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)
	Leach (R-IA)	[Santorum (R-PA)]
	Appropriations	***Appropriations***
	Mollohan (D-WV-Subcomm. Ranking)	Byrd (D-WV-Ranking)
	Price (D-NC)	Lautenberg (D-NJ)
		Leahy (D-VT)
		Stevens (R-AK)
		Other
		Harkin (D-IA)

AGENDA FOR NEW MARKETS MEETING

Room 231 OEOB; 3:00 – 4:00 pm
July 27, 1999

I. UPCOMING NEW MARKETS EVENTS/ACTIVITIES – MASTER CALENDAR

- Cabinet Events
- BusinessLINC/The Business Roundtable -- National Announcement (August)
- Possible DC Event
- Arkansas Visit to the Delta (Fall)
- Newark, NJ/New Jersey Nets Event (Fall)
- 2nd New Markets Tour (Fall)

II. PROCESS FOR MAINTAINING NEW MARKETS EVENTS CALENDARS

III. CORRESPONDENCE AND PHOTOS FROM THE WHITE HOUSE ON THE TRIP

IV. NEW MARKETS DATA/RESEARCH GROUP – EXECUTIVE ORDER

V. COMMUNICATIONS MATERIALS – PAPER FOR NEW MARKETS

VI. LEGISLATIVE ISSUES

- Introduction of Legislation
- Sponsorship List
- Briefings
- Legislative Event (August 5)

VII. OTHER ISSUES/QUESTIONS

PRESENTATION TO THE NEW DEMOCRATIC COALITION
The New Markets Initiative: Budget Impact
July 27, 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.

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

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

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 announced new commitments and innovative programs developed by companies, community leaders, non-profit organizations and investment firms around the country.

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.

PROMOTING EFFORTS 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 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. Early next 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.

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An Overview of President Clinton's Trip to America's New Markets

July 5-8, 1999

Under President Clinton and Vice President Gore, America is Enjoying a Time of Remarkable Economic Expansion. The strength and historic duration of our current economic expansion has helped bring economic opportunity to millions of people once cut off from the economic mainstream. Wages are rising and welfare rolls are shrinking. The economy has created nearly 19 million new jobs since January 1993. Unemployment has dropped from 7.2 % to just 4.3 %. But there is more work to do, particularly in those communities that are economically underserved, such as Appalachia, the Mississippi Delta, inner cities, Native American communities, and others.

President Clinton's Trip will Focus Attention on America's New Markets – Untapped Areas for Potential Investment. From July 5-8, President Clinton will lead a delegation of CEOs, Members of Congress and Cabinet secretaries on an unprecedented trip of untapped markets in the following communities:

- Annville/Hazard, KY -- investment in Appalachia and rural markets
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These Communities Are in Need of Capital and Investment. This tour will shine a spotlight not only on the needs of these communities, but also on the great potential for growth, profit, and economic opportunity in these untapped markets.

- Appalachia. While Appalachia has seen its poverty rate drop and its per capita income rise since 1993, 32 counties in Appalachia have poverty rates higher than 30%. In addition, the per capita income of the entire Appalachian region is just 71% of the national average. In the Kentucky Highlands Empowerment Zone, 57.3% of people over the age of 25 do not have a high school diploma.
- Mississippi Delta. The poverty rate in the Delta is 20.9%, and 28 counties within the Delta have poverty rates above 30%. Per capita income for the region was $17,003 in 1997, just 67% of the national average.
- Inner Cities. Nearly one-in-three inner cities nationally, or 170 cities total, had poverty rates of 20% or more in 1995.
- Native American Communities. In 1997, half of the Native American workforce remained unemployed, compared to the national rate of 4.9%. Some reservations have unemployment rates much higher, such as 80% for the Cheyenne River Sioux Tribe, and 73% for the Oglala Sioux Tribe in Pine Ridge, South Dakota.

Mobilizing the Private Sector. On this trip, the President will mobilize a large and broad array of private-sector investments in our untapped domestic markets. The following are just a few of the significant new commitments that the private and public sectors are making to America's New Markets:

- First Union, Bank One, BellSouth, Bankers Trust, and others investing in Appalachia.
- New commitments to 14 Community Development Financial Institutions around the country.
- An announcement by a major financial institution about the creation of a new venture capital fund that will be targeted to underserved inner-city markets and that will make available several hundred million dollars in equity capital to small businesses.
- Commitments from dozens of companies to hire thousands of out-of-school youth and disadvantaged young people throughout the nation.

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- Next Steps. Later this month, the President will announce legislation 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.

PRESIDENT CLINTON'S NEW MARKETS TRIP

Highlighting the Need for Investment in Appalachia

July 5, 1999

TODAY, PRESIDENT CLINTON KICKED OFF HIS NEW MARKETS TRIP BY VISITING EASTERN KENTUCKY IN APPALACHIA. President Clinton launched his New Markets tour today by visiting Eastern Kentucky to highlight the economic distress in Appalachia. Despite a growing economy, Appalachia has not shared fully in the Nation's prosperity. President Clinton's New Markets trip builds on his strong community empowerment record by mobilizing corporate America to recognize the untapped economic potential of areas such as Appalachia.

APPALACHIA HAS NOT SHARED FULLY IN THE NATION'S ECONOMIC PROSPERITY. While Appalachia has seen its poverty rate drop and its per capita income rise since 1993, there are still 32 counties in Appalachia with poverty rates higher than 30% (the most recent year data are available).

- Lower Incomes. The per capita income of the entire Appalachian region is just 71% of the national average.
- Higher Poverty Rates. The situation is particularly difficult in the Kentucky Highlands Empowerment Zone, consisting of Clinton, Jackson and Wayne Counties. The poverty rate was 33.3% in 1995 – more than twice the national average.
- Education. In the Kentucky Highlands Empowerment Zone, 57% of those people over 25 years old do not have a high school diploma.

HOWEVER, THE KENTUCKY HIGHLANDS HAS BENEFITTED FROM PUBLIC AND PRIVATE SECTOR EFFORTS. The Kentucky Highlands Empowerment Zone (EZ) and the Kentucky Highlands Investment Corporation (KHIC), a venture capital fund and CDFI, have helped to bring investment and capital to the Kentucky Highlands.

- In December, 1994, the Kentucky Highlands EZ was designated as part of the Clinton Administration's first round of EZs/ECs. Since then, the EZ has focused on encouraging private-sector investment. New businesses financed in part through the EZ have created 1,902 new jobs and are committed to hire an additional 1,300 positions.
- KHIC provides much-needed capital to create jobs and businesses in the region. In 1997, it was awarded a CDFI grant of $450,000 to enhance its investment capacity.
    - KHIC's risk capital investments have generated 5,200 jobs – accounting for 40% of all manufacturing jobs in the region and 6% of the area's total labor force.
    - Businesses such as Mid-South Electric, which President Clinton is visiting today, have received assistance from KHIC.
    - In 1994, President Clinton created the CDFI Fund, and it is helping to create a network of CDFIs like KHIC in distressed areas across the country through grants, loans, and equity investments.

PRESIDENT CLINTON WAS JOINED BY A NUMBER OF CEOS AND ECONOMIC DEVELOPMENT LEADERS TO HIGHLIGHT THE POTENTIAL FOR NEW INVESTMENTS IN APPALACHIA. To focus attention on the investment potential of Appalachia, President Clinton was joined today by Richard Huber (CEO, Aetna), Duane Ackerman (CEO, BellSouth), Kip Stolen (President, Bank One of Central Kentucky). Also, joining the President were Rev. Jesse Jackson, Jesse White (Pres., Appalachian Regional Commission), Al From, Sara Gould, (Exec. VP, Ms. Foundation for Women), and David Wilhelm (Wilhelm & Conlon).

TODAY, AS PART OF PRESIDENT CLINTON'S NEW MARKETS TRIP, CORPORATE AND ECONOMIC DEVELOPMENT LEADERS ANNOUNCED THE FOLLOWING COMMITMENTS, AMONG OTHERS:

- **First Union National Bank** has pledged to provide at least $5 million for small business equity, micro-loans, and economic development programs in 1999 and 2000 in the Appalachia region.
- **Bank One** anticipates investing $1 million in the new Appalachian Ohio Development Fund that will provide equity financing and technical assistance to small businesses in Southern Ohio.
- **Bell South** will announce a partnership with the Kentucky Community and Technical College System to place 100 successful participants into service technician and customer contact representative positions within Bell South, or within other companies in the state.
- **Deutsche Bank/BankersTrust** has committed to make an investment of $2.9 million to the Kentucky Highlands Investment Corporation over time.
- **Sykes Enterprises,** a high-tech company, has announced that it will build two new technical support centers in Eastern Kentucky. The new 42,500 square foot state-of-the-art call centers are expected to be fully operational in the fourth quarter of 1999, bringing jobs to Eastern Kentucky.
- **Ms. Foundation for Women** will launch the third round of their Collaborative Fund for Women's Economic Development through which grantmakers will capitalize funds of at least $4 million. The Fund has supported groups such as ACEnet (Appalachia Center for Economic Networks), a leader among non-profits for creating business opportunities in rural Ohio.
- **Appalachian Regional Commission** is committing over $1 million for economic development purposes in Appalachian Kentucky, West Virginia, and Tennessee.

THROUGHOUT THE WEEK, PRESIDENT CLINTON WILL MAKE ADDITIONAL ANNOUNCEMENTS ABOUT INVESTMENT COMMITMENTS THAT WILL BENEFIT UNDERSERVED COMMUNITIES, INCLUDING:

- New CDFI Commitments. New commitments to 14 CDFIs around the country.
- Major New Fund for Underserved Communities. An announcement by a major financial institution about the creation of a new venture capital fund that will be targeted to underserved markets and that will make available several hundred million dollars in equity capital to small businesses.
- Private Effort for Young People. Commitments from dozens of companies to hire thousands of out-of-school youth and disadvantaged young people throughout the nation.

Background Information on Appalachia and the Kentucky Highlands

July 5, 1999

GEOGRAPHY AND DEMOGRAPHY OF APPALACHIA

- With a total population of 22.2 million, the region includes 406 counties, comprising all of West Virginia and parts of 12 other states. Appalachia extends more than a thousand miles from the southwestern part of New York state to northeast Mississippi, as the attached map shows. States that comprise Appalachia include: West Virginia (all), New York (southwest) Pennsylvania (most of state), Ohio (southeast), Maryland (northwest), Kentucky (east), Virginia (southwest), North Carolina (western), South Carolina (northwest), Tennessee (eastern), Georgia (north), Alabama (north, central), Mississippi (northeast). (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999). More than 90 % of the population is white across the region, compared to 82.7% nationally; 8.1 % is African-American compared to 12.7 % nationally, and 1 % Hispanic, compared to 11% nationally. (US Census Bureau).

STATISTICAL OVERVIEW OF APPALACHIA

- **Real Progress Has Been Achieved in Appalachia.** According to the Appalachian Regional Commission, 58 of the 152 counties that were designated as distressed (defined as having unemployment rates and poverty that are 1 ½ times the national rate) in 1970, have moved out and stayed out of distress. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

  - Unemployment Dropped in Some Counties. For example, the unemployment rate in Bath County, KY dropped form 11.9% to 5.5%, Clay County, AL dropped from 10.9 % to 3.5%; Montgomery County, KY, dropped from 10.5% to 4.2%; Raleigh County, WV, dropped from 13.2% to 7.5%; Jackson County, KY dropped from 9.3% to 4.5%, between 1993 and 1998. (Bureau of Labor Statistics).

  - Per Capita Income Rose. While per capita income is only 71 % of the national average, it rose 17% between 1993 and 1997 to $17,972, just slightly slower than the 19% increase nationally. (US Census Bureau).

  - Educational Attainment Has Improved For the Younger Generation. Appalachian youth age 18-24 now have high school degree at a slightly higher rate than the nation as a whole -- 77 % for Appalachia compared to 76 % for the nation. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

- **But There Remain Significant Pockets of Poverty and Distress.** In FY99, 108 counties (27%) of the Appalachian Region's are distressed (defined as having unemployment rates and poverty and that are 1 ½ times the national rate). (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

  - Unemployment Rates are Very High in Many Counties. 40 counties have unemployment rates of more than 10%. For example, Russel County, KY faces an unemployment rate of

26.3%; Green County, KY, 17.3%; Adair County, KY, 15.9%; Buchanan County, VA; 14.1%; Harlan County, KY, 12.3%. (Bureau of Labor Statistics).

- Per Capita Income is Still Low. 71 counties have average per capita incomes less than 60% of the US average in 1997— that is less than $15,173 per capita. Per capita income for the entire region is $17,972, 71% of the national average of $25,288 in 1997. (US Census Bureau).

- Poverty in 32 Appalachian Counties is Higher than 30%. Some of these counties include: Hale County, AL (30.8%); Macon County, AL (34.4%); Clay County, KY (37.3%); Owsley County, KY (46.6%); Wolf, KY (38.9%); Noxubee County, MS (33.9 %); Hankcock County, TN (32.9%); Lincoln County, WV (30.1%); Webster County, WV (35.6%); McCreary County (41.4%). (US Census Bureau).

- Historical Job Growth is Slower than Nation. Job growth between 1969 and 1998 was almost 51 %, lagging the national rate of 69 %. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

- Population is Declining. 71 counties lost population between 1990 and 1997, an increase over 1996 when only 58 counties registered population declines since 1990. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

- Basic Infrastructure is Inadequate in Many Counties. For example, in 27 counties across the region, 20% or more of the homes have no telephone. Nationally, just 5.2% of homes did not have a telephone. (US Census Bureau).

ECONOMIC TRENDS

Economic Transformation. Appalachia's economy has evolved over the last three decades from one which was dependent on heavy industry, agriculture and resource extraction, to one which is more diversified and increasingly reliant on service sector employment. The economic transformation of the region has created large-scale restructuring and adjustment challenges in the wake of long-term reductions in employment in former backbone sectors. Employment in coal mining, for example, dropped from 250,000 in 1979 to 100,000 in 1999 due primarily to technological innovations.

Employment Trends. Similar to the national economy, there has been a large increase in service sector jobs. Compared to the national economy, the region has seen strong employment growth in transportation and utilities, but has generated far fewer jobs in finance insurance and real estate. Appalachia's historic reliance on manufacturing, mining and farm employment continues to pose challenges, as these sectors have declined. Despite these declines, Appalachia remains far more dependent on manufacturing than the rest of the nation. Moreover, the quality of manufacturing in Appalachia is, on average, lower wage and lower productivity, compared to the nation.

Regional Diversity. Once a region of almost uniform poverty, it is now a region of contrasts, ranging from dynamic communities that have successfully developed diversified economies to areas still adjusting to structural changes. Northern Appalachia, with its mature industrial base, is working to enhance the global competitiveness of its existing firms and stimulate new business creation. Central Appalachia, once dominated by coal mining and tobacco farming, is working to diversify. Southern Appalachia, influenced by its nearby urban centers, in striving to link its development to these engines of growth.

Continued progress is needed in many of the areas that are important in the creation of a highly favorable investment climate, including education, physical infrastructure such as highways, and financial sector development.

KENTUCKY HIGHLANDS

Kentucky Highlands is a rural Empowerment Zone consisting of Clinton, Jackson, and Wayne Counties. The population was estimated to be 41,000 in 1996. The most recent data available indicate that the Kentucky Highlands was 98.7 % white. (US Census Bureau)

Statistical Overview

- The unemployment rate in Wayne County was 11.1% in 1998.
- Per capita income was $13,394, just 53% of the national average of $25,288 in 1997. (US Census Bureau).
- The poverty rate was estimated to be 33.3% in 1995 down from 37.8% in 1989, according to the most recent data available. (US Census Bureau).
- Across the Kentucky Highlands Empowerment Zone, as many as 57.3 % of those people over 25 years old do not have a high school diploma. (Department of Housing and Urban Development).

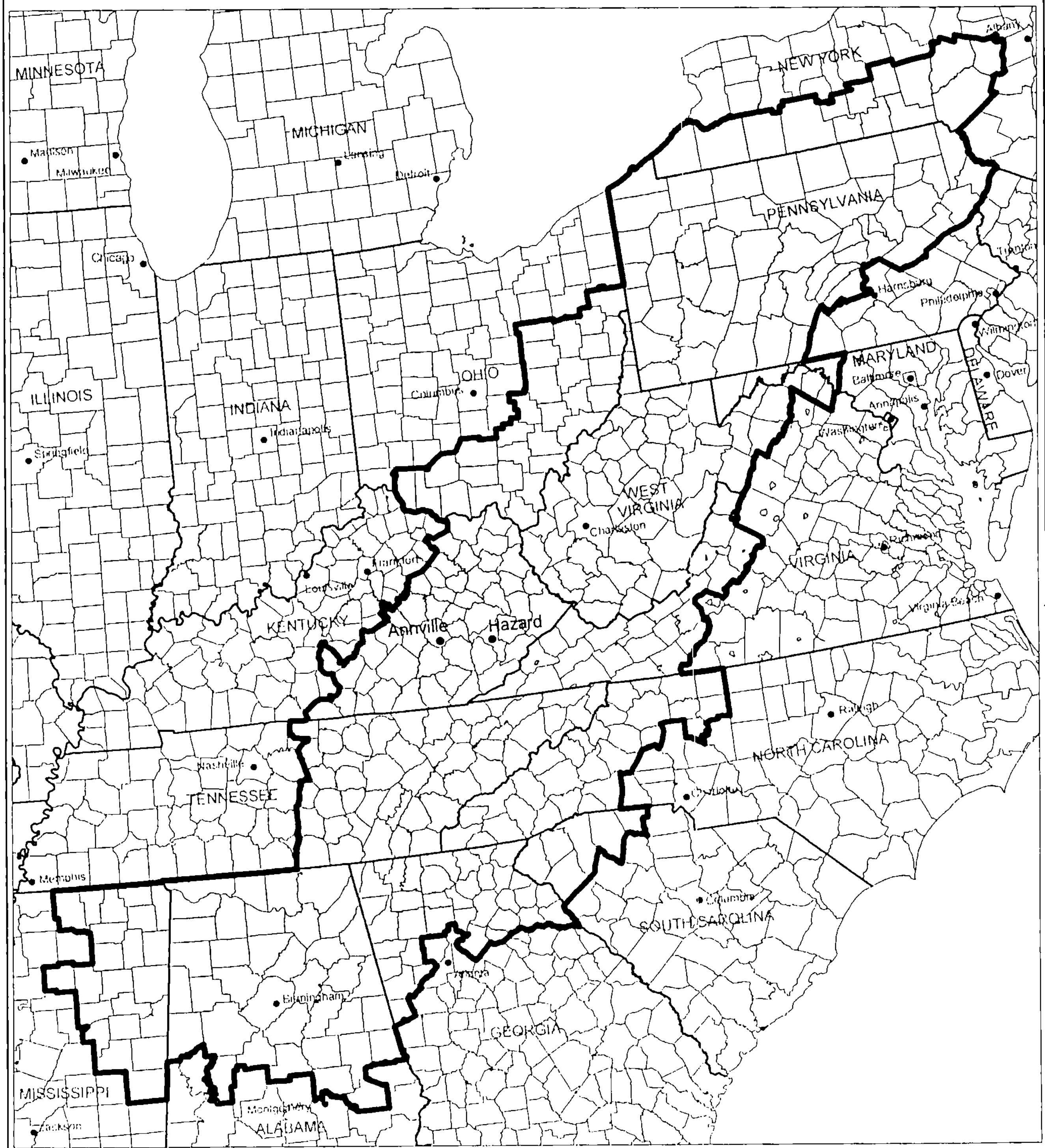
Economic Successes of Kentucky Highlands

- ***The Kentucky Highlands Empowerment Zone*** (EZ), designated in December 1994 as part of President Clinton's and Vice President Gore's first round of EZs and ECs , has focused on encouraging private-sector investment. New businesses financed in part through the EZ have created 1,902 new jobs and are committed to hire an additional 1,300 positions. (USDA)
    - In Jackson County alone, one of the poorest counties in the EZ, five new manufacturers have opened since the EZ designation. (USDA)

- ***The Kentucky Highlands Investment Corporation*** (KHIC) is a venture capital fund and CDFI which provides much-needed capital to create jobs and businesses in the region. KHIC is also the lead entity for the EZ. In 1997, it was awarded a Department of Treasury CDFI grant of $450,000 to enhance its investment capacity.
    - KHIC's risk capital investments have generated 5,200 jobs – accounting for 40% of all manufacturing jobs in the region and 6% of the area's total labor force.
    - President Clinton proposed and created the CDFI Fund in 1994, which is helping to create a network of CDFIs like KHIC in distressed areas across the country through grants, loans, and equity investments.

NEW MARKETS INITIATIVE

Appalachian Region



Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions. Prepared by the Geography Division in cooperation with the Population and Housing and Household Economic Statistics Divisions, U.S. Bureau of the Census. Data and map generated on June 29, 1999.

40 0 40 80 Miles

Appalachian Region
State
County
Selected Place

BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT RECORD

July 5, 1999

TODAY'S ANNOUNCEMENT BUILDS ON PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES

Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

Helping to Bring Private Enterprise and Capital to Distressed Areas. The Clinton-Gore Administration has renewed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

- *Strengthened and Simplified the Community Reinvestment Act (CRA).* In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than $1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992. Banks made $18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

- *Created the Community Development Financial Institutions Fund.* Proposed and signed into law by the President in 1994, the CDFI Fund, through grants, loans, and equity investments, is helping to create a network of community development financial institutions (CDFIs) in distressed areas across the United States. The CDFI Fund's activities leverage private sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made more than $190 million in awards to community development institutions and financial institutions. This investment is expected in the next two to three years to leverage three to four times the amount of the investments in total capital raised for CDFI's. There are approximately 270 CDFIs certified by the CDFI Fund throughout the nation. In FY 1999, funding for the CDFI Fund was increased 19 percent to $95 million from $80 million.

- *135 Empowerment Zones and Enterprise Communities.* The Clinton Administration has designated 135 urban and rural Empowerment Zones (EZs) and Enterprise Communities (ECs) across the country. This includes a First Round of EZ and ECs, designated in 1994 and a Second Round, designated in January, 1999. Designated communities were chosen on the basis of their strategic revitalization plans, and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over $10 billion in additional public and private sector investment in community revitalization efforts. The First Round EZ/EC initiative was proposed by President Clinton and passed by Congress in 1993. The Second Round was also proposed by the

President, and the President and Congress, in FY 1999, provided first-year funding for the new EZs and ECs.

- *The Economic Development Initiative and Section 108 Loan Guarantee.* EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded $3.5 billion for more than 650 separate project commitments.

Helping to Bring Jobs and Opportunity to Distressed Areas. A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:

- *$3 Billion Welfare-to-Work Jobs Initiative.* The Clinton Administration fought for a $3 billion welfare-to-work jobs initiative, as part of the Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

- *Welfare-to-Work Tax Credit and Work Opportunity Tax Credit.* The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit (WOTC), which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

- *Community Development Block Grant (CDBG) Expansion.* President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from $4.750 billion in FY 1999 to $4.775 billion in FY 2000, a $25 million expansion this year.

Cleaning Up the Urban Environment through Brownfields Redevelopment. The Clinton-Gore Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHIEVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.
While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities and connect these communities to the economic mainstream. To address this need, President Clinton and Vice President Gore are working on several fronts:

The New Markets Initiative. President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately $15 billion in new investment in urban and rural areas through:

- *The New Markets Tax Credit.* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). 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.

- *America's Private Investment Companies (APICs).* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to $1.5 billion in investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas.

- *SBIC's Targeted to New Markets.* For over 40 years, 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 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. SBA now will be offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in underserved areas.

- *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.

- *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 made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.

- *Microenterprise Lending and Technical Assistance.* Microenterprise initiatives in the FY 2000 budget include the proposed PRIME Act, under which the CDFI Fund will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over $75 million in new microlending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

Additional Initiatives Designed to Improve Conditions In Underserved Rural & Urban Communities: President Clinton and Vice-President Gore have proposed the expansion or estabilishment of the following additional initiatives designed to create the conditions for economic success by encouraging new investment in urban and rural areas:

- ***Empowerment Zones and Enterprise Communities.*** The FY 2000 budget proposes full funding for ten years for the Second Round of Empowerment Zones and Enterprise Communities, which were designated in January, 1999. This includes $100 million over ten years for urban EZs; $40 million over ten years for rural EZs; and $3 million for rural ECs. The FY 2000 budget also includes $50 million to create a new Regional Empowerment Zone Program to assist First and Second-Round urban EZ and ECs in linking their economic development strategies to their broader regional economies.

- *Regional Connections.* Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at $50 million in FY 2000.

- *The Economic Development Initiative and Section 108 Loan Guarantee Program.* This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.

- *Community Development Financial Institutions (CDFI) Fund.* The budget proposes to expand funding for the CDFI Fund to $125 million--a $30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.

- *BusinessLINC.* The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for 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.

- *Low-Income Housing Tax Credit.* Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level and helping to an create additional 150,000-180,000 new low-income rental housing units over the next five years.

- *Play-by-the-Rules.* This program will allow renters with solid payment track records to own a home. The 2000 Budget proposes a second round of $15 million for this initiative.

- *Helping America's Communities Redevelop Abandoned Buildings.* Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

THE CLINTON/GORE ECONOMIC RECORD:

Continued Strong Growth Across the Board

July 5, 1999

After Six and a Half Years, The Results of President Clinton and Vice President Gore's Economic Leadership for the American People Are Clear. Six years ago, President Clinton and Vice President Gore put in place a bold new three-part economic strategy of cutting the deficit to help reduce interest rates and spur business investment; investing in education, health care, science and technology so that America was prepared to meet the challenges of the 21st century. Today, many more Americans are sharing in the new economic prosperity and joining the circle of opportunity.

Deficit Eliminated: The First Budget Surplus in A Generation

- **1992.** The deficit was $290 billion -- the highest dollar level in history. When President Clinton took office, the deficit was projected to hit $357 billion in 1998, and head higher. [Source: CBO]
- **Today.** Last year, for the first time since 1969, we had a budget surplus of $70 billion -- the largest dollar surplus on record and the largest as a share of our economy since the 1950s. With the President's plan, we are now on track to *also* eliminate the nation's publicly held *debt* by 2015. [Source: OMB]

Faster Economic Growth: 3.5% Per Year

- **1981-1992.** The economic grew an average 1.3 % per year under President Bush and 2.4 % per year during the Reagan-Bush years.
- **Today.** Since President Clinton took office, growth has averaged 3.5 % per year. [Source: US Department of Commerce.]

Private-Sector Growth Is Up: 4.0% Per Year

- **1981-1992.** The private sector of the economy grew 2.4 % annually from 1981-1992.
- **Today.** The private sector of the economy has grown 4.0 % annually -- that's the fastest rate of private-sector growth since the Johnson Administration. [Source: Based on data from the Department of Commerce]

Productive Business Investment Is Fueling Strong Growth: Fastest Since Kennedy

- **1988-1992.** Real business investment rose just 1.9 % annually during the previous Administration.
- **Today.** Real productive business investment is up 12.3 % per year -- faster than any Administration since President Kennedy. [Source: Department of Commerce]

Jobs Are Up: 18.9 Million Created Since January 1993

- **1988-1992.** The private-sector was barely creating jobs and had experienced one of the worst four-year periods of job growth in history.
- **Today.** The economy has created more than 18.9 million new jobs since January 1993, with 17 million in the private sector alone, at a faster annual growth rate than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics]

Unemployment Is Down: The Lowest Rate in 29 Years

- **1981-1992.** The unemployment rate averaged 7.1 % and rose to more than 10 % in 1982 and 1983.
- **Today.** In June, the unemployment rate was 4.3 % -- the lowest level in 29 years. The unemployment rate has been below 5 % for 24 consecutive months. [Source: BLS]

Unemployment for African Americans is Lowest On Record

- **1981-1992:** African American unemployment reached 21.2 % in January 1983-- a record high, and never dropped below 10 %.
- **Today.** The African-American unemployment rate has fallen from 14.1 % in January 1993 to 7.3 % in June 1999 – a record low.

Unemployment for Hispanics Recovered From Record Highs to Achieve Record Lows

- **1981-1992.** Hispanic unemployment hit a record high of 15.7 % in 1982.
- **Today.** Hispanic unemployment hit a record low of 5.8% in 1999.

Quality Time
in Heber

Real Wages Rising Again: Fastest Growth in Two Decades

- **1981-1992.** Real average hourly earnings *fell* 4.3 % under Presidents Reagan and Bush. [Source: BLS.]
- **Today.** Real wages grew 6.2 % under President Clinton. In 1998, real wages were up 2.7% -- that's the fastest annual real wage growth in over 20 years.

Real Wages for African Americans Rising Sharply After A Decade of Decline

- **1981-1991.** Median weekly earnings dropped 3%, after adjusting for inflation.
- **Today.** Median weekly earnings rose 7.3% between 1996 and 1998, after adjusting for inflation (Source: Bureau of Labor Statistics).

Real Wages for Hispanics Rising After A Decade of Sharp Decline

- **1981-1991.** Median weekly earnings dropped 8.5%, after adjusting for inflation.
- **Today.** Median weekly earnings rose 3.8% between 1996 and 1998, after adjusting for inflation (Source: Bureau of Labor Statistics).

Poverty For African-Americans Dropped to Lowest On Record

- **1981-1992.** Between 1980-1992, the poverty rate for African American remained at 30% or more.
- **Today.** The poverty rate for African Americans dropped to 26.5 % -- the lowest on record and lifting 1.8 million people out of poverty since 1993. [Source: Bureau of the Census]

Family Income Up More Than $3,500 Since 1993

- **1988-1992.** Median family income, adjusted for inflation, *fell* by $1,835, dropping from $43,674 in 1988 to $41,839 in 1992.
- **Today.** Since 1993, real median family income has increased by $3,517, rising from $41,051 in 1993 to $44,568 in 1997. [Source: Bureau of the Census]

Welfare Rolls Dropped Dramatically: Lowest Since 1970

- **1981-1992.** The number of welfare recipients increased by almost 2.5 million (a 22 % increase) to 13.6 million people.
- **Today.** The number of welfare recipients dropped by almost 5.5 million (a 38% decline) to 8.8 million between 1994 and 1998 – the lowest since 1970. (Source: Department of Housing and Urban Development.)

Homeownership Is Up: The Highest in American History

- **1981-1992.** The homeownership rate *fell* from 65.6 % in the first quarter of 1981 to 63.7 % in the first quarter of 1993. [Source: Bureau of the Census]
- **Today.** Two-thirds of American households now own their own home -- the highest percentage in American history. Under President Clinton, more than 7 million families have become new homeowners.

The World's Most Competitive Economy Again

- **1992.** In 1992, the World Economic Forum found that Japan, Germany, Denmark, and Switzerland all had more competitive economies than the United States.
- **Today.** In 1994, United States was declared the world's most competitive economy -- for the first time in a decade. The United States remained #1 in 1995, 1996, 1997, and 1998. [Source: World Economic Forum and IMD.]

PRESIDENT CLINTON'S NEW MARKETS TRIP

Highlighting the Need for Investment in Appalachia

July 5, 1999

TODAY, PRESIDENT CLINTON KICKED OFF HIS NEW MARKETS TRIP BY VISITING EASTERN KENTUCKY IN APPALACHIA. President Clinton launched his New Markets tour today by visiting Eastern Kentucky to highlight the economic distress in Appalachia. Despite a growing economy, Appalachia has not shared fully in the Nation's prosperity. President Clinton's New Markets trip builds on his strong community empowerment record by mobilizing corporate America to recognize the untapped economic potential of areas such as Appalachia.

APPALACHIA HAS NOT SHARED FULLY IN THE NATION'S ECONOMIC PROSPERITY. While Appalachia has seen its poverty rate drop and its per capita income rise since 1993, there are still 32 counties in Appalachia with poverty rates higher than 30% (the most recent year data are available).

- Lower Incomes. The per capita income of the entire Appalachian region is just 71% of the national average.
- Higher Poverty Rates. The situation is particularly difficult in the Kentucky Highlands Empowerment Zone, consisting of Clinton, Jackson and Wayne Counties. The poverty rate was 33.3% in 1995 – more than twice the national average.
- Education. In the Kentucky Highlands Empowerment Zone, 57% of those people over 25 years old do not have a high school diploma.

HOWEVER, THE KENTUCKY HIGHLANDS HAS BENEFITTED FROM PUBLIC AND PRIVATE SECTOR EFFORTS. The Kentucky Highlands Empowerment Zone (EZ) and the Kentucky Highlands Investment Corporation (KHIC), a venture capital fund and CDFI, have helped to bring investment and capital to the Kentucky Highlands.

- In December, 1994, the Kentucky Highlands EZ was designated as part of the Clinton Administration's first round of EZs/ECs. Since then, the EZ has focused on encouraging private-sector investment. New businesses financed in part through the EZ have created 1,902 new jobs and are committed to hire an additional 1,300 positions.
- KHIC provides much-needed capital to create jobs and businesses in the region. In 1997, it was awarded a CDFI grant of $450,000 to enhance its investment capacity.
    - KHIC's risk capital investments have generated 5,200 jobs – accounting for 40% of all manufacturing jobs in the region and 6% of the area's total labor force.
    - Businesses such as Mid-South Electric, which President Clinton is visiting today, have received assistance from KHIC.
    - In 1994, President Clinton created the CDFI Fund, and it is helping to create a network of CDFIs like KHIC in distressed areas across the country through grants, loans, and equity investments.

PRESIDENT CLINTON WAS JOINED BY A NUMBER OF CEOS AND ECONOMIC DEVELOPMENT LEADERS TO HIGHLIGHT THE POTENTIAL FOR NEW INVESTMENTS IN APPALACHIA. To focus attention on the investment potential of Appalachia, President Clinton was joined today by Richard Huber (CEO, Aetna), Duane Ackerman (CEO, BellSouth), Kip Stolen (President, Bank One of Central Kentucky). Also, joining the President were Rev. Jesse Jackson, Jesse White (Pres., Appalachian Regional Commission), Al From, Sara Gould, (Exec. VP, Ms. Foundation for Women), and David Wilhelm (Wilhelm & Conlon).

TODAY, AS PART OF PRESIDENT CLINTON'S NEW MARKETS TRIP, CORPORATE AND ECONOMIC DEVELOPMENT LEADERS ANNOUNCED THE FOLLOWING COMMITMENTS, AMONG OTHERS:

- **First Union National Bank** has pledged to provide at least $5 million for small business equity, micro-loans, and economic development programs in 1999 and 2000 in the Appalachia region.
- **Bank One** anticipates investing $1 million in the new Appalachian Ohio Development Fund that will provide equity financing and technical assistance to small businesses in Southern Ohio.
- **Bell South** will announce a partnership with the Kentucky Community and Technical College System to place 100 successful participants into service technician and customer contact representative positions within Bell South, or within other companies in the state.
- **Deutsche Bank/BankersTrust** has committed to make an investment of $2.9 million to the Kentucky Highlands Investment Corporation over time.
- **Sykes Enterprises,** a high-tech company, has announced that it will build two new technical support centers in Eastern Kentucky. The new 42,500 square foot state-of-the-art call centers are expected to be fully operational in the fourth quarter of 1999, bringing jobs to Eastern Kentucky.
- **Ms. Foundation for Women** will launch the third round of their Collaborative Fund for Women's Economic Development through which grantmakers will capitalize funds of at least $4 million. The Fund has supported groups such as ACEnet (Appalachia Center for Economic Networks), a leader among non-profits for creating business opportunities in rural Ohio.
- **Appalachian Regional Commission** is committing over $1 million for economic development purposes in Appalachian Kentucky, West Virginia, and Tennessee.

THROUGHOUT THE WEEK, PRESIDENT CLINTON WILL MAKE ADDITIONAL ANNOUNCEMENTS ABOUT INVESTMENT COMMITMENTS THAT WILL BENEFIT UNDERSERVED COMMUNITIES, INCLUDING:

- New CDFI Commitments. New commitments to 14 CDFIs around the country.
- Major New Fund for Underserved Communities. An announcement by a major financial institution about the creation of a new venture capital fund that will be targeted to underserved markets and that will make available several hundred million dollars in equity capital to small businesses.
- Private Effort for Young People. Commitments from dozens of companies to hire thousands of out-of-school youth and disadvantaged young people throughout the nation.

An Overview of President Clinton's Trip to America's New Markets

July 5-8, 1999

Under President Clinton and Vice President Gore, America is Enjoying a Time of Remarkable Economic Expansion. The strength and historic duration of our current economic expansion has helped bring economic opportunity to millions of people once cut off from the economic mainstream. Wages are rising and welfare rolls are shrinking. The economy has created nearly 19 million new jobs since January 1993. Unemployment has dropped from 7.2 % to just 4.3 %. But there is more work to do, particularly in those communities that are economically underserved, such as Appalachia, the Mississippi Delta, inner cities, Native American communities, and others.

President Clinton's Trip will Focus Attention on America's New Markets – Untapped Areas for Potential Investment. From July 5-8, President Clinton will lead a delegation of CEOs, Members of Congress and Cabinet secretaries on an unprecedented trip of untapped markets in the following communities:

- 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

These Communities Are in Need of Capital and Investment. This tour will shine a spotlight not only on the needs of these communities, but also on the great potential for growth, profit, and economic opportunity in these untapped markets.

- Appalachia. While Appalachia has seen its poverty rate drop and its per capita income rise since 1993, 32 counties in Appalachia have poverty rates higher than 30%. In addition, the per capita income of the entire Appalachian region is just 71% of the national average. In the Kentucky Highlands Empowerment Zone, 57.3% of people over the age of 25 do not have a high school diploma.
- Mississippi Delta. The poverty rate in the Delta is 20.9%, and 28 counties within the Delta have poverty rates above 30%. Per capita income for the region was $17,003 in 1997, just 67% of the national average.
- Inner Cities. Nearly one-in-three inner cities nationally, or 170 cities total, had poverty rates of 20% or more in 1995.
- Native American Communities. In 1997, half of the Native American workforce remained unemployed, compared to the national rate of 4.9%. Some reservations have unemployment rates much higher, such as 80% for the Cheyenne River Sioux Tribe, and 73% for the Oglala Sioux Tribe in Pine Ridge, South Dakota.

Mobilizing the Private Sector. On this trip, the President will mobilize a large and broad array of private-sector investments in our untapped domestic markets. The following are just a few of the significant new commitments that the private and public sectors are making to America's New Markets:

- First Union, Bank One, BellSouth, Bankers Trust, and others investing in Appalachia.
- New commitments to 14 Community Development Financial Institutions around the country.
- An announcement by a major financial institution about the creation of a new venture capital fund that will be targeted to underserved inner-city markets and that will make available several hundred million dollars in equity capital to small businesses.
- Commitments from dozens of companies to hire thousands of out-of-school youth and disadvantaged young people throughout the nation.

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. Later this month, the President will announce legislation 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.

THE CLINTON/GORE ECONOMIC RECORD:

Continued Strong Growth Across the Board

July 5, 1999

After Six and a Half Years, The Results of President Clinton and Vice President Gore's Economic Leadership for the American People Are Clear. Six years ago, President Clinton and Vice President Gore put in place a bold new three-part economic strategy of cutting the deficit to help reduce interest rates and spur business investment; investing in education, health care, science and technology so that America was prepared to meet the challenges of the 21st century. Today, many more Americans are sharing in the new economic prosperity and joining the circle of opportunity.

Deficit Eliminated: The First Budget Surplus in A Generation

- **1992.** The deficit was $290 billion -- the highest dollar level in history. When President Clinton took office, the deficit was projected to hit $357 billion in 1998, and head higher. [Source: CBO]
- **Today.** Last year, for the first time since 1969, we had a budget surplus of $70 billion -- the largest dollar surplus on record and the largest as a share of our economy since the 1950s. With the President's plan, we are now on track to *also* eliminate the nation's publicly held *debt* by 2015. [Source: OMB]

Faster Economic Growth: 3.5% Per Year

- **1981-1992.** The economic grew an average 1.3 % per year under President Bush and 2.4 % per year during the Reagan-Bush years.
- **Today**. Since President Clinton took office, growth has averaged 3.5 % per year. [Source: US Department of Commerce.]

Private-Sector Growth Is Up: 4.0% Per Year

- **1981-1992.** The private sector of the economy grew 2.4 % annually from 1981-1992.
- **Today.** The private sector of the economy has grown 4.0 % annually -- that's the fastest rate of private-sector growth since the Johnson Administration. [Source: Based on data from the Department of Commerce]

Productive Business Investment Is Fueling Strong Growth: Fastest Since Kennedy

- **1988-1992.** Real business investment rose just 1.9 % annually during the previous Administration.
- **Today.** Real productive business investment is up 12.3 % per year -- faster than any Administration since President Kennedy. [Source: Department of Commerce]

Jobs Are Up: 18.9 Million Created Since January 1993

- **1988-1992.** The private-sector was barely creating jobs and had experienced one of the worst four-year periods of job growth in history.
- **Today.** The economy has created more than 18.9 million new jobs since January 1993, with 17 million in the private sector alone, at a faster annual growth rate than any Republican Administration since the 1920s. [Source: Bureau of Labor Statistics]

Unemployment Is Down: The Lowest Rate in 29 Years

- **1981-1992.** The unemployment rate averaged 7.1 % and rose to more than 10 % in 1982 and 1983.
- **Today.** In June, the unemployment rate was 4.3 % -- the lowest level in 29 years. The unemployment rate has been below 5 % for 24 consecutive months. [Source: BLS]

Unemployment for African Americans is Lowest On Record

- **1981-1992:** African American unemployment reached 21.2 % in January 1983-- a record high, and never dropped below 10 %.
- **Today.** The African-American unemployment rate has fallen from 14.1 % in January 1993 to 7.3 % in June 1999 – a record low.

Unemployment for Hispanics Recovered From Record Highs to Achieve Record Lows

- **1981-1992.** Hispanic unemployment hit a record high of 15.7 % in 1982.
- **Today.** Hispanic unemployment hit a record low of 5.8% in 1999.

Real Wages Rising Again: Fastest Growth in Two Decades

- **1981-1992.** Real average hourly earnings *fell* 4.3 % under Presidents Reagan and Bush. [Source: BLS.]
- **Today.** Real wages grew 6.2 % under President Clinton. In 1998, real wages were up 2.7% -- that's the fastest annual real wage growth in over 20 years.

Real Wages for African Americans Rising Sharply After A Decade of Decline

- **1981-1991.** Median weekly earnings dropped 3%, after adjusting for inflation.
- **Today.** Median weekly earnings rose 7.3% between 1996 and 1998, after adjusting for inflation (Source: Bureau of Labor Statistics).

Real Wages for Hispanics Rising After A Decade of Sharp Decline

- **1981-1991.** Median weekly earnings dropped 8.5%, after adjusting for inflation.
- **Today.** Median weekly earnings rose 3.8% between 1996 and 1998, after adjusting for inflation (Source: Bureau of Labor Statistics).

Poverty For African-Americans Dropped to Lowest On Record

- **1981-1992.** Between 1980-1992, the poverty rate for African American remained at 30% or more.
- **Today.** The poverty rate for African Americans dropped to 26.5 % -- the lowest on record and lifting 1.8 million people out of poverty since 1993. [Source: Bureau of the Census]

Family Income Up More Than $3,500 Since 1993

- **1988-1992.** Median family income, adjusted for inflation, *fell* by $1,835, dropping from $43,674 in 1988 to $41,839 in 1992.
- **Today.** Since 1993, real median family income has increased by $3,517, rising from $41,051 in 1993 to $44,568 in 1997. [Source: Bureau of the Census]

Welfare Rolls Dropped Dramatically: Lowest Since 1970

- **1981-1992.** The number of welfare recipients increased by almost 2.5 million (a 22 % increase) to 13.6 million people.
- **Today.** The number of welfare recipients dropped by almost 5.5 million (a 38% decline) to 8.8 million between 1994 and 1998 – the lowest since 1970. (Source: Department of Housing and Urban Development.)

Homeownership Is Up: The Highest in American History

- **1981-1992.** The homeownership rate *fell* from 65.6 % in the first quarter of 1981 to 63.7 % in the first quarter of 1993. [Source: Bureau of the Census]
- **Today.** Two-thirds of American households now own their own home -- the highest percentage in American history. Under President Clinton, more than 7 million families have become new homeowners.

The World's Most Competitive Economy Again

- **1992.** In 1992, the World Economic Forum found that Japan, Germany, Denmark, and Switzerland all had more competitive economies than the United States.
- **Today.** In 1994, United States was declared the world's most competitive economy -- for the first time in a decade. The United States remained #1 in 1995, 1996, 1997, and 1998. [Source: World Economic Forum and IMD.]

BACKGROUND ON THE CLINTON-GORE ADMINISTRATION'S COMMUNITY DEVELOPMENT RECORD

July 5, 1999

TODAY'S ANNOUNCEMENT BUILDS ON PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S SIX-YEAR RECORD OF PROMOTING GROWTH AND OPPORTUNITY IN AMERICA'S COMMUNITIES

Since 1993, President Clinton and Vice President Gore have been committed to tapping the potential of America's urban and rural communities. They have a demonstrated record of creating new initiatives and expanding existing initiatives to promote community and economic development. The Clinton-Gore Administration has worked with the private sector, states, and localities to help revitalize America's communities by bringing capital, jobs, and opportunity to distressed areas and cleaning up the urban environment. President Clinton and Vice President Gore have created or expanded the following initiatives over the last six years:

Helping to Bring Private Enterprise and Capital to Distressed Areas. The Clinton-Gore Administration has renewed the commitment of the Federal government to help bring private enterprise into underserved communities and improve access to capital for low-income households, minorities, and traditionally underserved borrowers.

- *Strengthened and Simplified the Community Reinvestment Act (CRA).* In April 1995, the Clinton Administration reformed the CRA regulations to emphasize performance. According to the National Community Reinvestment Coalition (NCRC), the private sector has pledged more than $1 trillion going forward in loans to distressed communities – and more than 95 percent of these financial commitments have been made since 1992. Banks made $18.6 billion in community development loans in 1997 alone. Lending to minority and low-income borrowers is also on the rise.

- *Created the Community Development Financial Institutions Fund.* Proposed and signed into law by the President in 1994, the CDFI Fund, through grants, loans, and equity investments, is helping to create a network of community development financial institutions (CDFIs) in distressed areas across the United States. The CDFI Fund's activities leverage private sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has made more than $190 million in awards to community development institutions and financial institutions. This investment is expected in the next two to three years to leverage three to four times the amount of the investments in total capital raised for CDFI's. There are approximately 270 CDFIs certified by the CDFI Fund throughout the nation. In FY 1999, funding for the CDFI Fund was increased 19 percent to $95 million from $80 million.

- *135 Empowerment Zones and Enterprise Communities.* The Clinton Administration has designated 135 urban and rural Empowerment Zones (EZs) and Enterprise Communities (ECs) across the country. This includes a First Round of EZ and ECs, designated in 1994 and a Second Round, designated in January, 1999. Designated communities were chosen on the basis of their strategic revitalization plans, and receive special incentives and resources to help carry out their plans. The EZ/EC initiative has already leveraged over $10 billion in additional public and private sector investment in community revitalization efforts. The First Round EZ/EC initiative was proposed by President Clinton and passed by Congress in 1993. The Second Round was also proposed by the President, and the President and Congress, in FY 1999, provided first-year funding for the new EZs and ECs.

- *The Economic Development Initiative and Section 108 Loan Guarantee.* EDI grants are used to infuse capital into community development projects, enhancing the debt financing provided by the Section 108 loan guarantee program. Together, the programs support critical economic development in distressed communities. Estimated jobs supported by EDI and the Section 108 loan guarantee have grown by 300,000 from 1994 to 1998. During this time period EDI and the Section 108 loan guarantee program have funded $3.5 billion for more than 650 separate project commitments.

Helping to Bring Jobs and Opportunity to Distressed Areas. A cornerstone of the Administration's community empowerment agenda is helping to bring jobs and opportunity back to distressed areas:

- *$3 Billion Welfare-to-Work Jobs Initiative.* The Clinton Administration fought for a $3 billion welfare-to-work jobs initiative, as part of the Balanced Budget Agreement. The Administration is implementing these welfare-to-work grants directly to both cities and states for allocating additional resources to help long-term, hard-to-serve welfare recipients find and keep jobs.

- *Welfare-to-Work Tax Credit and Work Opportunity Tax Credit.* The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Agreement, provides a credit equal to 35 percent of the first $10,000 in wages in the first year of employment, and 50 percent of the first $10,000 in wages in the second year, to encourage the hiring and retention of long-term welfare recipients. This credit complements the Work Opportunity Tax Credit (WOTC), which expands eligible businesses to include those who hire young adults living in Empowerment Zones and Enterprise Communities. In FY 1999, the President requested and Congress accepted extending the credit through June 30, 1999.

- *Community Development Block Grant (CDBG) Expansion.* President Clinton's FY 2000 budget included an expansion of CDBG. The final budget increases funding for CDBG from $4.750 billion in FY 1999 to $4.775 billion in FY 2000, a $25 million expansion this year.

Cleaning Up the Urban Environment through Brownfields Redevelopment. The Clinton-Gore Administration has launched a landmark effort, including the Brownfields Tax Incentive, to clean up and redevelop Brownfields sites. In total, the Brownfields action agenda has marshaled funds to clean up and redevelop up to 5,000 properties, leveraging between $5 billion and $28 billion in private investment and creating and supporting 196,000 jobs.

PRESIDENT CLINTON AND VICE PRESIDENT GORE ARE BUILDING ON THEIR PAST ACHIEVEMENTS THROUGH A NUMBER OF NEW INITIATIVES THIS YEAR.
While Americans are enjoying the fruits of our strong economy, we still need to do more to improve conditions in underserved urban and rural communities and connect these communities to the economic mainstream. To address this need, President Clinton and Vice President Gore are working on several fronts:

The New Markets Initiative. President Clinton's FY 2000 balanced budget provides a new initiative designed to create the conditions for economic success by prompting approximately $15 billion in new investment in urban and rural areas through:

- *The New Markets Tax Credit.* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). 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.

- *America's Private Investment Companies (APICs).* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets, by leveraging up to $1.5 billion in investment in new development projects and larger businesses that are expanding or relocating in inner city and rural areas.

- *SBIC's Targeted to New Markets.* For over 40 years, 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 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. SBA now will be offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in underserved areas.

- *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.

- *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 made by a lender to a creditworthy small businesses that cannot otherwise secure financing on reasonable terms. Firms must have a strategy to target lending to underserved areas.

- *Microenterprise Lending and Technical Assistance.* Microenterprise initiatives in the FY 2000 budget include the proposed PRIME Act, under which the CDFI Fund will provide microenterprise technical assistance through competitive grants to microenterprise development organizations that focus on low-income entrepreneurs. President Clinton's and Vice President Gore's proposal also includes a doubling of support for technical assistance in SBA's Microloan Program and a doubling of support for SBA lending to leverage over $75 million in new microlending. The microenterprise strategy will also involve new funding for Individual Development Accounts (IDAs) and for SBA's One-Stop Capital Shops.

Additional Initiatives Designed to Improve Conditions In Underserved Rural & Urban Communities: President Clinton and Vice-President Gore have proposed the expansion or estabilishment of the following additional initiatives designed to create the conditions for economic success by encouraging new investment in urban and rural areas:

- ***Empowerment Zones and Enterprise Communities.*** The FY 2000 budget proposes full funding for ten years for the Second Round of Empowerment Zones and Enterprise Communities, which were designated in January, 1999. This includes $100 million over ten years for urban EZs; $40 million over ten years for rural EZs; and $3 million for rural ECs. The FY 2000 budget also includes $50 million to create a new Regional Empowerment Zone Program to assist First and Second-Round urban EZ and ECs in linking their economic development strategies to their broader regional economies.

- *Regional Connections.* Regional Connections will provide competitive funding to States and partnerships of local governments to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictional lines. Regional Connections, as part of the Administrations' Livability Agenda, will complement existing federal programs that respond to growth and investment patterns. The budget proposes funding at $50 million in FY 2000.

- *The Economic Development Initiative and Section 108 Loan Guarantee Program.* This program supports critical economic development in distressed communities in conjunction with the Section 108 loan guarantee program to help bring economic development to residents. In FY 2000 many projects will be eligible to participate in the Community Empowerment Fund Trust, a pilot program, which will enable the pooling of loans and the creation of a private sector secondary market for economic development loans. The CEF specifically targets Welfare-to-Work and City-Suburb Business Connections, building upon the success of HUD's EDI and Section 108 loan guarantee program.

- *Community Development Financial Institutions (CDFI) Fund.* The budget proposes to expand funding for the CDFI Fund to $125 million--a $30 million increase from 1999. The Fund increases the availability of credit, investment capital, financial services, and other development services in distressed communities.

- *BusinessLINC.* The President's FY 2000 budget includes seed money to expand Business LINC --- an innovative public-private partnership launched by Vice President Gore --- for 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.

- *Low-Income Housing Tax Credit.* Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. While building costs have increased 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level and helping to an create additional 150,000-180,000 new low-income rental housing units over the next five years.

- *Play-by-the-Rules.* This program will allow renters with solid payment track records to own a home. The

2000 Budget proposes a second round of $15 million for this initiative.

- *Helping America's Communities Redevelop Abandoned Buildings.* Redevelopment of Abandoned Buildings, as part of the Administrations' "Livability Agenda," would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single-family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings.

Background Information on Appalachia and the Kentucky Highlands

July 5, 1999

GEOGRAPHY AND DEMOGRAPHY OF APPALACHIA

- With a total population of 22.2 million, the region includes 406 counties, comprising all of West Virginia and parts of 12 other states. Appalachia extends more than a thousand miles from the southwestern part of New York state to northeast Mississippi, as the attached map shows. States that comprise Appalachia include: West Virginia (all), New York (southwest) Pennsylvania (most of state), Ohio (southeast), Maryland (northwest), Kentucky (east), Virginia (southwest), North Carolina (western), South Carolina (northwest), Tennessee (eastern), Georgia (north), Alabama (north, central), Mississippi (northeast). (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999). More than 90 % of the population is white across the region, compared to 82.7% nationally; 8.1 % is African-American compared to 12.7 % nationally, and 1 % Hispanic, compared to 11% nationally. (US Census Bureau).

STATISTICAL OVERVIEW OF APPALACHIA

- **Real Progress Has Been Achieved in Appalachia.** According to the Appalachian Regional Commission, 58 of the 152 counties that were designated as distressed (defined as having unemployment rates and poverty that are 1 ½ times the national rate) in 1970, have moved out and stayed out of distress. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

  - Unemployment Dropped in Some Counties. For example, the unemployment rate in Bath County, KY dropped form 11.9% to 5.5%, Clay County, AL dropped from 10.9 % to 3.5%; Montgomery County, KY, dropped from 10.5% to 4.2%; Raleigh County, WV, dropped from 13.2% to 7.5%; Jackson County, KY dropped from 9.3% to 4.5%, between 1993 and 1998. (Bureau of Labor Statistics).

  - Per Capita Income Rose. While per capita income is only 71 % of the national average, it rose 17% between 1993 and 1997 to $17,972, just slightly slower than the 19% increase nationally. (US Census Bureau).

  - Educational Attainment Has Improved For the Younger Generation. Appalachian youth age 18-24 now have high school degree at a slightly higher rate than the nation as a whole -- 77 % for Appalachia compared to 76 % for the nation. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

- **But There Remain Significant Pockets of Poverty and Distress.** In FY99, 108 counties (27%) of the Appalachian Region's are distressed (defined as having unemployment rates and poverty and that are 1 ½ times the national rate). (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

  - Unemployment Rates are Very High in Many Counties. 40 counties have unemployment rates of more than 10%. For example, Russel County, KY faces an unemployment rate of

26.3%; Green County, KY, 17.3%; Adair County, KY, 15.9%; Buchanan County, VA; 14.1%; Harlan County, KY, 12.3%. (Bureau of Labor Statistics).

- Per Capita Income is Still Low. 71 counties have average per capita incomes less than 60% of the US average in 1997— that is less than $15,173 per capita. Per capita income for the entire region is $17,972, 71% of the national average of $25,288 in 1997. (US Census Bureau).

- Poverty in 32 Appalachian Counties is Higher than 30%. Some of these counties include: Hale County, AL (30.8%); Macon County, AL (34.4%); Clay County, KY (37.3%); Owsley County, KY (46.6%); Wolf, KY (38.9%); Noxubee County, MS (33.9 %); Hankcock County, TN (32.9%); Lincoln County, WV (30.1%); Webster County, WV (35.6%); McCreary County (41.4%). (US Census Bureau).

- Historical Job Growth is Slower than Nation. Job growth between 1969 and 1998 was almost 51 %, lagging the national rate of 69 %. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

- Population is Declining. 71 counties lost population between 1990 and 1997, an increase over 1996 when only 58 counties registered population declines since 1990. (Appalachian Regional Commission, "Appalachian Regional Socioeconomic Trends", 1999).

- Basic Infrastructure is Inadequate in Many Counties. For example, in 27 counties across the region, 20% or more of the homes have no telephone. Nationally, just 5.2% of homes did not have a telephone. (US Census Bureau).

ECONOMIC TRENDS

Economic Transformation. Appalachia's economy has evolved over the last three decades from one which was dependent on heavy industry, agriculture and resource extraction, to one which is more diversified and increasingly reliant on service sector employment. The economic transformation of the region has created large-scale restructuring and adjustment challenges in the wake of long-term reductions in employment in former backbone sectors. Employment in coal mining, for example, dropped from 250,000 in 1979 to 100,000 in 1999 due primarily to technological innovations.

Employment Trends. Similar to the national economy, there has been a large increase in service sector jobs. Compared to the national economy, the region has seen strong employment growth in transportation and utilities, but has generated far fewer jobs in finance insurance and real estate. Appalachia's historic reliance on manufacturing, mining and farm employment continues to pose challenges, as these sectors have declined. Despite these declines, Appalachia remains far more dependent on manufacturing than the rest of the nation. Moreover, the quality of manufacturing in Appalachia is, on average, lower wage and lower productivity, compared to the nation.

Regional Diversity. Once a region of almost uniform poverty, it is now a region of contrasts, ranging from dynamic communities that have successfully developed diversified economies to areas still adjusting to structural changes. Northern Appalachia, with its mature industrial base, is working to enhance the global competitiveness of its existing firms and stimulate new business creation. Central Appalachia, once dominated by coal mining and tobacco farming, is working to diversify. Southern Appalachia, influenced by its nearby urban centers, in striving to link its development to these engines of growth.

Continued progress is needed in many of the areas that are important in the creation of a highly favorable investment climate, including education, physical infrastructure such as highways, and financial sector development.

KENTUCKY HIGHLANDS

Kentucky Highlands is a rural Empowerment Zone consisting of Clinton, Jackson, and Wayne Counties. The population was estimated to be 41,000 in 1996. The most recent data available indicate that the Kentucky Highlands was 98.7 % white. (US Census Bureau)

Statistical Overview

- The unemployment rate in Wayne County was 11.1% in 1998.
- Per capita income was $13,394, just 53% of the national average of $25,288 in 1997. (US Census Bureau).
- The poverty rate was estimated to be 33.3% in 1995 down from 37.8% in 1989, according to the most recent data available. (US Census Bureau).
- Across the Kentucky Highlands Empowerment Zone, as many as 57.3 % of those people over 25 years old do not have a high school diploma. (Department of Housing and Urban Development).

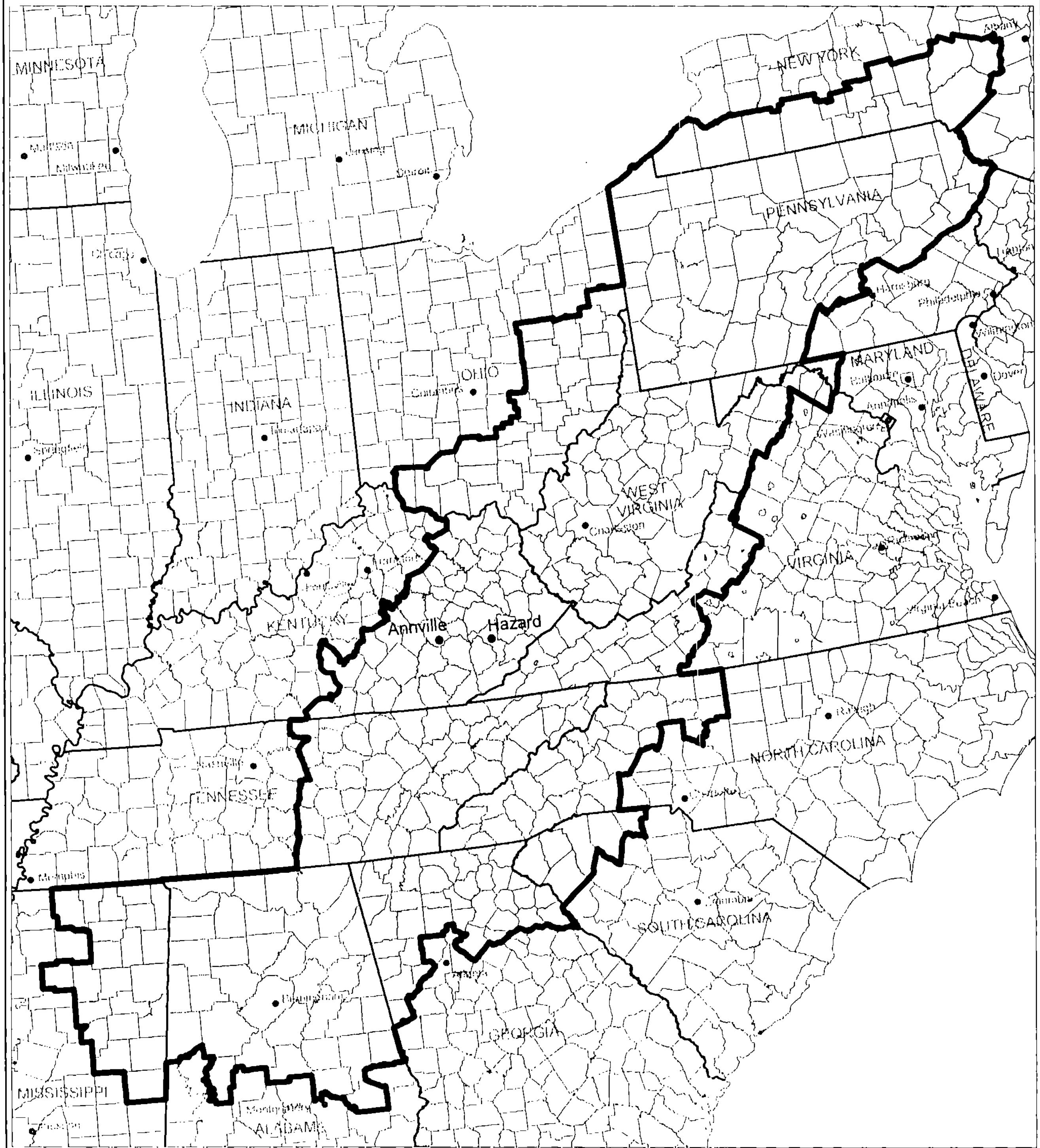
Economic Successes of Kentucky Highlands

- ***The Kentucky Highlands Empowerment Zone*** (EZ), designated in December 1994 as part of President Clinton's and Vice President Gore's first round of EZs and ECs , has focused on encouraging private-sector investment. New businesses financed in part through the EZ have created 1,902 new jobs and are committed to hire an additional 1,300 positions. (USDA)
    - In Jackson County alone, one of the poorest counties in the EZ, five new manufacturers have opened since the EZ designation. (USDA)

- ***The Kentucky Highlands Investment Corporation*** (KHIC) is a venture capital fund and CDFI which provides much-needed capital to create jobs and businesses in the region. KHIC is also the lead entity for the EZ. In 1997, it was awarded a Department of Treasury CDFI grant of $450,000 to enhance its investment capacity.
    - KHIC's risk capital investments have generated 5,200 jobs – accounting for 40% of all manufacturing jobs in the region and 6% of the area's total labor force.
    - President Clinton proposed and created the CDFI Fund in 1994, which is helping to create a network of CDFIs like KHIC in distressed areas across the country through grants, loans, and equity investments.

NEW MARKETS INITIATIVE

Appalachian Region



Based on the 1990 Decennial Census and 1998 Metropolitan Area definitions. Prepared by the Geography Division in cooperation with the Population and Housing and Household Economic Statistics Divisions, U.S. Bureau of the Census. Data and map generated on June 29, 1999.

40 0 40 80 Miles

- Appalachian Region
- State
- County
- Selected Place

THE NEW MARKETS INITIATIVE: PURPOSE, BACKGROUND, & BUDGET IMPACT

The New Markets initiative, as outlined in the President's FY 2000 balanced budget, 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 America's 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 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 will jointly administer this program which will provide up to two times the private capital in loan guarantees. 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. SBA has already begun 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 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.***