (R)	MD04	36.2%	Albert Wynn (D)
CA16	40.6%	Joe Lofgren (D)	FL23	59.7%	Alcee Hastings (D)	MD07	62.3%	Elijah Cummings (D)
CA17	23.1%	Sam Farr (D)	GA01	35.2%	Jack Kingston (R)	ME02	20.1%	John Baldacci (D)
CA18	28.7%	Gary Condit (D)	GA02	73.4%	Sanford Bishop, Jr. (D)	MI01	21.6%	Bart Stupak (D)
CA19	29.3%	George Radonovich (R)	GA05	58.2%	John Lewis (D)	MI02	23.4%	Peter Hoekstra (R)
CA20	76.3%	Calvin Dooley (D)	GA07	28.6%	Bob Barr (R)	MI04	29.0%	Dave Camp (R)
CA21	30.1%	William Thomas (R)	GA08	46.9%	Saxby Chambliss (R)	MI05	26.1%	James Barcia (D)
CA22	28.6%	Lois Capps (R)	GA10	32.0%	Charlie Norwood (R)	MI06	22.3%	Fred Upton (R)
CA23	34.7%	Elton Gallegly (R)	GA11	48.4%	John Linder (R)	MI07	21.6%	Nick Smith (R)
CA26	35.5%	Howard Berman (D)	HI02	26.6%	Patsy Mink (D)	MI09	31.1%	Dale Klidee (D)
CA27	22.2%	James Rogan (R)	IA03	21.1%	Leonard Boswell (D)	MI13	24.7%	Lynn Rivers (D)
CA29	22.4%	Henry Waxman (D)	ID01	20.0%	Helen Chenoweth (R)	MI14	63.3%	John Conyers, Jr. (D)
CA30	79.4%	Xavier Becerra (D)	IL01	60.4%	Bobby Rush (D)	MI15	90.0%	Carolyn Kilpatrick (D)
CA31	44.8%	Matthew Martinez (D)	IL02	48.0%	Jesse Jackson, Jr. (D)	MN04	33.5%	Burce Vento (D)
CA32	56.4%	Julian Dixon (D)	IL04	90.8%	Luis Gutierrez (D)	MN05	45.9%	Martin Olva Sabo (D)
CA33	90.3%	Lucille Roybal-Allard (D)	IL05	28.2%	Rod Blagojevich (D)	MN07	27.9%	Colin Peterson (D)
CA35	62.0%	Maxine Waters (D)	IL07	65.7%	Danny Davis (D)	MN08	23.7%	James Oberstar (D)
CA37	63.6%	J. Milender-MacDonald (D)	IL09	39.1%	Sidney Yates (D)	MO01	48.1%	William Clay (D)
CA38	21.2%	Stephen Horn (R)	IL12	36.0%	Jerry Costello (D)	MO03	21.9%	Richard Gephardt (D)
CA39	20.1%	Edward Royce (R)	IL15	22.9%	Thomas Ewing (R)	MO04	22.7%	Ike Skelton (D)
CA40	34.1%	Jerry Lewis (R)	IL17	20.1%	Lane Evans (D)	MO05	43.2%	Karen McCarthy (D)
CA42	29.5%	George Brown, Jr. (D)	IL19	31.3%	Glen Poshard (D)	MO07	25.8%	Roy Blunt (R)
CA44	44.7%	Mary Bono (R)	IL20	20.0%	John Shimkus (R)	MO08	62.4%	Jo Ann Emerson (R)
CA45	21.3%	Dana Rohrabacher (R)	IN01	31.1%	Peter Visclosky (D)	MO09	20.2%	Kenny Hulshof (R)
CA46	59.3%	Loretta Sanchez (D)	IN02	30.6%	David McIntosh (R)	MS01	48.0%	Roger Wicker (R)
CA49	35.3%	Brian Bilbray (R)	IN08	31.0%	John Hostettler (R)	MS02	84.4%	Benny Thompson (D)
CA50	50.6%	Bob Filner (D)	IN10	49.4%	Julia Carson (D)	MS03	55.2%	Charles Pickering, Jr (R)
CA52	27.2%	Duncan Hunter (R)				MS04	64.5%	Mike Parker (R)
						MS05	49.1%	Gene Taylor (R)

A2

NMTC Eligible 20% or More

District	Percent	Member
MT00	29.0%	Rick Hill (R)
NC01	67.7%	Eva Clayton (D)
NC02	28.8%	Bob Etheridge (D)
NC03	20.4%	Walter Jones (R)
NC07	25.6%	Mike McIntyre (D)
NC08	23.6%	W. G. Hefner (D)
NC11	21.4%	Charles Taylor (R)
NC12	52.0%	Melvin Watt (D)
ND00	20.6%	Earl Pomeroy (D)
NE02	25.9%	Jon Christensen (R)
NJ04	28.4%	Christopher Smith (R)
NJ06	26.8%	Frank Pallone, Jr. (D)
NJ08	34.2%	William Pascrell, Jr. (D)
NJ09	20.8%	Steven Rothman (D)
NJ10	68.1%	David Payne (D)
NJ13	53.3%	Robert Menendez (D)
NM01	31.1%	Heather Wilson (R)
NM02	61.7%	Joe Skeen (R)
NM03	54.9%	Bill Redmond (R)
NV01	25.8%	John Ensign (R)
NV02	21.2%	Jim Gibbons (R)
NY01	31.5%	Michael Forbes (R)
NY07	21.1%	Thomas Manton (D)
NY08	36.1%	Jerrold Nadler (D)
NY10	68.4%	Edolphus Towns (D)
NY11	57.7%	Major Owens (D)
NY12	77.2%	Nydia Velazquez (D)
NY15	87.1%	Charles Rangel (D)
NY16	90.1%	Jose Serrano (D)
NY17	51.2%	Eliot Engel (D)
NY21	24.0%	Michael McNulty (D)
NY23	20.2%	Sherwood Boehlert (R)
NY24	22.7%	John McHugh (R)
NY25	22.2%	James Walsh (R)
NY26	26.1%	Maurice Hinchey (D)
NY28	27.6%	Louise Slaughter (R)
NY29	23.2%	John LaFalce (D)
NY30	34.4%	Jack Quinn (R)
OH01	39.7%	Steve Chabot (R)
OH03	31.6%	Tony Hall (D)
OH06	54.0%	Ted Strickland (D)
OH09	28.0%	Marcy Captur (D)
OH10	27.9%	Dennis Kucinich (D)
OH11	55.6%	Louis Stokes (D)
OH12	30.1%	John Kasich (R)
OH14	30.0%	Thomas Sawyer (D)
OH15	26.1%	Deborah Pryce (R)
OH17	27.3%	James Traficant, Jr. (D)
OK01	26.7%	Steve Largent (R)
OK02	56.1%	Tom Coburn (R)
OK03	59.6%	Wes Watkins (R)
OK04	26.7%	J. C. Watts, Jr. (R)
OK05	23.8%	Ernest Istook, Jr. (R)
OK06	39.9%	Frank Lucas (R)
OR02	22.4%	Robert Smith (R)
OR03	34.9%	Earl Blumenauer (D)
OR04	20.4%	Peter DeFazio (D)
PA01	83.6%	Robert Brady (D)
PA02	66.7%	Chaka Fattah (D)
PA03	47.0%	Robert Borski (D)
PA11	21.7%	Paul Kanjorski (D)
PA12	27.8%	John Murtha (D)
PA14	39.8%	William Coyne (D)
PA18	20.2%	Michael Doyle (D)
PA20	32.0%	Frank Mascara (D)
RI01	25.4%	Patrick Kennedy (D)
RI02	20.3%	Robert Weygand (D)
SC02	22.7%	Floyd Spence (R)
SC03	26.0%	Lindsay Graham (R)
SC04	21.2%	Bob Inglis (R)
SC05	39.3%	John Spratt, Jr. (D)
SC06	76.9%	James Clyburn (D)
SD00	28.9%	John Thune (R)
TN01	31.2%	William Jenkins (R)
TN02	25.7%	John Duncan, Jr. (R)
TN03	28.9%	Zach Wamp (R)
TN04	37.3%	Van Hilleary (R)
TN05	29.3%	Bob Clement (D)
TN07	21.8%	Ed Bryant (R)
TN08	26.2%	John Tanner (D)
TN09	51.6%	Harold Ford, Jr. (D)
TX01	47.5%	Max Sandlin (D)
TX02	50.1%	Jim Turner (D)
TX04	21.0%	Ralph Hall (D)
TX05	52.5%	Pete Sessions (R)
TX08	20.4%	Kevin Brady (R)
TX09	29.0%	Nick Lampson (D)
TX10	38.7%	Lloyd Doggett (D)
TX11	35.1%	Chet Edwards (D)
TX12	38.2%	Kay Granger (R)
TX13	50.1%	William Thornberry (R)
TX14	49.3%	Ron Paul (R)
TX15	87.8%	Ruben Hinojosa (D)
TX16	65.0%	Silvestre Reyes (D)
TX17	45.3%	Charles Stenholm (D)
TX18	69.6%	Sheila Jackson Lee (D)
TX19	29.1%	Larry Combest (R)
TX20	52.3%	Henry Gonzalez (R)
TX23	63.8%	Henry Bonilla (R)
TX24	43.5%	Martin Frost (D)
TX25	23.9%	Ken Bentsen (D)
TX27	62.9%	Solomon Ortiz (D)
TX28	68.5%	Ciro Rodriguez (D)
TX29	85.7%	Gene Green (D)
TX30	62.9%	Eddie Johnson (D)
UT02	22.1%	Merill Cook (R)
UT03	30.7%	Christopher Cannon (R)
VA02	21.9%	Owen Pickett (D)
VA03	58.8%	Robert Scott (D)
VA04	24.4%	Norman Sisisky (D)
VA09	42.1%	Rich Boucher (D)
WA04	38.5%	Doc Hastings (R)
WA05	29.5%	Gene Nethercutt, Jr. (R)
WA06	23.9%	Norm Dicks (D)
WA07	38.9%	Jim McDermott (D)
WA09	23.3%	Jennifer Dunn (R)
WI03	21.9%	Ron Kind (D)
WI04	22.4%	Jerry Kleczka (D)
WI05	46.6%	Thomas Barrett (D)
WI07	23.2%	David Obey (D)
WI08	21.4%	Jay Johnson (D)
WV01	31.8%	Alan Mollahan (D)
WV02	56.4%	Bob Wise (D)
WV03	63.1%	Nick Rahall, II (D)

B1

NMTC Eligible Less than 20%

Percent of Population in New Market Tax Credit-Eligible Census Tracts for 275 Congressional Districts with Less than 20% of Population in Eligible Tracts

District	Percent	Member	District	Percent	Member
AL05	19.4%	Robert Cramer (D)	ID02	19.6%	Michael Crapo (R)
AL06	12.6%	Spencer Bachus (D)	IL03	11.5%	William Lipinski (D)
AZ04	16.9%	John Shadegg (R)	IL06	2.4%	Henry Hyde (R)
CA04	3.8%	John Doolittle (R)	IL08	1.0%	Philip Crane (R)
CA06	11.7%	Lynn Woolsey (D)	IL10	11.4%	John Edward Proctor (R)
CA10	11.8%	Ellen Tauscher (D)	IL11	16.7%	Gerald Weller (R)
CA12	8.3%	Tom Lantos (D)	IL13	1.1%	Harris Fawell (R)
CA13	17.3%	Pete Stark (D)	IL14	11.2%	Dennis Hastert (R)
CA14	14.5%	Anna Eshoo (D)	IL16	11.7%	Donald Manzullo (R)
CA15	13.0%	Tom Campbell (R)	IL18	15.6%	Ray LaHood (R)
CA24	5.1%	Brad Sherman (D)	IN03	15.5%	Tom Roemer (D)
CA25	2.3%	Howard McKeon (R)	IN04	16.0%	Mark Souder (R)
CA28	2.9%	David Dreier (R)	IN05	13.3%	Stephen Buyer (R)
CA34	19.9%	Esteban Torres (D)	IN06	7.2%	Dan Burton (R)
CA36	7.4%	Jane Harman (D)	IN07	17.5%	Edward Pease (R)
CA41	15.2%	Jay Kim (R)	IN09	14.4%	Lee Hamilton (D)
CA43	15.2%	Ken Calvert (R)	KS01	10.0%	Jerry Moran (R)
CA47	16.8%	Christopher Cox (R)	MA02	19.3%	Richard Neal (D)
CA48	19.0%	Ron Packard (R)	MA04	16.0%	Barney Frank (D)
CA51	11.2%	Randy Cunningham (R)	MA06	19.0%	John Tierney (D)
CO06	13.6%	Dan Schaefer (R)	MA07	14.8%	Edward Markey (D)
CT06	14.1%	Nancy Johnson (R)	MA10	8.6%	William Delahunt (D)
DE00	17.7%	Michael Castle (R)	MD01	11.6%	Wayne Gilchrest (R)
FL04	12.5%	Tillie Fowler (R)	MD02	14.7%	Robert Ehrlich (R)
FL07	8.0%	John Mica (R)	MD05	15.7%	Steny Hoyer (D)
FL08	13.9%	Bill McCollum (R)	MD06	18.9%	Roscoe Bartlett (R)
FL09	14.0%	Michael Bilirakas (R)	MD08	7.1%	Constance Morella (R)
FL14	19.0%	Porter Gross (R)	ME01	6.0%	Thomas Allen (D)
FL15	15.7%	Dave Weldon (R)	MI03	16.6%	Vernon Ehlers (R)
FL16	14.8%	Mark Foley (R)	MI08	17.8%	Debbie Stabenow (D)
FL19	11.5%	Robert Wexler (D)	MI10	10.9%	David Bonior (D)
FL20	8.4%	Peter Deutsch (D)	MI11	1.2%	Joe Knollenberg (R)
FL21	16.6%	Lincoln Diaz-Balart (R)	MI12	11.3%	Sander Levin (D)
GA03	19.8%	Michael Collins (R)	MI16	13.3%	John Dingell (D)
GA04	7.7%	Cynthia McKinney (D)	MN01	11.0%	Gil Gutknecht (R)
GA06	2.1%	Newt Gingrich (R)	MN02	9.3%	David Minge (D)
GA09	13.8%	Nathan Deal (R)	MN03	4.1%	Jim Ramstad (R)
IA01	14.8%	James Leach (R)	MN06	2.9%	Bill Luther (D)
IA02	12.4%	Jim Nussle (R)	MO02	3.4%	James Talent (R)
IA04	19.1%	Greg Ganske (R)	MO06	19.8%	Pat Danner (D)
IA05	8.4%	Tom Latham (R)			

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NMTC Eligible Less than 20%

District	Percent	Member	District	Percent	Member
NC04	19.4%	David Price (D)	PA04	19.9%	Ron Klink (D)
NC05	18.5%	Richard Burr (R)	PA05	19.4%	John Peterson (R)
NC06	10.5%	Howard Coble (R)	PA06	17.6%	Tim Holden (D)
NC09	13.1%	Sue Myrick (R)	PA07	7.1%	Curt Weldon (R)
NC10	6.6%	Cass Ballenger (R)	PA08	3.7%	James Greenwood (R)
NE01	13.4%	Doug Bereuter (R)	PA09	12.5%	Bud Shuster (R)
NE03	13.3%	Jim Christensen (R)	PA10	13.4%	Joseph McDale (R)
NH01	14.5%	John Sununu (R)	PA13	4.8%	Jon Fox (R)
NH02	9.9%	Charles Bass (R)	PA15	14.0%	Paul McHale (D)
NJ01	19.2%	Robert Andrews (D)	PA16	12.2%	Joseph Pitts (R)
NJ02	15.9%	Frank LoBiondo (R)	PA17	15.4%	George Gekas (R)
NJ03	16.1%	Jim Saxton (R)	PA19	10.1%	William Gooding (R)
NJ05	3.8%	Marge Roukema (R)	PA21	18.9%	Phil English (R)
NJ07	9.7%	Bob Franks (R)	SC01	18.4%	Marshall Sanford (R)
NJ11	3.1%	Rodney Frelinghuysen (R)	TN06	18.2%	Bart Gordon (D)
NJ12	3.9%	Mike Pappas (R)	TX03	2.7%	Sam Johnson (R)
NY02	13.5%	Rick Lazio (R)	TX06	5.6%	Joe Barton (R)
NY03	6.4%	Peter King (R)	TX07	3.2%	Bill Archer (R)
NY04	15.7%	Carolyn McCarthy (D)	TX21	8.1%	Lamar Smith (R)
NY05	3.9%	Gary Ackerman (D)	TX22	9.7%	Tom DeLay (R)
NY06	16.4%	Gregory Meeks (D)	TX26	1.6%	Richard Armey (R)
NY09	14.6%	Charles Schumer (D)	UT01	16.1%	James Hansen (R)
NY13	12.2%	Vito Fossella (R)	VA01	15.2%	Herbert Bateman (R)
NY14	11.3%	Carolyn Maloney (D)	VA05	18.0%	Virgil Goode, Jr. (D)
NY18	3.8%	Nita Lowey (D)	VA06	16.8%	Bob Goodlatte (R)
NY19	7.3%	Sue Kelly (R)	VA07	13.0%	Tim Bliley (R)
NY20	10.6%	Benjamin Gilman (R)	VA08	17.3%	James Moran (D)
NY22	10.0%	Gerald Soloman (R)	VA10	9.7%	Frank Wolf (R)
NY27	13.3%	Bill Paxon (R)	VA11	7.2%	Thomas Davis, III (R)
NY31	17.5%	Amo Houghton (R)	VT00	16.0%	Bernard Sanders (I)
OH02	12.5%	Bob Portman (R)	WA01	5.1%	Rick White (R)
OH04	18.4%	Michael Oxley (R)	WA02	17.9%	Jack Metcalf (R)
OH05	4.2%	Paul Gilmor (R)	WA03	17.7%	Linda Smith (R)
OH07	18.8%	David Hobson (R)	WA08	1.3%	Jennifer Dunn (R)
OH08	19.0%	John Boehner (R)	WI01	16.3%	Mark Neumann (R)
OH13	11.8%	Sherrod Brown (D)	WI02	16.3%	Scott Klug (R)
OH16	19.0%	Ralph Regula (R)	WI06	10.0%	Thomas Petri (R)
OH19	10.9%	Steven LaTourette (R	WI09	2.9%	James Sensenbrenner (R)
OR01	15.2%	Gordon Smith (R)	WY00	18.3%	Barbara Cubin (R)
OR05	18.5%	Darlene Hooley (D)			

DRAFT

FAX to 628-78 Zoby Shamir

POTENTIAL ORIGINAL SPONSORS FOR NEW MARKET LEGISLATION
[L] indicates likely lead sponsor
* indicates a commitment or strong indication of interest

Bill	House Committees	Senate Committees
Tax	***Ways and Means***	***Finance***
	Rangel (D-NY-Ranking)* [L]	Rockefeller (D-WV) [L]
	Becerra (D-CA)	Moynihan (D-NY)-???
	Jefferson (D-LA)	Robb (D-VA) [L]
	Cardin (D-MD)	Baucus (D-MT)
	Houghton (R-NY) *	Chafee (R-RI)
	Lewis (R-KY) *	Jeffords (R-VT) *
	Ramstad (R-MN)	Roth (R-DE)
	Johnson, N (R-CT)	
	Portman (R-OH)	
	Other	***Other***
	Roybal-Allard (D-CA)	Daschle (D-SD)
	Ford (D-TN)	Lieberman (D-CT)
NMVC	***Small Business***	***Small Business***
	Velazquez (D-NY-Ranking)* [L]	Kerry (D-MA-Ranking) *[L] if BA/TA issue is resolved
		Edwards (D-NC) [L]
	Reyes (D-TX)	Levin (D-MI)
		Lieberman (D-CT)
		Wellstone (D-MN)
	Talent (R-MO-Chair)	Burns (R-MT)
	Hill (R-MT) more likely	Crapo (R-ID)
		~~Enzi (R-WY)~~
	Appropriations	***Appropriations***
	Roybal-Allard (D-CA)	Byrd (D-WV-Ranking) *
	Mollahan (D-WV)	Lautenberg (D-NJ)
	Serano (D-NY)	Leahy (D-VT)
		Stevens (R-AK-Chair) *
		McConnell
	Other	Other
	LaFalce (D-NY)	
	Watts (R-OK)	
APIC	***Banking and Finance***	***Banking, Housing and Urban Affairs***
	Frank (D-MA-Subcomm. Ranking)	Sarbanes (D-MD – ranking) [L]
	Hooley (D-OR)*	Kerry (D-MA)
	Kanjorski (D-PA-Subcomm. Ranking)*	Bayh (D-IN) – personally expressed interest
	LaFalce (D-NY-Full Comm. Ranking)	Edwards (D-NC) [L]
	Vento (D-MN)	
	Baker (R-LA-SubComm. Chair)*	Shelby (R-AL)

AMERICA'S NEW MARKETS: UNTAPPED AREAS FOR POTENTIAL INVESTMENT

- **Background on New Markets Initiative** — Pages 1-2
- **Budget Impact of New Markets Initiative** — Pages 3-5
- **Gerald Seib**: The Wall Street Journal, July 7, 1999: "*Clinton on Tour: Battling Poverty the 'Third Way'*" — Page 6
- **Charles Babington**: The Washington Post, July 9, 1999: "*Clinton's 'Third Way' to Beat Poverty*" — Page 7

PRESIDENT CLINTON'S CHALLENGE TO THE PRIVATE SECTOR TO INVEST IN AMERICA'S NEW MARKETS

Presentation to the New Democratic Coalition – August 3, 1999

"I think it's important to recognize that this is different, because we don't say the government can solve all these problems, but we do say the government can no longer ignore them --- and, in fact, we've been working on them for six and a half years, ever since I took office. This is a classic example, this approach to new markets, of ***the New Democratic or Third Way philosophy*** *that I articulated back in 1991 and 1992. That is, government's role is to create conditions for success, give people the tools they need to succeed, and then, in effect, empower people to make the most of it. "*

-- President Clinton, MSNBC Interview, July 6, 1999

PRESIDENT CLINTON'S TRIP TO NEW MARKETS AND MOBILIZATION OF THE PRIVATE SECTOR. From July 5-8, President Clinton led a delegation of CEOs, Members of Congress and Cabinet secretaries on an unprecedented trip of untapped markets throughout the nation, making stops in several impoverished communities including areas of Appalachia, a native American reservation and the Mississippi Delta. The trip was modeled after the type of trade missions that Cabinet Secretaries and CEOs often take overseas to identify markets, which – through trade and commercial agreements – can help to create jobs and expand economic development. As part of the trip, President Clinton mobilized a broad array of private-sector investments and announced several hundred million dollars in new commitments and innovative programs developed by companies, community leaders, non-profit organizations and investment firms around the country.

PROMOTING NEW EFFORTS AND AN INITIATIVE TO ATTRACT CAPITAL TO UNDERSERVED AREAS. As part of a bipartisan focus on underserved urban and rural areas, President Clinton is seeking ways to expand current community development and investment efforts. President Clinton's New Markets Initiative will build upon these existing programs and help create the conditions for economically successful investment in underserved inner city and rural areas. Included among the elements of the plan are:

- **The New Markets Tax Credit.** To help spur $6 billion in equity capital for investment in America's new markets, President Clinton and Vice President Gore have proposed a tax credit worth 25 percent for investments in a wide range of vehicles. Eligible investment companies include community development banks, venture funds and corporations, and the new investment company programs created by this initiative.
- **America's Private Investment Companies (APICs).** Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. HUD and SBA will guarantee loans up to $200 million, creating investment funds as large as $300 million to invest in new development projects and larger businesses that are expanding or relocating in inner city and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government
- **New Markets Venture Capital (NMVC) Firms.** NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

A RECORD TO BUILD ON. President Clinton's effort expands on the innovative approach to community empowerment that he and the Vice President have pioneered for nearly seven years.

- **Creating the CDFI Fund.** In 1994, President Clinton proposed and signed into law the CDFI Fund which, through grants, loans, and equity investments, is helping to create a network of community development financial institutions in distressed areas across the United States.
- **Reforming CRA.** In 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. The private sector has pledged more than $1 trillion going forward in loans to distressed communities – and more than 95% of these financial commitments have been made since 1992. (NCRC)
- **Creating the Empowerment Zones.** President Clinton and Vice President Gore proposed and signed Empowerment Zone legislation in 1993 establishing 105 EZs and ECs across the country. The EZ/EC effort has generated billions of dollars in new private sector investment in community development activities.
- **Brownfields and Second Round of EZs.** The Administration's Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging billions of dollars in private investment and creating and supporting 196,000 jobs. The President has also signed into law a second round of EZs – 15 new urban and 5 new rural zones.
- **Youth Opportunity Initiative and GEAR-UP.** In addition to expanding the Earned Income Tax Credit and raising the minimum wage, President Clinton has focused on bringing economic opportunity to young people through the Youth Opportunity initiative and GEAR-UP program. The Youth Opportunity initiative provides skills training leading to job opportunities for out-of-school youth aged 16-24. GEAR-UP helps disadvantaged high-school students prepare for college through mentoring and other forms of assistance.

NEXT STEPS AND FOLLOWUP TO THE NEW MARKETS TRIP. This month, the President will announce a New Markets legislative proposal that – through new tax incentives and investment tools -- will make it more attractive for corporate America to search for opportunities in places where they have rarely looked before. There are also several events being planned by Cabinet members to amplify and build upon the new private sector commitments announced as part of the President's New Markets trip. Lastly, the President will take a second New Markets tour later this year to once again focus the nation's attention on America's economically distressed communities and to mobilize new private sector investment.

THE NEW MARKETS INITIATIVE: BUDGET IMPACT

The New Markets initiative will prompt approximately $15 billion in new investment in urban and rural areas over five years through:

The New Markets Tax Credit --To help spur $6 billion in new equity capital for investment in Americas New Markets, the New Markets Tax Credit will be worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, new investment company programs (targeted SBICs, NMVC firms, and APICs -- see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to attract investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

Budget Impact: ***The New Markets Tax Credit will cost approximately $980 million over five years.***

America's Private Investment Companies (APICs). For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put equity into new private investment partnerships to be known as America' s Private Investment Companies (APICs). HUD and SBA working together will provide up two times the private capital in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government.

Budget impact: ***APICs will cost $36 million in credit subsidy (at a rate of 3.6%, allowing up to $1 billion in government guarantees) and $1 million for HUD's administrative costs.***

SBICs Targeted to New Markets. Over 40 years, the SBA's small business investment company (SBIC) program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in

businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed loan to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small businesses before they must produce a return. In addition, SBA will conduct an aggressive outreach campaign around the country to promote LMI investments.

Budget impact: ***No new loan subsidy budget authority is required for this initiative as the SBIC debentures program has a 0% credit subsidy rate. However, the commitment level for the SBIC debenture program must be increased (from $640 million in FY 99 to $800 million in FY 2000) in order to ensure that the new targeted activity does not crowd out activity by traditional SBICs.***

New Markets Venture Capital Firms (NMVCs). There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with loan guarantees of up to $10 million per NMVC, with interest on the debt deferred. Investors must also provide at least $1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

Budget impact: ***The NMVC firms will cost $15 million in credit subsidy for loan guarantees (at a credit subsidy rate of 15%, allowing $100 million in government guarantees) and $30 million for technical assistance grants.***

New Markets Lending Companies (NMLC). For the first time in many years, SBA will approve approximately 10 new non-bank lenders -- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.

Budget Impact: ***No additional budget authority is necessary to license these new non-bank lenders.***

Continued Growth for CDFIs. Community Development Financial Institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas, represent an important vehicle for greater investment in new markets. The federal contribution to building these institutions must continue to grow.

Budget impact: ***The CDFI Fund will cost $125 million in FY 2000, including $15 million for new microenterprise activities under the Program for Investments in Microentrepenuers (PRIME) Act (now pending with bipartisan support before Congress) and an increase of $15 million over FY 99 levels.***

Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include: (1) PRIME, under which the CDFI Fund will provide microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs; (2) doubling support for technical assistance in SBA's Microloan Program, which links loans entrepreneurs with the provision of training and technical assistance; (3) doubling support for SBA lending to leverage over $75 million in new microlending; (4) doubling funding for Individual Development Accounts (IDAs), to empower lower-income individuals to start a new business, invest in a first home, or save for post-secondary education; and (5) tripling funding for SBA's One-Stop Capital Shops, which offer microenterprise development (including direct access to microlenders), personal finance, and even credit repair services in Empowerment Zones.

Budget impact: ***(1) As described above, PRIME will cost $15 million in FY 2000; (2) SBA's microloan technical assistance and training will cost $ 32 million in FY 2000 (up from $16 million in FY 99); (3) SBA's microlending will cost $5 million in credit subsidy (up from $3 million in FY 99); (4) IDAs will cost $20 million in FY 2000 (up from $10 million in FY 99); and (5) One-Stop Capital Shops will cost $10 million in FY 2000 up from $3.1 million in FY 99.***

BusinessLINC. The President's budget provides resources to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez --to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.

Budget Impact: ***BusinessLINC will cost $3 million in FY 2000.***

Specialized Small Business Investment Companies (SSBICs). The President's budget will expand current tax incentives to increase the amount of equity capital available to economically disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

Budget Impact: ***This change to tax rules will have a negligible budget impact.***

CAPITAL JOURNAL
BY GERALD F. SEIB

Clinton on Tour: Battling Poverty The 'Third Way'

AS HE TALKED by phone from the sweltering Mississippi Delta yesterday, it was clear that President Clinton was reveling in a return to his roots.

Not his Southern roots, but his roots as a New Democrat pushing a "third way" of using government that lies somewhere between traditional liberalism and traditional conservatism. Mr. Clinton is in the midst of a four-day New Markets Tour of the country, announcing new tax incentives and government-backed loans designed to generate venture capital for launching businesses in the nation's pockets of poverty.

There are plenty of reasons to be skeptical, even cynical, about another federal effort to battle poverty. But whatever its ultimate effectiveness, this initiative represents a nearly pure example of the kind of New Democrat thinking Mr. Clinton promised when he entered office—and the kind he would bequeath to the Democratic Party.

"In some ways it's the perfect embodiment of the third-way philosophy," Mr. Clinton said in an interview. "What we're doing basically is using the government to facilitate a public-private partnership at the grass-roots level. It's not government alone, it's not private sector alone, but it's a partnership, and I think it will genuinely change the landscape."

That, of course, remains to be seen. For starters, the legislation implementing his initiative still has to be passed by a Republican Congress that may not be seized by anti-poverty programs at a time of economic boom and 4.3% unemployment. But if Congress goes along, the initiative would allow both small and some large venture-capital firms that invest in low-income areas to qualify for $2 in government-guaranteed loans for every $1 they raise privately. Interest payments could be deferred for five years, and entrepreneurs could get technical help. Investors would get a 25% tax credit for investments in new ventures or community development banks.

IT'S CLASSIC NEW Democrat thinking: Marshal public resources to create private-sector growth that gives an opportunity (but no guarantees) to people who help themselves. And it's designed for political advantage: It appeals to liberals by taking on a pet cause, poverty, and to conservatives by finding the answer in the marketplace.

"I believe basically that this ought to be something the Republicans would love, because it uses tax incentives to leverage private-sector investment in places where they decide whether they will make money or not," Mr. Clinton said. The initiative got a good start yesterday, when Bank of America Corp. announced that it is creating a $500 million equity-investment fund for distressed areas.

Bill Clinton

If nothing else, the president's initiative shines a light on the changing nature of poverty in America. Those longstanding stereotypes of economic depression—Harlem, Detroit, Watts, the Bronx—have to be revised. Such places still have poverty, of course, but the list of communities left behind in today's economic boom runs more toward small to mid-sized cities.

"I think that the restructuring of the American economy has tended to favor the renaissance of the large cities," Mr. Clinton said. "A lot of these small and midsized cities, depending on their physical location and the nature of the pre-existing economic network, haven't gotten the new jobs to replace the old."

A RECENT REPORT by the Department of Housing and Urban Development on distressed cities lists a strikingly diverse array of names not normally associated with poverty and unemployment: Fresno, Calif.; Yakima, Wash.; Beaumont, Texas; Lake Charles, La. "A lot of the small and mid-sized cities were dependent on elements of the economy that are no longer thriving, and were relatively heavily dependent on a given factory, for example," Mr. Clinton said.

The promise of this week's initiative isn't to recreate those old businesses, but to provide seed money for new ones. Congress and the administration already have done some of this by creating "empowerment zones" to give tax breaks for investments in some specific areas. Yet many troubled towns "may never get an empowerment zone, even if Congress gives me 20 or 30 more," Mr. Clinton noted. The new incentives, by contrast, could apply to any troubled city.

Mr. Clinton's final appeal to the business community is a practical one. Investors have been worrying for months where the economy would find the workers and capacity to keep economic growth humming without inflation. The answer, he suggests, lies in the spots America's boom has left behind.

6

Clinton's "Third Way' to Beat Poverty

President Touts Blend of Left and Right in Tour of Poor Areas

By CHARLES BABINGTON
Washington Post Staff Writer

LOS ANGELES, July 8—In stumping the nation this week to bring jobs and hope to impoverished regions, President Clinton has mixed a dash of liberalism's old War on Poverty with a pinch of conservatism's laissez-faire philosophy, yielding his latest recipe for centrist solutions to society's challenges.

At all six stops on his "New Markets" tour, which ended today with visits to job-training programs in this city's Watts and South Central neighborhoods, Clinton has flanked himself with corporate titans and staunch social liberals. His message: Hard-pressed areas need private investments to recover economically, but corporations won't spend their money there without increased government incentives, such as tax credits and loan guarantees.

The president calls it a classic example of the "Third Way" approach. The touchstone of "New Democrats," it holds that neither solidly liberal nor solidly conservative strategies will work, but a politically massaged blend of the two can.

Not surprisingly, some critics from the left and right deride the Third Way as wishy-washy compromise. Clinton, however, has ridden the philosophy from the Arkansas statehouse to the White House, convincing millions of voters that the smartest path lies somewhere between Ronald Reagan's tax breaks for the wealthy and Lyndon B. Johnson's government-driven Great Society.

The president summarized his thoughts in a speech Tuesday in economically depressed East St. Louis, Ill., at the midpoint of his four-day tour. In the 1992 campaign, he began, "I said that we ought to have a new role for government, that government couldn't solve all the problems, but walking away from them did not work very well, either. . . . In the inner cities and the rural areas of our country, lines have divided those who worked hard [but] had no money, and those who had plenty of money but didn't believe it could be very well spent in the inner city or in rural areas."

He underscored his message today in a round-table discussion on youth training at Southwest College in Los Angeles. Those sharing the stage included the chief executives of United Parcel Service Inc. and Toyota Motor Sales USA as well as Rep. Maxine Waters (D-Calif.), an outspoken liberal. It was typical of the entourages Clinton brought to Appalachia, the Mississippi Delta and the other stops on his tour.

Every event featured announcements of government incentives and corporate pledges meant to create jobs, improve housing, stimulate investment or boost employee training. Today's announcements included $250 million in Labor Department grants for the "Youth Opportunities" program, which targets low-income, out-of-school youths for job training. Also, Lucent Technologies and other corporations pledged $8 million to create "information technology academies" to provide computer training that could help such youths launch careers.

Many advocates for the poor have saluted Clinton's trip, even if they privately complain that it has come late in his administration. Some conservatives, meanwhile, say that pumping more money into deeply depressed areas—even if it is both public and private funds—won't overcome entrenched behavioral patterns that tie people to poverty.

"The general rule in the United States is that people move to economic success, economic success doesn't move to them," said Robert Rector of the Heritage Foundation. Pouring investments into the Mississippi Delta, he said, will not dramatically increase jobs there because "that's not a good industrial area, it's a good cotton area"—and cotton no longer requires many workers.

Even though Congress and Clinton have reduced welfare benefits, Rector said, the government continues to "reward non-work and non-marriage." Until that changes, he said, high rates of joblessness, crime and illegitimacy will prevail in the areas Clinton visited this week.

But the more liberal Joint Center for Political and Economic Study praises Clinton's approach on poverty. "I think the general idea is certainly a useful combination of public and private partnership," said Margaret Simms, the center's vice president for economic research. She added, however, that declaring a depressed area as an "empowerment zone" can backfire if businesses need to expand and relocate to suburban areas for transportation purposes. Such firms would lose their tax benefits, she said, even though research shows they still would hire mostly minority employees.

Al From, head of the Democratic Leadership Council and a champion of Third Way thinking, joined Clinton for most of this week's tour. He said the "New Markets" program "isn't a government solution."

"It's a way to use government resources effectively to leverage capital investment in these markets that have been left behind," From said.

Clinton summed up his thinking in an interview with CNBC during Tuesday's stop in Clarksdale, Miss. "This is a classic example, this approach to new markets, of the New Democratic or Third Way philosophy that I articulated back in 1991 and 1992," he said. "That is, government's role is to create the conditions for success, give people the tools they need to succeed and then, in effect, empower people to make the most of it."

In an interview published last Friday in the Los Angeles Times, Clinton suggested that Texas Gov. George W. Bush—the leading GOP candidate for president—is copying Clinton-Gore administration policies, especially in Third Way areas.

He said Bush's campaign is "very flattering in a way because it replicates the rhetoric" that Clinton has used in emphasizing themes such as linking opportunity and responsibility. He said Bush's "compassionate conservatism" might be a ruse to allow congressional Republicans to pursue a more conservative agenda if Bush gets elected in November 2000.

Asked whether Bush's lead in the polls over Vice President Gore indicates a public desire for change, the president said: "I think there is a constant desire for change. But I think what you will see by next year is that the vice president will be the candidate of change. People will have to decide if they want the change going on [now]."

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The Washington Post
FRIDAY, JULY 9, 1999

PRESIDENT CLINTON'S CHALLENGE TO THE PRIVATE SECTOR TO INVEST IN AMERICA'S NEW MARKETS
Presentation to the New Democratic Coalition – August 3, 1999

"I think it's important to recognize that this is different, because we don't say the government can solve all these problems, but we do say the government can no longer ignore them --- and, in fact, we've been working on them for six and a half years, ever since I took office. This is a classic example, this approach to new markets, of ***the New Democratic or Third Way philosophy*** *that I articulated back in 1991 and 1992. That is, government's role is to create conditions for success, give people the tools they need to succeed, and then, in effect, empower people to make the most of it. "*

-- President Clinton, MSNBC Interview, July 6, 1999

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PROMOTING NEW EFFORTS AND AN INITIATIVE TO ATTRACT CAPITAL TO UNDERSERVED AREAS. As part of a bipartisan focus on underserved urban and rural areas, President Clinton is seeking ways to expand current community development and investment efforts. President Clinton's New Markets Initiative will build upon these existing programs and help create the conditions for economically successful investment in underserved inner city and rural areas. Included among the elements of the plan are:

- **The New Markets Tax Credit.** To help spur $6 billion in equity capital for investment in America's new markets, President Clinton and Vice President Gore have proposed a tax credit worth 25 percent for investments in a wide range of vehicles. Eligible investment companies include community development banks, venture funds and corporations, and the new investment company programs created by this initiative.
- **America's Private Investment Companies (APICs).** Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. HUD and SBA will guarantee loans up to $200 million, creating investment funds as large as $300 million to invest in new development projects and larger businesses that are expanding or relocating in inner city and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government
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PRESENTATION TO THE NEW DEMOCRATIC COALITION
The New Markets Initiative: Budget Impact
August 3, 1999 – 4:30 PM

The New Markets initiative will prompt approximately $15 billion in new investment in urban and rural areas over five years through:

The New Markets Tax Credit --To help spur $6 billion in new equity capital for investment in Americas New Markets, the New Markets Tax Credit will be worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, new investment company programs (targeted SBICs, NMVC firms, and APICs -- see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to attract investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

Budget Impact: ***The New Markets Tax Credit will cost approximately $980 million over five years.***

America's Private Investment Companies (APICs). For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put equity into new private investment partnerships to be known as America' s Private Investment Companies (APICs). HUD and SBA working together will provide up two times the private capital in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government.

Budget impact: ***APICs will cost $36 million in credit subsidy (at a rate of 3.6%, allowing up to $1 billion in government guarantees) and $1 million for HUD's administrative costs.***

SBICs Targeted to New Markets. Over 40 years, the SBA's small business investment company (SBIC) program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved

markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed loan to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small businesses before they must produce a return. In addition, SBA will conduct an aggressive outreach campaign around the country to promote LMI investments.

Budget impact: ***No new loan subsidy budget authority is required for this initiative as the SBIC debentures program has a 0% credit subsidy rate. However, the commitment level for the SBIC debenture program must be increased (from $640 million in FY 99 to $800 million in FY 2000) in order to ensure that the new targeted activity does not crowd out activity by traditional SBICs.***

New Markets Venture Capital Firms (NMVCs). There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with loan guarantees of up to $10 million per NMVC, with interest on the debt deferred. Investors must also provide at least $1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

Budget impact: ***The NMVC firms will cost $15 million in credit subsidy for loan guarantees (at a credit subsidy rate of 15%, allowing $100 million in government guarantees) and $30 million for technical assistance grants.***

New Markets Lending Companies (NMLC). For the first time in many years, SBA will approve approximately 10 new non-bank lenders -- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.

Budget Impact: ***No additional budget authority is necessary to license these new non-bank lenders.***

Continued Growth for CDFIs. Community Development Financial Institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas,

represent an important vehicle for greater investment in new markets. The federal contribution to building these institutions must continue to grow.

Budget impact: ***The CDFI Fund will cost $125 million in FY 2000, including $15 million for new microenterprise activities under the Program for Investments in Microentrepenuers (PRIME) Act (now pending with bipartisan support before Congress) and an increase of $15 million over FY 99 levels.***

Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include: (1) PRIME, under which the CDFI Fund will provide microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs; (2) doubling support for technical assistance in SBA's Microloan Program, which links loans entrepreneurs with the provision of training and technical assistance; (3) doubling support for SBA lending to leverage over $75 million in new microlending; (4) doubling funding for Individual Development Accounts (IDAs), to empower lower-income individuals to start a new business, invest in a first home, or save for post-secondary education; and (5) tripling funding for SBA's One-Stop Capital Shops, which offer microenterprise development (including direct access to microlenders), personal finance, and even credit repair services in Empowerment Zones.

Budget impact: ***(1) As described above, PRIME will cost $15 million in FY 2000; (2) SBA's microloan technical assistance and training will cost $ 32 million in FY 2000 (up from $16 million in FY 99); (3) SBA's microlending will cost $5 million in credit subsidy (up from $3 million in FY 99); (4) IDAs will cost $20 million in FY 2000 (up from $10 million in FY 99); and (5) One-Stop Capital Shops will cost $10 million in FY 2000 up from $3.1 million in FY 99.***

BusinessLINC. The President's budget provides resources to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez --to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.

Budget Impact: ***BusinessLINC will cost $3 million in FY 2000.***

Specialized Small Business Investment Companies (SSBICs). The President's budget will expand current tax incentives to increase the amount of equity capital available to economically

disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

Budget Impact: ***This change to tax rules will have a negligible budget impact.***

WASHINGTON POST
JULY 9, 1999

Clinton's 'Third Way' to Beat Poverty

President Touts Blend of Left and Right in Tour of Poor Areas

By CHARLES BABINGTON
Washington Post Staff Writer

LOS ANGELES, July 8—In stumping the nation this week to bring jobs and hope to impoverished regions, President Clinton has mixed a dash of liberalism's old War on Poverty with a pinch of conservatism's laissez-faire philosophy, yielding his latest recipe for centrist solutions to society's challenges.

At all six stops on his "New Markets" tour, which ended today with visits to job-training programs in this city's Watts and South Central neighborhoods, Clinton has flanked himself with corporate titans and staunch social liberals. His message: Hard-pressed areas need private investments to recover economically, but corporations won't spend their money there without increased government incentives, such as tax credits and loan guarantees.

The president calls it a classic example of the "Third Way" approach. The touchstone of "New Democrats," it holds that neither solidly liberal nor solidly conservative strategies will work, but a politically massaged blend of the two can.

Not surprisingly, some critics from the left and right deride the Third Way as wishy-washy compromise. Clinton, however, has ridden the philosophy from the Arkansas statehouse to the White House, convincing millions of voters that the smartest path lies somewhere between Ronald Reagan's tax breaks for the wealthy and Lyndon B. Johnson's government-driven Great Society.

The president summarized his thoughts in a speech Tuesday in economically depressed East St. Louis, Ill., at the midpoint of his four-day tour. In the 1992 campaign, he began, "I said that we ought to have a new role for government, that government couldn't solve all the problems, but walking away from them did not work very well, either. . . . In the inner cities and the rural areas of our country, lines have divided those who worked hard [but] had no money, and those who had plenty of money but didn't believe it could be very well spent in the inner city or in rural areas."

He underscored his message to-youth training at Southwest College in Los Angeles. Those sharing the stage included the chief executives of United Parcel Service Inc. and Toyota Motor Sales USA as well as Rep. Maxine Waters (D-Calif.), an outspoken liberal. It was typical of the entourages Clinton brought to Appalachia, the Mississippi Delta and the other stops on his tour.

Every event featured announcements of government incentives and corporate pledges meant to create jobs, improve housing, stimulate investment or boost employee training. Today's announcements included $250 million in Labor Department grants for the "Youth Opportunities" program, which targets low-income, out-of-school youths for job training. Also, Lucent Technologies and other corporations pledged $8 million to create "information technology academies" to provide computer training that could help such youths launch careers.

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PAPER for NEWDEM 3

PRESIDENT CLINTON'S CHALLENGE TO THE PRIVATE SECTOR TO INVEST IN AMERICA'S NEW MARKETS

Presentation to the New Democratic Coalition – July 27, 1999

"We must do more to bring the spark of private enterprise to every corner of America -- to build a bridge from Wall Street to Appalachia to the Mississippi Delta, to our Native American communities...Our greatest untapped markets are not overseas -- they are right here at home."

-- President Clinton, State of the Union Address, 1999

PRESIDENT CLINTON'S TRIP TO NEW MARKETS. From July 5-8, President Clinton led a delegation of CEOs, Members of Congress and Cabinet secretaries on an unprecedented trip of untapped markets throughout the nation, making stops in the following communities with a focus on a number of diverse themes:

- Annville/Hazard, KY -- investment in Appalachia and rural markets
- Clarksdale, MS -- investment in the Mississippi Delta and CDFIs
- East St. Louis, IL -- investment in inner cities and Empowerment Zones
- Pine Ridge Indian Reservation, SD -- investment in Native American communities
- Phoenix, AZ -- access to capital in Hispanic communities and new investment vehicles for low-income communities
- Los Angeles/Anaheim, CA -- private sector workforce investments in disadvantaged youth

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PRESIDENT CLINTON'S MOBILIZATION OF THE PRIVATE SECTOR. The President mobilized a large and broad array of private-sector investments in untapped domestic markets. The following are just a few of the significant new private investment commitments to America's New Markets that were announced during the trip :

- New commitments to 14 Community Development Financial Institutions around the country.
- Bank of America established at $500 million fund that will make equity investments in businesses serving America's underserved communities.
- Commitments from dozens of companies to hire thousands of out-of-school youth and disadvantaged young people throughout the nation.

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Budget Impact: ***The New Markets Tax Credit will cost approximately $980 million over five years.***

America's Private Investment Companies (APICs). For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put equity into new private investment partnerships to be known as America' s Private Investment Companies (APICs). HUD and SBA working together will provide up two times the private capital in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government.

Budget impact: ***APICs will cost $36 million in credit subsidy (at a rate of 3.6%, allowing up to $1 billion in government guarantees) and $1 million for HUD's administrative costs.***

SBICs Targeted to New Markets. Over 40 years, the SBA's small business investment company (SBIC) program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies, helping them at a critical stage to grow from small businesses to household names, like AOL and Staples. However, too little of the capital invested has benefited our cities and rural distressed communities. Last summer, the Vice President challenged the SBA to find ways to meet better the needs of minority firms and underserved

markets. In response, SBA determined that, under existing legislation, the Agency can offer more flexibility and new financing terms to make it more attractive for SBICs to invest in businesses in low and moderate income (LMI) areas. Specifically, SBICs making LMI investments will be eligible for a new type of federally guaranteed loan to augment their capital for business investment. Interest on the guaranteed funding will be deferred for the first five years of the 10-year term to give SBICs more time to nurture their investments in small businesses before they must produce a return. In addition, SBA will conduct an aggressive outreach campaign around the country to promote LMI investments.

Budget impact: ***No new loan subsidy budget authority is required for this initiative as the SBIC debentures program has a 0% credit subsidy rate. However, the commitment level for the SBIC debenture program must be increased (from $640 million in FY 99 to $800 million in FY 2000) in order to ensure that the new targeted activity does not crowd out activity by traditional SBICs.***

New Markets Venture Capital Firms (NMVCs). There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with loan guarantees of up to $10 million per NMVC, with interest on the debt deferred. Investors must also provide at least $1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

Budget impact: ***The NMVC firms will cost $15 million in credit subsidy for loan guarantees (at a credit subsidy rate of 15%, allowing $100 million in government guarantees) and $30 million for technical assistance grants.***

New Markets Lending Companies (NMLC). For the first time in many years, SBA will approve approximately 10 new non-bank lenders -- firms authorized to originate loans under SBA's largest loan program -- the 7(a) General Business Loan Guaranty program. Under the 7(a) program, SBA guarantees up to 80% of a loan that is made by a lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms. The firms selected must have a strategy to target their lending to underserved areas.

Budget Impact: ***No additional budget authority is necessary to license these new non-bank lenders.***

Continued Growth for CDFIs. Community Development Financial Institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas,

represent an important vehicle for greater investment in new markets. The federal contribution to building these institutions must continue to grow.

Budget impact: ***The CDFI Fund will cost $125 million in FY 2000, including $15 million for new microenterprise activities under the Program for Investments in Microentrepenuers (PRIME) Act (now pending with bipartisan support before Congress) and an increase of $15 million over FY 99 levels.***

Microenterprise Lending and Technical Assistance. Microenterprise initiatives in the FY 2000 budget include: (1) PRIME, under which the CDFI Fund will provide microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs; (2) doubling support for technical assistance in SBA's Microloan Program, which links loans entrepreneurs with the provision of training and technical assistance; (3) doubling support for SBA lending to leverage over $75 million in new microlending; (4) doubling funding for Individual Development Accounts (IDAs), to empower lower-income individuals to start a new business, invest in a first home, or save for post-secondary education; and (5) tripling funding for SBA's One-Stop Capital Shops, which offer microenterprise development (including direct access to microlenders), personal finance, and even credit repair services in Empowerment Zones.

Budget impact: ***(1) As described above, PRIME will cost $15 million in FY 2000; (2) SBA's microloan technical assistance and training will cost $ 32 million in FY 2000 (up from $16 million in FY 99); (3) SBA's microlending will cost $5 million in credit subsidy (up from $3 million in FY 99); (4) IDAs will cost $20 million in FY 2000 (up from $10 million in FY 99); and (5) One-Stop Capital Shops will cost $10 million in FY 2000 up from $3.1 million in FY 99.***

BusinessLINC. The President's budget provides resources to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez --to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.

Budget Impact: ***BusinessLINC will cost $3 million in FY 2000.***

Specialized Small Business Investment Companies (SSBICs). The President's budget will expand current tax incentives to increase the amount of equity capital available to economically

disadvantaged people by making it easier for Specialized Small Business Investment Companies (SSBICs) to qualify as tax-favored regulated investment companies.

Budget Impact: ***This change to tax rules will have a negligible budget impact.***

WASHINGTON POST
JULY 9, 1999

Clinton's 'Third Way' to Beat Poverty

President Touts Blend of Left and Right in Tour of Poor Areas

By CHARLES BABINGTON
Washington Post Staff Writer

LOS ANGELES, July 8—In stumping the nation this week to bring jobs and hope to impoverished regions, President Clinton has mixed a dash of liberalism's old War on Poverty with a pinch of conservatism's laissez-faire philosophy, yielding his latest recipe for centrist solutions to society's challenges.

At all six stops on his "New Markets" tour, which ended today with visits to job-training programs in this city's Watts and South Central neighborhoods, Clinton has flanked himself with corporate titans and staunch social liberals. His message: Hard-pressed areas need private investments to recover economically, but corporations won't spend their money there without increased government incentives, such as tax credits and loan guarantees.

The president calls it a classic example of the "Third Way" approach. The touchstone of "New Democrats," it holds that neither solidly liberal nor solidly conservative strategies will work, but a politically massaged blend of the two can.

Not surprisingly, some critics from the left and right deride the Third Way as wishy-washy compromise. Clinton, however, has ridden the philosophy from the Arkansas statehouse to the White House, convincing millions of voters that the smartest path lies somewhere between Ronald Reagan's tax breaks for the wealthy and Lyndon B. Johnson's government-driven Great Society.

The president summarized his thoughts in a speech Tuesday in economically depressed East St. Louis, Ill., at the midpoint of his four-day tour. In the 1992 campaign, he began, "I said that we ought to have a new role for government, . . . that government couldn't solve all the problems, but walking away from them did not work very well, either. . . . In the inner cities and the rural areas of our country, lines have divided those who worked hard [but] had no money, and those who had plenty of money but didn't believe it could be very well spent in the inner city or in rural areas."

He underscored his message to-youth training at Southwest College in Los Angeles. Those sharing the stage included the chief executives of United Parcel Service Inc. and Toyota Motor Sales USA as well as Rep. Maxine Waters (D-Calif.), an outspoken liberal. It was typical of the entourages Clinton brought to Appalachia, the Mississippi Delta and the other stops on his tour.

Every event featured announcements of government incentives and corporate pledges meant to create jobs, improve housing, stimulate investment or boost employee training. Today's announcements included $250 million in Labor Department grants for the "Youth Opportunities" program, which targets low-income, out-of-school youths for job training. Also, Lucent Technologies and other corporations pledged $8 million to create "information technology academies" to provide computer training that could help such youths launch careers.

Many advocates for the poor have saluted Clinton's trip, even if they privately complain that it has come late in his administration. Some conservatives, meanwhile, say that pumping more money into deeply depressed areas—even if it is both public and private funds—won't overcome entrenched behavioral patterns that tie people to poverty.

"The general rule in the United States is that people move to economic success, economic success doesn't move to them," said Robert Rector of the Heritage Foundation. Pouring investments into the Mississippi Delta, he said, will not dramatically increase jobs there because "that's not a good industrial area, it's a good cotton area"—and cotton no longer requires many workers.

Even though Congress and Clinton have reduced welfare benefits, Rector said, the government continues to "reward non-work and non-marriage." Until that changes, he said, high rates of joblessness, crime and illegitimacy will prevail in the areas Clinton visited this week.

But the more liberal Joint Center for Political and Economic Study praises Clinton's approach on poverty. "I think the general idea is certainly a useful combination of public and private partner-center's vice president for economic research. She added, however, that declaring a depressed area as an "empowerment zone" can backfire if businesses need to expand and relocate to suburban areas for transportation purposes. Such firms would lose their tax benefits, she said, even though research shows they still would hire mostly minority employees.

Al From, head of the Democratic Leadership Council and a champion of Third Way thinking, joined Clinton for most of this week's tour. He said the "New Markets" program "isn't a government solution."

"It's a way to use government resources effectively to leverage capital investment in these markets that have been left behind," From said.

Clinton summed up his thinking in an interview with CNBC during Tuesday's stop in Clarksdale, Miss. "This is a classic example, this approach to new markets, of the New Democratic or Third Way philosophy that I articulated back in 1991 and 1992," he said. "That is, government's role is to create the conditions for success, give people the tools they need to succeed and then, in effect, empower people to make the most of it."

In an interview published last Friday in the Los Angeles Times, Clinton suggested that Texas Gov. George W. Bush—the leading GOP candidate for president—is copying Clinton-Gore administration policies, especially in Third Way areas.

He said Bush's campaign is "very flattering in a way because it replicates the rhetoric" that Clinton has used in emphasizing themes such as linking opportunity and responsibility. He said Bush's "compassionate conservatism" might be a ruse to allow congressional Republicans to pursue a more conservative agenda if Bush gets elected in November 2000.

Asked whether Bush's lead in the polls over Vice President Gore indicates a public desire for change, the president said: "I think there is a constant desire for change. But I think what you will see by next year is that the vice president will be the candidate of change. People will have to decide if they want the change going on

New Democrat Coalition

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from the office of Congressman Cal Dooley

For Immediate Release *Contact:*
Adam Kovacevich, Rep. Cal Dooley (202) 225-3341
July 22, 1999

DOOLEY OPPOSES "IRRESPONSIBLE" TAX PACKAGE, SUPPORTS TARGETED TAX RELIEF

WASHINGTON, D.C. - Congressmen Cal Dooley (CA20-Hanford) expressed his opposition to the tax cut package passed by the House of Representatives today, calling it "fiscally irresponsible and dangerous to the country's economic growth." Dooley voted against the plan, which the House approved today by a vote of 223-208.

Dooley opposed a package sponsored by Rep. Bill Archer (R-TX) that would cut taxes by $792 billion over the next ten years, dedicating the majority of an expected $1 trillion federal budget surplus toward massive tax cuts. Projections by the Treasury Department suggest that the cost of the bill would explode to $3 trillion after ten years, placing increased burdens on the national debt. President Clinton has said that he will veto the bill.

Dooley supported an alternative plan offered on the floor by Rep. Charles Rangel (D-NY) that would provide $250 billion in targeted tax relief over 10 years and preserve the majority of the surplus for reducing the national debt and ensuring the solvency of Social Security and Medicare. That plan was shaped in part by members of the New Democrat Coalition, a group of 63 moderate, pro-growth Democrats in the House of which Dooley is a co-chair. The alternative plan was defeated in the House by a vote of 173-258.

"The bill approved today represents a dangerous reversal of the policies we have taken over the past several years to get the nation's fiscal house back in order after thirty years of debt," Dooley said. "A $792 billion tax cut is simply irresponsible in light of the critical work we still have to do to pay off the $5.5 trillion national debt and guarantee the well-being of our children and future generations. The alternative plan that I supported today offered measured, targeted tax relief to Valley families and businesses without jeopardizing our financial health."

The alternative tax relief package that Dooley supported included the following provisions:

- ESTATE TAX RELIEF: $26 billion in estate tax relief over 10 years to accelerate the $1 million exclusion from 2006 to 2000.

- MARRIAGE PENALTY REDUCTION: $74 billion in tax relief over 10 years to reduce the "marriage penalty." The bill adjusts the standard tax deduction for a joint income tax return filed by a married couple so that it is twice the standard deduction allowed to single taxpayers -- $8,600 as opposed to the current $7,200.
- PERMANENT EXTENSION OF THE RESEARCH AND DEVELOPMENT TAX CREDIT: $27.2 billion over 10 years to permanently extend the tax credit for businesses that engage in resource-intensive research, thereby encouraging economic expansion. A 1998 study estimated that a permanent R&D tax credit would result in an additional $41 billion in private sector research and development investment between 1998 and 2010.
- CHILD CREDIT INCREASE: $17 billion in tax relief over 10 years to increase the family child tax credit by $250 for each child under five.
- LIMITATIONS ON NON-REFUNDABLE CREDITS: $36 billion in tax relief over 10 years to repeal the current limitation on the use of non-refundable credits to reduce an individual's tax liability. Non-refundable tax credits include the child credit, various education credits and the dependent care credit.
- SCHOOL CONSTRUCTION AND MODERNIZATION: $8.6 billion over 10 years for interest-free funds to state and local governments for public school construction and modernization projects.
- LIFE-LONG LEARNING SUPPORT: $7 billion over 10 years to make permanent the exclusion from income amounts received from employer-provided educational assistance for both higher education and post-graduate expenses.
- LONG-TERM HEALTH CARE CREDIT: $15 billion over 10 years to extend a non-refundable income tax credit of $1,000 for each individual with long-term needs taken care of in a household.

The plan that Dooley supported restricts the majority of tax cuts from taking effect until Medicare and Social Security have achieved solvency. Dooley and other members of the New Democrat Coalition had worked to include several provisions in the alternative tax relief package, including the school modernization provision, long-term home health care credit, and the permanent extension of the research and development tax credit.

Dooley expressed his hope that the House can pass a scaled-down tax relief package in the coming weeks. "I believe that we can provide reasonable tax relief to working families and family businesses while also paying down the debt and strengthening Medicare and Social Security, and I hope that my colleagues in Congress will work to pass a more responsible plan," Dooley said.

New Democrat Coalition

New Democrat Message of the Week 7/19/99:
NEW DEMOCRATS OPPOSE FISCALLY IRRESPONSIBLE GOP TAX CUT, FAVOR REASONABLE ALTERNATIVE

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Several weeks ago, the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) revised their budget figures and determined that the federal government would have an even larger surplus than projected over the next ten years, and that we would have an on-budget surplus in fiscal year 2000.

In light of the new budget figures, House Republicans have passed an $864 billion tax cut package out of the Ways and Means Committee last week. New Democrats oppose this tax cut because it is fiscally irresponsible. It relies on projections based on ten years of spending caps and according to OMB, would actually result in a budget deficit over ten years of $47 billion. Furthermore, the tax cut explodes after ten years, costing $3 trillion in the decade beginning in 2010. At the very time the nation will confront the demographic challenge of large numbers of retirees, Clinton said, "the Republican plan will blow a $3 trillion hole in the federal budget, threatening our ability to secure Social Security and Medicare for the next generation." (Washington Post, July 19, 1999, page A2)

New Democrat Values

- New Democrats believe that government needs to live within the constraints of a balanced budget.
- New Democrats believe that deficits and a national debt stifle economic growth and opportunity for all Americans.
- New Democrats believe that burdening future generations with our debt is morally and economically irresponsible.

Talking Points

The priority for the on-budget surplus must be debt reduction. We've come a long way towards fiscal responsibility by balancing the budget in 1998 and, if the projections hold, balancing the budget without dipping into the Social Security trust fund next year. Unfortunately, we still have a $3.8 trillion debt held by the public.

New Democrats believe that now is the time to reduce that debt for the sake of the economy, families, taxpayers, and future generations.

Paying down the debt is good for the economy and all Americans.

We applaud President Clinton for submitting a proposal that would completely eliminate debt held by the public in fifteen years. We believe that Congress should commit to this goal.

An elimination or even drastic reduction of the public debt would result in a decline in interest rates. What would this mean to the people we represent?

- **American families would see savings in home mortgages and college loans.**

  A 2 percent dip in interest rates, from 8 percent to 6 percent, would result in a decrease of $155 per month on a mortgage payments for a $115,000 home. (The monthly payment on a $115,000 home with a

30-year fixed mortgage at 8 percent is $844. At a 6 percent interest rate, the monthly payments would be $689). Furthermore, if someone took this savings every month and invested it in a guaranteed bank CD averaging about 4.5 percent, over the 30-year period of the mortgage they would accumulate $117,705 - more than the original price of the house.

Consider a college student. A 2 percent reduction of interest rates on a typical, 10-year student loan for a 4-year public college would save students and their parents $4,263: an 8.5 percent cost reduction. If you took the $35 saved each month and put it in a bank earning 4.5 percent, you would accumulate $5,292 over the life of the loan.

- **For American farmers, it means savings thousands of dollars of interest on operations loans and for long-term capital investments.**

  Each year, farmers take out operating loans to purchase feed, buy supplies, and cover other operational costs. A 2 percent interest rate reduction on a $250,000 annual operating loan would mean a savings of $5,000. The average combine costs about $200,000. A 2 percent cut in interest rates would mean a savings of almost $188 per month and a savings of $11,280 over the life of the loan.

- **For American businesses, it means that a start-up small business taking out a five-year, $200,000 loan would save $2,256 per year and $11,280 over the life of the loan.**

  Big businesses making substantial investments into tomorrow's technologies could save millions per year on interest (using an example of $360 million investment over 30 years: total savings per month would be $483,000).

  Reducing the debt, leading to a reduction in interest rates, is the best tax cut Congress can give to American families, farmers, and businesses.

Reducing the debt is good for taxpayers and will improve public confidence in government.

- **Paying down the debt also frees up taxpayer money.**

  In 1998, the interest paid on our public debt was a whopping $243 billion - 14 percent of our total spending that year. Interest on the debt does nothing to improve our economic health; it is simply the minimum payment needed to pay the bills that remain from our past.

  That money could instead be used to:

  - **Cut taxes.**

    If we could eliminate the debt, we could afford responsible tax reductions that would benefit American families and businesses. We could afford to eliminate the marriage penalty tax, cut the capital gains tax, and eliminate the estate and gift tax.

  - **Invest more in education, transportation, or forward-thinking research, development, and technologies.**

    Last year, we spent $243 on interest...and only $55 billion on education. By paying down the national debt, and reducing our interest payments, we can afford to invest in important priorities that will keep our economy growing, such as permanent extension of the R&D tax credit.

- **Furthermore, reducing the debt will improve public trust in government.**

  Budget deficits and the debt and symbols of government

irresponsibility. Paying down the debt will show the American people that we live by the same rules as American families, and we will not continue to burden future generations with the mistakes of the past.

New Democrats support a reasonable, investment-oriented tax cut.

We recognize that with such a large projected surplus, the federal government can make targeted tax cuts to help families and the economy. This is why we have united behind tax cut legislation sponsored by Representative Jim Maloney, and we are urging House leadership to consider this proposal as a fiscally sound alternative that will allow us to reduce the debt while preserving Social Security and Medicare for future generations.

The New Democrat tax cut proposal is fully funded and targets tax relief to pro-family and pro-growth policies:

- **Pro-family**

  The NDC tax relief proposal prioritizes investments in education and retirement security. Specifically, it includes provisions for student aid, technology training, and school modernization; as well as expanding IRAs, allowing more seniors to work without forfeiting Social Security, and helping Americans afford long-term health care.

  The proposal also includes elimination of the marriage penalty tax and increasing the child care tax credit to strengthen our families.

- **Pro-growth**

  Our tax relief package includes permanent extension of the research and experimentation tax credit, elimination of the estate tax for family-owned businesses, and reduction in the capital gains tax

New Democrats believe this is a far superior alternative to the Republican tax plan, which is fiscally irresponsible and will result in budget deficits and a higher national debt.

New Democrat Coalition

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July 20, 1999

President William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Re: A Pro-Family, Pro-Growth, Pro-Reform Tax Proposal

Dear President Clinton,

During the past seven years under your leadership as President, our country has experienced economic growth unsurpassed in history. Unfortunate y, in recent years our country has also been witness to a deterioration of the strength of the American family, as well as problems of youth violence -- both disturbing trends evidenced by recent school shootings coupled with youth gang activity and juvenile crime. Your Administration has certainly moved aggressively on these problems on the budgetary front. Community policing, additional teachers, after-school services, and other initiatives are all a testament to your Administration's seriousness in attending to these problems. It is our view that the time has also come to use the power of the Federal tax code to further enhance our efforts. In particular, we believe that there should be tax reductions and simplification addressed to these critical areas: family stability, economic growth, and broad-scale tax reform.

Pro-Family

As we have seen in recent Congressional debates on the causes behind youth violence held in the wake of the Columbine High School shootings and other similar tragedies, it is clear that many Americans are concerned about the fragility of the family unit and of communication between adults and children. While there are many different views as to the roots of juvenile violence, we can agree on at least one positive, curative factor: active parental involvement in a child's upbringing, education, and activities can help prevent future juvenile delinquency. We therefore believe that it is essential for Congress to enact tax relief initiatives to help strengthen the family unit and encourage parental involvement in a child's well-being.

Pro-Growth

Concurrently, Americans have enjoyed astounding economic growth and development over the past seven years. The unanticipated, unprecedented budget surplus is testimony to the low unemployment rates and economic progress that have accompanied our country's boom. We believe that it is essential for Congress to pass pro-growth measures to encourage continued economic growth, especially in the rapidly expanding high technology sector where job expansion and industrial development have been particularly remarkable. As many of us are fond of saying, "The best social program is a good job."

Pro-Reform

Lastly, we believe that all of our efforts to benefit American families and businesses will be more effective when they are able to work with a simpler and fairer tax code. Our country's current tax code is hugely complicated and impossible for the average taxpayer to navigate without the assistance and expense of a tax expert. Such complexity and bureaucracy is unnecessary and consumes scarce resources, both in the private sector and in the

government, that could be used in other ways more beneficial to taxpayers, American families, and our business community.

The Democratic Proposal

As we have previously shared with your staff, we propose returning a portion of our country's bounty to American families and businesses through reasonable tax relief measures designed to strengthen the family and encourage future economic development.

Our proposal adheres to your budget plan, which dedicates approximately 12% of the budget surplus to tax relief after Social Security and Medicare solvency have been ensured, and our proposal is fully paid for using only on-budget surplus revenues.

In addition, our proposal will benefit American families by helping build new schools and modernize existing facilities, allowing taxpayers to take advantage of education and child care tax credits without triggering the Alternative Minimum Tax liability threshold, helping taxpayers care for dependents, eliminating the marriage penalty tax, helping Americans to better save for retirement, allowing seniors to work without forfeiting their Social Security earnings, and helping taxpayers care for elderly family members without sacrificing their own financial well-being.

The Democratic tax proposal will encourage economic growth by making it easier for small businesses to offer health insurance to their employees, assisting the private sector in absorbing managed care reform costs, reducing the estate tax burden on small family-owned businesses and family farms, and helping industry to continue to conduct effective research and development efforts.

Our proposal will also help employers offer child care and job training to their employees, and will help school districts offer technology training to teachers so that educators do not fall behind in the Internet revolution. It also promotes economic development and urban revitalization by encouraging individuals to purchase homes in urban areas and by encouraging businesses to build upon former industrial sites and abandoned properties. Finally, it will help reduce welfare rolls by encouraging employers to hire current welfare recipients.

Our country has enjoyed a stunning economic boom, part of which we believe should be shared with the American public through responsible tax relief measures to encourage family stability and continued economic growth. **We must not fail to seize this moment to show Americans that Democrats in Congress and the Administration care deeply about the tax burden on American families and enterprises. We must respond effectively to the concerns of American families and to the opportunities for economic growth that all Americans want to see continued.**

We have enclosed for your review a copy of our proposal which we intend to release publicly this week. We would appreciate your support in helping us to accomplish our pro-family, pro-growth, and pro-reform goals which we believe to be deeply in the interest of the American people. We thank you for your consideration, and we look forward to working with you on this important initiative.

Sincerely,

James H. Maloney Tim Roemer
Calvin M. Dooley Adam Smith
Robert A. Weygand Brad Sherman
Darlene Hooley Debbie Stabenow
Michael E. Capuano Bob Etheridge
Charles A. Gonzalez Mike Thompson
Jim Davis Ronnie Shows
Bart Stupak David D. Phelps
Lois Capps Grace F. Napolitano
Dennis Moore Mark Udall
Silvestre Reyes Matthew G. Martinez

Carolyn McCarthy

New Democrat Coalition

New Democrat Message of the Week 7/26/99:
NEW DEMOCRATS SUPPORT INTERNATIONAL ECONOMIC ENGAGEMENT

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New Democrats recognize that we are undergoing an economic transformation on the same scale as the Industrial Revolution of the 1800's. The global economy is here, and our challenge is to work within it to ensure success of the American people.

Unlike some of our colleagues on the extreme right or extreme left, we realize that trying to stop the global economy is like trying to stop a high-speed train. Instead, we embrace policies to tear down trade barriers to American goods, involve all countries in the global economy, and bring all Americans along in the success created by the global economy.

Two weeks ago, the House passed legislation to expand trade and foreign investment in Africa, and this week the House will debate extension of Normal Trade Relations status (NTR) to China. New Democrats strongly support both of these policies.

New Democrat Values

- New Democrats believe that economic engagement is the best tool to promote freedom and stability abroad.
- New Democrats believe that the U.S. government should work to ensure that all Americans benefit from the global economy.

Talking Points

Trade is critical to our continued economic growth and success.

Trade now accounts for $1 trillion of the U.S. economy and is responsible for nearly 1/3 of its growth since 1992. What's more, trade-related jobs are among the best in the nation: trade-related jobs pay on average 13 percent more than non-trade related jobs. Trade-related jobs are also the fastest-growing jobs in the country: between 1986 and 1994, the number of export-related jobs in the United States grew four times faster than overall private industry job growth.

- **Trade benefits small and medium size companies.**

  In 1992, small and medium size companies accounted for 29.5 percent of U.S. goods exports. Trade benefits U.S. workers. U.S. workers have the technical training and education necessary to make them the most productive in the world. This productivity, not low wages, is the key to the manufacturing strength and investment needed for economic success. After all, if low wages was the key, countries like Haiti and Bangladesh would be the world economic leaders.

We must promote healthy U.S.-China ties through economic engagement.

Recent events related to China, such as the country's reaction to the embassy bombing in Belgrade and the evidence of spying at U.S. labs, have sparked heated debate over U.S.-China relations. To be sure, we must be tough-minded and protect our national security above all else in dealings with China. New Democrats reject the notion, however, that these objectives are

best reached by retreating from the U.S-China relationship. Rather, we believe that healthy economic ties with China are the best route to healthy political ties with China.

Furthermore, there is no doubt that China's record on human rights is deplorable and that the United States should use its power to influence China's treatment of political dissidents and minority groups. Again, New Democrats believe that economic engagement and a healthy U.S.-China relationship is the best strategy for influencing the Chinese government. History demonstrates that as countries embrace capitalism, democratic advances follows.

- **New Democrats support the extension of NTR status to China, and believe we should extend NTR permanently and provide for WTO accession for China.**

  The emergence of China as an economic power is one of the most important changes to the international system in the post-Cold War era. This is an irreversible change, and New Democrats believe we must work to integrate China into the global economy. Done successfully, this will increase market access for U.S. goods and services while also promoting growth, raising standards of living, and spurring progress towards economic and political reform in China.

- **New Democrats also urge trade negotiators to continue working out an agreement for China's accession into the WTO.**

  China's accession into the WTO will require changes by China, many of which are long-sought objectives of the United States, such as opening up a wide array of sectors to foreign trade and investment and submitting its economic conduct to the rule of international trade law. The deal will benefit both the United States and China. The United States will benefit from increased market access for its goods and services and increased investment opportunity. WTO accession would also require China to behave as a law-abiding member of the international community. China will benefit with economic growth, increased standards of living, and increased access to the democracies of the world, spurring further political reform.

We must support education and training to ensure that no American is left behind in the global economy.

As trade barriers are lifted and the world becomes increasingly connected, there will be some tough transitions and some worker displacement. New Democrats strongly support maintaining a safety net for these workers to ensure that the global economy is as painless as possible.

We also support a long-term strategy of continued investment in education and job training.

To maintain our economic strength, it's critical that our workforce continue to be the most productive in the country. Towards this end, New Democrats support education reform, national standards, and job training partnerships.

New Democrat Coalition

PRESS RELEASE

from the office of Congressman Cal Dooley

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For Immediate Release *Contact:*
Adam Kovacevich, Rep. Cal Dooley (202) 225-3341
July 22, 1999

DOOLEY OPPOSES "IRRESPONSIBLE" TAX PACKAGE, SUPPORTS TARGETED TAX RELIEF

WASHINGTON, D.C. - Congressmen Cal Dooley (CA20-Hanford) expressed his opposition to the tax cut package passed by the House of Representatives today, calling it "fiscally irresponsible and dangerous to the country's economic growth." Dooley voted against the plan, which the House approved today by a vote of 223-208.

Dooley opposed a package sponsored by Rep. Bill Archer (R-TX) that would cut taxes by $792 billion over the next ten years, dedicating the majority of an expected $1 trillion federal budget surplus toward massive tax cuts. Projections by the Treasury Department suggest that the cost of the bill would explode to $3 trillion after ten years, placing increased burdens on the national debt. President Clinton has said that he will veto the bill.

Dooley supported an alternative plan offered on the floor by Rep. Charles Rangel (D-NY) that would provide $250 billion in targeted tax relief over 10 years and preserve the majority of the surplus for reducing the national debt and ensuring the solvency of Social Security and Medicare. That plan was shaped in part by members of the New Democrat Coalition, a group of 63 moderate, pro-growth Democrats in the House of which Dooley is a co-chair. The alternative plan was defeated in the House by a vote of 173-258.

"The bill approved today represents a dangerous reversal of the policies we have taken over the past several years to get the nation's fiscal house back in order after thirty years of debt," Dooley said. "A $792 billion tax cut is simply irresponsible in light of the critical work we still have to do to pay off the $5.5 trillion national debt and guarantee the well-being of our children and future generations. The alternative plan that I supported today offered measured, targeted tax relief to Valley families and businesses without jeopardizing our financial health."

The alternative tax relief package that Dooley supported included the following provisions:

- ESTATE TAX RELIEF: $26 billion in estate tax relief over 10 years to accelerate the $1 million exclusion from 2006 to 2000.

- MARRIAGE PENALTY REDUCTION: $74 billion in tax relief over 10 years to reduce the "marriage penalty." The bill adjusts the standard tax deduction for a joint income tax return filed by a married couple so that it is twice the standard deduction allowed to single taxpayers -- $8,600 as opposed to the current $7,200.
- PERMANENT EXTENSION OF THE RESEARCH AND DEVELOPMENT TAX CREDIT: $27.2 billion over 10 years to permanently extend the tax credit for businesses that engage in resource-intensive research, thereby encouraging economic expansion. A 1998 study estimated that a permanent R&D tax credit would result in an additional $41 billion in private sector research and development investment between 1998 and 2010.
- CHILD CREDIT INCREASE: $17 billion in tax relief over 10 years to increase the family child tax credit by $250 for each child under five.
- LIMITATIONS ON NON-REFUNDABLE CREDITS: $36 billion in tax relief over 10 years to repeal the current limitation on the use of non-refundable credits to reduce an individual's tax liability. Non-refundable tax credits include the child credit, various education credits and the dependent care credit.
- SCHOOL CONSTRUCTION AND MODERNIZATION: $8.6 billion over 10 years for interest-free funds to state and local governments for public school construction and modernization projects.
- LIFE-LONG LEARNING SUPPORT: $7 billion over 10 years to make permanent the exclusion from income amounts received from employer-provided educational assistance for both higher education and post-graduate expenses.
- LONG-TERM HEALTH CARE CREDIT: $15 billion over 10 years to extend a non-refundable income tax credit of $1,000 for each individual with long-term needs taken care of in a household.

The plan that Dooley supported restricts the majority of tax cuts from taking effect until Medicare and Social Security have achieved solvency. Dooley and other members of the New Democrat Coalition had worked to include several provisions in the alternative tax relief package, including the school modernization provision, long-term home health care credit, and the permanent extension of the research and development tax credit.

Dooley expressed his hope that the House can pass a scaled-down tax relief package in the coming weeks. "I believe that we can provide reasonable tax relief to working families and family businesses while also paying down the debt and strengthening Medicare and Social Security, and I hope that my colleagues in Congress will work to pass a more responsible plan," Dooley said.

New Democrat Coalition

New Democrat Message of the Week 7/19/99:
NEW DEMOCRATS OPPOSE FISCALLY IRRESPONSIBLE GOP TAX CUT, FAVOR REASONABLE ALTERNATIVE

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Several weeks ago, the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) revised their budget figures and determined that the federal government would have an even larger surplus than projected over the next ten years, and that we would have an on-budget surplus in fiscal year 2000.

In light of the new budget figures, House Republicans have passed an $864 billion tax cut package out of the Ways and Means Committee last week. New Democrats oppose this tax cut because it is fiscally irresponsible. It relies on projections based on ten years of spending caps and according to OMB, would actually result in a budget deficit over ten years of $47 billion. Furthermore, the tax cut explodes after ten years, costing $3 trillion in the decade beginning in 2010. At the very time the nation will confront the demographic challenge of large numbers of retirees, Clinton said, "the Republican plan will blow a $3 trillion hole in the federal budget, threatening our ability to secure Social Security and Medicare for the next generation." (Washington Post, July 19, 1999, page A2)

New Democrat Values

- New Democrats believe that government needs to live within the constraints of a balanced budget.
- New Democrats believe that deficits and a national debt stifle economic growth and opportunity for all Americans.
- New Democrats believe that burdening future generations with our debt is morally and economically irresponsible.

Talking Points

The priority for the on-budget surplus must be debt reduction. We've come a long way towards fiscal responsibility by balancing the budget in 1998 and, if the projections hold, balancing the budget without dipping into the Social Security trust fund next year. Unfortunately, we still have a $3.8 trillion debt held by the public.

New Democrats believe that now is the time to reduce that debt for the sake of the economy, families, taxpayers, and future generations.

Paying down the debt is good for the economy and all Americans.

We applaud President Clinton for submitting a proposal that would completely eliminate debt held by the public in fifteen years. We believe that Congress should commit to this goal.

An elimination or even drastic reduction of the public debt would result in a decline in interest rates. What would this mean to the people we represent?

- **American families would see savings in home mortgages and college loans.**

  A 2 percent dip in interest rates, from 8 percent to 6 percent, would result in a decrease of $155 per month on a mortgage payments for a $115,000 home. (The monthly payment on a $115,000 home with a

30-year fixed mortgage at 8 percent is $844. At a 6 percent interest rate, the monthly payments would be $689). Furthermore, if someone took this savings every month and invested it in a guaranteed bank CD averaging about 4.5 percent, over the 30-year period of the mortgage they would accumulate $117,705 - more than the original price of the house.

Consider a college student. A 2 percent reduction of interest rates on a typical, 10-year student loan for a 4-year public college would save students and their parents $4,263: an 8.5 percent cost reduction. If you took the $35 saved each month and put it in a bank earning 4.5 percent, you would accumulate $5,292 over the life of the loan.

- **For American farmers, it means savings thousands of dollars of interest on operations loans and for long-term capital investments.**

  Each year, farmers take out operating loans to purchase feed, buy supplies, and cover other operational costs. A 2 percent interest rate reduction on a $250,000 annual operating loan would mean a savings of $5,000. The average combine costs about $200,000. A 2 percent cut in interest rates would mean a savings of almost $188 per month and a savings of $11,280 over the life of the loan.

- **For American businesses, it means that a start-up small business taking out a five-year, $200,000 loan would save $2,256 per year and $11,280 over the life of the loan.**

  Big businesses making substantial investments into tomorrow's technologies could save millions per year on interest (using an example of $360 million investment over 30 years: total savings per month would be $483,000).

  Reducing the debt, leading to a reduction in interest rates, is the best tax cut Congress can give to American families, farmers, and businesses.

Reducing the debt is good for taxpayers and will improve public confidence in government.

- **Paying down the debt also frees up taxpayer money.**

  In 1998, the interest paid on our public debt was a whopping $243 billion - 14 percent of our total spending that year. Interest on the debt does nothing to improve our economic health; it is simply the minimum payment needed to pay the bills that remain from our past.

  That money could instead be used to:

  - **Cut taxes.**

    If we could eliminate the debt, we could afford responsible tax reductions that would benefit American families and businesses. We could afford to eliminate the marriage penalty tax, cut the capital gains tax, and eliminate the estate and gift tax.

  - **Invest more in education, transportation, or forward-thinking research, development, and technologies.**

    Last year, we spent $243 on interest...and only $55 billion on education. By paying down the national debt, and reducing our interest payments, we can afford to invest in important priorities that will keep our economy growing, such as permanent extension of the R&D tax credit.

- **Furthermore, reducing the debt will improve public trust in government.**

  Budget deficits and the debt and symbols of government

irresponsibility. Paying down the debt will show the American people that we live by the same rules as American families, and we will not continue to burden future generations with the mistakes of the past.

New Democrats support a reasonable, investment-oriented tax cut.

We recognize that with such a large projected surplus, the federal government can make targeted tax cuts to help families and the economy. This is why we have united behind tax cut legislation sponsored by Representative Jim Maloney, and we are urging House leadership to consider this proposal as a fiscally sound alternative that will allow us to reduce the debt while preserving Social Security and Medicare for future generations.

The New Democrat tax cut proposal is fully funded and targets tax relief to pro-family and pro-growth policies:

- **Pro-family**

  The NDC tax relief proposal prioritizes investments in education and retirement security. Specifically, it includes provisions for student aid, technology training, and school modernization; as well as expanding IRAs, allowing more seniors to work without forfeiting Social Security, and helping Americans afford long-term health care.

  The proposal also includes elimination of the marriage penalty tax and increasing the child care tax credit to strengthen our families.

- **Pro-growth**

  Our tax relief package includes permanent extension of the research and experimentation tax credit, elimination of the estate tax for family-owned businesses, and reduction in the capital gains tax

New Democrats believe this is a far superior alternative to the Republican tax plan, which is fiscally irresponsible and will result in budget deficits and a higher national debt.

New Democrat Coalition

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July 20, 1999

President William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Re: A Pro-Family, Pro-Growth, Pro-Reform Tax Proposal

Dear President Clinton,

During the past seven years under your leadership as President, our country has experienced economic growth unsurpassed in history. Unfortunately, in recent years our country has also been witness to a deterioration of the strength of the American family, as well as problems of youth violence -- both disturbing trends evidenced by recent school shootings coupled with youth gang activity and juvenile crime. Your Administration has certainly moved aggressively on these problems on the budgetary front. Community policing, additional teachers, after-school services, and other initiatives are all a testament to your Administration's seriousness in attending to these problems. It is our view that the time has also come to use the power of the Federal tax code to further enhance our efforts. In particular, we believe that there should be tax reductions and simplification addressed to these critical areas: family stability, economic growth, and broad-scale tax reform.

Pro-Family

As we have seen in recent Congressional debates on the causes behind youth violence held in the wake of the Columbine High School shootings and other similar tragedies, it is clear that many Americans are concerned about the fragility of the family unit and of communication between adults and children. While there are many different views as to the roots of juvenile violence, we can agree on at least one positive, curative factor: active parental involvement in a child's upbringing, education, and activities can help prevent future juvenile delinquency. We therefore believe that it is essential for Congress to enact tax relief initiatives to help strengthen the family unit and encourage parental involvement in a child's well-being.

Pro-Growth

Concurrently, Americans have enjoyed astounding economic growth and development over the past seven years. The unanticipated, unprecedented budget surplus is testimony to the low unemployment rates and economic progress that have accompanied our country's boom. We believe that it is essential for Congress to pass pro-growth measures to encourage continued economic growth, especially in the rapidly expanding high technology sector where job expansion and industrial development have been particularly remarkable. As many of us are fond of saying, "The best social program is a good job."

Pro-Reform

Lastly, we believe that all of our efforts to benefit American families and businesses will be more effective when they are able to work with a simpler and fairer tax code. Our country's current tax code is hugely complicated and impossible for the average taxpayer to navigate without the assistance and expense of a tax expert. Such complexity and bureaucracy is unnecessary and consumes scarce resources, both in the private sector and in the

government, that could be used in other ways more beneficial to taxpayers, American families, and our business community.

The Democratic Proposal

As we have previously shared with your staff, we propose returning a portion of our country's bounty to American families and businesses through reasonable tax relief measures designed to strengthen the family and encourage future economic development.

Our proposal adheres to your budget plan, which dedicates approximately 12% of the budget surplus to tax relief after Social Security and Medicare solvency have been ensured, and our proposal is fully paid for using only on-budget surplus revenues.

In addition, our proposal will benefit American families by helping build new schools and modernize existing facilities, allowing taxpayers to take advantage of education and child care tax credits without triggering the Alternative Minimum Tax liability threshold, helping taxpayers care for dependents, eliminating the marriage penalty tax, helping Americans to better save for retirement, allowing seniors to work without forfeiting their Social Security earnings, and helping taxpayers care for elderly family members without sacrificing their own financial well-being.

The Democratic tax proposal will encourage economic growth by making it easier for small businesses to offer health insurance to their employees, assisting the private sector in absorbing managed care reform costs, reducing the estate tax burden on small family-owned businesses and family farms, and helping industry to continue to conduct effective research and development efforts.

Our proposal will also help employers offer child care and job training to their employees, and will help school districts offer technology training to teachers so that educators do not fall behind in the Internet revolution. It also promotes economic development and urban revitalization by encouraging individuals to purchase homes in urban areas and by encouraging businesses to build upon former industrial sites and abandoned properties. Finally, it will help reduce welfare rolls by encouraging employers to hire current welfare recipients.

Our country has enjoyed a stunning economic boom, part of which we believe should be shared with the American public through responsible tax relief measures to encourage family stability and continued economic growth. **We must not fail to seize this moment to show Americans that Democrats in Congress and the Administration care deeply about the tax burden on American families and enterprises. We must respond effectively to the concerns of American families and to the opportunities for economic growth that all Americans want to see continued.**

We have enclosed for your review a copy of our proposal which we intend to release publicly this week. We would appreciate your support in helping us to accomplish our pro-family, pro-growth, and pro-reform goals which we believe to be deeply in the interest of the American people. We thank you for your consideration, and we look forward to working with you on this important initiative.

Sincerely,

James H. Maloney Tim Roemer
Calvin M. Dooley Adam Smith
Robert A. Weygand Brad Sherman
Darlene Hooley Debbie Stabenow
Michael E. Capuano Bob Etheridge
Charles A. Gonzalez Mike Thompson
Jim Davis Ronnie Shows
Bart Stupak David D. Phelps
Lois Capps Grace F. Napolitano
Dennis Moore Mark Udall
Silvestre Reyes Matthew G. Martinez

Carolyn McCarthy

New Democrat Coalition

New Democrat Message of the Week 7/26/99:
NEW DEMOCRATS SUPPORT INTERNATIONAL ECONOMIC ENGAGEMENT

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New Democrats recognize that we are undergoing an economic transformation on the same scale as the Industrial Revolution of the 1800's. The global economy is here, and our challenge is to work within it to ensure success of the American people.

Unlike some of our colleagues on the extreme right or extreme left, we realize that trying to stop the global economy is like trying to stop a high-speed train. Instead, we embrace policies to tear down trade barriers to American goods, involve all countries in the global economy, and bring all Americans along in the success created by the global economy.

Two weeks ago, the House passed legislation to expand trade and foreign investment in Africa, and this week the House will debate extension of Normal Trade Relations status (NTR) to China. New Democrats strongly support both of these policies.

New Democrat Values

- New Democrats believe that economic engagement is the best tool to promote freedom and stability abroad.
- New Democrats believe that the U.S. government should work to ensure that all Americans benefit from the global economy.

Talking Points

Trade is critical to our continued economic growth and success.

Trade now accounts for $1 trillion of the U.S. economy and is responsible for nearly 1/3 of its growth since 1992. What's more, trade-related jobs are among the best in the nation: trade-related jobs pay on average 13 percent more than non-trade related jobs. Trade-related jobs are also the fastest-growing jobs in the country: between 1986 and 1994, the number of export-related jobs in the United States grew four times faster than overall private industry job growth.

- **Trade benefits small and medium size companies.**

  In 1992, small and medium size companies accounted for 29.5 percent of U.S. goods exports. Trade benefits U.S. workers. U.S. workers have the technical training and education necessary to make them the most productive in the world. This productivity, not low wages, is the key to the manufacturing strength and investment needed for economic success. After all, if low wages was the key, countries like Haiti and Bangladesh would be the world economic leaders.

We must promote healthy U.S.-China ties through economic engagement.

Recent events related to China, such as the country's reaction to the embassy bombing in Belgrade and the evidence of spying at U.S. labs, have sparked heated debate over U.S.-China relations. To be sure, we must be tough-minded and protect our national security above all else in dealings with China. New Democrats reject the notion, however, that these objectives are

best reached by retreating from the U.S-China relationship. Rather, we believe that healthy economic ties with China are the best route to healthy political ties with China.

Furthermore, there is no doubt that China's record on human rights is deplorable and that the United States should use its power to influence China's treatment of political dissidents and minority groups. Again, New Democrats believe that economic engagement and a healthy U.S.-China relationship is the best strategy for influencing the Chinese government. History demonstrates that as countries embrace capitalism, democratic advances follows.

- **New Democrats support the extension of NTR status to China, and believe we should extend NTR permanently and provide for WTO accession for China.**

  The emergence of China as an economic power is one of the most important changes to the international system in the post-Cold War era. This is an irreversible change, and New Democrats believe we must work to integrate China into the global economy. Done successfully, this will increase market access for U.S. goods and services while also promoting growth, raising standards of living, and spurring progress towards economic and political reform in China.

- **New Democrats also urge trade negotiators to continue working out an agreement for China's accession into the WTO.**

  China's accession into the WTO will require changes by China, many of which are long-sought objectives of the United States, such as opening up a wide array of sectors to foreign trade and investment and submitting its economic conduct to the rule of international trade law. The deal will benefit both the United States and China. The United States will benefit from increased market access for its goods and services and increased investment opportunity. WTO accession would also require China to behave as a law-abiding member of the international community. China will benefit with economic growth, increased standards of living, and increased access to the democracies of the world, spurring further political reform.

We must support education and training to ensure that no American is left behind in the global economy.

As trade barriers are lifted and the world becomes increasingly connected, there will be some tough transitions and some worker displacement. New Democrats strongly support maintaining a safety net for these workers to ensure that the global economy is as painless as possible.

We also support a long-term strategy of continued investment in education and job training.

To maintain our economic strength, it's critical that our workforce continue to be the most productive in the country. Towards this end, New Democrats support education reform, national standards, and job training partnerships.

New Democrat Coalition

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from the office of Congressman Cal Dooley

For Immediate Release *Contact:*
Adam Kovacevich, Rep. Cal Dooley (202) 225-3341
July 22, 1999

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Dooley supported an alternative plan offered on the floor by Rep. Charles Rangel (D-NY) that would provide $250 billion in targeted tax relief over 10 years and preserve the majority of the surplus for reducing the national debt and ensuring the solvency of Social Security and Medicare. That plan was shaped in part by members of the New Democrat Coalition, a group of 63 moderate, pro-growth Democrats in the House of which Dooley is a co-chair. The alternative plan was defeated in the House by a vote of 173-258.

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During the past seven years under your leadership as President, our country has experienced economic growth unsurpassed in history. Unfortunately, in recent years our country has also been witness to a deterioration of the strength of the American family, as well as problems of youth violence -- both disturbing trends evidenced by recent school shootings coupled with youth gang activity and juvenile crime. Your Administration has certainly moved aggressively on these problems on the budgetary front. Community policing, additional teachers, after-school services, and other initiatives are all a testament to your Administration's seriousness in attending to these problems. It is our view that the time has also come to use the power of the Federal tax code to further enhance our efforts. In particular, we believe that there should be tax reductions and simplification addressed to these critical areas: family stability, economic growth, and broad-scale tax reform.

Pro-Family

As we have seen in recent Congressional debates on the causes behind youth violence held in the wake of the Columbine High School shootings and other similar tragedies, it is clear that many Americans are concerned about the fragility of the family unit and of communication between adults and children. While there are many different views as to the roots of juvenile violence, we can agree on at least one positive, curative factor: active parental involvement in a child's upbringing, education, and activities can help prevent future juvenile delinquency. We therefore believe that it is essential for Congress to enact tax relief initiatives to help strengthen the family unit and encourage parental involvement in a child's well-being.

Pro-Growth

Concurrently, Americans have enjoyed astounding economic growth and development over the past seven years. The unanticipated, unprecedented budget surplus is testimony to the low unemployment rates and economic progress that have accompanied our country's boom. We believe that it is essential for Congress to pass pro-growth measures to encourage continued economic growth, especially in the rapidly expanding high technology sector where job expansion and industrial development have been particularly remarkable. As many of us are fond of saying, "The best social program is a good job."

Pro-Reform

Lastly, we believe that all of our efforts to benefit American families and businesses will be more effective when they are able to work with a simpler and fairer tax code. Our country's current tax code is hugely complicated and impossible for the average taxpayer to navigate without the assistance and expense of a tax expert. Such complexity and bureaucracy is unnecessary and consumes scarce resources, both in the private sector and in the

government, that could be used in other ways more beneficial to taxpayers, American families, and our business community.

The Democratic Proposal

As we have previously shared with your staff, we propose returning a portion of our country's bounty to American families and businesses through reasonable tax relief measures designed to strengthen the family and encourage future economic development.

Our proposal adheres to your budget plan, which dedicates approximately 12% of the budget surplus to tax relief after Social Security and Medicare solvency have been ensured, and our proposal is fully paid for using only on-budget surplus revenues.

In addition, our proposal will benefit American families by helping build new schools and modernize existing facilities, allowing taxpayers to take advantage of education and child care tax credits without triggering the Alternative Minimum Tax liability threshold, helping taxpayers care for dependents, eliminating the marriage penalty tax, helping Americans to better save for retirement, allowing seniors to work without forfeiting their Social Security earnings, and helping taxpayers care for elderly family members without sacrificing their own financial well-being.

The Democratic tax proposal will encourage economic growth by making it easier for small businesses to offer health insurance to their employees, assisting the private sector in absorbing managed care reform costs, reducing the estate tax burden on small family-owned businesses and family farms, and helping industry to continue to conduct effective research and development efforts.

Our proposal will also help employers offer child care and job training to their employees, and will help school districts offer technology training to teachers so that educators do not fall behind in the Internet revolution. It also promotes economic development and urban revitalization by encouraging individuals to purchase homes in urban areas and by encouraging businesses to build upon former industrial sites and abandoned properties. Finally, it will help reduce welfare rolls by encouraging employers to hire current welfare recipients.

Our country has enjoyed a stunning economic boom, part of which we believe should be shared with the American public through responsible tax relief measures to encourage family stability and continued economic growth. **We must not fail to seize this moment to show Americans that Democrats in Congress and the Administration care deeply about the tax burden on American families and enterprises. We must respond effectively to the concerns of American families and to the opportunities for economic growth that all Americans want to see continued.**

We have enclosed for your review a copy of our proposal which we intend to release publicly this week. We would appreciate your support in helping us to accomplish our pro-family, pro-growth, and pro-reform goals which we believe to be deeply in the interest of the American people. We thank you for your consideration, and we look forward to working with you on this important initiative.

Sincerely,

James H. Maloney Tim Roemer
Calvin M. Dooley Adam Smith
Robert A. Weygand Brad Sherman
Darlene Hooley Debbie Stabenow
Michael E. Capuano Bob Etheridge
Charles A. Gonzalez Mike Thompson
Jim Davis Ronnie Shows
Bart Stupak David D. Phelps
Lois Capps Grace F. Napolitano
Dennis Moore Mark Udall
Silvestre Reyes Matthew G. Martinez

Carolyn McCarthy

New Democrat Coalition

New Democrat Message of the Week 7/26/99:
NEW DEMOCRATS SUPPORT INTERNATIONAL ECONOMIC ENGAGEMENT

Membership List
Message of the Week
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New Democrats recognize that we are undergoing an economic transformation on the same scale as the Industrial Revolution of the 1800's. The global economy is here, and our challenge is to work within it to ensure success of the American people.

Unlike some of our colleagues on the extreme right or extreme left, we realize that trying to stop the global economy is like trying to stop a high-speed train. Instead, we embrace policies to tear down trade barriers to American goods, involve all countries in the global economy, and bring all Americans along in the success created by the global economy.

Two weeks ago, the House passed legislation to expand trade and foreign investment in Africa, and this week the House will debate extension of Normal Trade Relations status (NTR) to China. New Democrats strongly support both of these policies.

New Democrat Values

- New Democrats believe that economic engagement is the best tool to promote freedom and stability abroad.
- New Democrats believe that the U.S. government should work to ensure that all Americans benefit from the global economy.

Talking Points

Trade is critical to our continued economic growth and success.

Trade now accounts for $1 trillion of the U.S. economy and is responsible for nearly 1/3 of its growth since 1992. What's more, trade-related jobs are among the best in the nation: trade-related jobs pay on average 13 percent more than non-trade related jobs. Trade-related jobs are also the fastest-growing jobs in the country: between 1986 and 1994, the number of export-related jobs in the United States grew four times faster than overall private industry job growth.

- **Trade benefits small and medium size companies.**

  In 1992, small and medium size companies accounted for 29.5 percent of U.S. goods exports. Trade benefits U.S. workers. U.S. workers have the technical training and education necessary to make them the most productive in the world. This productivity, not low wages, is the key to the manufacturing strength and investment needed for economic success. After all, if low wages was the key, countries like Haiti and Bangladesh would be the world economic leaders.

We must promote healthy U.S.-China ties through economic engagement.

Recent events related to China, such as the country's reaction to the embassy bombing in Belgrade and the evidence of spying at U.S. labs, have sparked heated debate over U.S.-China relations. To be sure, we must be tough-minded and protect our national security above all else in dealings with China. New Democrats reject the notion, however, that these objectives are

best reached by retreating from the U.S-China relationship. Rather, we believe that healthy economic ties with China are the best route to healthy political ties with China.

Furthermore, there is no doubt that China's record on human rights is deplorable and that the United States should use its power to influence China's treatment of political dissidents and minority groups. Again, New Democrats believe that economic engagement and a healthy U.S.-China relationship is the best strategy for influencing the Chinese government. History demonstrates that as countries embrace capitalism, democratic advances follows.

- **New Democrats support the extension of NTR status to China, and believe we should extend NTR permanently and provide for WTO accession for China.**

  The emergence of China as an economic power is one of the most important changes to the international system in the post-Cold War era. This is an irreversible change, and New Democrats believe we must work to integrate China into the global economy. Done successfully, this will increase market access for U.S. goods and services while also promoting growth, raising standards of living, and spurring progress towards economic and political reform in China.

- **New Democrats also urge trade negotiators to continue working out an agreement for China's accession into the WTO.**

  China's accession into the WTO will require changes by China, many of which are long-sought objectives of the United States, such as opening up a wide array of sectors to foreign trade and investment and submitting its economic conduct to the rule of international trade law. The deal will benefit both the United States and China. The United States will benefit from increased market access for its goods and services and increased investment opportunity. WTO accession would also require China to behave as a law-abiding member of the international community. China will benefit with economic growth, increased standards of living, and increased access to the democracies of the world, spurring further political reform.

We must support education and training to ensure that no American is left behind in the global economy.

As trade barriers are lifted and the world becomes increasingly connected, there will be some tough transitions and some worker displacement. New Democrats strongly support maintaining a safety net for these workers to ensure that the global economy is as painless as possible.

We also support a long-term strategy of continued investment in education and job training.

To maintain our economic strength, it's critical that our workforce continue to be the most productive in the country. Towards this end, New Democrats support education reform, national standards, and job training partnerships.

Jim Perry but
I didn't get
this until 5:00
PM on the 14th -

cc Gene - N [illegible]
Bill - N Tobacco -
[illegible]
Ken - Pat

HIRAM EASTLAND

President Bill Clinton
The White House

July 13, 1999

Re: Suggestions for July 14 Remarks To DLC In Baltimore And Additional Ideas Regarding New Markets Initiative As Well As Patients Bill of Rights

Dear Mr. President:

Jacob and I truly enjoyed our visit with you in Clarksdale at lunch and at the airport. Your visit to the Mississippi Delta was very historic and will prove to be another profound example of the hallmark of your presidency — bringing this country together across racial, economic, and geographical lines into One America.

I look forward to seeing you at the DLC event tomorrow in Baltimore and, as last year, I thought I would forward some suggestions for your remarks. Since you just completed your New Markets Initiative tour, a tour focusing on issues and places very similar to Robert Kennedy's visit to the Mississippi Delta and Pine Ridge over thirty years ago, and Kathleen Kennedy Townsend is chairing the DLC event, the attached article I wrote entitled "A New Democrat's Perspective of the Life of Robert Kennedy" may be particularly useful. As also included in the article, Robert Kennedy also called for a "new politics" over thirty years ago shortly before he was tragically assassinated. He stated, for example, that "What we do need ... is a better liberalism and a better conservatism. We need a liberalism in its wish to do good; that yet recognizes the limits to rhetoric ... that knows the answers to all problems is not spending money ... We need a conservatism in its wish to preserve the enduring values of the American society, that yet recognizes the urgent need to bring opportunity to all citizens, that is willing to take action to meet the needs of the future. What we need is a new politics. What the new politics is, in the last analysis, is a reaffirmation of the best in the great political traditions of our nation ...."

As with you and the DLC, Robert Kennedy, therefore, also strongly believed that ideas matter. Kathleen Kennedy Townsend referred to my article on Larry Kudlow on the eve of her father's death last year as an example of how his legacy and ideas are remembered and have been passed down to a new generation of Americans

As you requested in Clarkedale last week, I am also forwarding this letter as a reminder of the idea I suggested to you at lunch regarding the New Markets Initiative. I am preparing a full Memorandum regarding the idea. However, I wanted to remind you and your staff of the suggestion that you also propose tax credits and incentives for ~~private sector purchases of products from deprived areas up to certain~~ reasonable caps. Obviously, every Company in America cannot locate in deprived areas or become involved in innovative financing for those areas such as the Bank of America or Southshore. Moreover, you finally have requirements similar to your original Affirmative Action speech proposal that the ~~federal government~~ set priorities for purchasing / procuring products and services from empowerment zones, now applying to deprived areas in general. Why not propose tax credits and incentives for private sector purchases of products and services from such areas? Such New Markets incentives would not only help create new jobs in the deprived areas, they would also serve as an additional catalyst for the new companies locating there since they would know there are also private sector incentives for purchasing their products and services.

Finally, I wanted to give you a brief headsup that I have drafted a 100 page nationwide complaint against HMOs for the leading principles of the original tobacco litigation and proposed national / state settlement of that tobacco litigation. The lawsuit to be filed in the very near future strongly compliments your efforts and the substantive need for a Patients Bill of Rights. While the lawsuit of course cannot utilize, for example, state negligence claims etc. because of ERISA short of passage of your Patients Bill of Rights the suit very strongly highlights the need for passage of the substantive provisions you have suggested. While my research and the lawsuit reveal new previously unused theories for federal recovery, it very dramatically documents factually and legally the need for passage of a Patients Bill of Rights.

I would be pleased to briefly share the nature and theories of patient ~~suery~~ with you in ~~Philadelphia~~ if you have a minute afterwards backstage. The documentation in the lawsuit may even advance the Patients Bill of Rights debate and demonstrate how patients rights demand such rights to sue and are not simply a lawyers recovery act.

I look forward to seeing you in Baltimore.

(your friend)
William F. Ashley

Sarah Rosen Wartell
05/10/99 04:39:03 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: SBIC Issue -- URGENT ATTENTION

Melissa and Jon -- Please figure out who else needs to know. Thanks.

Today's **Washington Times** reported: "SBA hopes tighter rules will curb political contributions. Sceptics Doubt Measure witll Prevent "handful" of Cases." The story involves the discovery by SBIC examiners in 1997 who found that 4 SBICs (whose debt is backed by gov't guarantees) had made 4 sepearate political contributions (3 to the DNC each for $5k in 1996 and one for $5k to Victory 98 in 1998 (endorsed by the Alabama Republican Party). (This detail is not in the public domain.) SBA regs provide that they can not engage in activities that "do not contribute to the growth, expansion, and modernization of a small business." SBA was thought its current regs prohibited the practice but was not clear. They decided it was advisable to issue a regulation to clarify the view that it was impermissible to use SBIC assets for political contributions, although contributions by individual investors, of course, are protected by first amendment. That regulation was published on April 14, 1999 as a proposed rule. No comments have been received yet. The comment period closes later this week -- May 14th.

I am nervous about this because SBICs are the model for the President's New Markets Initiative investment fund. The APICs and NMVC are modelled after them. It is possible that a question might get raised by a Washington Times reporter tomorrow, if they are hunting for a problem.

In this case we can say clearly that SBA found the problem and has taken steps to remedy it.

Note however that In the story (faxed to melissa and jake) Common Cause is quoted as saying the rule won't ban soft money because of how it is drafted. (Easily fixed in drafting.) The story also focuses on how individuals in SBICs can continue to make contributions and how the SBICs have their own PAC -- the National Association of Small Business investment Companies PAC.

Message Sent To:

Jonathan A. Kaplan/OPD/EOP@EOP
Gene B. Sperling/OPD/EOP@EOP
Melissa G. Green/OPD/EOP@EOP
Lisa Green/OPD/EOP@EOP
Richard L. Siewert/WHO/EOP@EOP

GUIDANCE ON SMALL BUSINESS INVESTMENT COMPANIES (SBICs) AND POLITICAL CONTRIBUTIONS
May 10, 1999

Question:

I note that the basis for the President's New Markets Initiative is the Small Business Investment Company (SBIC) program at the SBA. It was recently uncovered that government-backed SBICs were making political contributions. Given all his campaign finance troubles, is it appropriate for the President to use such a tainted program as the model for his new initiative? Will the new America's Private Investment Companies (APICs) and New Market Venture Capital Firms (NMVCs), modelled after SBICs, also be able to make political contributions?

Answer:

- SBA first uncovered the problem of a handful of SBICs making political contributions and has taken appropriate steps to remedy the situation. While this was an inappropriate activity for a government-licensed investment company, no public funds were used to make the contributions.

- While SBA believes that the practice was probably impermissible under the Small Business Investment Act, they determined that it was advisable to clarify the Agency's position in regulation. They proceeded to publish a proposed rule in the Federal Register on April 14, 1999. The comment period will close at the end of this week (May 14th). Then SBA will put in place a final rule clarifying that such contributions are impermissible.

- A similar rule would be incorporated into the regulations for the new programs proposed by the President – APICs and New Market Venture Capital Firms.

Background:

During a routine examination early in 1997, an SBA examiner found that, in 1996, an SBIC had written a $5,000 check to the DNC "Non-Federal Account" – indicating a "soft money" contribution. The examiner issued a finding, concluding that the contribution was not an activity contemplated by the Small Business Investment Act.

Under the Act, SBA does not permit activities by an SBIC that do not contribute to the "growth, expansion, and modernization of a small business." SBA determined that an SBIC's political contributions have, at best, only a remote and speculative connection to the growth, expansion, and modernization of small businesses. They viewed the contributions as impermissible, but the General Counsel, and the Agency's Oversight Committee, chaired by the Deputy Secretary, determined that they should publish a regulation to clarify the issue.

A proposed rule was published on April 14, 1999. The proposed rule would prohibit federal, state, and local contributions, including soft-money donations, by all SBICs. Comments on the proposed rule must be submitted by May 14th. No comments have been received to date.

SBA examinations have identified four political contributions by four different SBICs – three of them to the DNC in 1996 for $5,000 each and one to a Republican State Fund for $5,000 in 1998. [THIS INFORMATION IS NOT IN THE PUBLIC DOMAIN.]

The Washington Times reported on May 10, 1999 "SBA hopes tighter rules will curb political contributions: Skeptics doubt measure will prevent "handful" of cases." In the article, a Common Cause spokesperson and an FEC official were quoted as saying that the language used in the SBA's regulation will not curb soft money. If true (lawyers yet to determine), that is SBA's intent and will be addressed in the final rule.

The article also noted that, even with the new SBA rules, individual investors, owners, managers, and employees of SBICs will continue to be able to make political contributions. That is true. They can make contributions just like all other Americans – it is a constitutionally-protected First Amendment right. In addition, the article noted that the trade association for SBICs has formed a Political Action Committee – also their right under our campaign finance laws. The PAC, however, only takes contributions from individuals, not from the SBICs themselves.

SBICs are investment companies licensed by the SBA. Once the funds are licensed, private investors make investments in the fund. For every $10 million (for example) of private investment, the SBIC can also issue debt of up to $20 million. The government will guarantee the debt so that the bond holders would be repaid if the SBIC is unable to repay its debt. (Note: the government guarantee is only invoked if the $10 million in private capital, for example, has been exhausted.) The $30 million in fund capital is then invested in small businesses to help them grow and create jobs. The return on investment in the small businesses is used to repay the debt and provide a return to the fund investors.

Over the years, SBICs have invested in hundreds of small firms that are now household names including: AOL, Dell Computer, Outback Steak House, Federal Express, and others. Over 40% of the venture capital investment in small business in the United States is invested through SBICs.