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001. fax	DLC Fax including Memo to the President (10 pages)	01/21/2000	Personal Misfile
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COLLECTION:

Clinton Presidential Records
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FOLDER TITLE:

SOTU [State of the Union] [Folder 4] [1]

2015-0274-S

wr10811

RESTRICTION CODES

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

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

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

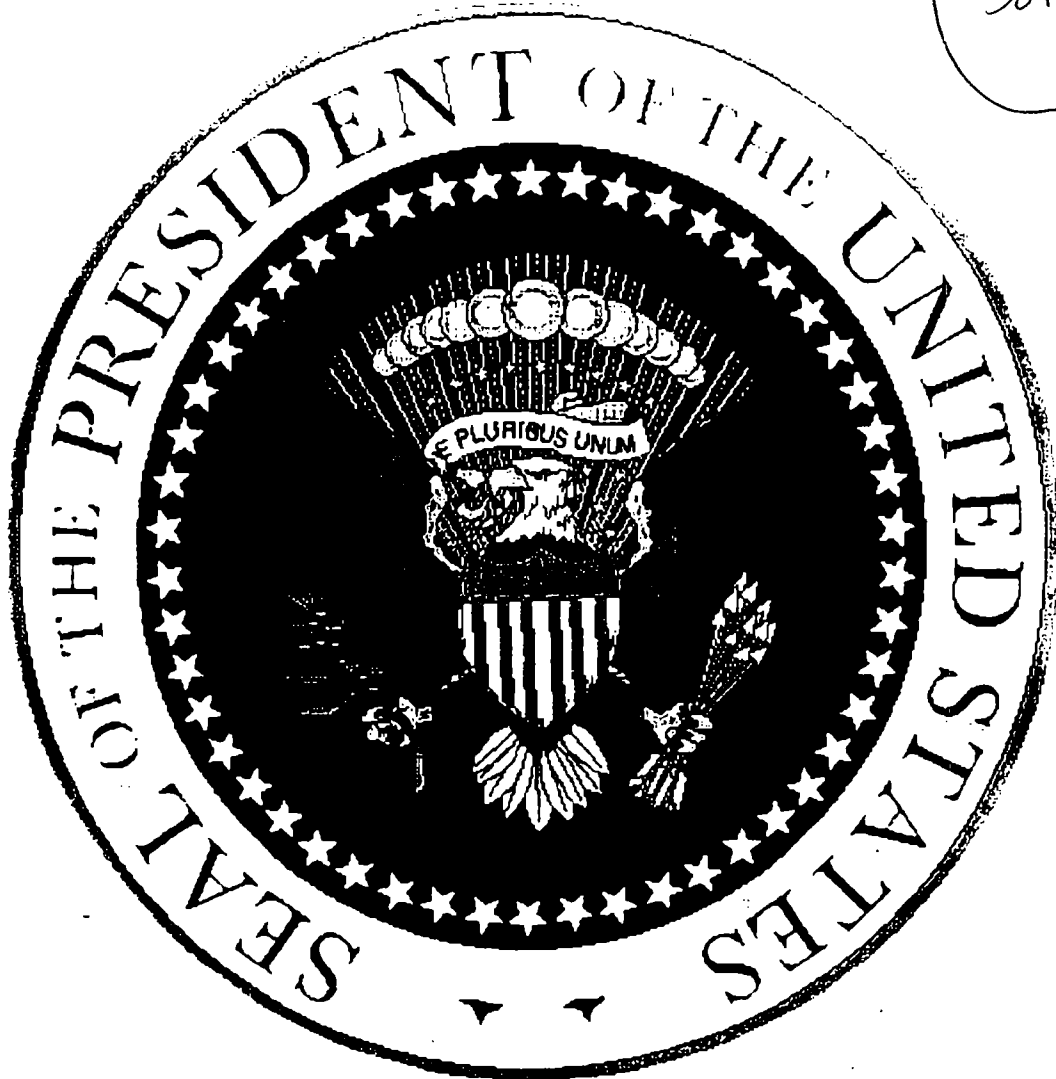
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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

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

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SOTU

***BACKGROUND ON PRESIDENT CLINTON'S
AGENDA FOR THE NATION***

***STATE OF THE UNION ADDRESS
JANUARY 27, 2000***

Outline of President Clinton's State of the Union Address

January 27, 2000

Fiscal Discipline and Economic Prosperity

- Maintaining Fiscal Discipline
- Paying Down the Debt by 2013
- Protecting and Strengthening Social Security
- Nearing the Longest Economic Expansion

Opportunity and Responsibility in Education

- Proposing Largest Head Start Expansion in History
- Promoting Early Learning
- Fixing Failing Schools and Rewarding Success
- Class Size Reduction
- Small, Safe and Successful High Schools
- Teaching to High Standards
- Charter Schools
- School Construction and Modernization
- Preventing Youth Violence
- College Opportunity Tax Cut
- \$1 Billion to Pell Grants, SEOG, etc.
- \$400 Million to Keep Youth on Track for Success

Rewarding Work and Strengthening Families

- Expanding the Earned Income Tax Credit (EITC)
- Minimum Wage Increase
- Ensuring Equal Pay
- Housing Vouchers for Hard-Pressed Working Families
- Homeless Initiative
- Millions Move from Welfare to Work
- New Initiatives to Collect More Child Support
- New Fathers Work/Families Win Grants
- Helping Long-Term Recipients Move from Welfare to Work
- Second Chance Homes
- Helping Low-Income Families Afford Child Care
- Assisting 8 Million Families with Child Care Expenses
- Creating New Child Care Tax Incentives for Businesses
- Supporting High Quality Early Childhood Educators
- Promoting Early Learning
- Campus Based Child Care
- Retirement Security Accounts
- Expand Pension Coverage for Small Businesses
- Tax Relief for Working Families

Health Care

- Patients' Bill of Rights
- Health Insurance Coverage Initiative
- Strengthening and Modernizing Medicare
- Long-Term Care Initiative
- Increasing Federal Mental Health Funding
- Preventing Medical Errors/Improving Care
- Major New Investment to Combat HIV and AIDS

Responsibility and Crime

- 21st Century Policing Initiative
- National Gun Enforcement Initiative
- Funding Innovative Smart Gun Technology
- Passing Common Sense Gun Legislation

Opening New Markets

- New Markets Initiative
- Delta Initiative
- Native American Initiative
- Strengthening the Farm Safety Net
- From Digital Divide to Digital Opportunity

Global Change and American Leadership

- Benefits of Expanding International Trade
- Forging a New Consensus on Trade
- Trade Agreements Enforcement Initiative
- Child Labor
- African Growth and Opportunity Act
- Caribbean Basin Trade Initiative
- Building Democracy Around the World
- Leading a Global Campaign Against AIDS and Disease
- U.S.-China Trade Agreement
- Building Peace in the Middle East
- Bringing Peace to Northern Ireland
- Reversing Ethnic Cleansing in Kosovo
- Protecting Computer Networks Against Cyber Attack
- Combating International Crime
- Aiding Colombia in its Fight Against Drugs
- Debt Relief
- Leading the Way in Global Non-Proliferation
- Maintaining the Strongest Military in the World

Responsibility, Opportunity and the Environment

- Lands Legacy
- Climate Change
- Tax Credits for Energy-Efficiency
- Clean Energy for the 21st Century
- Livable Communities

The Opportunity and Responsibility of Science and Technology

- Major New Investments in Science and Technology
- Protecting Americans' Personal Privacy

Community

Service and Philanthropy

- AmeriCorps and Encouraging Community Service
- Faith-Based and Community Organizations
- Increasing Charitable Giving

One America

- Civil Rights Enforcement
- The Employment Non-Discrimination Act ("ENDA")
- The Hate Crimes Prevention Act
- English Literacy/Civics Initiative
- Fairness to Immigrants

Governmental and Political Reform

- Enact Bipartisan Campaign Finance Reform
- Reinventing Government

FISCAL DISCIPLINE AND NEARING THE LONGEST ECONOMIC EXPANSION IN U.S. HISTORY

Maintaining Fiscal Discipline

When President Clinton was elected seven years ago, America was burdened with a \$290 billion deficit, and our national debt had quadrupled over the previous 12 years. Interest rates were high and growth was low. The President and the Vice President set a new path of fiscal responsibility, opening markets, and investing in our people and new technologies. We passed strong deficit reduction packages in both 1993 and in 1997, and made tough choices in each and every budget. This has put the nation on a course of fiscal discipline, while continuing to invest in our people and our future.

Now we see the results of the last seven years: the first back-to-back budget surpluses in 42 years; last year's surplus of \$124 billion was the largest in our history. The latest numbers from the Treasury indicate the surplus for this year will be even larger. In just the last two years, we've already paid down \$140 billion of the national debt. Because we've resisted efforts to push our nation off the path of fiscal discipline with large and irresponsible tax cuts, our debt is \$1.7 trillion less this year than it was projected to be back in 1993.

Last year, the President asked the Congress to use every single dollar of our Social Security surplus to pay down the debt, and to use the interest savings from that debt reduction to lengthen the life of Social Security. This year the President has announced that because of the choices we have made, the budget he will submit for 2001 accelerates the date that we will be able to pay off our debt to 2013 -- two years earlier than we had originally planned. The President will do this by protecting Social Security funds, and dedicating the interest savings to Social Security, allowing us, in addition to paying off the debt, to extend the solvency of the Social Security trust fund to at least 2050. We will also be able to make Medicare secure now, through 2025. And we will be debt-free for the first time since 1835, when our nation just had 24 states and fewer than 15 million people.

Paying Down the Debt by 2013

In the State of the Union address, President Clinton will announce that his budget for 2001 would put America in a position to pay off the \$3.6 trillion debt by 2013 -- 2 years earlier than planned. The President will emphasize that this debt reduction would be accomplished by protecting Social Security funds -- and dedicating the interest savings to Social Security, allowing the Social Security solvency to be extended until at least 2050. In contrast, the Republican lockbox plans in Congress fail to extend the life of Social Security by even one day. The President also will announce that his budget will make Medicare secure through at least 2025 by devoting a substantial fraction of the surplus to Medicare solvency and debt reduction. The President's plan to pay down the debt will result in lower interest rates and stronger investment. For typical families it will mean lower mortgage payments and car payments. By strengthening the economy and eliminating the debt, the President's plan will help prepare the government -- and the Nation -- to meet the challenge of the retiring baby boomers.

Protecting and Strengthening Social Security

As he did in his 1998 and 1999 State of the Union addresses, the President will call on Congress to enact his plan to save Social Security first -- and strengthen it. For almost 65 years, Social Security has been an unshakable covenant among generations, between workers and retirees, between the disabled and the able bodied. For many Americans, Social Security, along with savings and pensions, is the foundation of retirement security. In his 1999 State of the Union Address, the President proposed a plan that would, building on our historic period of prosperity and budget surpluses, use debt reduction to extend the life of Social Security without damaging and unnecessary benefit cuts or tax increases. In the last session of Congress, the President proposed specific legislation that reserves the entire Social Security surplus for Social Security and debt reduction and, in addition, devotes the interest savings from paying down the

national debt to extending the life of Social Security from 2034 to 2050. If the interest savings were prudently invested in equities, solvency would be extended to 2054.

Nearing the Longest Economic Expansion in U.S. History

The President's leadership on fiscal discipline and economic strategy has helped the put the economy on track for the longest expansion in American history. The strong economy has benefited Americans in the form of more jobs, higher wages, lower inflation, greater homeownership, and an increasing sense of optimism about the future:

- America is currently in the longest peacetime expansion in its history. By the end of February, the U.S. will have enjoyed 107 consecutive months of expansion – the longest economic expansion in history.
- Since President Clinton took office in 1993, the economy has created 20.4 million new jobs – the highest number of jobs ever created under a single President. These are overwhelmingly good jobs: according to a study by the Council of Economic Advisers and the U.S. Department of Labor, 81 percent of all new jobs are located in industry/occupation categories that pay above-median wages.
- The vast majority of the new jobs – 18.8 million or 92 percent of the total – were created by the private sector, the highest private sector share of job creation since Harry S. Truman was President.
- The unemployment rate in 1999 fell to 4.2 percent – the lowest rate in 30 years. For African Americans, the unemployment rate fell to 8.0 percent – the lowest on record. For Hispanics, the unemployment rate fell to 6.4 percent – the lowest on record.
- The economy has expanded at 3.8 percent annually under President Clinton – the fastest growth rate of any administration since President Johnson.
- As a result of the strong economy and investments in people, 7.7 million people have been lifted out of poverty under President Clinton. The poverty has fallen to 12.7 percent – the lowest rate since 1979. For African Americans and African American children, the poverty rate is the lowest on record. For Hispanics, the poverty rate is the lowest since 1980. For single mothers, the poverty rate has fallen to the lowest level in history.
- In the third quarter of 1999, the homeownership rate rose to 67.0 percent – the highest rate ever recorded. The homeownership rates for African Americans and Hispanics also reached record levels in 1999.
- The underlying core rate of inflation was 1.9 percent in 1999 – the lowest rate since 1965.

OPPORTUNITY AND RESPONSIBILITY IN EDUCATION

Proposing the Largest Head Start Expansion in History

The President's budget increases funding for Head Start by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children. This funding will bring within reach the President's goal of serving one million children in 2002 and builds the foundation for the long-term goal of universal pre-school. Head Start prepares low-income children for a lifetime of learning and development by providing early, rigorous and comprehensive child development. Early Head Start, created by the Clinton-Gore Administration in 1994, brings these services to families with children ages zero to three and to pregnant women. The President's FY 2001 proposal would increase funding for Early Head Start by \$143 million. Since 1993, this Administration has already increased funding for Head Start by 90 percent.

Promoting Early Learning

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

Fixing Failing Schools and Rewarding Success

- **Universal After-School for Students in the Most Need** - The President and Vice President propose to invest \$1 billion in the 21st Century Community Learning Centers program to help ensure that every child in every failing school can have a safe place to learn during the after school and summertime hours. This more than doubles the FY 2000 investment. The Administration's budget will maintain the commitment to serving all children, but will dedicate the increase to help those children most in need of academic assistance as part of a comprehensive approach to help low-achieving students meet high academic standards. The budget provides sufficient funding to make after school or summer school programs universally available to all students attending Title I school identified as low-performing, nearly tripling the number of children served by the program to 2.5 million.
- **Accountability Fund** – In November, the Congress appropriated \$134 million for the President's accountability fund. This year, the President will increase funding for this initiative to \$250 million to turn around failing schools. This funding is used by states and localities to turn around low-performing schools by overhauling curriculum, improving staffing, or even closing the school and reopening it as a charter school. The accountability initiative also includes provisions expanding public school choice for students in failing schools.
- **Rewarding High Performance and Closing the Achievement Gap** - The President also proposes a \$50 million initiative to provide high-performance bonuses to states that make exemplary progress in improving student performance and closing the achievement gap between high and low performing groups of students. States would be eligible for bonuses based on substantial overall improvements in student performance and significant narrowing of the achievement gap as indicated by performance on the National Assessment of Educational Progress (NAEP).

Class Size Reduction

The President's class size reduction initiative continues his commitment to reduce class size in the early grades by staying on a path to hiring 100,000 high quality teachers. The Administration's FY2001 budget will fund for this initiative to \$1.75 billion, an increase of \$450 million over current levels – enough to

fund about 49,000 teachers, nearly half way to our long-term goal. Smaller classes allow teachers to spend more time on instruction and less time on discipline, and provide more individualized attention. Research shows that students attending small classes in the early grades make more rapid educational progress than students in larger classes. New teachers hired under this program must be qualified and know the subjects they are teaching.

Small, Safe and Successful High Schools

Research shows that smaller schools can boost academic achievement and extracurricular involvement and lead to fewer discipline problems. The President's budget will include \$120 million for a Small Schools Initiative to reinvent high schools on a smaller scale and make them more responsive to student needs. School districts could use this money to create small schools or break up existing large schools into smaller learning communities. Districts would be expected to demonstrate increases in student achievement, graduation rates, and the number of students pursuing postsecondary options, and decreases in classroom disruptions and violence.

Teaching to High Standards

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

- **Higher Standards-Higher Pay for Teachers** – This \$50 million initiative will award grants to high-poverty school districts to help them attract and retain high-quality teachers through better pay and higher standards. Participating teachers would receive immediate pay increases and additional raises for exceptional work.
- **Teacher Quality Rewards** – This \$50 million program will reward school districts that have made exceptional progress in reducing the number of uncertified teachers and teachers teaching outside their subject area. The President has proposed requiring states to ensure that 95 percent of teachers are certified and 95 percent of secondary teachers are teaching within field by 2004.
- **Hometown Teacher Recruitment** – This \$75 million program would empower high-poverty school districts to develop programs to recruit homegrown teachers to address the shortage of qualified teachers. Programs supported by this grant would make students aware, as early as middle school, of the opportunities available in the teaching profession; provide mentoring and teaching experiences as they progress through school; and provide financial assistance for students who enter college and pursue academic degrees with the goal of teaching in high-need communities after graduation.
- **Transition to Teaching** – This \$25 million initiative will build on the success of the Department of Defense's Troops to Teachers program by recruiting and preparing talented mid-career professionals from diverse fields to become teachers in high-need subject areas and high-need schools.
- **School Leaders Initiative** – This \$40 million program will fund non-profit partnerships designed to recruit, prepare and provide professional development for superintendents and principals, and other school leaders.

Charter Schools

The President's budget will increase funding for charter schools by \$30 million dollars from \$145 million to \$175 million. Charter schools are public schools started by parents, teachers, or community groups that are open to all and given a great deal of flexibility in exchange for agreeing to meet defined goals for student performance. Charter schools are one way to increase competition, provide options and choices for parents, and increase accountability in public education. When the President was first elected in 1992, there was only one charter school in the country. Now, according to the Department of Education, there

are approximately 1,700 and 36 states and the District of Columbia have passed laws allowing the creation of charter schools. This proposed new funding will ensure that we can meet the President's goal of creating 3,000 public charter schools.

School Construction and Modernization

At least 2,400 new public schools will be needed nationwide by 2003 to accommodate rising enrollments and to relieve overcrowding. Thousands more will be needed in following years. To address this critical need, President Clinton is renewing his commitment to his School Modernization Bond proposal. It provides \$24.8 billion in tax credit bonds over two years to modernize up to 6,000 schools. This proposal has an estimated cost of \$8 billion over ten years. Within this \$24.8 billion program, \$2.4 billion is reserved for Qualified Zone Academy Bonds. In addition, the 2001 budget includes a new \$1.3 billion school urgent/emergency renovation loan and grant proposal. This \$1.3 billion program could support nearly \$7 billion of renovation projects in high-need school districts with little or no capacity to fund urgent repairs. Both loans and grants would be made available, with the smaller grant program directed toward the neediest districts.

Preventing Youth Violence

Over the past year, the country has been traumatized by a spate of school shootings. The President has taken leadership to address the issue of preventing youth violence by establishing a National Campaign Against Youth Violence. The National Campaign is beginning a public engagement campaign on how best to prevent youth violence and is working with the best minds in the field of youth violence to identify and replicate best practices of prevention in local communities. The President's budget includes over \$8.8 billion, \$875 million above FY 2000, for programs throughout the government that work to target youth violence and programs that support the healthy development of young people including developing smaller high schools; promoting safe after-school opportunities; cracking down on illegal gun traffickers who supply guns to youth; and, helping communities develop and implement community-wide responses to school and youth violence through the Safe Schools/Healthy Students initiative. The Safe Schools program joins principals, parents, police and others in the community to collaborate on comprehensive strategies to address violence problems confronting children in and out of school. The President's new budget will provide a \$100 million increase for his safe schools initiative, investing a total of nearly \$250 million in this signature program.

College Opportunity Tax Cut

Since 1993, the President has taken numerous steps to make college more affordable and accessible, including direct student loans, Pell Grant increases, as well as the Hope Scholarship and Lifetime Learning tax credits, producing the biggest expansion in college opportunity since the GI Bill. This year the President goes one step further and calls on Congress to pass his College Opportunity Tax Cut to expand on previous educational tax cuts and make college, graduate school, and job training more affordable for millions of families. The President's proposal would give families the option of taking a tax deduction or a 28 percent tax credit on tuition and fees to pay for college and other higher education. The proposal would cover up to \$5,000 of educational expenses in 2001 and 2002 and rise to \$10,000 of educational expenses from 2003 forward. When fully phased in, this proposal would provide up to \$2,800 in tax relief annually to help American families pay for college, graduate work, or courses taken to improve job skills.

Nearly \$1 Billion In Increases To Pell Grants, SEOG, Work Study, And Other Programs:

- **Pell Grants.** The Pell Grant program provides grants to economically disadvantaged young people to help pay the cost of a postsecondary education. The maximum Pell Grant in FY2000 is \$3,300. The President's FY2001 budget increases the maximum to \$3,500, more than 50 percent larger than the maximum grant in 1993, to make a college education more affordable for the nearly 4 million Pell Grant recipients. Funding for the Pell Grant program is increased by over \$716 million, bringing the

total Pell Grant appropriation to \$8.356 billion.

- **SEOG.** SEOG, the Federal Supplemental Educational Opportunity Grant program, provides campus-based grant assistance to needy undergraduate students. Generally, this program supplements the aid students receive from other sources, and leverages institutional aid by at least one dollar for every three federal dollars. The FY2001 budget provides \$691 million for SEOG, a \$60 million increase, the largest increase in 10 years. An estimated 1.2 million students (over 60,000 more than in 2000) will receive awards in 2001.
- **Work Study.** Work Study provides students the opportunity to work their way through college. The FY 2000 budget achieved the goal of giving one million students the opportunity to participate in Work Study. The FY2001 budget includes \$1.011 billion for Work Study, an increase of \$77 million to continue this commitment to serve one million students.
- **College Completion Challenge Grants.** The FY2001 budget creates a new initiative within the TRIO program called College Completion Challenge Grants (CCCG). Although college enrollment rates have risen, 37 percent of students that go on to post-secondary school drop out before they get a certificate or a degree. The problem is especially acute for minorities: 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year, compared to 18 percent of whites. The CCCG program is designed to address this problem with a comprehensive approach including pre-freshman summer programs, support services and increased grant aid to students. This \$35 million initiative will improve the chances of success for nearly 18,000 students.
- **Dual Degree Programs for Minority-Serving Institutions.** The FY 2001 budget proposes a new program to increase opportunities for students at minority-serving institutions that offer four-year degrees. Students would receive two degrees within five years: one from a minority-serving institution, and one from a partner institution in a field in which minorities are underrepresented. This new \$40 million program will serve an estimated 3,000 students.

Over \$400 Million In Increases To Keep Young People On The Track To Success:

- **GEAR UP.** GEAR UP is a nationwide initiative to encourage more disadvantaged young people to have high expectations, stay in school, study hard, and take the right courses to go to and succeed in college. GEAR UP is funded at \$200 million in FY 2000, enough to provide services to over 750,000 students. The FY 2001 budget provides a 62.5% increase to \$325 million, enough to provide services to 1.4 million students.
- **TRIO.** The TRIO programs seek to motivate and prepare students to go to and stay in college. The FY 2001 budget provides \$725 million for TRIO, an increase of \$80 million to help provide assistance to over 760,000 students, 37,000 more than in 2000.
- **Youth Opportunity Grants and Youth Training Formula Grants.** Youth Opportunity Grants are an initiative to provide comprehensive employment and training assistance to all out-of-school young people in high poverty areas. The program was passed as part of the bipartisan Workforce Investment Act. Funded at \$250 million in FY 2000, this program would serve up to 50,000 of the most disadvantaged young people in central cities and rural communities across America. The President's FY2001 budget provides a 50 percent increase in funding to \$375 million, enough to serve an additional 25,000 youth in high poverty areas. In addition, the FY2001 budget provides a \$25 million increase (from \$1.001 billion to \$1.022), to the Youth Training Formula Grants, enough to provide job training and summer job opportunities to nearly 600,000 disadvantaged young people.

- **Youthbuild.** The Youthbuild program, is targeted to 16-24 year old high school dropouts, and provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income and homeless people. The program also helps to expand the supply of housing in these categories. Funded at \$42.5 million, the Youthbuild programs will provides opportunities for approximately 2,000 trainees in 2000. The FY2001 increases funding by 76% to \$75 million, enough to serve approximately 3,330 trainees.
- **Job Corps.** Job Corps is the nation's largest and most comprehensive residential education and job training program targeted at impoverished young people. The FY2001 budget increases Job Corps funding by \$33 million, bringing the total Job Corps budget to \$1.392 billion.

REWARDING WORK AND STRENGTHENING FAMILIES

Expanding the Earned Income Tax Credit (EITC)

President Clinton will call on Congress to pass his \$21 billion plan to expand the Earned Income Tax Credit – a key part of his opportunity, responsibility, and community agenda to reward work and family. According to estimates by the Department of the Treasury, the President's proposed EITC expansion would deliver tax relief for 6.8 million families, providing up to \$1,200 in additional tax relief for some of these hard-pressed, working families. The President's proposal would build on the EITC expansion that he signed into law in 1993 and which provided a tax cut for 15 million families. That expansion made the EITC even more effective at encouraging work and reducing poverty: In 1998, 4.3 million people were directly lifted out of poverty by the EITC – more than double the number in 1993. The President's proposal would further increase the reward to work and family by: (1) increasing benefits for families with three children; (2) expanding the credit for married, two-earner couples; (3) rewarding families that are working hard to move into the middle class by lowering the phaseout rate; and (4) encouraging savings through simplification. To illustrate the effects of the President's proposed expansion: under current law, a married couple earning \$23,000 and with three kids qualify for a \$1,892 EITC; the President's proposed expansion would boost that amount to \$2,867 – an increase of \$975.

Minimum Wage Increase

The President will call on Congress to pass a \$1 increase in the minimum wage. Despite the strongest economy in a generation, there are still millions of workers trying to raise a family and make ends meet. The President believes that parents who work hard and play by the rules should not have to raise their children in poverty. That is why, in 1993, he expanded the Earned Income Tax Credit (EITC) and, in 1996, fought for and won a minimum wage increase. A working parent with two children earning the minimum wage in 1993 made \$10,559 with the EITC (in 1998 inflation-adjusted dollars) – well below the poverty line. As a result of the expanded EITC and higher minimum wage, a similarly situated family in 1998 was above the poverty line – making \$13,268 – a 26 percent inflation-adjusted increase in their standard of living. The President's challenge to build on the success of these policies by raising the minimum wage by \$1 would help 11.4 million Americans – 70 percent of whom are adults and 59 percent of whom are women. For a full-time, year-round worker at the minimum wage, the President's proposal would mean an additional \$2,000 per year, enough to buy 7 months of groceries or pay 5 months of rent.

Ensuring Equal Pay

According to the Department of Labor, the average woman who works full-time earns approximately 75 cents for each dollar that an average man earns. For women of the color, the gap is even wider. This gap is attributable, in part, to differing levels of experience, education, and skill. However, even after accounting for these factors, a significant pay gap still remains between men and women in similar jobs. The President will announce a \$27 million Equal Pay Initiative in his Fiscal Year 2001 budget, an increase of \$12 million over Fiscal Year 2000. The Initiative requests \$10 million for the Equal Employment Opportunity Commission (EEOC) to provide training and technical assistance to about 3,000 employers on how to comply with equal pay requirements and to launch a public service announcement campaign on wage issues. The Initiative also dedicates \$10 million for the Department of Labor (DOL) to train women in nontraditional jobs, including high-tech jobs and other skill shortage occupations. Lastly, the Initiative provides \$7 million for DOL to help employers assess and improve their pay policies, support public education efforts, provide for projects in non-traditional apprenticeships, and implement industry partnerships. The President also will call on Congress again to pass the Paycheck Fairness Act, which would strengthen wage discrimination laws, provide for new collection of data on wage issues, and provide for additional research, training, and public education efforts on this important subject.

New Housing Vouchers for Hard-Pressed Working Families

The President's budget will include \$690 million for 120,000 new housing vouchers to help America's hard-pressed working families. These housing vouchers subsidize the rents of low-income Americans, enabling them to move closer to job opportunities – many of which are being created far from where these families live. Of the 120,000 new housing vouchers, 32,000 will be targeted to families moving from welfare to work, 18,000 to homeless individuals and families, and 10,000 to low-income families moving to new housing constructed through the Low Income Housing Tax Credit, with the remaining 60,000 vouchers allocated to local areas to help address the large unmet need for affordable housing. These new vouchers build on the 110,000 new housing vouchers secured through the President's leadership over the past two years.

Homeless Initiative

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

Millions Move from Welfare to Work

In 1992, President Clinton promised to end welfare as we know it, and now more than three years after the enactment of the welfare reform law, we've seen revolutionary changes to promote work and responsibility: the number of Americans on welfare is at its lowest level since 1969 --30 years ago -- as millions of people move from welfare to work. Since January 1993, the welfare rolls have fallen by more than half, from 14.1 million to 6.9 million. More than 1.3 million welfare recipients went to work in 1998 alone. The 12,000 business participating in the Welfare to Work Partnership launched by the President in 1997 have hired nearly 650,000 former welfare recipients. The federal government is also doing its share: in 1997, the President asked the Vice President to lead the federal hiring initiative to hire 10,000 welfare recipients over four years. Today, we've far exceeded that goal, hiring more than 16,000 people. At a time when the federal workforce is the smallest it has been in thirty years, the Vice President has shown that you can both create a leaner government and one that leads by example.

New Initiatives to Collect More Child Support

Since the President took office, child support collections have nearly doubled. Today, parents who owe child support have their wages garnished, their bank accounts seized, and their tax refunds withheld. To build on this success, the budget contains several new initiatives to further increase child support collections and crack down on parents who owe child support. Parents who owe past-due child support will have their gambling winnings intercepted and their vehicles booted. They will have a harder time obtaining or renewing a passport, and they can be prohibited from enrolling as a Medicare provider. Finally, the budget will require that child support orders be updated more frequently and increase the amount of child support paid directly to families.

New Fathers Work/Families Win Grants

The President's budget will contain \$255 million in new competitive grants in FY 2001 to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty. The Clinton-Gore Administration's budget will encourage responsible fatherhood through \$125 million in "Fathers Work" grants to put approximately 40,000 non-custodial parents (mainly fathers) who owe child support to work and help them connect with their children. As part of this effort, states will need to put in place procedures allowing them to require more parents who owe child

support to pay or go to work. The President's budget will also contain \$130 million in "Families Win" grants to help about 40,000 low-income parents stay in their jobs, move up the career ladder, and remain off cash assistance. An important part of these grants will be to improve families' access to food stamps, health care, child care, and other critical support for working families. \$10 million will be set aside for Indian and Native American grantees. Fathers Work/Families Win competitive grants will be run by one-stop career centers, community groups, and faith-based organizations under contract to local and state workforce investment boards.

Helping More Long-Term Recipients Move from Welfare to Work

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

Second Chance Homes

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

Helping Low-Income Families Afford Child Care

The President's budget expands the Child Care and Development Block Grant to help working families struggling to afford child care. The President's budget request will increase funding for child care subsidies by \$817 million in FY 2001, enabling the program to serve nearly 150,000 more children next year. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve over 2.2 million children in 2001, an increase of nearly one million since 1997. The block grant is part of the Child Care and Development Fund, the primary federal subsidy program that helps families pay for child care, thereby enabling low-income parents to work. Today, millions of families who are eligible for assistance with their child care costs do not receive any help; in 1999, only about 12 percent of the 15 million low-income children eligible for assistance under federal law, received subsidies.

Tax Relief for Over 8 Million Families with Child Care Expenses

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

- **Making the Credit Refundable for Nearly Two Million Working Parents.** Under current law, a typical family of four with an income under \$25,000 is ineligible for credits for child care expenses because it has no income tax liability. Many such families earn too little to claim the credit, but too much to get the full benefit of child care subsidies. To help these families, the President proposes to make the CDCTC refundable for the first time -- so that families with no tax liability can receive up to \$2,400 to help offset the cost of child care. This proposal will assist nearly two million families.
- **Increasing the Child Care Tax Credit.** For families earning up to \$60,000, the President proposes to increase the maximum level of the CDCTC from 30 percent to 50 percent. This will provide an average additional tax cut of \$249 for these families and eliminating tax liability for nearly all families with incomes below 200 percent of poverty that claim the maximum allowable child care

expenses. Under this proposal, a family of four with an annual salary of \$35,000, and child care expenses of \$3,100, would receive a tax credit of \$1,395 -- an increase of \$775 over current law. This expansion proposal will help over four million working families pay for child care.

- **Providing Tax Relief to Parents Who Stay at Home.** The President will also propose enabling parents who stay at home with children under age one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of \$500. This proposal will provide an average tax cut of \$154, benefiting almost two million parents.

Creating New Child Care Tax Incentives for Businesses

In his budget, President Clinton will also propose a new tax credit for businesses that provide child care services for their employees. These services could include: building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resource and referral services. The credit covers 25 percent of qualified costs (and 10 percent of resource and referral service expenses), but may not exceed \$150,000 per year per business. The President's budget includes \$539 million over five years for this tax credit..

Supporting High-Quality Early Childhood Educators

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

Encouraging the Pursuit of Higher Education by Offering College Campus Based Child Care

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

Retirement Savings Accounts To Help Families Save and Invest

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

Expand Pension Coverage for Small Businesses

In an effort to encourage more small businesses to offer pensions for their employees, the President will also announce a proposal to provide a 50 percent tax credit for qualified contributions to employees' pensions. This provision would cost \$17 billion over 10 years.

Tax Relief for Working Families: Simplifying Taxes and Rewarding Marriage and Work

Today as part of his State of the Union Address, President Clinton will announce his plan to reduce the marriage penalty for married, two-earner couples by increasing the standard deduction by nearly \$2,000. The President will propose to increase the standard deduction for two-earner married couples to twice that of single filers, providing substantial tax relief for 9.1 million families. The President would provide an additional \$500 increase in the standard deduction for single-earner married couples that do not face a marriage penalty. He would also increase the standard deduction for single filers by \$250. The President's plan would cost \$45 billion over 10 years and benefit 42.1 million families.

HEALTH CARE

Patients' Bill of Rights

The President and Vice President continue to challenge the Congress to finally finish the overdue job of passing patients' rights legislation that includes critical protections such as: guaranteed access to needed health care specialists; access to emergency room services when and where the need arises; continuity of care protections so that patients will not have an abrupt transition in care if their providers are dropped; access to a fair, unbiased and timely internal and independent external appeals process to address health plan grievances; and an enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions. Last fall, over 60 Republicans joined virtually every Democrat in the House in voting for the Norwood-Dingell Patients Bill of Rights. This strong, enforceable, patient protections bill should not be watered down in a manner that makes it ineffective and unworthy of signing. It should also not include provisions that do little more than further segment healthy from unhealthy populations without significantly expanding coverage for the currently uninsured.

Health Insurance Coverage Initiative

The President and Vice President strongly believe we should expand access to affordable health care coverage to more Americans. The budget proposes a 10-year, \$110 billion initiative that would expand coverage to at least 5 million uninsured Americans and expand access to millions more. It addresses the nation's coverage challenges by building on and complementing current private and public programs. Specifically, the initiative: (1) provides a new, affordable health insurance option for families called "FamilyCare," which builds on the State Children's Health Insurance Program to provide higher Federal matching payments to parents of children eligible for or enrolled in Medicaid or S-CHIP; (2) accelerates enrollment of uninsured children eligible for Medicaid and S-CHIP; (3) expands health insurance options for Americans facing unique barriers to coverage, including a Medicare buy-in with a new 25 percent tax credit; a new 25 percent tax credit for COBRA continuation coverage; an initiative to help small businesses afford insurance, and new Medicaid options for vulnerable groups of Americans (people ages 19 and 20; people leaving welfare for work; legal immigrants); and (4) strengthens programs that provide health care directly to the uninsured. If enacted, this would be the largest investment in coverage since Medicare was created in 1965.

Strengthening and Modernizing Medicare

The President's budget includes a comprehensive plan to reform and modernize Medicare. This plan will: (1) make the program more efficient and competitive; (2) extend the solvency of the Health Insurance (HI) trust fund to at least 2025; (3) modernize benefits including adding a long-overdue, voluntary prescription drug benefit; and (4) create a reserve fund to be used for debt relief or to create bipartisan consensus to further strengthen the proposed drug benefit for Medicare beneficiaries. Building on the President's successful fight against fraud and waste, the plan would dedicate over \$300 billion in savings and surplus over 10 years to the HI trust fund, helping to meet the inevitable financing and health challenges that result from the aging of the baby boom. The proposed prescription drug benefit would be voluntary, available and affordable to all beneficiaries, including low-income beneficiaries who would pay low to no costs for coverage. It would be administered by private organizations like pharmaceutical benefit managers (PBMs) and would give financial incentives to employers who currently offer retiree prescription drug benefits to maintain coverage. Finally, a reserve fund would be created for debt reduction or, if there is bipartisan consensus, to strengthen the Administration's drug benefit by adding protections against the cost of catastrophic drug expenses.

Long-Term Care Initiative

The budget proposes a 10-year, \$28 billion initiative that helps address the nation's multifaceted long-term care challenge. It includes: (1) a \$3,000 tax credit to compensate people with long-term care needs

or their caregivers for the cost of care; (2) a major new investment in the Older Americans Act for information and referral as well as direct support services for family caregivers; (3) a new Medicaid option to increase income eligibility levels for home and community based services to the same levels as nursing home residents; (4) a Housing and Urban Development program to encourage assisted living facilities for low-income elderly; and (5) a new option for Federal employees to purchase quality private long-term care insurance. The FY 2001 budget also includes an additional \$16.8 million to help states strengthen nursing home enforcement tools and increase Federal oversight of nursing home quality and safety standards.

Increasing Federal Support for Improving the Mental Health of All Americans

According to the December 1999 Surgeon General's Report on Mental Health, one in five Americans is living with a mental health disorder. This report states that the fundamental components of effective service delivery are broadly agreed upon, but in short supply. The President will highlight his new investment of \$100 million for mental health services, an increase of 16 percent over last year's funding level and a 90 percent increase since 1993.

Preventing Medical Errors and Improving Quality of Care

Late last year, the Institute of Medicine reported that as many as 98,000 Americans die from preventable medical errors each year. In response, the President instructed that the over 300 health plans serving Federal employees institute patient safety initiatives as a condition of participating in the program and directed all Federal agencies to conduct a comprehensive review of the steps they could take to reduce medical errors. In the coming weeks, the President will announce further actions we should take to help eliminate all preventable errors.

Major New Investment to Combat HIV and AIDS in the United States

The President has proposed to invest an additional \$125 million in the Ryan White Program, an increase of almost 8 percent over last year's funding level, to provide primary medical care, pharmaceuticals critical to treatment, and other critical support services for people living with HIV and AIDS. The budget also includes an additional \$50 million for HIV prevention, the largest increase ever in funding for these activities, to encourage individuals at risk to avoid behaviors that can result in the transmission of the disease.

RESPONSIBILITY AND CRIME

21st Century Policing Initiative

In order to keep crime rates down to record low levels, and officers on the beat at all time highs, the President is committed to continuing the second year of his 21st Century Policing Initiative. The 21st Policing Initiative, builds on his successful COPS program that has funded 100,000 more community police for our streets, by: (1) providing resources for communities to hire and redeploy up to 50,000 more police for our streets by FY 2005 with an effort to target new police officers to crime "hot spots"; (2) giving law enforcement access to the latest crime-fighting and crime-solving technologies, such as improved police communications, crime mapping software, laptop computers, and crime lab improvements; and (3) funding new state and local prosecutors to work with local law enforcement and the community to combat local crime problems; and (4) engaging all sectors of the community to prevent and fight crime by funding partnerships with probation parole officers, schools, and faith-based organizations.

Fighting Gun Crime with New National Gun Enforcement Initiative

Building on his successful strategy of combating gun violence that has helped lead to a 35 percent decline in gun crime, the President proposed \$280 million to fund the largest national gun enforcement initiative in history that specifically includes:

- **500 New ATF Agents and Inspectors** - The President's initiative includes the largest increase ever in ATF agents and inspectors, with new agents to crack down on violent gun criminals and illegal gun traffickers at guns shows, gun stores and on the streets, and more firearms inspectors to target unscrupulous gun dealers who supply firearms to criminals and juveniles.
- **Over 1,000 New Federal, State and Local Gun Prosecutors** - The proposal will fund 1,000 new state and local prosecutors to combat gun crime and violence, 100 new federal gun prosecutors, and new gun enforcement teams to coordinate efforts with local law enforcement to remove gun criminals from our communities and put them behind bars.
- **Comprehensive Crime Gun Tracing** - To move toward tracing every crime gun in America, 250 local law enforcement agencies will receive training and tracing equipment to facilitate comprehensive tracing, and the Administration's Youth Crime Gun Interdiction Initiative (YCGII) will be expanded from 38 to 50 cities across the country.
- **New National Integrated Ballistics Information Network** - The President's initiative will triple current funding for ballistics testing programs to launch the first-ever national ballistics network -- to support the deployment of 150 ballistics imaging units to law enforcement, helping to link bullets and shell casings to the criminal guns they were fired from.
- **Local Anti-Gun Violence Media Campaigns** - To help communities send a strong message to combat gun crime and violence, the initiative funds matching grants to support local media campaigns highlighting penalties for breaking gun laws, proper storage of firearms and preventing child access.

Funding Innovative Smart Gun Technology

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

Passing Common Sense Gun Legislation

In addition to pressing the Congress to pass his aggressive gun enforcement budget to give communities more and better tools to fight gun crime, President Clinton urged the Congress to make passage of pending common sense gun safety measures the first order of legislative business. Among the reforms he called on the Congress to enact include: closing the gun show loophole by requiring background checks and records at gun shows; requiring child safety locks for handguns sold; banning the importation of large capacity ammunition magazines; and banning violent juveniles from owning guns for life.

OPENING NEW MARKETS

The New Markets Initiative

The United States is currently in the midst of the longest peacetime expansion in its history. The strength and duration of this expansion has helped bring economic opportunity to millions of people once cut off from the economic mainstream. But too many urban and rural areas have not participated in this growth. These areas have tremendous potential as New Markets. The President's expanded New Markets initiative will spur \$22 billion in new capital investment in businesses in these economically distressed areas through a package of tax credits and loan guarantees. The package includes the following components:

- **More Than Doubling the New Markets Tax Credit** – The President proposes to more than double the New Markets tax credit to spur \$15 billion dollars in new investment in community development in economically distressed areas. An entity making new equity investments in a selected community development project would be eligible for a tax credit worth 25 percent of the cost of the investment. A variety of vehicles providing equity and credit to businesses in underserved areas would be eligible. The total cost of the tax credits amounts to about \$5 billion over 10 years.
- **Expanded Empowerment Zone Tax Incentives** - These tax credits will extend and improve economic growth in the 31 existing urban and rural Empowerment Zones, administered by HUD and USDA, and support a third round of 10 new empowerment zones to be designated in 2001. The total cost of these proposals will be \$4.4 billion over 10 years.
- **America's Private Investment Companies (APICs)** - Modeled after the Overseas Private Investment Corporation's (OPIC) successful investment fund program, APICs would provide guaranteed debt to private investment companies, licensed by HUD, to help leverage private equity capital and lower the cost of capital for investments in low- and moderate-income communities. For every dollar that private investors provide, the government will guarantee two dollars in debt to expand the APIC's pool of capital available for making investments and enhance the return on those investments to the private investors. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas.
- **New Market Venture Capital Firms (NMVCs)** – The President is asking for \$51.7 million in his 2001 budget to allow SBA to match equity investment and technical assistance funds to finance 10-20 new investment partnerships – New Markets Venture Capital Firms -- selected to provide both long-term growth capital and expert guidance to entrepreneurs who need both in order to transform their small businesses and great ideas into thriving companies.
- **Other Elements of New Markets** - Other elements include: increasing the funding for SBA's microenterprise lending program; creating PRIME-- a program providing technical assistance to low-income entrepreneurs; boosting CDFI funding; expanding support for BusinessLINC to encourage large businesses to work with small businesses in new markets; and establishing a New Markets University Partnerships pilot project which, under the auspices of HUD, would provide Universities with funding to develop local community partnerships, assistance to intermediaries, and technical and business development assistance to new and existing firms. In addition, to better serve Native American communities, the President will provide additional funding to expand the New Markets initiative to Indian Country.

Delta Initiative

In the Mississippi Delta, poverty remains at 175 percent of the national average. The President has proposed the creation of a new Delta Regional Authority, modeled after the successful Appalachian Regional Commission, to bring the resources of a Federal-State partnership to the fight for economic

growth in the region. This partnership will help bring the infrastructure and job training needed to make the Nation's prosperity a reality in the Delta.

Native American Initiative

In order to better serve Native American communities in this millennium and to honor the federal government's trust responsibility to tribes, the President's budget includes an increase of \$1.2 billion over Fiscal Year 2000 for key new and existing programs assisting Native Americans and Indian reservations. This initiative brings together several agencies in order to address the needs of Native American communities comprehensively. Some of the highlights of this initiative include: \$300 million for Bureau of Indian Affairs school construction and repair; \$349 million through the Department of Transportation for roads in Indian Country; \$650 million to provide rental and homeownership assistance through the Department of Housing and Urban Development (HUD); and \$2.6 billion for the Indian Health Service. Other key components of the Native American initiative include: "New Markets" economic development initiatives such as funding to create Native American Small Business Development Centers at the Small Business Administration; funding to create a Native American Economic Development Access Center at HUD; addressing the "digital divide" by creating a new program, in conjunction with the tribal colleges, to encourage Native Americans to enter information technology fields; funding 500 new Native American school administrators; increased funding for tribal colleges; \$49 million to fund technology, infrastructure, planning, and public works projects at the Economic Development Administration; and increased funding of \$103 million for the third year of the joint Department of Justice/Bureau of Indian Affairs Law Enforcement initiative.

Strengthening the Farm Safety Net

As the President has noted on numerous occasions since its passage, the 1996 Farm Bill fails to provide America's farmers with an adequate safety net. As prices have remained depressed for the past two years, the Federal government has provided over \$15 billion in emergency assistance. In order to provide American farmers and ranchers with the critical assistance that they need and deserve, the President's budget includes \$11 billion to strengthen the farm safety net until the next farm bill in 2002, with three key components: conservation, supplemental income assistance, and crop insurance. The budget includes for FY 2001:

- \$1.3 billion to help family farmers take steps to protect water quality and the environment and to preserve farmland, including \$600 million for a new conservation security program that will assist farmers who voluntarily adopt comprehensive plans to curb erosion and protect water supplies from pesticide and nutrient runoff.
- \$3.1 billion for a new targeted supplemental income assistance program that will provide payments to producers whose farm revenue falls more than 92 percent below its 5-year average.
- \$640 million to subsidize the cost of crop insurance premiums, to allow farmers to purchase higher levels of coverage than are included in the basic catastrophic coverage.

From Digital Divide to Digital Opportunity

Access to computers and the Internet and the ability to use this technology effectively are becoming increasingly important for full participation in America's economic, social and political life. Unfortunately, there is strong evidence of a "digital divide" – unequal access to technology by income, education level, race, and geography. In 1998, those with a college degree were more than *eight times* more likely to have a computer at home and nearly *sixteen times* as likely to have home Internet access as those with an elementary school education. And the gap is widening. This growing divide also cleaves our community along income, ethnic, and geographic lines, with affluent, white, and urban/suburban households enjoying better computer and Internet access than their African-American, Hispanic, less affluent and more rural counterparts. To address this troubling trend, the President will shortly unveil a comprehensive program that relies on all levels of government working in partnership with the private

sector and non-profit organizations and also will lead high-tech executives and others on a New Markets tour focused on closing the Digital Divide.

GLOBAL CHANGE AND AMERICAN LEADERSHIP

Benefits of Expanding International Trade

Trade has been crucial to American prosperity. Since World War II, as the U.S. has led eight separate rounds of multilateral trade negotiations and signed hundreds of trade agreements, global trade has increased 15-fold, contributing to the most rapid, sustained economic growth ever recorded. Real production in the United States is up 5-fold and real average American per capita income is up 3-fold over this period. Still, there remains much work to be done. Ninety-six percent of the world's consumers live outside the US, many in countries that are only now achieving the means to become significant purchasers of American products.

Forging a New Consensus on Trade

American leadership over the last 50 years has helped develop a world trading system in which the United States is now the world's largest exporter and importer with over \$2 trillion worth of goods and services in trade each year. Since the creation of the General Agreement on Tariffs and Trade in 1948, Democratic and Republican Administrations, working in partnership with Congress, have concluded eight negotiating Rounds, opening markets for American goods, and helping advance basic principles of rule of law, transparency, and fair play in the world economy. Most recently, since the conclusion of the Uruguay Round in 1994, a more open world economy has helped American exports to rise by well over \$200 billion. This has contributed significantly to the rapid economic growth we have enjoyed over the past five years, and the continuation of the longest peacetime expansion in America's history. At the same time, it has helped us to gain high-skill, high-wage jobs, reverse a 20-year period of decline in wages, and in fact increase wages by 6% in real terms. Nevertheless, as President Clinton has said, we need to build a new consensus on trade by putting a human face on the global economy. The five years since the WTO was founded as the successor to the General Agreement on Tariffs and Trade (GATT) have revealed areas where the institution can be further strengthened in this regard -- including greater transparency, a greater role in addressing workers' concerns about globalization through the establishment of a Working Group on Trade and Labor, and a commitment to sustainable development, including protection of the environment, as enshrined in the WTO's Preamble.

Trade Agreements Enforcement Initiative

The President is committed to ensuring that trade is free and fair and that American companies and workers benefit fully from our bilateral and multilateral trade agreements. He is proposing in FY 2001 that the Department of Commerce and related agencies have the resources necessary to monitor and enforce international trade agreements.

Child Labor

In his 1999 State of the Union address, President Clinton pledged: "[W]e will lead the international community to conclude a treaty to ban abusive child labor everywhere in the world." In June, he spoke to the ILO before it adopted the new convention and in December, with Senate advice and consent, he signed the convention on behalf of the United States. Now we must do more to help countries around the world make the convention's aspirations a reality, bringing education -- not hard labor -- to millions of children and preventing the loss of future generations of youth to abusive work. In the last two budgets, the United States became the world's largest contributor to the ILO's International Programme for the Elimination of Child Labor (IPEC). This year, the President proposes to expand support for international efforts to eliminate child labor.

African Growth and Opportunity Act

In the State of the Union, President Clinton called upon Congress to pass the African Growth and Opportunity Act (AGOA), an important and groundbreaking piece of legislation, which recognizes

African countries' efforts to institute sound economic policies and reform. The House and Senate passed different versions of the legislation last year. The philosophy of the legislation is simple: America stands ready to help those African countries that undertake difficult reforms to build a better future. Effective aid, combined with strong reform and increased trade and investment, will help bring Africa into the global economy and create new markets for U.S. exports. American businesses, farmers, and workers all stand to benefit from expanding our trade with one of the largest underdeveloped markets in the world.

Caribbean Basin Trade Initiative

The President will work with Congress toward swift passage of legislation expanding our Caribbean Basin Initiative (CBI) trading relationship with Caribbean and Central American countries. As part of a package including the Africa Growth and Opportunity Act, the Senate passed legislation last fall similar to that which the Administration has proposed. The President's CBI enhancement legislation will create opportunities for American companies and workers as it provides enhanced market access and economic stimulus for countries devastated by Hurricane Mitch. The Administration is strongly committed to conclude, by 2005, negotiations for a Free Trade Area of the Americas, which will expand U.S. export opportunities throughout Latin America, and views CBI enhancement as a useful bridge to this initiative.

Promoting Democracy and Advancing Human Rights

Promoting democracy and advancing human rights has been a central priority of the Clinton-Gore Administration's foreign policy, one that he will again stress in his State of the Union address. Over the past seven years, the Clinton Administration has succeeded in ending bloodshed and reducing tensions in the Middle East, Northern Ireland, East Timor, Bosnia, Kosovo, Haiti, Sierra Leone and elsewhere has offered new hope for peace, democracy and prosperity. This year the President will reaffirm his commitment to advance this cause by calling for continued support for his efforts to broker peace, promote democracy, protect human rights, defend religious freedom, and fully fund our diplomacy.

Leading the Global Campaign Against AIDS and Other Deadly Diseases

Although much progress has been made in the fight against AIDS and other deadly diseases, much more still needs to be done. To that end, President Clinton and Vice President Gore have stepped up the international battle to prevent, treat, and search for a cure for AIDS, which has disproportionately afflicted our poorest nations. The FY2001 budget that the President will send to Congress next month calls for an additional \$100 million investment in AIDS prevention, care, public health infrastructure, and education in the African and Asian countries that have been hit the hardest by the disease. Vice President Gore announced this additional funding during an address to the UN Security Council in early January. The President has also called for a new tax credit for sales of vaccines for malaria, tuberculosis, and AIDS to accelerate the development of these vaccines, creating an incentive for the pharmaceutical industry to invest in the development of vaccines for poor countries, which often cannot afford to buy the vaccines they need. This would build upon a proposed \$50 million investment in the vaccine purchase fund of the Global Alliance for Vaccines and Immunization. Finally, the President will call upon the World Bank and other multilateral development banks to dedicate an additional \$400 million to \$900 million annually of their low-interest-rate loans to expand immunization, prevent and treat common diseases, and build sound delivery systems for other basic health services.

U.S.-China Trade Agreement

Under the terms of the agreement, China has agreed to grant the United States *significant new access* to its rapidly growing market of over one billion people, while we have agreed simply to maintain the market access policies we *already* apply to China by granting it permanent Normal Trade Relations (NTR). The agreement slashes Chinese tariffs on our goods, opens China's markets to our services, and contains safeguards against unfair trading practices. The agreement also advances critical national security goals. WTO membership will spur China's economy, adding impetus to reforms there; introduce China to global economic competition and accelerate a process that is removing the government from vast areas of the country's economic life; open China's telecommunications market, including to Internet and

satellite services, and thus expose China to information, ideas and debate from around the world; and oblige the government to publish laws and regulations and subject pertinent decisions to review of an international body, all of which will strengthen the rule of law in China and increase the likelihood that it will play by global rules as well. While WTO membership will not by itself or overnight transform China's human rights record, it will move the country in the right direction. The United States must grant China permanent NTR or risk ceding the full benefits of the agreement we negotiated to our Asian and European competitors. For all these reasons, the President will make passage of this historic legislation a high priority in the coming year.

Building Peace in the Middle East

After days of intense negotiations at Wye Plantation in November 1998, President Clinton brokered an historic agreement between Israelis and Palestinians that strengthens Israel's security, expands the area of Palestinian control in the West Bank, and enhances economic opportunities for the Israeli and Palestinian people. And in December of last year, President Clinton ended years of stalemate between Syria and Israel by achieving a resumption of Israeli-Syrian peace talks and hosting the highest level meeting ever between Israel and Syria after months of behind-the-scenes diplomacy. The United States has helped broker agreements between Israel and the Palestinians and between Israel and Jordan, and led the efforts toward a resumption of the Israeli-Syrian talks. The United States has stood firmly by those who have taken risks for peace, providing them with strong political, economic and material support; and demonstrated to the enemies of peace that violence and terror will not succeed in disrupting the peace process. At the same time, the United States has maintained its long-standing commitment to the security of Israel, strengthened its ties with Egypt and Jordan, and built a new relationship with the Palestinian Authority and the Palestinian people.

Bringing Peace to Northern Ireland

President Clinton's intensive diplomatic efforts helped achieve the landmark Good Friday Accord in April 1998, bringing new governing structures and a new era of cooperation to Northern Ireland. And in December of last year, both sides made historic progress towards implementation of the Accord, forming of an inclusive government in Northern Ireland, accepting the principle of consent with respect to any change in the territorial status of Northern Ireland, launching new institutions for North/South cooperation on the island, and taking the first steps to address the decommissioning of paramilitary weapons. In his State of the Union address, President Clinton reaffirmed his support for full implementation of the agreement, so Northern Ireland can pursue a prosperous, democratic course, free of violence and terror. The United States will also continue to support the International Fund for Ireland, which promotes reconciliation through economic regeneration projects targeting disadvantaged Irish border counties and Northern Ireland.

Reversing Ethnic Cleansing in Kosovo

This past year, President Clinton led the NATO Alliance in a 79-day air war that expelled Serb forces from Kosovo and restored self-government to the province, ending a decade of repression and reversing Slobodan Milosovic's brutal campaign of ethnic cleansing. In the face of Allied unity, American military superiority, and strong Presidential leadership, the Serb dictator capitulated, withdrawing his troops and permitting international peacekeepers to secure the peace for returning refugees. The President is now committed to winning the peace, joining European leaders in strengthening democracy and civil society in Kosovo, enhancing economic development and regional integration through the Stability Pact, and supporting opposition within Serbia to complete the democratization of the Balkans.

Protecting Our Computer Networks from Cyber Attack

In his State of the Union address, President Clinton reaffirmed his commitment to strengthen America's defense against the emerging threats cyber terrorists pose to our critical infrastructure, computer systems, and networks. Earlier this month, he launched the National Plan for Information Systems Protection and announced new budget proposals to protect our computer networks from cyber attack, including \$621

million to enhance federal research and development in computer security; \$50 million to create a new Institute for Information Infrastructure Protection; \$25 million to recruit, train and retain federal information technology experts; and \$10 million to design a Federal Intrusion Detection Network (FIDNET) which alerts the federal government to cyber attacks. President Clinton has increased funding on critical infrastructure substantially over the past three years, including a 16% increase in the FY2001 budget proposal to \$2.03 billion. He has also developed and funded new initiatives to defend the nation's computer systems from cyber attack. To jumpstart the FY01 program initiatives, the President will also propose a \$9 million supplemental this spring.

Combating International Crime

In his State of the Union address, President Clinton highlighted new measures to combat international money laundering, which facilitates illegal money flows, fosters corruption, and undermines democracy. Combating international money laundering has become an increasingly important issue for the United States. The last decade has seen an explosive proliferation of offshore banking centers that facilitate international criminal money flows. This proliferation also works against U.S. developmental goals by allowing easy placement of funds obtained from official corruption. There is also a growing concern that these offshore centers can contribute to significant financial destabilization, by providing new avenues for unregulated capital flight and new opportunities for financial management entities incorporated in these jurisdictions to take advantage of the absence of supervisory authorities to engage in activities that would be prohibited in the United States.

Aiding Colombia to Fight Drugs and Strengthen Democracy

Eighty percent of the cocaine entering the U.S. is either processed, transported, or grown in Colombia. For the first time in years, a new administration, led by President Andres Pastrana, is taking the tough steps necessary to crack down both on narcotics traffickers and human rights violators. The President recently announced his support for a bold new plan developed by President Pastrana to both stem the tide of drugs entering the United States and to strengthen the Colombian economy and democracy. To assist the Colombians in this effort, the President has proposed a total of \$1.6 billion in funding over two years to help fight narcotics trafficking, provide economic alternatives for Colombian farmers who now grow coca and poppy plants, improve the judicial system, increase the protection of human rights, and crack down on money laundering. A portion of the investment will go to help train and equip special counter-narcotics battalions and to improve the Colombian capability to interdict traffickers by improving radar, aircraft, airfields, and intelligence-gathering equipment. The Administration will also propose \$95 million to purchase equipment to enable the Colombian National Police to eradicate more coca and poppy fields, and \$93 million for new programs to help the judicial system and promote the peace process. Most of the effort will be financed from the Colombian government's own resources. The aid from the United States is expected to be supplemented by multilateral agencies and our allies.

International Debt Relief

At their Summit last June, G-7 leaders endorsed a new initiative spearheaded by the President to enable Heavily Indebted Poor Countries (HIPC) to receive deeper, broader and faster debt relief. Under the so-called Cologne Initiative, international financial institutions are developing a new framework for linking debt relief with poverty reduction. The goal is to boost resources for priority social expenditures, including health, child survival, AIDS prevention and education, as well as improve transparency in government budgeting and consultation with civil society in the development and implementation of economic programs. Together with earlier debt relief commitments, the Cologne Initiative provides for reduction of up to 70 percent of the total debts for these countries, decreasing the stock of debt from about \$127 billion today to as low as \$37 billion with the cancellation of official development assistance (ODA) debt by G-7 and other bilateral creditors. As part of the initiative, the President announced in September that the U.S. would seek to write off all of the \$5.7 billion it is owed by as many as 36 heavily indebted poor countries. Last fall, Congress passed part of the funding and authority necessary for the United States' full participation in the initiative, and the President is seeking approval of the remainder this year.

Leading the Way in Global Non-Proliferation

The Clinton-Gore Administration has led the effort to reduce the international threat of weapons of mass destruction. Over the past six years, the Administration has made unprecedented progress in curbing the proliferation of nuclear, chemical and biological weapons and the missiles that deliver them, in reducing the dangerous legacy of Cold War weapons' stockpiles and in promoting responsible conventional arms transfer policies. President Clinton was the first world leader to sign the Comprehensive Test Ban Treaty (CTBT) and has proposed a bipartisan dialogue this year to build a consensus that will lead to its eventual ratification. The United States has also ratified the Chemical Weapons Convention and is working to strengthen the 1972 treaty outlawing biological weapons and to achieve a positive Non-Proliferation Treaty Review Conference.

Strengthening Military Readiness

President Clinton and Vice President Gore have remained committed to ensuring that America's military remains the best-equipped, best-trained and best-prepared fighting force in the world, ready to face the continuing challenges posed by the post-Cold War world and the challenges of a new century. He has matched new commitments with new resources, requesting and receiving from Congress billions in additional defense spending in 1999, reversing declines that began a decade ago. The FY2000 budget proposed a six-year increase of \$112B for military readiness and modernization through a combination of new spending and budgetary savings, assuring the first sustained real (after inflation) increase for defense spending in over a decade. This plan increased military pay by the largest percentage since the early 1980s, and increased the 20-year retirement benefit from 40% to 50% of average base pay over the last three years of service. The President's 2001 Defense budget builds on this plan, ensuring military readiness remains first-rate for years to come. Moreover, significant increases are proposed for weapons modernization to guarantee the continued technological superiority of U.S. forces.

RESPONSIBILITY, OPPORTUNITY AND THE ENVIRONMENT

Lands Legacy

To meet the conservation challenges of a new century, President Clinton is proposing a new category of dedicated, discretionary funding to protect America's land, coastal and wildlife resources. In FY 2000, the President secured \$652 million for Lands Legacy, a 42 percent increase. For FY 2001, the President is proposing another substantial increase and creation of a new budget category to preserve this higher level of funding in future years. The proposed FY 2001 funding would dramatically increase support for state, local and tribal efforts to protect farmland, forests, urban parks and other local green spaces. It also would provide significant increases for federal, state, local and tribal efforts to protect ocean and coastal resources. In addition, Lands Legacy would supported federal protection of natural and historic lands across the country, with priorities including Civil War battlefields, the Florida Everglades, the Mojave Desert, and New England forests and wildlife refuges.

Climate Change

Against a backdrop of growing scientific consensus that the Earth is warming – and that human activity is at least partly to blame – the President is proposing a series of new initiatives to address global climate change. The President's FY 2001 budget will propose a new effort to accelerate the development and deployment of clean energy technologies in developing countries; increased funding for the research and development of bio-based technologies that use crops, trees and agricultural waste to make fuels and products; and start-up funding for a Clean Air Partnership Fund to support state and local efforts that achieve early reductions in both greenhouse gas emissions and ground-level air pollutants. Other elements of the Administration's climate change strategy include continued increases in both investments and tax incentives to spur the development and deployment of clean energy technologies and energy-efficient cars, homes, and appliances; cutting energy use by the Federal government; working with Congress to reward companies taking early, voluntary action to reduce greenhouse gas emissions; restructuring the electricity industry; and continued diplomatic efforts to fill in key details of the Kyoto Protocol and secure more meaningful participation by key developing countries in the fight against global warming.

Tax credits for energy-efficient cars, homes and appliances

Cars and light trucks (including minivans, sport utilities, and pickups) currently account for 20 percent of U.S. greenhouse gas emissions. The President's FY 2001 budget will propose tax incentives to help curb these emissions by moving advanced technologies for electric, fuel cell, and hybrid vehicles from the laboratory to the highway. Tax credits would be offered for the purchase of qualifying hybrid vehicles from 2003 through 2006; and the current tax credit for electric vehicles and fuel cell vehicles would be extended through 2006. The President also is proposing a tax credits for the purchase of energy-efficient homes; for solar energy systems; for the purchase of energy-efficient heating and cooling equipment; and for wind and biomass power.

Clean Energy for the 21st Century

Energy technology markets in developing countries are projected to total \$4 trillion to \$5 trillion over the next 20 years. To accelerate the development and deployment of clean energy technologies around the world, President Clinton is proposing the Clean Energy for the 21st Century: International Initiative – a multi-agency effort to encourage remove market barriers to clean energy technologies in developing and transition countries and to provide new incentives for clean energy technology innovation and export. This initiative, which builds on a set of recommendations by the President's Committee of Advisors on Science and Technology (PCAST), will create as much as \$5 billion in new export revenues for U.S. companies and up to 100,000 new U.S. jobs, and will assist developing countries in powering their economic development while fighting air pollution and climate change.

Livable Communities

President Clinton and Vice President Gore are proposing to strengthen the Livable Communities initiative, which expands the choices available to communities to help them grow in ways that ensure a high quality of life and strong, sustainable economic growth. The Administration's FY 2001 budget will propose record funding for public transit and other programs to ease traffic congestion while reducing air pollution; matching grants to help neighboring communities develop collaborative "smart growth" strategies; and funding to provide communities with new information tools, and improve public safety by sharing crime data. The Administration also will propose tax credits for Better America Bonds, a new financing tool generating billions in bond authority for investments by state, local and tribal governments to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). By delivering tools and resources to the local level, where issues of growth management are most appropriately addressed, this initiative helps empower citizens to build more "livable communities" for the 21st century.

THE OPPORTUNITY AND RESPONSIBILITY OF SCIENCE AND TECHNOLOGY

Major New Investments in Science and Technology Research

President Clinton has announced that he will include a nearly \$3 billion increase in the "Twenty-First Century Research Fund" in his FY2001 budget, including a \$1 billion increase in biomedical research at the National Institutes of Health and double the largest dollar increase for the National Science Foundation in its 50 year history. These investments will ensure that science and technology will continue to fuel economic growth and allow Americans to lead longer, healthier lives. The funding includes increased support in all scientific and engineering disciplines, including biomedical research, nanotechnology, information technology, clean energy, and university-based research. The President's budget includes:

- **\$1 billion increase in biomedical research at the National Institutes of Health.** The President's FY 2001 budget includes almost \$19 billion, an increase of \$1 billion over last year's funding level, for biomedical research at the National Institutes of Health. In addition, the President will eliminate the delays in releasing \$4 billion in research funds as required in last year's appropriations bill. This increase will support research in areas such as diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine. It will also help researchers complete in the near future a first draft of the entire human genome – the very blueprint of life. This and other wise investments in science are leading to a revolution in our ability to detect, treat, and prevent disease. If Congress passes the President's proposal, funding for NIH will increase by over 80 percent – nearly twice what the NIH budget was when President Clinton came into office.
- **A new \$495 million National Nanotechnology Initiative.** Nanotechnology - the ability to manipulate individual atoms and molecules - could revolutionize the 21st century in the same way that the transistor did the 20th. Increased investments in nanotechnology could lead to breakthroughs such as molecular computers that can store the contents of the Library of Congress in a device the size of a sugar cube, and new materials ten times stronger than steel and a fraction of the weight.
- **A \$675 million increase in the National Science Foundation – double the largest dollar increase in NSF's history.** This increase will boost university-based research and ensure balanced support for all science and engineering disciplines. NSF accounts for half of all non-health, university-based research.
- **An almost \$600 million increase in information technology research.** This increase in information technology research could lead to advances such as high-speed wireless networks that can bring distance learning and telemedicine to isolated rural areas; and supercomputers that can more accurately predict tornadoes and hurricanes and more rapidly develop life-saving drugs.

Protecting Americans' Personal Privacy

As information technology transforms our government and our economy, a growing challenge is how to gain the benefits from the new technology while preserving one of our oldest values – privacy – in a variety of different settings:

- **Medical Records:** This year the Clinton-Gore Administration will issue historic, final rules that will legally guarantee the key privacy protections: notice of data uses; consent before records are used for non-medical purposes; patient access to records; proper security; and effective enforcement. President Clinton also will support legislation to expand the scope and enforcement of those rules
- **Financial Information:** Financial modernization legislation signed by President Clinton last year included important privacy protections, but more needs to be done. This year, the President will seek

further protections, including consumer choice before financial firms can share their information within a corporate family.

- Genetic Information: As the human genome project nears completion, genetic testing and information will be increasingly common to help predict, prevent, and treat diseases. However, there are real concerns that as this information becomes increasingly common that it will be used not to promote health in a protected manner, but will be used as a basis for discrimination. There are already examples of employers using this type of information as a basis not to hire or promote individuals and studies are showing that Americans fear that this information will be misused. The President will stress the need for strong action on this issue.
- On-line: In the on-line world, the Clinton-Gore Administration has encouraged self-regulatory efforts by industry to address privacy issues posed by emerging technologies and will work with consumers, industry, and interested public officials to explore how best to address the growing practice of building detailed profiles of every action consumers take online.

COMMUNITY

Service And Philanthropy

AmeriCorps and Encouraging Community Service

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

Increasing Involvement of Interfaith Partnerships and Community Organizations

Already many faith and community-based organizations partner with government to help our nation's families, but the President and Vice President believe we should do more, and their budget proposes to increase the involvement of interfaith and community-based organizations in after school, housing, community development, criminal justice, welfare reform, teen pregnancy prevention, and juvenile justice programs, consistent with the constitutional line between church and state.

Increasing Charitable Giving

In his State of the Union address and his new budget, President Clinton today will unveil a package of new tax proposals to encourage philanthropy. First, he will propose allowing nonitemizers to take a tax deduction for charitable giving. Second, he will propose new rules to make it easier for charitable foundations to make gifts in times of need. And third, he will propose making it easier for individuals to donate appreciated assets like securities and real property. Last October, the President and First Lady convened the first-ever White House Conference on Philanthropy. The conference highlighted the unique American tradition of charitable giving, and emphasized that at a moment of great prosperity, we must preserve and expand this tradition. These proposals will help do just that

One America

Civil Rights Enforcement

President Clinton's FY 2001 budget proposes a significant increase for civil rights enforcement to help ensure equal opportunity for all Americans. These funds will help to ensure that no American is discriminated against at work, a home, or in school. The President's budget request of \$698 million for civil rights enforcement agencies represents a \$81 million, or 13 percent increase, over last year's funding levels of \$617 million. Highlights of the President's package include: (1) \$98 million Civil Rights Division of the Department of Justice -- a 20 percent increase over the 2000 enacted level -- to expand investigations and prosecutions of criminal civil rights cases (including hate crimes and police misconduct), promote compliance with the Americans with Disabilities Act (ADA), and review redistricting plans; (2) \$322 million for the Equal Employment Opportunity Commission (EEOC) -- an increase of 15 percent over the 2000 enacted level -- to support the agency's effort to reduce the backlog of private sector cases to 28,000 by the end of 2001; (3) \$76 million for Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) -- an increase of 4 percent over the 2000 enacted level -- to expand the compliance assistance strategy to encourage Federal contractor compliance through increased outreach, education, and technical assistance, including providing contractors with the

necessary tools to evaluate their equal employment practices; (4) \$50 million for Department of Housing and Urban Development's (HUD) fair housing efforts -- an increase of 14 percent over the 2000 enacted level -- to reduce housing discrimination, including funding for the final year of a three-year audit-based enforcement initiative and training for housing providers to ensure that individuals with disabilities have access to housing.

The Employment Non-Discrimination Act ("ENDA")

This bill would outlaw discrimination in hiring, firing, and promotions based on sexual orientation. It is designed to protect the rights of all Americans to participate in the job market without fear of unfair discrimination. The Act provides an exemption for small businesses, the Armed Forces, and religious organizations, including schools and other educational institutions that are substantially controlled or supported by religious organizations. The bill specifically prohibits preferential treatment on the basis of sexual orientation, including quotas. President Clinton and Vice President Gore are the first President and Vice President ever to back civil rights legislation for gays and lesbians. President Clinton originally announced his support for the legislation in October 1995.

The Hate Crimes Prevention Act

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

English Literacy/Civics Initiative

Like generations of immigrants past, today's immigrants are driven by a dream -- and to achieve that dream, they seek to learn the ways of this land and become full participants in American society. To this end, President Clinton is proposing an increase for the English Language/Civics Initiative an innovative program to help states and communities provide limited English proficient (LEP) individuals with expanded access to high-quality English-language instruction linked to civics and life skills instruction, including understanding and navigating the U.S. government system, the public education system, the workplace, and other key institutions of American life. This important initiative is a powerful tool in building a stronger American community. For FY 2001, the Administration's budget request \$75 million for this initiative, a nearly \$50 million increase from FY 2000 enacted level.

Fairness to Immigrant Families

The Administration is committed to improving the way the Immigration and Naturalization Service (INS) conducts its business, particularly the naturalization process that bestows United States citizenship. The Administration's FY 2001 budget provides additional funds to INS to improve the naturalization process and reduce the application backlogs and to expand the process to ensure that all immigration benefits and services are provided in a fair, efficient, and timely manner. Furthermore, the Administration will continue to urge Congress to pass legislation that provides fairness for immigrant families by restructuring the INS; approving the Administration's proposal to support the process of democratization and stabilization now underway in Central American and Haiti by ensuring equitable treatment for migrants from these countries; and changing the registry date to permit long-term migrants to adjust their status.

GOVERNMENTAL AND POLITICAL REFORM

Enact Bipartisan Campaign Finance Reform

The President and the Vice President remain committed to the enactment of bipartisan campaign finance reform. Last year, the House of Representatives passed bipartisan reform. Tonight the President is challenging the Senate to follow suit and enact real reform early this year. Acceptable campaign finance reform legislation must meet five criteria: 1) it must be bipartisan; 2) it must be comprehensive; 3) it must reduce the amount of money that is raised and spent on federal elections; 4) it must help level the playing field between challengers and incumbents; and 5) it cannot favor one party over the other.

Reinventing Government

Three months into our Administration, the Vice President took charge of our reinventing government initiative. Seven years later, the government is the smallest it's been in nearly 40 years -- over 350,000 fewer employees. And it's focused on giving Americans customer service equal to the best in business by getting results they care about. We're tossing aside outdated bureaucratic binders and red tape that too often kept us from making a real difference in people's lives. But this is not just another exercise in "good government" -- our goal is nothing short of restoring the American people's trust in their government. When we started, only 21% of the American people trusted government to do the right thing all or most of the time -- down from 76% under President Kennedy. Today, that figure is back up to 40% -- a dramatic turnaround. But it's not nearly good enough. And we won't rest until "change" and "customer service" become a permanent part of the landscape and a majority of Americans trust their government again.

Rankings

Equal Pay

AW

Smaller classes (not in special

package head start / after school / teacher quality

Up to 1000s

- plan

- design

-

head start / after school

long term

SOTU

Category	1993	1999	2000
Introduction			
	Brady bill	Brady Law	Brady Law
	100,000 cops	100,000 cops	100,000 cops
	FMLA	FMLA –expand to small companies	FMLA
		Hope scholarships	Hope scholarships
		Pell Grants	Pell Grants
			AmeriCorps
			Surplus to pay down debt
		Save Social Security –invest surplus	Save Social Security
		Eliminate earning limits for Social Security	
		Invest part of surplus for Medicare	
		Medicare – prescription drugs	Medicare – prescription drug benefit
		USA (universal savings accounts)	
		Patients Bill of Rights	Patients Bill of Rights
			Common-sense gun legislation
			Hate crimes
		Minimum wage	Minimum wage
Other			
	Campaign finance	Campaign finance	
	Motor voter		X
	Lobbying registration bill		
	Cut in White House staff		X
	Cut 100,000 federal government positions		X
	Freeze in federal government salaries		X

	150 budget cuts		
Education			
	Apprenticeship programs		
	Life-long learning		X
	Worker training		
		Voluntary national test	
		Connect classrooms to the Internet	Connect classrooms to the Internet
		100,000 new teachers	100,000 new teachers
		Turn around failing schools	Turn around failing schools
		Education Accountability Act	Education Accountability Act
		After school and summer school	After school and summer school
		Teacher Quality – performance exams	
		Teachers in inner cities –scholarships	
		School report cards	
		Discipline policies	
	Head Start		Head Start & universal pre-school
			\$1B for good teachers
		School modernization	\$1.3B school modernization
		Charter schools	Charter schools
			\$30B college opportunity tax cut
			Mentoring
			Test prep
			Foster care
		Adult literacy	
		Skills gap – dislocated workers	
Rewarding Work – Helping Families			
	End welfare		X
	Expand WIC		X
	EITC		EITC

			Homelessness
		Child care	Child care
		Child care tax credit	Child care tax credit
	Child support		X
		Parental discrimination	
Health Care			
	Reform the health care system		
	Health care fraud		X
	Immunizations		X
		Medical research	Medical research
			Parents eligible for CHIP
		55 yr olds eligible for Medicare	55 yr olds eligible for Medicare
		Long-term care: \$1,000 tax credit	Long-term care: \$3,000 tax credit
		Kennedy-Jeffords disability	X
		Mental illness	
		Tobacco: protect kids and farmers	
		Tobacco litigation	
	Focus on jobs of future –high-tech; aerospace	Equal pay	Equal pay
			Fatherhood
			Child support
Crime			
		21 st Century Crime bill	
	Boot camps for 1 st time offenders		
		50,000 more cops	50,000 more cops
		Five-day waiting period for handgun	
		Child safety locks	Common-sense gun legislation
			Licenses for handguns
			More prosecutors

			for drug traffickers
			Smart guns
		Safe and Drug-Free School Act	
			Voluntary ratings
		Drug testing and treatment	Ex-offenders –drug testing
New Markets			
		New markets tax credits	New markets tax credits
		APICs	
	Ezs	Ezs	Ezs
			Native Americans
		Farm Safety Net	Farm Safety Net
		Long-term computing research	
			Digital Divide
Global Change			
		Global financial system	
	Fair trade	Free trade	Globalization
		Enforce our trade laws –steel from Japan	
		Loan guarantees to increase exports	
		Trade authority	
		ILO –labor standards	
		Treaty on child labor	
	NAFTA		
		China	China/WTO
			Normal trade relations with China
		Radio Democracy for Africa	
		African Trade and Development Act	
		Liberty for Cuba	
		Hurricane relief in Central America	
		Mideast peace	

		Bosnia/Kosovo	Kosovo
		Northern Ireland	Northern Ireland
			Russia
		International terrorism	
		Nuclear weapons & START II; Comprehensive test ban treaty	Comprehensive test ban treaty
		Prevent terrorism on computers	\$2B to prevent hackers
			\$1.6B package for Colombia
			Money laundering legislation
			\$150M for AIDs
	Immunizations	Vaccines	Vaccines
	Defense spending	Defense spending	Defense spending
		Expand NATO	
		UN dues	UN dues
Environment			
	Environmental cleanup		Environmental cleanup
	Superfund		
		Everglades, Yellowstone	3 new National Monuments
		Lands Legacy	Lands Legacy – permanent conservation endowment
		Livability Agenda	Livable Communities/New transit systems
			Preserve rain forests
		Global warming	Global warming
		New clean air fund	
			\$3K tax credit for energy savings cars
			\$100M clean-energy technologies
Science/Technology			
			Human Genome Project
		Medical research	\$3B for 21 st Century

			Research Fund
			NASA
		Privacy (medical)	Privacy (Financial and Medical)
			Prevent genetic discrimination
			Medical errors
Community			
			Service
		W2W Partnership	W2W Partnership
		Adult literacy	National Campaigns –youth violence; teen pregnancy, etc.
	AmeriCorps	AmeriCorps	AmeriCorps
			AmeriCorps Reserves
			New charitable deduction
			Faith-based organizations
			Senior service
			Vote
		Immigration	
		Millennium Project	
		Census	Census
			Website chats
		Race Initiative	One America
		Hate Crimes Prevention Act	Hate Crimes Prevention Act
		ENDA	ENDA
			Civil rights enforcement
			One America
Economic plan			
	4 parts (1) shift from consumption to investment; (2) honor work and families; (3) federal deficit; and (4) cuts in government waste		
	Create jobs with \$30B job		20 million jobs

	investments –half a million jobs		
	1M summer jobs		
	Deficit reduction program		X
	Permanent investment tax credit for small business		
	Community development banks	CDFIs	CDFIs
	Ezs		Ezs
	Enviromental cleanup		Environmental cleanup
	Fair trade rules		Fair trade
	Increase top tax rate from 31% to 36%		
	10% surtax on incomes above \$250,000		
	Raise corporate tax rate		
	Energy tax –BTU		
		Y2K	X



***BACKGROUND ON PRESIDENT CLINTON'S
AGENDA FOR THE NATION***

***STATE OF THE UNION ADDRESS
JANUARY 27, 2000***

Outline of President Clinton's State of the Union Address
January 27, 2000

Fiscal Discipline and Economic Prosperity

- Maintaining Fiscal Discipline
- Paying Down the Debt by 2013
- Protecting and Strengthening Social Security
- Nearing the Longest Economic Expansion

Opportunity and Responsibility in Education

- Proposing Largest Head Start Expansion in History
- Promoting Early Learning
- Fixing Failing Schools and Rewarding Success
- Class Size Reduction
- Small, Safe and Successful High Schools
- Teaching to High Standards
- Charter Schools
- School Construction and Modernization
- Preventing Youth Violence
- College Opportunity Tax Cut
- \$1 Billion to Pell Grants, SEOG, etc.
- \$400 Million to Keep Youth on Track for Success

Rewarding Work and Strengthening Families

- Expanding the Earned Income Tax Credit (EITC)
- Minimum Wage Increase
- Ensuring Equal Pay
- Housing Vouchers for Hard-Pressed Working Families
- Homeless Initiative
- Millions Move from Welfare to Work
- New Initiatives to Collect More Child Support
- New Fathers Work/Families Win Grants
- Helping Long-Term Recipients Move from Welfare to Work
- Second Chance Homes
- Helping Low-Income Families Afford Child Care
- Assisting 8 Million Families with Child Care Expenses
- Creating New Child Care Tax Incentives for Businesses
- Supporting High Quality Early Childhood Educators
- Promoting Early Learning
- Campus Based Child Care
- Retirement Security Accounts
- Expand Pension Coverage for Small Businesses
- Tax Relief for Working Families

Health Care

- Patients' Bill of Rights
- Health Insurance Coverage Initiative
- Strengthening and Modernizing Medicare
- Long-Term Care Initiative
- Increasing Federal Mental Health Funding
- Preventing Medical Errors/Improving Care
- Major New Investment to Combat HIV and AIDS

Responsibility and Crime

- 21st Century Policing Initiative
- National Gun Enforcement Initiative
- Funding Innovative Smart Gun Technology
- Passing Common Sense Gun Legislation

Opening New Markets

- New Markets Initiative
- Delta Initiative
- Native American Initiative
- Strengthening the Farm Safety Net
- From Digital Divide to Digital Opportunity

Global Change and American Leadership

- Benefits of Expanding International Trade
- Forging a New Consensus on Trade
- Trade Agreements Enforcement Initiative
- Child Labor
- African Growth and Opportunity Act
- Caribbean Basin Trade Initiative
- Building Democracy Around the World
- Leading a Global Campaign Against AIDS and Disease
- U.S.-China Trade Agreement
- Building Peace in the Middle East
- Bringing Peace to Northern Ireland
- Reversing Ethnic Cleansing in Kosovo
- Protecting Computer Networks Against Cyber Attack
- Combating International Crime
- Aiding Colombia in its Fight Against Drugs
- Debt Relief
- Leading the Way in Global Non-Proliferation
- Maintaining the Strongest Military in the World

Responsibility, Opportunity and the Environment

- Lands Legacy
- Climate Change
- Tax Credits for Energy-Efficiency
- Clean Energy for the 21st Century
- Livable Communities

The Opportunity and Responsibility of Science and Technology

- Major New Investments in Science and Technology
- Protecting Americans' Personal Privacy

Community

Service and Philanthropy

- AmeriCorps and Encouraging Community Service
- Faith-Based and Community Organizations
- Increasing Charitable Giving

One America

- Civil Rights Enforcement
- The Employment Non-Discrimination Act ("ENDA")
- The Hate Crimes Prevention Act
- English Literacy/Civics Initiative
- Fairness to Immigrants

Governmental and Political Reform

- Enact Bipartisan Campaign Finance Reform
- Reinventing Government

FISCAL DISCIPLINE AND NEARING THE LONGEST ECONOMIC EXPANSION IN U.S. HISTORY

Maintaining Fiscal Discipline

When President Clinton was elected seven years ago, America was burdened with a \$290 billion deficit, and our national debt had quadrupled over the previous 12 years. Interest rates were high and growth was low. The President and the Vice President set a new path of fiscal responsibility, opening markets, and investing in our people and new technologies. We passed strong deficit reduction packages in both 1993 and in 1997, and made tough choices in each and every budget. This has put the nation on a course of fiscal discipline, while continuing to invest in our people and our future.

Now we see the results of the last seven years: the first back-to-back budget surpluses in 42 years; last year's surplus of \$124 billion was the largest in our history. The latest numbers from the Treasury indicate the surplus for this year will be even larger. In just the last two years, we've already paid down \$140 billion of the national debt. Because we've resisted efforts to push our nation off the path of fiscal discipline with large and irresponsible tax cuts, our debt is \$1.7 trillion less this year than it was projected to be back in 1993.

Last year, the President asked the Congress to use every single dollar of our Social Security surplus to pay down the debt, and to use the interest savings from that debt reduction to lengthen the life of Social Security. This year the President has announced that because of the choices we have made, the budget he will submit for 2001 accelerates the date that we will be able to pay off our debt to 2013 -- two years earlier than we had originally planned. The President will do this by protecting Social Security funds, and dedicating the interest savings to Social Security, allowing us, in addition to paying off the debt, to extend the solvency of the Social Security trust fund to at least 2050. We will also be able to make Medicare secure now, through 2025. And we will be debt-free for the first time since 1835, when our nation just had 24 states and fewer than 15 million people.

Paying Down the Debt by 2013

In the State of the Union address, President Clinton will announce that his budget for 2001 would put America in a position to pay off the \$3.6 trillion debt by 2013 -- 2 years earlier than planned. The President will emphasize that this debt reduction would be accomplished by protecting Social Security funds -- and dedicating the interest savings to Social Security, allowing the Social Security solvency to be extended until at least 2050. In contrast, the Republican lockbox plans in Congress fail to extend the life of Social Security by even one day. The President also will announce that his budget will make Medicare secure through at least 2025 by devoting a substantial fraction of the surplus to Medicare solvency and debt reduction. The President's plan to pay down the debt will result in lower interest rates and stronger investment. For typical families it will mean lower mortgage payments and car payments. By strengthening the economy and eliminating the debt, the President's plan will help prepare the government -- and the Nation -- to meet the challenge of the retiring baby boomers.

Protecting and Strengthening Social Security

As he did in his 1998 and 1999 State of the Union addresses, the President will call on Congress to enact his plan to save Social Security first -- and strengthen it. For almost 65 years, Social Security has been an unshakable covenant among generations, between workers and retirees, between the disabled and the able bodied. For many Americans, Social Security, along with savings and pensions, is the foundation of retirement security. In his 1999 State of the Union Address, the President proposed a plan that would, building on our historic period of prosperity and budget surpluses, use debt reduction to extend the life of Social Security without damaging and unnecessary benefit cuts or tax increases. In the last session of Congress, the President proposed specific legislation that reserves the entire Social Security surplus for Social Security and debt reduction and, in addition, devotes the interest savings from paying down the

national debt to extending the life of Social Security from 2034 to 2050. If the interest savings were prudently invested in equities, solvency would be extended to 2054.

Nearing the Longest Economic Expansion in U.S. History

The President's leadership on fiscal discipline and economic strategy has helped put the economy on track for the longest expansion in American history. The strong economy has benefited Americans in the form of more jobs, higher wages, lower inflation, greater homeownership, and an increasing sense of optimism about the future:

- America is currently in the longest peacetime expansion in its history. By the end of February, the U.S. will have enjoyed 107 consecutive months of expansion – the longest economic expansion in history.
- Since President Clinton took office in 1993, the economy has created 20.4 million new jobs – the highest number of jobs ever created under a single President. These are overwhelmingly good jobs: according to a study by the Council of Economic Advisers and the U.S. Department of Labor, 81 percent of all new jobs are located in industry/occupation categories that pay above-median wages.
- The vast majority of the new jobs – 18.8 million or 92 percent of the total – were created by the private sector, the highest private sector share of job creation since Harry S. Truman was President.
- The unemployment rate in 1999 fell to 4.2 percent – the lowest rate in 30 years. For African Americans, the unemployment rate fell to 8.0 percent – the lowest on record. For Hispanics, the unemployment rate fell to 6.4 percent – the lowest on record.
- The economy has expanded at 3.8 percent annually under President Clinton – the fastest growth rate of any administration since President Johnson.
- As a result of the strong economy and investments in people, 7.7 million people have been lifted out of poverty under President Clinton. The poverty has fallen to 12.7 percent – the lowest rate since 1979. For African Americans and African American children, the poverty rate is the lowest on record. For Hispanics, the poverty rate is the lowest since 1980. For single mothers, the poverty rate has fallen to the lowest level in history.
- In the third quarter of 1999, the homeownership rate rose to 67.0 percent – the highest rate ever recorded. The homeownership rates for African Americans and Hispanics also reached record levels in 1999.
- The underlying core rate of inflation was 1.9 percent in 1999 – the lowest rate since 1965.

OPPORTUNITY AND RESPONSIBILITY IN EDUCATION

Proposing the Largest Head Start Expansion in History

The President's budget increases funding for Head Start by \$1 billion – the largest funding increase ever proposed for the program – to provide Head Start and Early Head Start to approximately 950,000 children. This funding will bring within reach the President's goal of serving one million children in 2002 and builds the foundation for the long-term goal of universal pre-school. Head Start prepares low-income children for a lifetime of learning and development by providing early, rigorous and comprehensive child development. Early Head Start, created by the Clinton-Gore Administration in 1994, brings these services to families with children ages zero to three and to pregnant women. The President's FY 2001 proposal would increase funding for Early Head Start by \$143 million. Since 1993, this Administration has already increased funding for Head Start by 90 percent.

Promoting Early Learning

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

Fixing Failing Schools and Rewarding Success

- **Universal After-School for Students in the Most Need** - The President and Vice President propose to invest \$1 billion in the 21st Century Community Learning Centers program to help ensure that every child in every failing school can have a safe place to learn during the after school and summertime hours. This more than doubles the FY 2000 investment. The Administration's budget will maintain the commitment to serving all children, but will dedicate the increase to help those children most in need of academic assistance as part of a comprehensive approach to help low-achieving students meet high academic standards. The budget provides sufficient funding to make after school or summer school programs universally available to all students attending Title I school identified as low-performing, nearly tripling the number of children served by the program to 2.5 million.
- **Accountability Fund** – In November, the Congress appropriated \$134 million for the President's accountability fund. This year, the President will increase funding for this initiative to \$250 million to turn around failing schools. This funding is used by states and localities to turn around low-performing schools by overhauling curriculum, improving staffing, or even closing the school and reopening it as a charter school. The accountability initiative also includes provisions expanding public school choice for students in failing schools.
- **Rewarding High Performance and Closing the Achievement Gap** - The President also proposes a \$50 million initiative to provide high-performance bonuses to states that make exemplary progress in improving student performance and closing the achievement gap between high and low performing groups of students. States would be eligible for bonuses based on substantial overall improvements in student performance and significant narrowing of the achievement gap as indicated by performance on the National Assessment of Educational Progress (NAEP).

Class Size Reduction

The President's class size reduction initiative continues his commitment to reduce class size in the early grades by staying on a path to hiring 100,000 high quality teachers. The Administration's FY2001 budget will fund for this initiative to \$1.75 billion, an increase of \$450 million over current levels – enough to

fund about 49,000 teachers, nearly half way to our long-term goal. Smaller classes allow teachers to spend more time on instruction and less time on discipline, and provide more individualized attention. Research shows that students attending small classes in the early grades make more rapid educational progress than students in larger classes. New teachers hired under this program must be qualified and know the subjects they are teaching.

Small, Safe and Successful High Schools

Research shows that smaller schools can boost academic achievement and extracurricular involvement and lead to fewer discipline problems. The President's budget will include \$120 million for a Small Schools Initiative to reinvent high schools on a smaller scale and make them more responsive to student needs. School districts could use this money to create small schools or break up existing large schools into smaller learning communities. Districts would be expected to demonstrate increases in student achievement, graduation rates, and the number of students pursuing postsecondary options, and decreases in classroom disruptions and violence.

Teaching to High Standards

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

- **Higher Standards-Higher Pay for Teachers** – This \$50 million initiative will award grants to high-poverty school districts to help them attract and retain high-quality teachers through better pay and higher standards. Participating teachers would receive immediate pay increases and additional raises for exceptional work.
- **Teacher Quality Rewards** – This \$50 million program will reward school districts that have made exceptional progress in reducing the number of uncertified teachers and teachers teaching outside their subject area. The President has proposed requiring states to ensure that 95 percent of teachers are certified and 95 percent of secondary teachers are teaching within field by 2004.
- **Hometown Teacher Recruitment** – This \$75 million program would empower high-poverty school districts to develop programs to recruit homegrown teachers to address the shortage of qualified teachers. Programs supported by this grant would make students aware, as early as middle school, of the opportunities available in the teaching profession; provide mentoring and teaching experiences as they progress through school; and provide financial assistance for students who enter college and pursue academic degrees with the goal of teaching in high-need communities after graduation.
- **Transition to Teaching** – This \$25 million initiative will build on the success of the Department of Defense's Troops to Teachers program by recruiting and preparing talented mid-career professionals from diverse fields to become teachers in high-need subject areas and high-need schools.
- **School Leaders Initiative** – This \$40 million program will fund non-profit partnerships designed to recruit, prepare and provide professional development for superintendents and principals, and other school leaders.

Charter Schools

The President's budget will increase funding for charter schools by \$30 million dollars from \$145 million to \$175 million. Charter schools are public schools started by parents, teachers, or community groups that are open to all and given a great deal of flexibility in exchange for agreeing to meet defined goals for student performance. Charter schools are one way to increase competition, provide options and choices for parents, and increase accountability in public education. When the President was first elected in 1992, there was only one charter school in the country. Now, according to the Department of Education, there

are approximately 1,700 and 36 states and the District of Columbia have passed laws allowing the creation of charter schools. This proposed new funding will ensure that we can meet the President's goal of creating 3,000 public charter schools.

School Construction and Modernization

At least 2,400 new public schools will be needed nationwide by 2003 to accommodate rising enrollments and to relieve overcrowding. Thousands more will be needed in following years. To address this critical need, President Clinton is renewing his commitment to his School Modernization Bond proposal. It provides \$24.8 billion in tax credit bonds over two years to modernize up to 6,000 schools. This proposal has an estimated cost of \$8 billion over ten years. Within this \$24.8 billion program, \$2.4 billion is reserved for Qualified Zone Academy Bonds. In addition, the 2001 budget includes a new \$1.3 billion school urgent/emergency renovation loan and grant proposal. This \$1.3 billion program could support nearly \$7 billion of renovation projects in high-need school districts with little or no capacity to fund urgent repairs. Both loans and grants would be made available, with the smaller grant program directed toward the neediest districts.

Preventing Youth Violence

Over the past year, the country has been traumatized by a spate of school shootings. The President has taken leadership to address the issue of preventing youth violence by establishing a National Campaign Against Youth Violence. The National Campaign is beginning a public engagement campaign on how best to prevent youth violence and is working with the best minds in the field of youth violence to identify and replicate best practices of prevention in local communities. The President's budget includes over \$8.8 billion, \$875 million above FY 2000, for programs throughout the government that work to target youth violence and programs that support the healthy development of young people including developing smaller high schools; promoting safe after-school opportunities; cracking down on illegal gun traffickers who supply guns to youth; and, helping communities develop and implement community-wide responses to school and youth violence through the Safe Schools/Healthy Students initiative. The Safe Schools program joins principals, parents, police and others in the community to collaborate on comprehensive strategies to address violence problems confronting children in and out of school. The President's new budget will provide a \$100 million increase for his safe schools initiative, investing a total of nearly \$250 million in this signature program.

College Opportunity Tax Cut

Since 1993, the President has taken numerous steps to make college more affordable and accessible, including direct student loans, Pell Grant increases, as well as the Hope Scholarship and Lifetime Learning tax credits, producing the biggest expansion in college opportunity since the GI Bill. This year the President goes one step further and calls on Congress to pass his College Opportunity Tax Cut to expand on previous educational tax cuts and make college, graduate school, and job training more affordable for millions of families. The President's proposal would give families the option of taking a tax deduction or a 28 percent tax credit on tuition and fees to pay for college and other higher education. The proposal would cover up to \$5,000 of educational expenses in 2001 and 2002 and rise to \$10,000 of educational expenses from 2003 forward. When fully phased in, this proposal would provide up to \$2,800 in tax relief annually to help American families pay for college, graduate work, or courses taken to improve job skills.

Nearly \$1 Billion In Increases To Pell Grants, SEOG, Work Study, And Other Programs:

- **Pell Grants.** The Pell Grant program provides grants to economically disadvantaged young people to help pay the cost of a postsecondary education. The maximum Pell Grant in FY2000 is \$3,300. The President's FY2001 budget increases the maximum to \$3,500, more than 50 percent larger than the maximum grant in 1993, to make a college education more affordable for the nearly 4 million Pell Grant recipients. Funding for the Pell Grant program is increased by over \$716 million, bringing the

total Pell Grant appropriation to \$8.356 billion.

- **SEOG.** SEOG, the Federal Supplemental Educational Opportunity Grant program, provides campus-based grant assistance to needy undergraduate students. Generally, this program supplements the aid students receive from other sources, and leverages institutional aid by at least one dollar for every three federal dollars. The FY2001 budget provides \$691 million for SEOG, a \$60 million increase, the largest increase in 10 years. An estimated 1.2 million students (over 60,000 more than in 2000) will receive awards in 2001.
- **Work Study.** Work Study provides students the opportunity to work their way through college. The FY 2000 budget achieved the goal of giving one million students the opportunity to participate in Work Study. The FY2001 budget includes \$1.011 billion for Work Study, an increase of \$77 million to continue this commitment to serve one million students.
- **College Completion Challenge Grants.** The FY2001 budget creates a new initiative within the TRIO program called College Completion Challenge Grants (CCCG). Although college enrollment rates have risen, 37 percent of students that go on to post-secondary school drop out before they get a certificate or a degree. The problem is especially acute for minorities: 29 percent of African Americans and 31 percent of Hispanics drop out of college after less than one year, compared to 18 percent of whites. The CCCG program is designed to address this problem with a comprehensive approach including pre-freshman summer programs, support services and increased grant aid to students. This \$35 million initiative will improve the chances of success for nearly 18,000 students.
- **Dual Degree Programs for Minority-Serving Institutions.** The FY 2001 budget proposes a new program to increase opportunities for students at minority-serving institutions that offer four-year degrees. Students would receive two degrees within five years: one from a minority-serving institution, and one from a partner institution in a field in which minorities are underrepresented. This new \$40 million program will serve an estimated 3,000 students.

Over \$400 Million In Increases To Keep Young People On The Track To Success:

- **GEAR UP.** GEAR UP is a nationwide initiative to encourage more disadvantaged young people to have high expectations, stay in school, study hard, and take the right courses to go to and succeed in college. GEAR UP is funded at \$200 million in FY 2000, enough to provide services to over 750,000 students. The FY 2001 budget provides a 62.5% increase to \$325 million, enough to provide services to 1.4 million students.
- **TRIO.** The TRIO programs seek to motivate and prepare students to go to and stay in college. The FY 2001 budget provides \$725 million for TRIO, an increase of \$80 million to help provide assistance to over 760,000 students, 37,000 more than in 2000.
- **Youth Opportunity Grants and Youth Training Formula Grants.** Youth Opportunity Grants are an initiative to provide comprehensive employment and training assistance to all out-of-school young people in high poverty areas. The program was passed as part of the bipartisan Workforce Investment Act. Funded at \$250 million in FY 2000, this program would serve up to 50,000 of the most disadvantaged young people in central cities and rural communities across America. The President's FY2001 budget provides a 50 percent increase in funding to \$375 million, enough to serve an additional 25,000 youth in high poverty areas. In addition, the FY2001 budget provides a \$25 million increase (from \$1.001 billion to \$1.022), to the Youth Training Formula Grants, enough to provide job training and summer job opportunities to nearly 600,000 disadvantaged young people.

- **Youthbuild.** The Youthbuild program, is targeted to 16-24 year old high school dropouts, and provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income and homeless people. The program also helps to expand the supply of housing in these categories. Funded at \$42.5 million, the Youthbuild programs will provides opportunities for approximately 2,000 trainees in 2000. The FY2001 increases funding by 76% to \$75 million, enough to serve approximately 3,330 trainees.
- **Job Corps.** Job Corps is the nation's largest and most comprehensive residential education and job training program targeted at impoverished young people. The FY2001 budget increases Job Corps funding by \$33 million, bringing the total Job Corps budget to \$1.392 billion.

REWARDING WORK AND STRENGTHENING FAMILIES

Expanding the Earned Income Tax Credit (EITC)

President Clinton will call on Congress to pass his \$21 billion plan to expand the Earned Income Tax Credit – a key part of his opportunity, responsibility, and community agenda to reward work and family. According to estimates by the Department of the Treasury, the President's proposed EITC expansion would deliver tax relief for 6.8 million families, providing up to \$1,200 in additional tax relief for some of these hard-pressed, working families. The President's proposal would build on the EITC expansion that he signed into law in 1993 and which provided a tax cut for 15 million families. That expansion made the EITC even more effective at encouraging work and reducing poverty: In 1998, 4.3 million people were directly lifted out of poverty by the EITC – more than double the number in 1993. The President's proposal would further increase the reward to work and family by: (1) increasing benefits for families with three children; (2) expanding the credit for married, two-earner couples; (3) rewarding families that are working hard to move into the middle class by lowering the phaseout rate; and (4) encouraging savings through simplification. To illustrate the effects of the President's proposed expansion: under current law, a married couple earning \$23,000 and with three kids qualify for a \$1,892 EITC; the President's proposed expansion would boost that amount to \$2,867 – an increase of \$975.

Minimum Wage Increase

The President will call on Congress to pass a \$1 increase in the minimum wage. Despite the strongest economy in a generation, there are still millions of workers trying to raise a family and make ends meet. The President believes that parents who work hard and play by the rules should not have to raise their children in poverty. That is why, in 1993, he expanded the Earned Income Tax Credit (EITC) and, in 1996, fought for and won a minimum wage increase. A working parent with two children earning the minimum wage in 1993 made \$10,559 with the EITC (in 1998 inflation-adjusted dollars) – well below the poverty line. As a result of the expanded EITC and higher minimum wage, a similarly situated family in 1998 was above the poverty line – making \$13,268 – a 26 percent inflation-adjusted increase in their standard of living. The President's challenge to build on the success of these policies by raising the minimum wage by \$1 would help 11.4 million Americans – 70 percent of whom are adults and 59 percent of whom are women. For a full-time, year-round worker at the minimum wage, the President's proposal would mean an additional \$2,000 per year, enough to buy 7 months of groceries or pay 5 months of rent.

Ensuring Equal Pay

According to the Department of Labor, the average woman who works full-time earns approximately 75 cents for each dollar that an average man earns. For women of the color, the gap is even wider. This gap is attributable, in part, to differing levels of experience, education, and skill. However, even after accounting for these factors, a significant pay gap still remains between men and women in similar jobs. The President will announce a \$27 million Equal Pay Initiative in his Fiscal Year 2001 budget, an increase of \$12 million over Fiscal Year 2000. The Initiative requests \$10 million for the Equal Employment Opportunity Commission (EEOC) to provide training and technical assistance to about 3,000 employers on how to comply with equal pay requirements and to launch a public service announcement campaign on wage issues. The Initiative also dedicates \$10 million for the Department of Labor (DOL) to train women in nontraditional jobs, including high-tech jobs and other skill shortage occupations. Lastly, the Initiative provides \$7 million for DOL to help employers assess and improve their pay policies, support public education efforts, provide for projects in non-traditional apprenticeships, and implement industry partnerships. The President also will call on Congress again to pass the Paycheck Fairness Act, which would strengthen wage discrimination laws, provide for new collection of data on wage issues, and provide for additional research, training, and public education efforts on this important subject.

New Housing Vouchers for Hard-Pressed Working Families

The President's budget will include \$690 million for 120,000 new housing vouchers to help America's hard-pressed working families. These housing vouchers subsidize the rents of low-income Americans, enabling them to move closer to job opportunities – many of which are being created far from where these families live. Of the 120,000 new housing vouchers, 32,000 will be targeted to families moving from welfare to work, 18,000 to homeless individuals and families, and 10,000 to low-income families moving to new housing constructed through the Low Income Housing Tax Credit, with the remaining 60,000 vouchers allocated to local areas to help address the large unmet need for affordable housing. These new vouchers build on the 110,000 new housing vouchers secured through the President's leadership over the past two years.

Homeless Initiative

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

Millions Move from Welfare to Work

In 1992, President Clinton promised to end welfare as we know it, and now more than three years after the enactment of the welfare reform law, we've seen revolutionary changes to promote work and responsibility: the number of Americans on welfare is at its lowest level since 1969 -- 30 years ago -- as millions of people move from welfare to work. Since January 1993, the welfare rolls have fallen by more than half, from 14.1 million to 6.9 million. More than 1.3 million welfare recipients went to work in 1998 alone. The 12,000 business participating in the Welfare to Work Partnership launched by the President in 1997 have hired nearly 650,000 former welfare recipients. The federal government is also doing its share: in 1997, the President asked the Vice President to lead the federal hiring initiative to hire 10,000 welfare recipients over four years. Today, we've far exceeded that goal, hiring more than 16,000 people. At a time when the federal workforce is the smallest it has been in thirty years, the Vice President has shown that you can both create a leaner government and one that leads by example.

New Initiatives to Collect More Child Support

Since the President took office, child support collections have nearly doubled. Today, parents who owe child support have their wages garnished, their bank accounts seized, and their tax refunds withheld. To build on this success, the budget contains several new initiatives to further increase child support collections and crack down on parents who owe child support. Parents who owe past-due child support will have their gambling winnings intercepted and their vehicles booted. They will have a harder time obtaining or renewing a passport, and they can be prohibited from enrolling as a Medicare provider. Finally, the budget will require that child support orders be updated more frequently and increase the amount of child support paid directly to families.

New Fathers Work/Families Win Grants

The President's budget will contain \$255 million in new competitive grants in FY 2001 to promote responsible fatherhood and support working families, critical next steps in reforming welfare and reducing child poverty. The Clinton-Gore Administration's budget will encourage responsible fatherhood through \$125 million in "Fathers Work" grants to put approximately 40,000 non-custodial parents (mainly fathers) who owe child support to work and help them connect with their children. As part of this effort, states will need to put in place procedures allowing them to require more parents who owe child

support to pay or go to work. The President's budget will also contain \$130 million in "Families Win" grants to help about 40,000 low-income parents stay in their jobs, move up the career ladder, and remain off cash assistance. An important part of these grants will be to improve families' access to food stamps, health care, child care, and other critical support for working families. \$10 million will be set aside for Indian and Native American grantees. Fathers Work/Families Win competitive grants will be run by one-stop career centers, community groups, and faith-based organizations under contract to local and state workforce investment boards.

Helping More Long-Term Recipients Move from Welfare to Work

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

Second Chance Homes

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

Helping Low-Income Families Afford Child Care

The President's budget expands the Child Care and Development Block Grant to help working families struggling to afford child care. The President's budget request will increase funding for child care subsidies by \$817 million in FY 2001, enabling the program to serve nearly 150,000 more children next year. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve over 2.2 million children in 2001, an increase of nearly one million since 1997. The block grant is part of the Child Care and Development Fund, the primary federal subsidy program that helps families pay for child care, thereby enabling low-income parents to work. Today, millions of families who are eligible for assistance with their child care costs do not receive any help; in 1999, only about 12 percent of the 15 million low-income children eligible for assistance under federal law, received subsidies.

Tax Relief for Over 8 Million Families with Child Care Expenses

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

- **Making the Credit Refundable for Nearly Two Million Working Parents.** Under current law, a typical family of four with an income under \$25,000 is ineligible for credits for child care expenses because it has no income tax liability. Many such families earn too little to claim the credit, but too much to get the full benefit of child care subsidies. To help these families, the President proposes to make the CDCTC refundable for the first time -- so that families with no tax liability can receive up to \$2,400 to help offset the cost of child care. This proposal will assist nearly two million families.
- **Increasing the Child Care Tax Credit.** For families earning up to \$60,000, the President proposes to increase the maximum level of the CDCTC from 30 percent to 50 percent. This will provide an average additional tax cut of \$249 for these families and eliminating tax liability for nearly all families with incomes below 200 percent of poverty that claim the maximum allowable child care

expenses. Under this proposal, a family of four with an annual salary of \$35,000, and child care expenses of \$3,100, would receive a tax credit of \$1,395 -- an increase of \$775 over current law. This expansion proposal will help over four million working families pay for child care.

- **Providing Tax Relief to Parents Who Stay at Home.** The President will also propose enabling parents who stay at home with children under age one to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of \$500. This proposal will provide an average tax cut of \$154, benefiting almost two million parents.

Creating New Child Care Tax Incentives for Businesses

In his budget, President Clinton will also propose a new tax credit for businesses that provide child care services for their employees. These services could include: building or expanding child care facilities, operating existing facilities, training child care workers, or providing child care resource and referral services. The credit covers 25 percent of qualified costs (and 10 percent of resource and referral service expenses), but may not exceed \$150,000 per year per business. The President's budget includes \$539 million over five years for this tax credit..

Supporting High-Quality Early Childhood Educators

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

Encouraging the Pursuit of Higher Education by Offering College Campus Based Child Care

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

Retirement Savings Accounts To Help Families Save and Invest

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

Expand Pension Coverage for Small Businesses

In an effort to encourage more small businesses to offer pensions for their employees, the President will also announce a proposal to provide a 50 percent tax credit for qualified contributions to employees' pensions. This provision would cost \$17 billion over 10 years.

Tax Relief for Working Families: Simplifying Taxes and Rewarding Marriage and Work

Today as part of his State of the Union Address, President Clinton will announce his plan to reduce the marriage penalty for married, two-earner couples by increasing the standard deduction by nearly \$2,000. The President will propose to increase the standard deduction for two-earner married couples to twice that of single filers, providing substantial tax relief for 9.1 million families. The President would provide an additional \$500 increase in the standard deduction for single-earner married couples that do not face a marriage penalty. He would also increase the standard deduction for single filers by \$250. The President's plan would cost \$45 billion over 10 years and benefit 42.1 million families.

HEALTH CARE

Patients' Bill of Rights

The President and Vice President continue to challenge the Congress to finally finish the overdue job of passing patients' rights legislation that includes critical protections such as: guaranteed access to needed health care specialists; access to emergency room services when and where the need arises; continuity of care protections so that patients will not have an abrupt transition in care if their providers are dropped; access to a fair, unbiased and timely internal and independent external appeals process to address health plan grievances; and an enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions. Last fall, over 80 Republicans joined virtually every Democrat in the House in voting for the Norwood-Dingell Patients Bill of Rights. This strong, enforceable, patient protections bill should not be watered down in a manner that makes it ineffective and unworthy of signing. It should also not include provisions that do little more than further segment healthy from unhealthy populations without significantly expanding coverage for the currently uninsured.

Health Insurance Coverage Initiative

The President and Vice President strongly believe we should expand access to affordable health care coverage to more Americans. The budget proposes a 10-year, \$110 billion initiative that would expand coverage to at least 5 million uninsured Americans and expand access to millions more. It addresses the nation's coverage challenges by building on and complementing current private and public programs. Specifically, the initiative: (1) provides a new, affordable health insurance option for families called "FamilyCare," which builds on the State Children's Health Insurance Program to provide higher Federal matching payments to parents of children eligible for or enrolled in Medicaid or S-CHIP; (2) accelerates enrollment of uninsured children eligible for Medicaid and S-CHIP; (3) expands health insurance options for Americans facing unique barriers to coverage, including a Medicare buy-in with a new 25 percent tax credit; a new 25 percent tax credit for COBRA continuation coverage; an initiative to help small businesses afford insurance, and new Medicaid options for vulnerable groups of Americans (people ages 19 and 20; people leaving welfare for work; legal immigrants); and (4) strengthens programs that provide health care directly to the uninsured. If enacted, this would be the largest investment in coverage since Medicare was created in 1965.

Strengthening and Modernizing Medicare

The President's budget includes a comprehensive plan to reform and modernize Medicare. This plan will: (1) make the program more efficient and competitive; (2) extend the solvency of the Health Insurance (HI) trust fund to at least 2025; (3) modernize benefits including adding a long-overdue, voluntary prescription drug benefit; and (4) create a reserve fund to be used for debt relief or to create bipartisan consensus to further strengthen the proposed drug benefit for Medicare beneficiaries. Building on the President's successful fight against fraud and waste, the plan would dedicate over \$300 billion in savings and surplus over 10 years to the HI trust fund, helping to meet the inevitable financing and health challenges that result from the aging of the baby boom. The proposed prescription drug benefit would be voluntary, available and affordable to all beneficiaries, including low-income beneficiaries who would pay low to no costs for coverage. It would be administered by private organizations like pharmaceutical benefit managers (PBMs) and would give financial incentives to employers who currently offer retiree prescription drug benefits to maintain coverage. Finally, a reserve fund would be created for debt reduction or, if there is bipartisan consensus, to strengthen the Administration's drug benefit by adding protections against the cost of catastrophic drug expenses.

Long-Term Care Initiative

The budget proposes a 10-year, \$28 billion initiative that helps address the nation's multifaceted long-term care challenge. It includes: (1) a \$3,000 tax credit to compensate people with long-term care needs

or their caregivers for the cost of care; (2) a major new investment in the Older Americans Act for information and referral as well as direct support services for family caregivers; (3) a new Medicaid option to increase income eligibility levels for home and community based services to the same levels as nursing home residents; (4) a Housing and Urban Development program to encourage assisted living facilities for low-income elderly; and (5) a new option for Federal employees to purchase quality private long-term care insurance. The FY 2001 budget also includes an additional \$16.8 million to help states strengthen nursing home enforcement tools and increase Federal oversight of nursing home quality and safety standards.

Increasing Federal Support for Improving the Mental Health of All Americans

According to the December 1999 Surgeon General's Report on Mental Health, one in five Americans is living with a mental health disorder. This report states that the fundamental components of effective service delivery are broadly agreed upon, but in short supply. The President will highlight his new investment of \$100 million for mental health services, an increase of 16 percent over last year's funding level and a 90 percent increase since 1993.

Preventing Medical Errors and Improving Quality of Care

Late last year, the Institute of Medicine reported that as many as 98,000 Americans die from preventable medical errors each year. In response, the President instructed that the over 300 health plans serving Federal employees institute patient safety initiatives as a condition of participating in the program and directed all Federal agencies to conduct a comprehensive review of the steps they could take to reduce medical errors. In the coming weeks, the President will announce further actions we should take to help eliminate all preventable errors.

Major New Investment to Combat HIV and AIDS in the United States

The President has proposed to invest an additional \$125 million in the Ryan White Program, an increase of almost 8 percent over last year's funding level, to provide primary medical care, pharmaceuticals critical to treatment, and other critical support services for people living with HIV and AIDS. The budget also includes an additional \$50 million for HIV prevention, the largest increase ever in funding for these activities, to encourage individuals at risk to avoid behaviors that can result in the transmission of the disease.

RESPONSIBILITY AND CRIME

21st Century Policing Initiative

In order to keep crime rates down to record low levels, and officers on the beat at all time highs, the President is committed to continuing the second year of his 21st Century Policing Initiative. The 21st Policing Initiative, builds on his successful COPS program that has funded 100,000 more community police for our streets, by: (1) providing resources for communities to hire and redeploy up to 50,000 more police for our streets by FY 2005 with an effort to target new police officers to crime "hot spots"; (2) giving law enforcement access to the latest crime-fighting and crime-solving technologies, such as improved police communications, crime mapping software, laptop computers, and crime lab improvements; and (3) funding new state and local prosecutors to work with local law enforcement and the community to combat local crime problems; and (4) engaging all sectors of the community to prevent and fight crime by funding partnerships with probation parole officers, schools, and faith-based organizations.

Fighting Gun Crime with New National Gun Enforcement Initiative

Building on his successful strategy of combating gun violence that has helped lead to a 35 percent decline in gun crime, the President proposed \$280 million to fund the largest national gun enforcement initiative in history that specifically includes:

- **500 New ATF Agents and Inspectors** - The President's initiative includes the largest increase ever in ATF agents and inspectors, with new agents to crack down on violent gun criminals and illegal gun traffickers at guns shows, gun stores and on the streets, and more firearms inspectors to target unscrupulous gun dealers who supply firearms to criminals and juveniles.
- **Over 1,000 New Federal, State and Local Gun Prosecutors** - The proposal will fund 1,000 new state and local prosecutors to combat gun crime and violence, 100 new federal gun prosecutors, and new gun enforcement teams to coordinate efforts with local law enforcement to remove gun criminals from our communities and put them behind bars.
- **Comprehensive Crime Gun Tracing** - To move toward tracing every crime gun in America, 250 local law enforcement agencies will receive training and tracing equipment to facilitate comprehensive tracing, and the Administration's Youth Crime Gun Interdiction Initiative (YCGII) will be expanded from 38 to 50 cities across the country.
- **New National Integrated Ballistics Information Network** - The President's initiative will triple current funding for ballistics testing programs to launch the first-ever national ballistics network -- to support the deployment of 150 ballistics imaging units to law enforcement, helping to link bullets and shell casings to the criminal guns they were fired from.
- **Local Anti-Gun Violence Media Campaigns** - To help communities send a strong message to combat gun crime and violence, the initiative funds matching grants to support local media campaigns highlighting penalties for breaking gun laws, proper storage of firearms and preventing child access.

Funding Innovative Smart Gun Technology

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

Passing Common Sense Gun Legislation

In addition to pressing the Congress to pass his aggressive gun enforcement budget to give communities more and better tools to fight gun crime, President Clinton urged the Congress to make passage of pending common sense gun safety measures the first order of legislative business. Among the reforms he called on the Congress to enact include: closing the gun show loophole by requiring background checks and records at gun shows; requiring child safety locks for handguns sold; banning the importation of large capacity ammunition magazines; and banning violent juveniles from owning guns for life.

OPENING NEW MARKETS

The New Markets Initiative

The United States is currently in the midst of the longest peacetime expansion in its history. The strength and duration of this expansion has helped bring economic opportunity to millions of people once cut off from the economic mainstream. But too many urban and rural areas have not participated in this growth. These areas have tremendous potential as New Markets. The President's expanded New Markets initiative will spur \$22 billion in new capital investment in businesses in these economically distressed areas through a package of tax credits and loan guarantees. The package includes the following components:

- **More Than Doubling the New Markets Tax Credit** – The President proposes to more than double the New Markets tax credit to spur \$15 billion dollars in new investment in community development in economically distressed areas. An entity making new equity investments in a selected community development project would be eligible for a tax credit worth 25 percent of the cost of the investment. A variety of vehicles providing equity and credit to businesses in underserved areas would be eligible. The total cost of the tax credits amounts to about \$5 billion over 10 years.
- **Expanded Empowerment Zone Tax Incentives** - These tax credits will extend and improve economic growth in the 31 existing urban and rural Empowerment Zones, administered by HUD and USDA, and support a third round of 10 new empowerment zones to be designated in 2001. The total cost of these proposals will be \$4.4 billion over 10 years.
- **America's Private Investment Companies (APICs)** - Modeled after the Overseas Private Investment Corporation's (OPIC) successful investment fund program, APICs would provide guaranteed debt to private investment companies, licensed by HUD, to help leverage private equity capital and lower the cost of capital for investments in low- and moderate-income communities. For every dollar that private investors provide, the government will guarantee two dollars in debt to expand the APIC's pool of capital available for making investments and enhance the return on those investments to the private investors. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas.
- **New Market Venture Capital Firms (NMVCs)** – The President is asking for \$51.7 million in his 2001 budget to allow SBA to match equity investment and technical assistance funds to finance 10-20 new investment partnerships – New Markets Venture Capital Firms -- selected to provide both long-term growth capital and expert guidance to entrepreneurs who need both in order to transform their small businesses and great ideas into thriving companies.
- **Other Elements of New Markets** - Other elements include: increasing the funding for SBA's microenterprise lending program; creating PRIME-- a program providing technical assistance to low-income entrepreneurs; boosting CDFI funding; expanding support for BusinessLINC to encourage large businesses to work with small businesses in new markets; and establishing a New Markets University Partnerships pilot project which, under the auspices of HUD, would provide Universities with funding to develop local community partnerships, assistance to intermediaries, and technical and business development assistance to new and existing firms. In addition, to better serve Native American communities, the President will provide additional funding to expand the New Markets initiative to Indian Country.

Delta Initiative

In the Mississippi Delta, poverty remains at 175 percent of the national average. The President has proposed the creation of a new Delta Regional Authority, modeled after the successful Appalachian Regional Commission, to bring the resources of a Federal-State partnership to the fight for economic

growth in the region. This partnership will help bring the infrastructure and job training needed to make the Nation's prosperity a reality in the Delta.

Native American Initiative

In order to better serve Native American communities in this millennium and to honor the federal government's trust responsibility to tribes, the President's budget includes an increase of \$1.2 billion over Fiscal Year 2000 for key new and existing programs assisting Native Americans and Indian reservations. This initiative brings together several agencies in order to address the needs of Native American communities comprehensively. Some of the highlights of this initiative include: \$300 million for Bureau of Indian Affairs school construction and repair; \$349 million through the Department of Transportation for roads in Indian Country; \$650 million to provide rental and homeownership assistance through the Department of Housing and Urban Development (HUD), and \$2.0 billion for the Indian Health Service. Other key components of the Native American initiative include: "New Markets" economic development initiatives such as funding to create Native American Small Business Development Centers at the Small Business Administration; funding to create a Native American Economic Development Access Center at HUD; addressing the "digital divide" by creating a new program, in conjunction with the tribal colleges, to encourage Native Americans to enter information technology fields; funding 500 new Native American school administrators; increased funding for tribal colleges; \$49 million to fund technology, infrastructure, planning, and public works projects at the Economic Development Administration; and increased funding of \$103 million for the third year of the joint Department of Justice/Bureau of Indian Affairs Law Enforcement initiative.

Strengthening the Farm Safety Net

As the President has noted on numerous occasions since its passage, the 1996 Farm Bill fails to provide America's farmers with an adequate safety net. As prices have remained depressed for the past two years, the Federal government has provided over \$15 billion in emergency assistance. In order to provide American farmers and ranchers with the critical assistance that they need and deserve, the President's budget includes \$11 billion to strengthen the farm safety net until the next farm bill in 2002, with three key components: conservation, supplemental income assistance, and crop insurance. The budget includes for FY 2001:

- \$1.3 billion to help family farmers take steps to protect water quality and the environment and to preserve farmland, including \$600 million for a new conservation security program that will assist farmers who voluntarily adopt comprehensive plans to curb erosion and protect water supplies from pesticide and nutrient runoff.
- \$3.1 billion for a new targeted supplemental income assistance program that will provide payments to producers whose farm revenue falls more than 92 percent below its 5-year average.
- \$640 million to subsidize the cost of crop insurance premiums, to allow farmers to purchase higher levels of coverage than are included in the basic catastrophic coverage.

From Digital Divide to Digital Opportunity

Access to computers and the Internet and the ability to use this technology effectively are becoming increasingly important for full participation in America's economic, social and political life. Unfortunately, there is strong evidence of a "digital divide" – unequal access to technology by income, education level, race, and geography. In 1998, those with a college degree were more than *eight times* more likely to have a computer at home and nearly *sixteen times* as likely to have home Internet access as those with an elementary school education. And the gap is widening. This growing divide also cleaves our community along income, ethnic, and geographic lines, with affluent, white, and urban/suburban households enjoying better computer and Internet access than their African-American, Hispanic, less affluent and more rural counterparts. To address this troubling trend, the President will shortly unveil a comprehensive program that relies on all levels of government working in partnership with the private

sector and non-profit organizations and also will lead high-tech executives and others on a New Markets tour focused on closing the Digital Divide.

GLOBAL CHANGE AND AMERICAN LEADERSHIP

Benefits of Expanding International Trade

Trade has been crucial to American prosperity. Since World War II, as the U.S. has led eight separate rounds of multilateral trade negotiations and signed hundreds of trade agreements, global trade has increased 15-fold, contributing to the most rapid, sustained economic growth ever recorded. Real production in the United States is up 5-fold and real average American per capita income is up 3-fold over this period. Still, there remains much work to be done. Ninety-six percent of the world's consumers live outside the US, many in countries that are only now achieving the means to become significant purchasers of American products.

Forging a New Consensus on Trade

American leadership over the last 50 years has helped develop a world trading system in which the United States is now the world's largest exporter and importer with over \$2 trillion worth of goods and services in trade each year. Since the creation of the General Agreement on Tariffs and Trade in 1948, Democratic and Republican Administrations, working in partnership with Congress, have concluded eight negotiating Rounds, opening markets for American goods, and helping advance basic principles of rule of law, transparency, and fair play in the world economy. Most recently, since the conclusion of the Uruguay Round in 1994, a more open world economy has helped American exports to rise by well over \$200 billion. This has contributed significantly to the rapid economic growth we have enjoyed over the past five years, and the continuation of the longest peacetime expansion in America's history. At the same time, it has helped us to gain high-skill, high-wage jobs, reverse a 20-year period of decline in wages, and in fact increase wages by 6% in real terms. Nevertheless, as President Clinton has said, we need to build a new consensus on trade by putting a human face on the global economy. The five years since the WTO was founded as the successor to the General Agreement on Tariffs and Trade (GATT) have revealed areas where the institution can be further strengthened in this regard -- including greater transparency, a greater role in addressing workers' concerns about globalization through the establishment of a Working Group on Trade and Labor, and a commitment to sustainable development, including protection of the environment, as enshrined in the WTO's Preamble.

Trade Agreements Enforcement Initiative

The President is committed to ensuring that trade is free and fair and that American companies and workers benefit fully from our bilateral and multilateral trade agreements. He is proposing in FY 2001 that the Department of Commerce and related agencies have the resources necessary to monitor and enforce international trade agreements.

Child Labor

In his 1999 State of the Union address, President Clinton pledged: "[W]e will lead the international community to conclude a treaty to ban abusive child labor everywhere in the world." In June, he spoke to the ILO before it adopted the new convention and in December, with Senate advice and consent, he signed the convention on behalf of the United States. Now we must do more to help countries around the world make the convention's aspirations a reality, bringing education -- not hard labor -- to millions of children and preventing the loss of future generations of youth to abusive work. In the last two budgets, the United States became the world's largest contributor to the ILO's International Programme for the Elimination of Child Labor (IPEC). This year, the President proposes to expand support for international efforts to eliminate child labor.

African Growth and Opportunity Act

In the State of the Union, President Clinton called upon Congress to pass the African Growth and Opportunity Act (AGOA), an important and groundbreaking piece of legislation, which recognizes

African countries' efforts to institute sound economic policies and reform. The House and Senate passed different versions of the legislation last year. The philosophy of the legislation is simple: America stands ready to help those African countries that undertake difficult reforms to build a better future. Effective aid, combined with strong reform and increased trade and investment, will help bring Africa into the global economy and create new markets for U.S. exports. American businesses, farmers, and workers all stand to benefit from expanding our trade with one of the largest underdeveloped markets in the world.

Caribbean Basin Trade Initiative

The President will work with Congress toward swift passage of legislation expanding our Caribbean Basin Initiative (CBI) trading relationship with Caribbean and Central American countries. As part of a package including the Africa Growth and Opportunity Act, the Senate passed legislation last fall similar to that which the Administration has proposed. The President's CBI enhancement legislation will create opportunities for American companies and workers as it provides enhanced market access and economic stimulus for countries devastated by Hurricane Mitch. The Administration is strongly committed to conclude, by 2005, negotiations for a Free Trade Area of the Americas, which will expand U.S. export opportunities throughout Latin America, and views CBI enhancement as a useful bridge to this initiative.

Promoting Democracy and Advancing Human Rights

Promoting democracy and advancing human rights has been a central priority of the Clinton-Gore Administration's foreign policy, one that he will again stress in his State of the Union address. Over the past seven years, the Clinton Administration has succeeded in ending bloodshed and reducing tensions in the Middle East, Northern Ireland, East Timor, Bosnia, Kosovo, Haiti, Sierra Leone and elsewhere has offered new hope for peace, democracy and prosperity. This year the President will reaffirm his commitment to advance this cause by calling for continued support for his efforts to broker peace, promote democracy, protect human rights, defend religious freedom, and fully fund our diplomacy.

Leading the Global Campaign Against AIDS and Other Deadly Diseases

Although much progress has been made in the fight against AIDS and other deadly diseases, much more still needs to be done. To that end, President Clinton and Vice President Gore have stepped up the international battle to prevent, treat, and search for a cure for AIDS, which has disproportionately afflicted our poorest nations. The FY2001 budget that the President will send to Congress next month calls for an additional \$100 million investment in AIDS prevention, care, public health infrastructure, and education in the African and Asian countries that have been hit the hardest by the disease. Vice President Gore announced this additional funding during an address to the UN Security Council in early January. The President has also called for a new tax credit for sales of vaccines for malaria, tuberculosis, and AIDS to accelerate the development of these vaccines, creating an incentive for the pharmaceutical industry to invest in the development of vaccines for poor countries, which often cannot afford to buy the vaccines they need. This would build upon a proposed \$50 million investment in the vaccine purchase fund of the Global Alliance for Vaccines and Immunization. Finally, the President will call upon the World Bank and other multilateral development banks to dedicate an additional \$400 million to \$900 million annually of their low-interest-rate loans to expand immunization, prevent and treat common diseases, and build sound delivery systems for other basic health services.

U.S.-China Trade Agreement

Under the terms of the agreement, China has agreed to grant the United States *significant new access* to its rapidly growing market of over one billion people, while we have agreed simply to maintain the market access policies we *already* apply to China by granting it permanent Normal Trade Relations (NTR). The agreement slashes Chinese tariffs on our goods, opens China's markets to our services, and contains safeguards against unfair trading practices. The agreement also advances critical national security goals. WTO membership will spur China's economy, adding impetus to reforms there; introduce China to global economic competition and accelerate a process that is removing the government from vast areas of the country's economic life; open China's telecommunications market, including to Internet and

satellite services, and thus expose China to information, ideas and debate from around the world; and oblige the government to publish laws and regulations and subject pertinent decisions to review of an international body, all of which will strengthen the rule of law in China and increase the likelihood that it will play by global rules as well. While WTO membership will not by itself or overnight transform China's human rights record, it will move the country in the right direction. The United States must grant China permanent NTR or risk ceding the full benefits of the agreement we negotiated to our Asian and European competitors. For all these reasons, the President will make passage of this historic legislation a high priority in the coming year.

Building Peace in the Middle East

After days of intense negotiations at Wye Plantation in November 1998, President Clinton brokered an historic agreement between Israelis and Palestinians that strengthens Israel's security, expands the area of Palestinian control in the West Bank, and enhances economic opportunities for the Israeli and Palestinian people. And in December of last year, President Clinton ended years of stalemate between Syria and Israel by achieving a resumption of Israeli-Syrian peace talks and hosting the highest level meeting ever between Israel and Syria after months of behind-the-scenes diplomacy. The United States has helped broker agreements between Israel and the Palestinians and between Israel and Jordan, and led the efforts toward a resumption of the Israeli-Syrian talks. The United States has stood firmly by those who have taken risks for peace, providing them with strong political, economic and material support; and demonstrated to the enemies of peace that violence and terror will not succeed in disrupting the peace process. At the same time, the United States has maintained its long-standing commitment to the security of Israel, strengthened its ties with Egypt and Jordan, and built a new relationship with the Palestinian Authority and the Palestinian people.

Bringing Peace to Northern Ireland

President Clinton's intensive diplomatic efforts helped achieve the landmark Good Friday Accord in April 1998, bringing new governing structures and a new era of cooperation to Northern Ireland. And in December of last year, both sides made historic progress towards implementation of the Accord, forming of an inclusive government in Northern Ireland, accepting the principle of consent with respect to any change in the territorial status of Northern Ireland, launching new institutions for North/South cooperation on the island, and taking the first steps to address the decommissioning of paramilitary weapons. In his State of the Union address, President Clinton reaffirmed his support for full implementation of the agreement, so Northern Ireland can pursue a prosperous, democratic course, free of violence and terror. The United States will also continue to support the International Fund for Ireland, which promotes reconciliation through economic regeneration projects targeting disadvantaged Irish border counties and Northern Ireland.

Reversing Ethnic Cleansing in Kosovo

This past year, President Clinton led the NATO Alliance in a 79-day air war that expelled Serb forces from Kosovo and restored self-government to the province, ending a decade of repression and reversing Slobodan Milosovic's brutal campaign of ethnic cleansing. In the face of Allied unity, American military superiority, and strong Presidential leadership, the Serb dictator capitulated, withdrawing his troops and permitting international peacekeepers to secure the peace for returning refugees. The President is now committed to winning the peace, joining European leaders in strengthening democracy and civil society in Kosovo, enhancing economic development and regional integration through the Stability Pact, and supporting opposition within Serbia to complete the democratization of the Balkans.

Protecting Our Computer Networks from Cyber Attack

In his State of the Union address, President Clinton reaffirmed his commitment to strengthen America's defense against the emerging threats cyber terrorists pose to our critical infrastructure, computer systems, and networks. Earlier this month, he launched the National Plan for Information Systems Protection and announced new budget proposals to protect our computer networks from cyber attack, including \$621

million to enhance federal research and development in computer security; \$50 million to create a new Institute for Information Infrastructure Protection; \$25 million to recruit, train and retain federal information technology experts; and \$10 million to design a Federal Intrusion Detection Network (FIDNET) which alerts the federal government to cyber attacks. President Clinton has increased funding on critical infrastructure substantially over the past three years, including a 16% increase in the FY2001 budget proposal to \$2.03 billion. He has also developed and funded new initiatives to defend the nation's computer systems from cyber attack. To jumpstart the FY01 program initiatives, the President will also propose a \$9 million supplemental this spring.

Combating International Crime

In his State of the Union address, President Clinton highlighted new measures to combat international money laundering, which facilitates illegal money flows, fosters corruption, and undermines democracy. Combating international money laundering has become an increasingly important issue for the United States. The last decade has seen an explosive proliferation of offshore banking centers that facilitate international criminal money flows. This proliferation also works against U.S. developmental goals by allowing easy placement of funds obtained from official corruption. There is also a growing concern that these offshore centers can contribute to significant financial destabilization, by providing new avenues for unregulated capital flight and new opportunities for financial management entities incorporated in these jurisdictions to take advantage of the absence of supervisory authorities to engage in activities that would be prohibited in the United States.

Aiding Colombia to Fight Drugs and Strengthen Democracy

Eighty percent of the cocaine entering the U.S. is either processed, transported, or grown in Colombia. For the first time in years, a new administration, led by President Andres Pastrana, is taking the tough steps necessary to crack down both on narcotics traffickers and human rights violators. The President recently announced his support for a bold new plan developed by President Pastrana to both stem the tide of drugs entering the United States and to strengthen the Colombian economy and democracy. To assist the Colombians in this effort, the President has proposed a total of \$1.6 billion in funding over two years to help fight narcotics trafficking, provide economic alternatives for Colombian farmers who now grow coca and poppy plants, improve the judicial system, increase the protection of human rights, and crack down on money laundering. A portion of the investment will go to help train and equip special counter-narcotics battalions and to improve the Colombian capability to interdict traffickers by improving radar, aircraft, airfields, and intelligence-gathering equipment. The Administration will also propose \$95 million to purchase equipment to enable the Colombian National Police to eradicate more coca and poppy fields, and \$93 million for new programs to help the judicial system and promote the peace process. Most of the effort will be financed from the Colombian government's own resources. The aid from the United States is expected to be supplemented by multilateral agencies and our allies.

International Debt Relief

At their Summit last June, G-7 leaders endorsed a new initiative spearheaded by the President to enable Heavily Indebted Poor Countries (HIPC's) to receive deeper, broader and faster debt relief. Under the so-called Cologne Initiative, international financial institutions are developing a new framework for linking debt relief with poverty reduction. The goal is to boost resources for priority social expenditures, including health, child survival, AIDS prevention and education, as well as improve transparency in government budgeting and consultation with civil society in the development and implementation of economic programs. Together with earlier debt relief commitments, the Cologne Initiative provides for reduction of up to 70 percent of the total debts for these countries, decreasing the stock of debt from about \$127 billion today to as low as \$37 billion with the cancellation of official development assistance (ODA) debt by G-7 and other bilateral creditors. As part of the initiative, the President announced in September that the U.S. would seek to write off all of the \$5.7 billion it is owed by as many as 36 heavily indebted poor countries. Last fall, Congress passed part of the funding and authority necessary for the United State's full participation in the initiative, and the President is seeking approval of the remainder this year.

Leading the Way in Global Non-Proliferation

The Clinton-Gore Administration has led the effort to reduce the international threat of weapons of mass destruction. Over the past six years, the Administration has made unprecedented progress in curbing the proliferation of nuclear, chemical and biological weapons and the missiles that deliver them, in reducing the dangerous legacy of Cold War weapons' stockpiles and in promoting responsible conventional arms transfer policies. President Clinton was the first world leader to sign the Comprehensive Test Ban Treaty (CTBT) and has proposed a bipartisan dialogue this year to build a consensus that will lead to its eventual ratification. The United States has also ratified the Chemical Weapons Convention and is working to strengthen the 1972 treaty outlawing biological weapons and to achieve a positive Non-Proliferation Treaty Review Conference.

Strengthening Military Readiness

President Clinton and Vice President Gore have remained committed to ensuring that America's military remains the best-equipped, best-trained and best-prepared fighting force in the world, ready to face the continuing challenges posed by the post-Cold War world and the challenges of a new century. He has matched new commitments with new resources, requesting and receiving from Congress billions in additional defense spending in 1999, reversing declines that began a decade ago. The FY2000 budget proposed a six-year increase of \$112B for military readiness and modernization through a combination of new spending and budgetary savings, assuring the first sustained real (after inflation) increase for defense spending in over a decade. This plan increased military pay by the largest percentage since the early 1980s, and increased the 20-year retirement benefit from 40% to 50% of average base pay over the last three years of service. The President's 2001 Defense budget builds on this plan, ensuring military readiness remains first-rate for years to come. Moreover, significant increases are proposed for weapons modernization to guarantee the continued technological superiority of U.S. forces.

RESPONSIBILITY, OPPORTUNITY AND THE ENVIRONMENT

Lands Legacy

To meet the conservation challenges of a new century, President Clinton is proposing a new category of dedicated, discretionary funding to protect America's land, coastal and wildlife resources. In FY 2000, the President secured \$652 million for Lands Legacy, a 42 percent increase. For FY 2001, the President is proposing another substantial increase and creation of a new budget category to preserve this higher level of funding in future years. The proposed FY 2001 funding would dramatically increase support for state, local and tribal efforts to protect farmland, forests, urban parks and other local green spaces. It also would provide significant increases for federal, state, local and tribal efforts to protect ocean and coastal resources. In addition, Lands Legacy would support federal protection of natural and historic lands across the country, with priorities including Civil War battlefields, the Florida Everglades, the Mojave Desert, and New England forests and wildlife refuges.

Climate Change

Against a backdrop of growing scientific consensus that the Earth is warming – and that human activity is at least partly to blame – the President is proposing a series of new initiatives to address global climate change. The President's FY 2001 budget will propose a new effort to accelerate the development and deployment of clean energy technologies in developing countries; increased funding for the research and development of bio-based technologies that use crops, trees and agricultural waste to make fuels and products; and start-up funding for a Clean Air Partnership Fund to support state and local efforts that achieve early reductions in both greenhouse gas emissions and ground-level air pollutants. Other elements of the Administration's climate change strategy include continued increases in both investments and tax incentives to spur the development and deployment of clean energy technologies and energy-efficient cars, homes, and appliances; cutting energy use by the Federal government; working with Congress to reward companies taking early, voluntary action to reduce greenhouse gas emissions; restructuring the electricity industry; and continued diplomatic efforts to fill in key details of the Kyoto Protocol and secure more meaningful participation by key developing countries in the fight against global warming.

Tax credits for energy-efficient cars, homes and appliances

Cars and light trucks (including minivans, sport utilities, and pickups) currently account for 20 percent of U.S. greenhouse gas emissions. The President's FY 2001 budget will propose tax incentives to help curb these emissions by moving advanced technologies for electric, fuel cell, and hybrid vehicles from the laboratory to the highway. Tax credits would be offered for the purchase of qualifying hybrid vehicles from 2003 through 2006; and the current tax credit for electric vehicles and fuel cell vehicles would be extended through 2006. The President also is proposing a tax credits for the purchase of energy-efficient homes; for solar energy systems; for the purchase of energy-efficient heating and cooling equipment; and for wind and biomass power.

Clean Energy for the 21st Century

Energy technology markets in developing countries are projected to total \$4 trillion to \$5 trillion over the next 20 years. To accelerate the development and deployment of clean energy technologies around the world, President Clinton is proposing the Clean Energy for the 21st Century: International Initiative – a multi-agency effort to encourage remove market barriers to clean energy technologies in developing and transition countries and to provide new incentives for clean energy technology innovation and export. This initiative, which builds on a set of recommendations by the President's Committee of Advisors on Science and Technology (PCAST), will create as much as \$5 billion in new export revenues for U.S. companies and up to 100,000 new U.S. jobs, and will assist developing countries in powering their economic development while fighting air pollution and climate change.

Livable Communities

President Clinton and Vice President Gore are proposing to strengthen the Livable Communities initiative, which expands the choices available to communities to help them grow in ways that ensure a high quality of life and strong, sustainable economic growth. The Administration's FY 2001 budget will propose record funding for public transit and other programs to ease traffic congestion while reducing air pollution; matching grants to help neighboring communities develop collaborative "smart growth" strategies; and funding to provide communities with new information tools, and improve public safety by sharing crime data. The Administration also will propose tax credits for Better America Bonds, a new financing tool generating billions in bond authority for investments by state, local and tribal governments to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). By delivering tools and resources to the local level, where issues of growth management are most appropriately addressed, this initiative helps empower citizens to build more "livable communities" for the 21st century.

THE OPPORTUNITY AND RESPONSIBILITY OF SCIENCE AND TECHNOLOGY

Major New Investments in Science and Technology Research

President Clinton has announced that he will include a nearly \$3 billion increase in the "Twenty-First Century Research Fund" in his FY2001 budget, including a \$1 billion increase in biomedical research at the National Institutes of Health and double the largest dollar increase for the National Science Foundation in its 50 year history. These investments will ensure that science and technology will continue to fuel economic growth and allow Americans to lead longer, healthier lives. The funding includes increased support in all scientific and engineering disciplines, including biomedical research, nanotechnology, information technology, clean energy, and university-based research. The President's budget includes:

- **\$1 billion increase in biomedical research at the National Institutes of Health.** The President's FY 2001 budget includes almost \$19 billion, an increase of \$1 billion over last year's funding level, for biomedical research at the National Institutes of Health. In addition, the President will eliminate the delays in releasing \$4 billion in research funds as required in last year's appropriations bill. This increase will support research in areas such as diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine. It will also help researchers complete in the near future a first draft of the entire human genome – the very blueprint of life. This and other wise investments in science are leading to a revolution in our ability to detect, treat, and prevent disease. If Congress passes the President's proposal, funding for NIH will increase by over 80 percent – nearly twice what the NIH budget was when President Clinton came into office.
- **A new \$495 million National Nanotechnology Initiative.** Nanotechnology - the ability to manipulate individual atoms and molecules - could revolutionize the 21st century in the same way that the transistor did the 20th. Increased investments in nanotechnology could lead to breakthroughs such as molecular computers that can store the contents of the Library of Congress in a device the size of a sugar cube, and new materials ten times stronger than steel and a fraction of the weight.
- **A \$675 million increase in the National Science Foundation -- double the largest dollar increase in NSF's history.** This increase will boost university-based research and ensure balanced support for all science and engineering disciplines. NSF accounts for half of all non-health, university-based research.
- **An almost \$600 million increase in information technology research.** This increase in information technology research could lead to advances such as high-speed wireless networks that can bring distance learning and telemedicine to isolated rural areas; and supercomputers that can more accurately predict tornadoes and hurricanes and more rapidly develop life-saving drugs.

Protecting Americans' Personal Privacy

As information technology transforms our government and our economy, a growing challenge is how to gain the benefits from the new technology while preserving one of our oldest values – privacy – in a variety of different settings:

- Medical Records: This year the Clinton-Gore Administration will issue historic, final rules that will legally guarantee the key privacy protections: notice of data uses; consent before records are used for non-medical purposes; patient access to records; proper security; and effective enforcement. President Clinton also will support legislation to expand the scope and enforcement of those rules
- Financial Information: Financial modernization legislation signed by President Clinton last year included important privacy protections, but more needs to be done. This year, the President will seek

further protections, including consumer choice before financial firms can share their information within a corporate family.

- Genetic Information: As the human genome project nears completion, genetic testing and information will be increasingly common to help predict, prevent, and treat diseases. However, there are real concerns that as this information becomes increasingly common that it will be used not to promote health in a protected manner, but will be used as a basis for discrimination. There are already examples of employers using this type of information as a basis not to hire or promote individuals and studies are showing that Americans fear that this information will be misused. The President will stress the need for strong action on this issue.
- On-line: In the on-line world, the Clinton-Gore Administration has encouraged self-regulatory efforts by industry to address privacy issues posed by emerging technologies and will work with consumers, industry, and interested public officials to explore how best to address the growing practice of building detailed profiles of every action consumers take online.

COMMUNITY

Service And Philanthropy

AmeriCorps and Encouraging Community Service

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

Increasing Involvement of Interfaith Partnerships and Community Organizations

Already many faith and community-based organizations partner with government to help our nation's families, but the President and Vice President believe we should do more, and their budget proposes to increase the involvement of interfaith and community-based organizations in after school, housing, community development, criminal justice, welfare reform, teen pregnancy prevention, and juvenile justice programs, consistent with the constitutional line between church and state.

Increasing Charitable Giving

In his State of the Union address and his new budget, President Clinton today will unveil a package of new tax proposals to encourage philanthropy. First, he will propose allowing nonitemizers to take a tax deduction for charitable giving. Second, he will propose new rules to make it easier for charitable foundations to make gifts in times of need. And third, he will propose making it easier for individuals to donate appreciated assets like securities and real property. Last October, the President and First Lady convened the first-ever White House Conference on Philanthropy. The conference highlighted the unique American tradition of charitable giving, and emphasized that at a moment of great prosperity, we must preserve and expand this tradition. These proposals will help do just that.

One America

Civil Rights Enforcement

President Clinton's FY 2001 budget proposes a significant increase for civil rights enforcement to help ensure equal opportunity for all Americans. These funds will help to ensure that no American is discriminated against at work, at home, or in school. The President's budget request of \$698 million for civil rights enforcement agencies represents a \$81 million, or 13 percent increase, over last year's funding levels of \$617 million. Highlights of the President's package include: (1) \$98 million Civil Rights Division of the Department of Justice -- a 20 percent increase over the 2000 enacted level -- to expand investigations and prosecutions of criminal civil rights cases (including hate crimes and police misconduct), promote compliance with the Americans with Disabilities Act (ADA), and review redistricting plans; (2) \$322 million for the Equal Employment Opportunity Commission (EEOC) -- an increase of 15 percent over the 2000 enacted level -- to support the agency's effort to reduce the backlog of private sector cases to 28,000 by the end of 2001; (3) \$76 million for Department of Labor's Office of Federal Contract Compliance Programs (OFCCP) -- an increase of 4 percent over the 2000 enacted level -- to expand the compliance assistance strategy to encourage Federal contractor compliance through increased outreach, education, and technical assistance, including providing contractors with the

necessary tools to evaluate their equal employment practices; (4) \$50 million for Department of Housing and Urban Development's (HUD) fair housing efforts -- an increase of 14 percent over the 2000 enacted level -- to reduce housing discrimination, including funding for the final year of a three-year audit-based enforcement initiative and training for housing providers to ensure that individuals with disabilities have access to housing.

The Employment Non-Discrimination Act ("ENDA")

This bill would outlaw discrimination in hiring, firing, and promotions based on sexual orientation. It is designed to protect the rights of all Americans to participate in the job market without fear of unfair discrimination. The Act provides an exemption for small businesses, the Armed Forces, and religious organizations, including schools and other educational institutions that are substantially controlled or supported by religious organizations. The bill specifically prohibits preferential treatment on the basis of sexual orientation, including quotas. President Clinton and Vice President Gore are the first President and Vice President ever to back civil rights legislation for gays and lesbians. President Clinton originally announced his support for the legislation in October 1995.

The Hate Crimes Prevention Act

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

English Literacy/Civics Initiative

Like generations of immigrants past, today's immigrants are driven by a dream -- and to achieve that dream, they seek to learn the ways of this land and become full participants in American society. To this end, President Clinton is proposing an increase for the English Language/Civics Initiative an innovative program to help states and communities provide limited English proficient (LEP) individuals with expanded access to high-quality English-language instruction linked to civics and life skills instruction, including understanding and navigating the U.S. government system, the public education system, the workplace, and other key institutions of American life. This important initiative is a powerful tool in building a stronger American community. For FY 2001, the Administration's budget request \$75 million for this initiative, a nearly \$50 million increase from FY 2000 enacted level.

Fairness to Immigrant Families

The Administration is committed to improving the way the Immigration and Naturalization Service (INS) conducts its business, particularly the naturalization process that bestows United States citizenship. The Administration's FY 2001 budget provides additional funds to INS to improve the naturalization process and reduce the application backlogs and to expand the process to ensure that all immigration benefits and services are provided in a fair, efficient, and timely manner. Furthermore, the Administration will continue to urge Congress to pass legislation that provides fairness for immigrant families by restructuring the INS; approving the Administration's proposal to support the process of democratization and stabilization now underway in Central American and Haiti by ensuring equitable treatment for migrants from these countries; and changing the registry date to permit long-term migrants to adjust their status.

GOVERNMENTAL AND POLITICAL REFORM

Enact Bipartisan Campaign Finance Reform

The President and the Vice President remain committed to the enactment of bipartisan campaign finance reform. Last year, the House of Representatives passed bipartisan reform. Tonight the President is challenging the Senate to follow suit and enact real reform early this year. Acceptable campaign finance reform legislation must meet five criteria: 1) it must be bipartisan; 2) it must be comprehensive; 3) it must reduce the amount of money that is raised and spent on federal elections; 4) it must help level the playing field between challengers and incumbents; and 5) it cannot favor one party over the other.

Reinventing Government

Three months into our Administration, the Vice President took charge of our reinventing government initiative. Seven years later, the government is the smallest it's been in nearly 40 years -- over 350,000 fewer employees. And it's focused on giving Americans customer service equal to the best in business by getting results they care about. We're tossing aside outdated bureaucratic binders and red tape that too often kept us from making a real difference in people's lives. But this is not just another exercise in "good government" -- our goal is nothing short of restoring the American people's trust in their government. When we started, only 21% of the American people trusted government to do the right thing all or most of the time -- down from 76% under President Kennedy. Today, that figure is back up to 40% -- a dramatic turnaround. But it's not nearly good enough. And we won't rest until "change" and "customer service" become a permanent part of the landscape and a majority of Americans trust their government again.

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Sustained the longest peacetime economic expansion in history creating over 20 million jobs and producing the lowest unemployment rate in 30 years, the lowest poverty rate in 20 years, and the highest homeownership rate on record.

Restoring Fiscal Discipline, Replacing Decades of Budget Deficits with Surpluses

Eliminated the \$290 billion budget deficit, produced back to back surpluses and paid off over \$140 billion of the national debt. This resulted in lower interest rates on mortgages and car loans – an effective tax cut of \$2,000 for a family with a \$100,000 mortgage.

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Reversed ethnic cleansing in Kosovo by leading NATO alliance to victory and returning nearly 1 million refugees to their homes. The President also worked to broker peace in the Middle East, bring peace to Bosnia, restore democracy to Haiti, and end hostilities in Northern Ireland.

Moving Millions of Americans from Welfare to Work

President Clinton kept his promise to reform the welfare system by supporting work and responsibility, moving millions to work – 1.3 million in 1998 alone, reducing the welfare rolls by more than half to the lowest level in 30 years, and nearly doubling child support collections.

Reducing Crime Rates to the Lowest Level in a Generation

Passed the Brady Law to stop nearly half a million felons, fugitives, and domestic abusers from getting guns. Enacted a tough crime bill that funded 100,000 community police officers and banned assault weapons – helping to reduce the overall crime rate for the seventh year in a row, the longest consecutive decline ever recorded.

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Cleaned over 500 toxic waste dumps, improved air quality by setting the toughest smog and soot standards ever and protected over 60 million acres of public lands – more than any administration since FDR.

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Concluded more than 270 market opening agreements. Opening foreign markets has contributed to the 62 percent increase in American exports since 1992.

Doing All of This With a Smaller Government That Works Better for Less

Under the leadership of Vice President Gore's National Performance Review, this Administration has reduced the federal workforce to the lowest level since the Kennedy Administration and eliminated over 16,000 pages of federal regulations.



HISTORIC PROGRESS

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Moving from Budget Deficits to Surpluses

Economic strategy of fiscal discipline combined with investing in the American people moved the economy from a record deficit – \$290 billion in 1992 – to the largest dollar surplus on record – \$124 billion in 1999. With the President's plan, we are on track to eliminate the Nation's publicly held debt by 2015.

20.4 Million New Jobs

20.4 million new jobs – the most created by any Administration and more new jobs than were created from 1981-1992. The economy has added an average of 245,000 jobs per month, the highest of any President on record.

Low Unemployment

Averaged 4.2% in 1999 – the lowest since 1969. The unemployment rate for Hispanics (6.4%) and African-Americans (8%) are both the lowest on record. Unemployment has fallen for 7 years in a row, and has remained below 5% for 30 months in a row.

Strong Economic Growth

Averaged 3.8% per year since President Clinton and Vice President Gore took office, after growing just 1.7% per year from 1988-1992.

Lower Government Spending

At 18.7%, Federal Government spending as a share of the Gross Domestic Product is at its lowest level since 1974.

Real Hourly Wages Up

Grown 6.6% under the Clinton-Gore Administration. In 1998, real wages were up 2.7% – the fastest annual real wage growth in 28 years.

Higher Median Family Income

Increased by \$5,046 since 1993 – rising from \$41,691 in 1993 to \$46,737 in 1998.

Strong Private-Sector Growth

Increased 4.3% annually since 1993. Since 1993, 18.8 million new jobs have been created in the private sector – the highest percentage since Harry S. Truman was President and presiding over post-World War II demobilization.

Low Inflation

Underlying core rate at 1.9% in 1999 – the lowest rate since 1965. In the last four quarters the GDP price index has risen 1.3% – the lowest rate of increase since 1963.

Reduced Welfare Rolls

Welfare rolls are down by 7.2 million (or 51%) since 1993, after increasing by 22% from 1981-1992. This is the largest welfare caseload decline in history, and the lowest number of people on welfare since 1969.

Declining Child Poverty

Under President Clinton and Vice President Gore, the child poverty rate has declined from 22.7% to 18.9% – the biggest 5-year drop in nearly 30 years (1965-1970). For African American children poverty is the lowest on record; for Hispanic children it is the lowest since 1980.

Highest Homeownership Rate

In the third quarter of 1999, the homeownership rate was 67% – the highest ever recorded. Minority homeownership rates were also the highest ever recorded.

More Auto Industry Jobs

161,000 new auto jobs added since 1993 – the fastest annual rate of auto job growth (2.6%) since the Johnson Administration.

Growing Construction Industry

1.9 million new construction jobs added since 1993 – the fastest annual rate of growth (5.1%) since the Truman Administration.

ECONOMIC RECORD

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001. fax	DLC Fax including Memo to the President (10 pages)	01/21/2000	Personal Misfile
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COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Thomas Freedman
OA/Box Number: 17549

FOLDER TITLE:

SOTU [State of the Union] [Folder 4] [1]

2015-0274-S
wr10811

RESTRICTION CODES

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

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

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

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

RR. Document will be reviewed upon request.

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

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



5072

Message Cover Sheet

TO : WHSR

FROM : MARIA ECHAVESTE

SUBJECT : MEMO

CLASSIFICATION : UNCLAS

MESSAGE NUMBER : AF1009

DATE/TIME : 211520Z JAN 00

NUMBER OF PAGES : COVER + 5

**SPECIAL INSTRUCTIONS : *PLS DELIVER TO JOHN
PODESTA; TOM FREEDMAN; JOSH GOTTHEIMER;
MARJORIE TARMEY***

MEMORANDUM

To: John D. Podesta Date: January 21, 2000
cc: Tom Freedman
 Josh Gottheimer
From: M. Echaveste
Re: Notes and questions from 1/20/00 SOTU prep

Attached is a copy of my notes from our session with the President last night on the SOTU. What I was planning to do was to use Tom and Josh to follow up on these points, by going to the policy councils to get feedback and answers. Let me know if you have any suggestions/feedback. Thanks

Policy Questions and other Issues from 1/20/00 SOTU Prep

I. Introduction

In listing the big challenges, should have no more than ten and need to have a foreign policy goal. Suggests looking at Michael Elliott's recent book (also recent foreign affairs article) discussing that the Clinton Doctrine is based on recognition of the interconnectedness of the world and Clinton's insistence in being part of every network, whether APEC, NATO, business, UN, etc.

II. Education

- A. The Schumer/college, gear up-big idea that needs to be clearly set up as big
- B. Charter Schools-take credit for increase, started with x, now we have y. **1-1600**
- C. School repair-let's make clear what this investment this year will mean in number of schools repaired, children helped **5,000 schools + 6,000**

2,000

III. Work/Families

- A. Adoption-what have we done, how many kids have been helped, thank Congress for assisting in providing assistance to kids aging out of foster care-this may be where to give First Lady credit **ADL**
- B. Explain how the housing vouchers work, make it more real (may have to cut this section, if speech too long)
- C. Child care---this is big investment, are we only helping 150,000 children, seems too few-how are we counting **ADL 650,000**
- D. Health care-needs to be big (this and education are the big proposals). May need to recognize that despite best efforts, number of uninsured has grown, but here's what we're doing to help, medicare buyin, chips parents (with respect to this last one, how does it work, parents have to contribute?) **37 → 4/17 mil.**
- E. Mental health-what did we say last year about Mrs. Gore's leadership-did we mention conference-do we refer to her again on this issue, or another? (could do homeless and refer to the housing vouchers??)
- F. Equal pay-recognize what women have accomplished then make point of disparity in pay **TF**

- G. New initiative to train ex-offenders, should this be in section on crime and drug treatment
- H. New Markets-want to be clear on what we're saying in this section. Last year we said that this effort would lead to 15 billion in capital, etc., now we're saying we're doubling our commitment and that will lead to 12 billion---explain, let's be clear
- I. Farming-don't refer to new markets, that won't make sense to farmer but do say very clearly that "We simply must do more to strengthen the family farm safety net"

IV. Foreign Policy

- A. Again, set forth a theory of our foreign policy engagement-It's not enough to be the most powerful, are we going to be a good neighbor. Maybe not hit the "new isolationism", but explain the interconnectedness
- B. Add biological/chemical threats when we discuss cyber terrorism-aren't we making an investment in countering bioterrorism?

V. Responsibility/Crime

- A. Rewrite the gun laws paragraph-give Gore credit for casting the tie-breaking vote in Senate and then ask House to finish the work
- B. What exactly is our gun/state license proposal
- C. Recognize that there are some gun manufacturers who want to work with us, and implore the others to join this effort
- D. Maybe refer to Tom Mauser in the Littleton section-we need some drama [should think if this is too reminiscent of what we did last year when we referred to the Jonesboro mom who is now a gun control advocate]
- E. Don't refer to national grassroots campaign to end youth violence, since it's not really underway (maybe should list as part of all our partnership efforts)

BR
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 (Plw)
 ○

VI. Environment

- A. Refer to great lakes initiative
- B. Have we really protected more land since roosevelt (both teddy and fdr?)-how are we keeping score? Monuments, roadless, what are we including in that tally?

- C. Lands Legacy-check last year's language-didn't we propose permanent funding last year [asked in an earlier conversation if our proposal was close to Landrieux's, because we needed an advocate in congress so we could actually get something done]
- D. Why don't we say something about the livability agenda
- E. Global climate-maybe we should do this in science/tech section. What we're doing is disproving the "big idea that the only way to develop, whether in West Virginia or India, is to despoil the environment-we're showing that you don't have to do that through innovations in science and tech. Also the auto partnership is not a new proposal, PNGV is already underway. Maybe the way to do this is refer to the progress with PNGV and also the effort two years ago with National Homebuilders, building energy efficient home

VII. Science/Tech

- A. Life expectancy-not just living longer, living healthier
- B. Parkinson's disease-wasn't there a recent genetic discovery that may lead to breakthrough that came out of our genome effort (we need this especially if we're going to have Fox in the box)
- C. Need to talk about space effort and the benefits of out space research to life here on earth---don't let recent failures make us shy about this effort-many a nobel prize winner failed lots of times before succeeding
- D. Our 3 billion for the 21st Century Research Fund-one year money??? All of it, or just NIH

1 yr.
1 bill. NIH
JH

VIII. Community

- A. We need to challenge seniors to use their later years productively in helping our communities
- B. Don't highlight Byrd, Shepard-rather do something like "Here we are trying to make peace in Northern Ireland, MidEast-but let's face fact that right here at home a black man was dragged to his death, a young man was killed because he was gay, a filipino man was shot to death, jewish children were shot---because they were different. This was in our country-that is not the American way-we must celebrate diversity, not just tolerate-that's why we must pass hate crimes law, pass ENDA

- IX. Closing—is it the seventh or eighth SOTU—look at millenium speech (as delivered) for closing language especially on "when your dreams outnumber your memories you will stay young, and America will be forever young



CHIEF OF STAFF TO THE PRESIDENT

Tom -

White paper from Slater ntg.

Thanks,

Leslie #

U.S. DEPARTMENT OF TRANSPORTATION
STATE OF THE UNION INITIATIVES
JANUARY 2000

cc: Terry Edmonds
Tom Friedman
Jeff Smith
SON

I. TECHNOLOGY INITIATIVES

The Department of Transportation (DOT) is engaged in a number of initiatives of national significance which are part of the President's challenge "to make further breakthroughs in science and technology" to improve the quality of life for all Americans ensuring that no one is left behind.

A. Global Positioning Systems (GPS)

Global Positioning Systems will be the basis for revolutionary new services and products in the new millennium. These worldwide, all weather, satellite-based positioning, navigation, and timing systems will provide new services across the economy from agriculture, banking, and telecommunications to safety-of-life services for aviators and mariners. They will be the bases for expanded international air navigation and air traffic control systems, making them safer and more efficient. GPS will also enable more efficient bus and truck fleet management, more timely and accurate traffic information to prevent or reduce traffic congestion, and safer, more cost efficient, and reliable operations of the nation's rail industry. To realize the full potential of GPS based services to meet rapidly evolving needs, the Vice President announced on January 25, 1999 a GPS modernization initiative for both military and civilian uses. In the next decade, two new civilian signals will be added to future GPS satellites. As a result, US productivity and the global economy will greatly benefit as our national infrastructures are improved through the use of satellite navigation, positioning, and timing services so that we can more effectively meet our nation's critical logistics needs. DOT's investments in GPS and its augmentations are planned for a level of \$139 million in FY 2001.

B. Marine Transportation System/Coast Guard Deepwater program

Over 95% percent of America's import and export goods travel to and from our nation by ship. This level of trade is expected to at least double over the two next two decades. Last year, working with the both public and private stakeholders in this industry, the Clinton-Gore Administration sent to the Congress a comprehensive evaluation of the Marine Transportation System as well as an agreed upon strategy for making the U.S. Marine Transportation System the world's most technologically advanced, safe, secure, efficient, accessible, globally competitive, dynamic, and environmentally responsible system for moving goods and people.

A related component is the Coast Guard's deepwater initiative that will develop and build new capabilities to deal with threats to ocean fisheries, the smuggling of drugs and illegal immigrants across the oceans, and search and rescue operations on the high seas. These deepwater capabilities will require revolutionary technologies to construct and operate a new integrated system of vessels, aircraft and sensors; new training regimens to create the workforce to operate this fleet; and a 21st century organization to manage it. The FY 2001 budget proposes \$42.3 million for the deepwater initiative.

C. Modernizing Air traffic system

From the age of the Wright Brothers to the exploration of the solar system and beyond in the 21st century, our nation has pioneered the frontiers of flight. But new challenges for a safer and more efficient commercial aviation system confront us. We have begun to modernize our air traffic control system and have made safety in the skies our top priority. But we must do more to meet the challenge of ensuring the safe and efficient movement of over one billion passengers annually -- a projected 51 % increase over last year's levels by the year 2010. The experience of making air traffic systems Y2K compliant is spurring us on to finish the modernization of traffic control systems around major airports, to fully implement the concepts of "free flight" for long-range trips, and to develop a new generation of aircraft to serve regional and private uses. The Administration has a comprehensive management strategy and legislative proposal designed to meet this challenge and is proposing \$2.5 billion in modernization funding in the FY2001 budget, an increase of 22 percent over FY2000.

D. High-speed Rail Service

As we enter the 21st century, Amtrak will inaugurate the first-ever high-speed rail service on the Northeast Corridor from Boston to Washington, D.C. Reaching speeds of up to 150 miles per hour, these trains will improve travel time (three hours from New York to Boston, less than two and one half hours from New York to Washington), reduce both surface and air space congestion in that corridor, and offer travelers more choices for transportation. The Administration will request nearly \$500 million in new resources in the FY2001 budget to extend this concept to other high-speed rail corridors around the country. Working with the states, we have identified at least eight such corridors.

E. Intelligent vehicles/Advanced Vehicle Technologies Programs (AVP)

As we move into a new century, we will improve the safety of cars and trucks through technologies that will alert drivers to potential collisions before they happen, that deploy advanced air bags to protect all occupants regardless of age, size, or gender, and that detect faulty mechanical systems before they fail. Intelligent transportation systems that integrate in-car technologies and outside traffic control and information technologies will be deployed in the nation's 75 largest urban areas by 2006. The FY2001 budget includes \$338 million for these systems and their deployment, a 60 percent increase over FY2000.

Building on the success of the Partnership for a New Generation of Vehicles (PNGV) for more fuel efficient, low polluting cars, DOT is strongly supporting the Advanced Vehicle Technologies Program (AVP). AVP is another collaboration between the federal government and over 500 companies, universities, laboratories and state and local governments that will combine innovative technologies and program management practices to produce new vehicles, components and infrastructure for medium- and heavy-duty transportation needs. The Department of Transportation, which leads the AVP, is requesting \$20 million in FY 2001. The goals of the AVP are to: reduce vehicle emissions beyond the 2004 standards; improve vehicle fuel efficiency by 50 percent; enhance global competitiveness of U.S. advanced vehicle industry; and increase public acceptance of advanced transportation technology.

II. PROTECTING THE ENVIRONMENT

Transportation is often viewed as part of the problem with respect to the quality of our air and water. The administration has taken strong actions to change that perception and to emphasize environmental compatibility and sustainability in the construction and operation of transportation facilities and systems.

A. Combating Climate Change

Transportation accounts for more than a quarter of the Nation's greenhouse gases associated with growing trends in global climate change. The Department has established a Center for Climate Change and Environmental Forecasting, which will formulate a research agenda, and identify and evaluate strategies and technologies that can enable the transportation sector to reduce their emissions in a way that will safeguard economic growth, protect the environment, promote social equity and create livable communities.

B. Reducing Aviation Noise

Through the use of innovative technology and land use planning, we have reduced the number of Americans who are exposed to adverse noise levels from aircraft operations by a factor of 10 over the past 25 years. We are continuing our commitment to improve the noise environment by working with the international community to adopt more stringent aircraft noise-emission standards, improve noise compatibility within airport environs, and ensure that our wilderness and park systems include areas protected from man-made noise. The FY2001 budget includes \$231 million for these efforts.

III. ENHANCING SAFETY

While recent transportation safety trends have been positive, in terms of reduced deaths, injuries, and economic costs, "now is not the time to rest, but a time to build".

A. Fostering Safer Skies

Due to the efforts of this administration, our aviation system is the safest in the world. Over the last two years, there has been only one fatal crash involving a U.S. commercial carrier. We must build on this record by providing funds to improve and maintain a modern air traffic control system, which is the fundamental basis for the continued safety of this system. We must also continue to pursue vigorously efforts to enhance aviation safety. The FY2001 budget proposes \$1.1 billion for FAA's aviation safety efforts, a eight percent increase over FY2000.

Our Safer Skies Initiative is designed to significantly reduce the fatal aircraft crash rate for commercial aviation by implementing a set of data-driven safety initiatives. These data identified our highest priority accident categories as Controlled Flight into Terrain, Approach and Landing, Runway Incursion, and Uncontained Engine Failure. In addition, we have developed a strong partnership, the Aviation Safety Action Program (ASAP), which brings airline management and labor together with the federal government. For the first time, we will have a structured, yet voluntary, effort to identify systemic safety concerns and to correct them before a catastrophic event occurs.

B. .08 National Drunk Driving Standard

Deaths and injuries from drunk driving continue to be a national public health concern. Almost 16,000 Americans - friends and family members - lost their lives in alcohol-related traffic crashes last year. Every two minutes an American is injured in an alcohol-related crash -- more than 305,000 individuals a year. Thousands more are affected by these needless tragedies. While the level of alcohol-related fatalities is now the lowest it has been since we started keeping these grim statistics, we must do more.

We should reduce the American standard for driving drunk to .08 percent blood alcohol content. The lives of our children and neighbors are at stake. If we don't act, next year more lives will end tragically. The FY 2001 budget proposes \$11 million to combat alcohol-impaired driving, nearly a 40 percent increase over FY2000.

C. Children's Health and Safety

The Department's motor vehicle and traffic safety related programs have a strong role in protecting and saving the lives of our children. These efforts include:

- Child Safety Seat Use (Newborns to 40 lbs)
- Booster Seat use (children 40-80 lbs.)
- Bicycle Helmet use, and
- Pedestrian Safety Programs.

For example, in 1996, we established a national goal of reducing child fatalities (0-4) 15% by 2000 and 25% by 2005. Since then, we have achieved a dramatic increase in restraint use among children of all ages, which helped reduce child (0-4) fatalities in vehicle crashes by 11% between 1996 and 1998. Despite this impressive progress, there is still much work to be done toward protecting our child passengers.

Pedestrian injury remains the second leading cause of unintentional injury-related death among children ages 5 to 14. Although pedestrian injuries are not as common as motor vehicle occupant injuries, a disproportionate number of the injuries sustained by child pedestrians are severe. Public education and awareness programs are helping to further reduce the number of these tragedies.

Bicycles remain associated with more childhood injuries than any other consumer product except the automobile. Children ages 5 to 14 (27.7 million) account for approximately 30 percent of all bicycle-related deaths and more than 60 percent of all bicycle-related injuries. Head injury is the leading cause of death in bicycle crashes and is the most important determinant of bicycle-related death and permanent disability. The single most effective safety device available to reduce head injury and death from bicycle crashes is a helmet. Unfortunately, national estimates report that bicycle helmet use among child bicyclists ranges from 15 to 25 percent. Helmet usage is lowest (for all ages) among children ages 11 to 14 (11 percent). Bicycle education programs and mandatory bicycle helmet legislation are effective.

In the FY2001 budget, our investment in these programs will grow to nearly \$100 million, a 26 percent increase over FY2000.

D. Reducing deaths and injuries on our roadways

The rate of deaths and injuries from commercial vehicle crashes has stabilized relative to the increase in traffic volume (at 2.8 fatalities per hundred million miles traveled); but the absolute numbers of deaths and injuries must be reduced (from around 5300 deaths per year for the last four years). The Federal Motor Carrier Safety Administration (FMCSA) is a new safety-focused organization with a commitment to reduce deaths from these crashes by 50% by the end of the decade. To reach this goal, we will deploy new technologies for collision avoidance and to monitor driver fatigue, we will create new partnerships with labor and management to promote safe practices, and we will modernize the regulatory environment for commercial vehicles to emphasize prevention of unsafe practices in addition to enforcement. As a first step in that modernization, we are revolutionizing the way we do business through an e-commerce approach to commercial vehicle owners, receiving applications from motor carriers electronically as well as collecting fees and fines in the same manner. Our FY 2001 investment in motor carrier safety is \$279 million, a 54 percent increase over FY 2000.

IV. LIVABILITY INITIATIVES

Continuing our economic growth and international competitiveness, improving our standard of living in communities across the nation, and preserving our fragile environment, require new options and new approaches to transportation.

A. Flexible funding for state and local initiatives

Over the past year, many of our nation's communities and states have focused on smart growth initiatives. Maryland Governor Glendening's Smart Growth strategy for state investment, and Governor Roy Barnes' creation of the Georgia Regional Transportation Authority (GRTA) are but two examples of innovation in this area. Michigan's Governor Engler and Arizona's Governor Hull have also advanced legislative proposals in this area. The Vice President's Livability Initiative, building on the successful passage of ISTEA in 1991 and TEA21 in 1998, is designed to help support these efforts, and we are proud of the early results.

Since the start of this administration, over \$14 billion has been "used" by the states to enhance community transportation in non-traditional ways. These funds have been used to expand transit options, to build bikeways, trails, and pedestrian access routes, and to rehabilitate community transportation facilities, e.g. center city train stations. In our FY2001 budget, an additional \$2.3 billion is proposed for these purposes – and states may increase this commitment by flexing additional funds.

With overall transit funding guarantees of nearly \$36 billion through FY2003, almost \$1 billion is available annually for investment in transit new starts. These major construction projects are at an all-time high with new systems or improvements underway or planned in over 50 urban areas around the nation. The Transportation and Community System Preservation (TCSP) pilot has helped 35 communities begin to plan and implement transportation strategies that support community preservation and enhancement and even more communities will benefit this year. For example: Tool Town in downtown Dayton, Ohio, will establish a precision metalworking park on

underutilized industrial property. TCSP funds will be used to develop a schematic campus master plan, including an implementation schedule and funding strategies. Also, in northern New Jersey, TCSP funds will be used to prepare modern intermodal freight infrastructure to support brownfield economic redevelopment. The FY 2001 budget proposes increasing this program to \$50 million annually. Our national focus supports region-wide planning processes that link transportation, safety concerns, land use development, environmental quality, and economic development.

Finally, DOT held regional forums in ten metropolitan areas to highlight these issues over the past four months. We are committed to continuing partnerships with such communities to identify strategies and best practices that use the transportation planning process to support community development goals and help preserve green space, ease traffic congestion and employ "smart growth" strategies. By working together, we can design transportation strategies that create healthy communities and healthy economies and that will allow all Americans to enjoy greater prosperity and a better quality of life.

B. Millennium Trails

Millennium Trails is a national initiative led by the White House Millennium Council, USDOT, the Rails-to-Trails Conservancy and other partners. The goal of the program is to create, enhance and celebrate more than 2,000 trails as part of our nation's legacy for the new millennium. In 1999, the First Lady and Transportation Secretary Slater designated 16 National Millennium Trails and 50 Millennium Legacy Trails. This year, on the first Saturday in June, more than 2,000 Community Millennium Trails will join together to celebrate National Trails Day as we move towards the goal of a national network of trails that connect America's culture, heritage and communities.

C. The Needs of An Aging America

Highlighting an issue with enormous economic and social impact, the Department of Transportation is focused on ensuring that the Nation's transportation system can accommodate the 50% growth in older adult users between now and 2020 -- a system that is safe, accessible, integrated, efficient, and offers flexibility of choices. Drawing on a series of seminars on the special needs of older persons, with transportation professionals, planners, social service and medical providers, and the findings of 22 focus group sessions with older persons and their lay care-givers, DOT is developing a *National Agenda for the Transportation Needs of an Aging Society*. This agenda will guide our efforts to improve safety for older drivers, as well as to provide better transportation options for those who cannot or no longer choose to drive, so that their mobility and sense of independence will be maintained. The FY2001 budget proposes approximately \$11 million for new aging America programs.

4-20-99

Vermont State of the State Address - Governor Howard Dean

Education

1. Accountability - New Standards Reference Exam which almost every student takes. Allows Vermont to identify which part of the curriculum needs to be improved; can be used as a professional development tool to help teachers find new ways of reaching kids
2. Wants \$80,000 to (1) guarantee a stipend of \$1,000 per year for every public school teacher who is nationally board certified and (2) to pay for half of the \$2,000 test-taking fee for any teacher willing to take the test
3. Asked state board of education to increase the entry requirements for new teachers, requiring that they pass a series of tests
4. Asked for \$9.9 million to fund a new technical education center -- students will take college classes. The center will be open nights, weekends, and over the summer to help students of all ages improve educational and job skills.
 - A. This center will also be a public-private partnership with business people on the board of the new technical center, along with members of the higher education community and representatives from both sending and receiving school districts
5. Wants public school choice
6. Distance learning -- make this technology available to all high schools in the state and encourage high schools to offer AP courses
7. \$10 million for self-sustaining trust fund to provide college scholarships at state schools
8. Make quality child care and early education available to every family who wishes to use it
9. Wants to expand school lunch and breakfast program

Jobs

1. \$7.6 million to recapitalize the Vermont Economic Development Authority -- lends money to manufacturers, tourism-oriented industries, and agriculture at reduced interest rates
2. Tax credits to generate venture capital for small businesses (we have this in our FY2000 budget for new markets)

Taxes

1. Wants to cut income taxes by 8%
2. Remove lowest wage earners from state income tax rolls

Infrastructure

1. Roads and bridges

Other Ideas

1. Utility restructuring
2. Trust fund from tobacco settlement -- (1) to educate young people about the dangers of smoking; (2) expand health insurance for people that cannot afford it
3. Pilot programs to schools to undertake year-long efforts to promote tolerance, diversity, and understanding among different ethnic groups

Texas State of the State Address - Governor George W. Bush

--mainly a speech about diversity and common values

New York State of the State Address - Governor George E. Pataki

-- speech on dawn of new century and strength of the human spirit

California State of the State Address - Governor Gray Davis**Education**

1. Restore public schools to greatness
2. Top 4% of students will automatically be admitted to University of California system

INTRODUCTION

A revolution in technology and increased competition in financial services has given Americans more numerous and complex financial choices than ever before, and consumers should have the tools to profit from these new opportunities. Certainly, many consumers already benefit from this financial revolution -- they have greater access to credit, can comparison shop for mortgage rates on the Internet, and use credit cards to earn frequent flyer miles. But not all Americans have access to convenient or affordable financial services. Moreover, for all Americans, new products have brought new complexities and new opportunities for abusive practices and invasions of privacy. We must update our consumer protection laws to adapt to this rapidly changing marketplace.

Members of Congress, including Ranking Members Sarbanes and LaFalce, have sponsored important legislation to modernize our consumer financial protection laws. We applaud their leadership and look forward to working with Congress on a consumer protection agenda.

Set forth below is a series of actions that the Clinton Administration believes should be part of this agenda. The list is not exhaustive, and we will continue to look for constructive ideas in these and other areas. Among the issues deserving further scrutiny are lending practices such as "pay day" loans (short-term loans which can carry interest rates of 400%) and bank check processing practices that may be designed to maximize bounced check fees. We will work with the states and the FTC to address these issues. Secretary Cuomo is also making important efforts to address abusive mortgage lending practices.

PROTECTING FINANCIAL PRIVACY

Ensure consumers have meaningful notice and an opportunity for informed choice if their financial information is shared. Although consumers put great value on the privacy of their financial records, our laws have not caught up to technological developments that make it possible and profitable for companies to share financial data in new ways. Current law does provide some important privacy protections: for example, the Fair Credit Reporting Act (FCRA) requires a form of notice and opt-out before sharing certain information about consumers (e.g., information provided on an account application). But there are no limits on the sharing of information about consumers' transactions (e.g., account balances, who they write checks to) within a financial conglomerate, or even on the sale of that information to a third party. We support legislation to give consumers control over the use and sharing of all their financial information.

Prevent use of medical information for credit decisions or other unanticipated purposes. Our greatest privacy concerns involve medical information. Yet, with a growing number of mergers between insurance companies and other financial services firms, lenders and brokers potentially have access to private medical records. We support legislation requiring that medical information, such as that gathered from life insurance records, not be shared within financial services conglomerates (e.g., between banking and insurance affiliates), except for narrowly

defined purposes. Consumers who undergo physical exams to obtain insurance, for example, should not have to fear that the information will be used to lower their credit card limits or deny them mortgages.

Monitor Bank Compliance with FCRA. Currently, bank regulators may not examine for compliance with existing privacy protections, but must wait for a consumer complaint. Congress should give regulators broader authority to monitor compliance. *Duke*

[Best Practices. Even in the absence of legislation, many responsible banks have begun posting their privacy practices on the Internet and otherwise informing customers about how their data is handled. The Office of the Comptroller of the Currency is today publishing best practices in this area, so that additional institutions can be encouraged to inform their customers and do so in the most effect way possible.]

EXPANDING DISCLOSURE

Credit Card Disclosures

Prevent Misleading Credit Card Marketing of "Teaser" Rates. Consumers frequently complain that they did not understand marketing materials on credit card interest rates and are shocked when rates skyrocket, whether because a "teaser" rate expired or they had a minor late payment. Some consumers are misled by mailings that promote a "low 3.9% initial rate" but fail to disclose as prominently that the rate doubles or triples in six months or with a single late payment. We support legislation requiring "teaser" rates for credit cards to be accompanied by equally prominent disclosure of the expiration date of the initial rate and the eventual APR. *Peabody*

Require Credit Card Minimum Payment Disclosures. In recent years, credit cards lenders have lowered minimum payments. Many consumers still assume, however, that, as with a monthly mortgage payment, repeated payment will eventually retire the debt. In reality, low minimum payment requirements and high interest rates often means that borrowers make little, if any, headway. We support legislation requiring clear and conspicuous notice of how long and how costly repayment would be if a consumer makes only the minimum payment. *Wine*

Disclosure of Late Payment Fees. It can be hard to tell from a credit statement whether and when a late payment fee (in addition to interest on the unpaid balance) will be assessed. We support legislation requiring monthly statements to display prominently the date that payment is due, together with any late payment fee. *_____*

Disclosure of Security Interests. Increasingly, creditors take security interests in goods purchased on credit. While consumers expect that they can lose their car or their home, they may not realize that they are granting a lien when they use a credit card. Liens may be taken in goods with little resale value as a collection technique or to encourage reaffirmation of the debt if the consumer goes into bankruptcy. We support legislation requiring effective notice of liens taken.

Disclosure of Interest Rates and Fees on Credit Advances Through Third-Party Checks.

Credit cards offer some card holders "convenience" checks that allow them to write checks against their credit account in places where credit cards are not honored. But card holders may not understand that rates and charges are typically higher than for their credit card. Currently, these charges are explained only in initial disclosures but not at the time that the checks are sent to the consumer. That law should be changed.

Apply Disclosure Rules to Internet Credit Card Solicitations. More and more, credit cards are offered to consumers on the Internet, but current law does not require the same complete disclosures as apply to direct mail solicitations. We support legislation requiring that all Internet credit card solicitations include clear and conspicuous disclosure of the card's terms and conditions, updated regularly to reflect current terms and costs.

Bank Disclosures

Provide Enforcement "Teeth" for Rules on Bank Sale of Non-Deposit Products.

Increasingly, consumers can buy securities, mutual funds, annuities, insurance on bank premises. Although none of these non-bank products are insured, studies have shown that many customers believe that these products are FDIC-insured or that the bank would protect them from loss. Under current bank regulator guidelines, banks that sell non-deposit products must disclose that those products are not federally insured and limit their practices to avoid such confusion, for example by selling these products at a space physically separate from where banking transactions occur. However, a violation of these guidelines brings no penalties. We call on the banking regulators to adopt regulations that will be fully enforceable by civil money penalties and other sanctions.

*Protects
insurers*

Rent-to-Own Companies

Disclosures and Other Requirements for Rent-to-Own (RTO). The attraction of obtaining a TV, refrigerator, or living room furniture with little down has spurred the rapid growth of firms offering to rent products with an option to buy. But an RTO firm can sell a customer a used product that looks new, and the consumer can pay many times the value of the product. The FTC is nearing completion of a study of the RTO industry. We look forward to their recommendations, and expect to support a legislative response. Adequate consumer protections, including disclosure so consumers can compare the cost of RTO to other alternatives, should be required. In addition, we will work with states to ensure that any federal rules do not interfere with or preempt state consumer protection efforts, including regulation of RTO under state credit sales and usury laws.

ATMs

Mandate Clear and Conspicuous ATM Surcharge Disclosures. When customers use an ATM, the operator of the machine may impose a sizeable surcharge. Accordingly, most consumers shop around to avoid ATM fees or pay less. A conspicuous posting of the amount of

any surcharge allows customers to easily avoid higher priced machine, or at least to begin the transaction with their eyes open. While ATM networks generally require members to post fee notices on the machine, a recent survey shows that nearly 25 percent of machines had either no posting or an inaccurate one. We support legislation requiring ATM owners to post a clear and conspicuous notice on the machine as well as on-screen, and subjecting ATM owners to sanctions for failure to make the mandated disclosures.

Mortgages

[Truth-in-Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) Reforms to Enhance Comparison Shopping for Mortgage and Settlement Services and to Stem Abusive Practices. In July 1998, the Federal Reserve Board and the Department of Housing and Urban Development released a Congressionally mandated study of how best to streamline the statutory disclosure requirements for mortgage loans and settlement services, with the goal of simplifying and improving the quality of information provided to consumers to enhance their ability to shop and increase competition. The report calls for a series of statutory reforms to RESPA and TILA to make the information provided to consumers more reliable, more timely, and more helpful in comparison shopping for all the services required to finance a home. Congress should adopt the report's recommendations. For example, the required annual percentage rate disclosure should include all costs the consumer is required to pay in order to receive credit, instead of the patchwork of costs currently disclosed. Creditors should be required to provide firm and reliable closing cost informations, and disclosures should be made early in the application process, before creditors impose substantial fees.]

Other Disclosures

Expand Truth in Lending Act (TILA) coverage for consumer loans and leases. TILA protections currently apply to all credit transactions secured by home equity and to other non-business consumer loans under \$25,000. When TILA was passed in 1968, the \$25,000 limit was sufficiently high to ensure that most automobile, credit card, and personal loan transactions would come under TILA protections. Thirty years later, this is not the case, particularly for automobile loans. The same \$25,000 limitation was imposed in 1976 in the Consumer Leasing Act sections of TILA. The limit should be raised to \$50,000 to cover most cars and other consumer loans.

Require Effective Disclosure of Exchange Rate and Fees for International Money Transfers. Consumers wiring money abroad often are confused or misled about fees and exchange rates. To prevent this confusion, we would amend the Electronic Funds Transfer Act to require additional disclosures relating to exchange rates for international transfers. Financial institutions or other businesses that initiate international money transfers on behalf of consumers would have to disclose, in both English and the language principally used by the business: (1) the exchange rate used in the transaction; (2) the prevailing exchange rate; and (3) all commissions and fees charged in connection with such transactions. Current law does not require such disclosure.

COMBAT FRAUD AND ABUSIVE PRACTICES

Devote Law Enforcement and Agency Resources to Financial Fraud.

“Identity Theft” Enforcement Initiative. Identify theft is the use of another’s individual identifying information to commit an offense -- for example, using another’s social security number to apply for a credit card.) Once, one had to forge or steal documents to impersonate another, but now one can easily use your identifiers to impersonate you over the phone or Internet. This type of crime is growing rapidly [insert numbers]. Last year, Congress enacted new laws barring the use of another’s identifying information. The Secret Service, in coordination with the Justice Department and regulatory agencies, will undertake a vigorous prevention and enforcement strategy to combat identity theft. They will work cooperatively with the American Bankers Association and others in the banking industry who have worked to combat this problem.

Combat Internet Securities Risk and Fraud with Investor Education and Enforcement. More and more Americans are investing in the stock market; 5.6 million are now trading on-line. The technology opens up great opportunity, but the rewards are not without their risks. Complaints to the SEC were up 330% in one year, and new securities fraud schemes are uncovered each day. SEC Chairman Levitt is launching a stepped-up SEC effort to arm investors with the information they need to understand and manage the risks and protect themselves against fraud. In addition, President Clinton’s budget provides \$11 million in new funds for SEC enforcement that will allow for a substantial increase in resources to tackle Internet fraud.

Internet Fraud Enforcement Initiative. Federal, state and local law enforcement officials and regulatory agencies are receiving a growing number of complaints from consumers about Internet fraud. Many of the same features of the Internet that make it a powerful tool for legitimate e-commerce (global reach, instant and often anonymous communications, ability to reach millions of consumers) also make it an attractive vehicle for fraud schemes. The Internet Fraud Initiative will crack down on Internet fraud by, for example, stepping up training for federal, state, and local prosecutors and agents; developing information on the nature and scope of Internet fraud; and keeping the public better informed about current fraud schemes and how to handle them. The initiative will also help coordinate the efforts of federal (Department of Justice, Secret Service, FBI, Postal Inspection Service, FTC, and SEC), state and local law enforcement agencies.

Ban “Pretext Calling.” We are alarmed by widespread reports of private investigators and data brokers tricking financial institutions into providing confidential customer information. Along with the banking industry, we support legislation that would end this practice, ensure that institutions protect the privacy and security of consumer financial information, and punish wrongdoers.

Fully Implement FTC-HELP and Consumer Sentinel. The Year 2000 will be the first year of operation for FTC's toll-free consumer hotline, part of the Commission's Consumer Response Center. The hotline will give consumers fast and easy access to information they need to protect themselves -- from tips about credit and debt collection to advice on how to avoid becoming a victim of fraud. Complaints to the hotline become part of the Consumer Sentinel, the FTC's fraud database, which is shared only with other law enforcers in the U.S. and Canada. By 2000, the Consumer Sentinel database is expected to be a primary tool in the fight against consumer fraud. The President's FY2000 budget funds Consumer Sentinel. [TO BE AMENDED ONCE 2001 BUDGET ISSUES WORK OUT]

Improve Consumer Protections Against Fraudulent or Abusive Practices.

Expand Disclosures for High LTV Mortgages. Consumers with high credit card debts are frequently offered second mortgages to consolidate their debts, extend the time for repayment, and reduce the interest rate. These mortgages can result in debt levels of 125% to 150% of the home's value. Consumers may not understand the consequences of these refinancings, especially that the failure to repay these consumer debts could lead to losing their home, and recent studies show that many such homeowners promptly incur new consumer credit debts. We support legislation requiring lenders on high loan-to-value second mortgages to disclose that: (1) interest payments may not be fully deductible; (2) the consumer may be unable to resell the house unless the entire loan amount is repaid; and (3) default can result in foreclosure.

Increase Civil Liability Limits for TILA Violations. TILA provides an individual right of action for violations under which a consumer can recover actual damages, additional statutory damages, and court costs, TILA permit statutory damages, in credit transactions, of twice the amount of any finance charge, and in lease transactions, of 25 percent of the total amount of monthly payments under the lease. The amount of these damages is limited to a range of not less than \$100 nor greater than \$1,000 for non-mortgage loans or leases, and to a range of \$200 to \$2000 for mortgage loans. These damage limits may be too low to deter TILA violations, particularly at unregulated institutions not subject to systematic and regular examinations. We support raising the statutory cap to a level sufficient to deter violations.

Take Action Against Abuses in "Sub-prime" lending. Sub-prime loans are generally made to lower income Americans, and include some of the most abusive practices in the financial services sector. [Bracketed items being vetted; will eventually be shortened.]

[Curb Abusive Practices in the Home Equity Market. The Fed/HUD Report documented continued problems with abusive practices in some segments of the mortgage market, including problems associated with loans outside the reach of the Home Ownership Equity Protection Act (HOEPA), which provides additional protections for purchasers of high-cost loans. These uncovered practices include "loan flipping" -- recurrent refinancings that may make it difficult for a home owner to pay off a loan or to sell her home. The study recommended that substantive consumer protections to target

abusive practices: for example: to reduce the occurrence of loan flipping, creditors should be restricted from charging financing fees in high cost loans covered by HOEPA; provisions restricting prepayment penalties should be expanded and simplified, and the HOEPA threshold should be lowered. In addition, creditors should be required to provide additional data to the Federal Trade Commission on HOEPA loans. We will work with Congress to enact the report's recommendations.

The FTC will take enforcement action to ensure that creditors do not evade HOEPA through misuse of open-ended home equity loans. Creditors should also be required to inform HOEPA applicants of available home counseling programs prior to closing. Congress should eliminate the requirement for a showing of "pattern or practice" of asset-based (foreclosure) lending to establish HOEPA violations, and provide for civil penalties for HOEPA violations. Moreover, all amounts paid by a borrower, including credit insurance, should be counted toward the HOEPA trigger. The definition of "creditor" should be expanded to include individuals that control the lending practices of a company to deal with the problem of small, thinly capitalized sub-prime lenders who escape HOEPA liability by dissolution or bankruptcy. Finally, Congress should expand enforcement of RESPA by providing injunctive authority to HUD, state attorneys general and state financial regulators; expanding HUD's civil remedies; strengthening the current criminal sanctions for violations of anti-kickback provisions, providing for private causes of action to enforce RESPA violations; and standardizing statutes of limitations.]

[The Banking Regulators Should Continue to Improve Guidance on Sub-prime Lending. The Federal Financial Institutions Examination Council is improving guidance to regulated financial institutions on fair lending compliance. The FFIEC issued fair lending examination procedures for banking regulators in January 1999 and focused particular attention on the problem of "steering" loan applicants on a prohibited basis to a sub-prime lender within a financial institution's organization. In March, the FFIEC released additional guidance focused on safety and soundness issues and fair lending problems. The OCC recently issued guidance warning of the risks in this area.

Today, the President is directing the Office of the Comptroller of the Currency and the Office of Thrift Supervision, in consultation with HUD, the FTC, the Justice Department, and the other banking regulators, to study whether further actions are necessary to halt abusive practices in the sub-prime area.]

[Improve Reporting on High-Cost Loans. There is a current imbalance in reporting requirements and enforcement under HMDA as between regulated depository institutions and other mortgage lenders. Some unregulated lenders do not have to report all their loans, and face no sanctions if they fail to report when required. We support legislation providing HUD with enforcement authority to assure compliance by all lenders with HMDA reporting, unless the lenders are already covered by existing enforcement authority of the banking regulators. These legislative changes will help level the playing field on reporting and compliance between regulated and unregulated financial

institutions, and will improve disclosure in a growing segment of the mortgage lending market.]

[Improved Reporting on Race, Income and Other Data. Financial institutions are required under the Home Mortgage Disclosure Act (HMDA) to report the race, income and other data about home mortgage borrowers, but a Federal Reserve regulation implementing the Equal Credit Opportunity Act (ECOA) prohibits them from collecting such information for non-mortgage borrowers. Experience suggests that the data collection on home mortgage borrowers has helped to reduce discrimination and increase access for minority borrowers in that market, and the current prohibition has inhibited self-testing under the fair lending laws, reduced the ability of financial institutions to develop and market innovative products to reach new markets, and reduced the reliability and effectiveness of fair lending enforcement. The Treasury Department will work with the Federal Reserve to determine whether the regulation can be amended to allow increased reporting.

Clear Reporting. HMDA regulations do not require financial institutions to report separately on sub-prime loans; these loans are lumped together with traditional loans, which may distort the data, for example, with respect to denial rates. If these loans were reported separately, banking regulators and enforcement agencies could better analyze the data for potential fair lending problems. The Treasury Department will work with the Federal Reserve on ways to require financial institutions to report the reasons for any denial.

Evasions of HMDA. An institution does not have to report under HMDA if fewer than 10% of its loans are made for home purchase. The effect of the rule is to exclude from reporting some of the largest and fastest growing mortgage providers in the country, whose consumer loan portfolio is also large. The Board should consider reissuing the rule to bring such providers under HMDA coverage.

Ban Coercive Sales of Insurance Products. Credit insurance is designed to ensure repayment of the mortgage in the event of the borrower's death or injury or job loss. However, the economic value to the consumer of these products is dubious. Moreover, credit insurance is frequently marketed in a way that is either explicitly or implicitly coercive -- that is, consumers are told or left with the impression that their chances of getting the loan or getting it more quickly would improve if they purchased the insurance. Some creditors collect up-front lump-sum insurance premiums for the policy term, so consumers cannot cancel. Required disclosures appear to be ineffective at deterring these practices. We support legislation barring the advance collection of lump-sum insurance premiums, so that consumers can pay for the insurance one month at a time, and so loan termination automatically cancels both coverage and liability for insurance payments. *In addition, Congress should bar the solicitation of credit life insurance until the lender has approved the loan application and communicated approval to the borrower.*[check?][Fed points out that allowing consumer to cancel at any time screws up pricing, as lender has priced loan assuming that the insurance is there; if insurance can be

cancelled at any time, the lender will charge the consumer a higher price assuming that the consumer will cancel. Do we have an answer?]

Limit Consumer Liability for Non-PIN Protected Debit Cards. “Off-line debit cards” allow consumers to pay for products through an electronic transfer at the point of sale. These “check cards” differ from on-line debit cards (i.e., ATM cards) because there is no PIN or other security feature (other than a signature) to authenticate the transaction. Although credit cards also carry no PIN protection, the consumer is generally only liable for no more than \$50 of unauthorized charges. But with debit cards losses can be much higher unless the customer quickly notices and reports the loss. Thus, consumers can get the worst of both worlds: higher exposure to loss without security protections. Consumer liability for these cards should be limited as it is currently limited for credit cards -- a step that VISA and Mastercard have already taken voluntarily.

Prohibit Unsolicited Mailing of Loan Checks. Loan checks are credit products for which the consumer need only sign and cash the check to obtain a loan. Because these unsolicited checks are “live,” however, the consumer is also at risk for fraudulent endorsement of the check. For the same reasons that Federal law prohibits unsolicited mailing of credit cards -- protecting consumers from the hassle of contesting liability for stolen card purchases -- we support legislation prohibiting unsolicited mailing of loan checks. Consumers should not feel they have to shred their daily mail.

Reform Accounting Rules for Consumer Installment Loans. We support legislation to eliminate the use of the “rule of 78,” an outmoded accounting rule that disadvantages borrowers, for all consumer credit transactions. In 1992, Congress barred the rule’s use in loans with terms over 61 months; our proposal would finish the task. Creditors would have to use an accounting method “at least as favorable to the consumer as the actuarial method.”

EXPAND ACCESS TO FINANCIAL SERVICES

Provide Low-Cost Banking Services to All Americans. Too many Americans cannot afford, or do not have access to, basic banking services. The Administration will increase and strengthen its efforts -- working with banks and consumer groups -- to increase access to low-cost banking services to all Americans. As part of this effort, Treasury is finalizing a program to pay set-up costs for low-fee basic banking accounts for federal benefit recipients.

Provide Individual Development Accounts (IDAs) To Make It Easier for Low-Income Families to Save. IDAs allow low-income households to save not just for retirement but also for education, emergencies, home ownership, or business investment. Individual contributions can be matched to encourage more savings. (The FY 2000 budget doubles funding for IDAs.)

Bolster the Community Development Financial Institutions (CDFI) Fund. Treasury's CDFI Fund provides grants, loans, and equity investments to locally-based, specialized financial institutions and mainstream banks and thrifts serving low and moderate income communities.

The CDFI Fund is helping to expand the reach of these institutions to under served communities. The Administration is seeking \$125 million for the Fund in FY 2000 and Fund reauthorization.

IMPROVE CONSUMER FINANCIAL EDUCATION

Launch a Campaign to Promote Education on Credit, Savings, and Investment.

One of the best protections for consumers is education. Yet evidence suggests that consumers often find credit and investment opportunities confusing, and are carrying greater levels of debt, filing bankruptcy more often, not saving as much as they would like for retirement, and investing without full comprehension of the risks involved. The President today directed his National Economic Council to convene a high level interagency task force to present him with a plan to raise financial literacy levels, and to expand the Administration's commitment to public and private consumer financial education programs. Elements of this plan will include:

Identify and publicize successful "best practices" for high school and other financial education programs. Nonprofit groups such as the National Council on Economic Education and Jump\$tart, as well as government agencies including the Department of Agriculture and the Department of Defense, have developed educational modules and course materials that not only improve students' understanding of complex financial topics but also have been shown to improve their long-term financial status. Working with the interagency task force, the Department of Education will help publicize these proven educational programs, to make it easier for teachers, professors, and other educators to adopt financial education programs that work.

Promote effective financial planning. Studies show that families who are able to develop and follow a financial plan are much more successful in achieving major financial goals, such as saving adequately for retirement, their children's education, or a new business venture. A growing number of public, nonprofit, and corporate initiatives have begun to educate Americans about effective financial planning, such as the campaigns sponsored by the American Savings Education Council, the Securities and Exchange Commission, and the Department of Labor. The Administration will participate in joint initiatives with these and other groups to highlight the benefits of personal financial planning and the steps that all Americans can take to make financial planning easier.

Technology and competition in financial services give Americans more complex choices than ever before. Innovations in the financial marketplace offer millions of consumers new, ever increasing choices for investing their savings and obtaining credit. But new products have brought new risks and new abusive practices. We must update our consumer protection laws to give consumers the power, information and protection they need to profit from our 21st Century financial system.

THE CLINTON-GORE PLAN

Today, President Clinton unveiled legislative proposals and executive actions to protect consumers and their privacy in the new economy, based on five principles; (1) protect financial privacy; (2) expand the consumer's right to know; (3) prevent fraud and abusive practices; (4) expand access to financial services; and (5) educate consumers. We will continue to work with consumer protection leaders in Congress, including Senator Sarbanes and Representative LaFalce, to address these and other consumer issues.

PROTECT FINANCIAL PRIVACY

Cross-industry mergers and consolidation have given banks unprecedented access to consumers' financial and medical records at just the time when new technologies have made it possible -- and potentially profitable -- for banks to mine such data. Current law treats much of this information as the property of the institution -- not the consumer. We believe that consumers deserve notice and choice about the use of their personal information. Consumers who undergo physical exams to obtain insurance, for example, should not have to fear that the information could be used to lower their credit card limits or deny them mortgages.

Vice President Gore has led the Administration's efforts to protect consumers' financial and medical privacy in the new financial marketplace. We will work with Congress to improve the privacy protections available to our citizens. We will work to:

- **Require institutions to inform consumers of plans to share or sell their financial information, and give the consumer the power to stop it.**
- **Impose special restrictions on any sharing of medical information within a financial conglomerate.**
- **Give the FTC, bank regulators, and HUD the authority they need to ensure compliance with existing privacy protections, and publicize best practices in the privacy area.**

EXPAND THE CONSUMER'S RIGHT TO KNOW

Consumers face a bewildering array of choices in today's financial marketplace and often do not have sufficient information to make wise decisions. Aggressive marketing tactics can obscure the truth about the choices a customer is being asked to make: for example, consumers are often surprised when low introductory credit card rates expire and interest rates spike. The Administration will work with Congress to enact legislation that will:

- * **Require credit card companies to improve disclosure of the terms of such items as low introductory interest rates, minimum payments, and checks written against credit cards.**
- **Improve disclosure rules for Internet credit card solicitations.**

- * **Require ATMs to provide clear and conspicuous disclosures of surcharges on the machine and the terminal screen.**
- **Require enhanced disclosures for other financial products such as rent-to-own arrangements, mortgage products, and international money transfers.**

PREVENT FRAUD AND ABUSIVE PRACTICES

More and more Americans are using the Internet to invest in the stock market and conduct other financial transactions. New fraud schemes -- including stock manipulation -- are uncovered each day. Off-line, old fraudulent practices continue, and new ones -- such as identity theft -- continue to arise. Low-income borrowers must often turn to unregulated, high-cost lenders whose terms are sometimes abusive. We will crack down on financial fraud and attack other abuses:

- **Launch a vigorous identity theft enforcement and prevention strategy that includes better referral of cases among federal, state and local law enforcement; developing a public-private partnership to educate consumers on how to protect themselves; and proposing sentencing enhancements.**
- **Provide new funds in the President's budget to establish a national center for tracking Internet fraud schemes; step up prosecutions; and train federal, state and local law enforcement officers on how to recognize and prosecute these schemes.**
- **Work with Congress to criminalize "pretext calling," where persons gain access to financial information by tricking bank employees; prohibit coercive sales of insurance products; and prohibit unsolicited mailing of loan checks.**
- **Warn consumers of the risks of debt consolidation loans where borrowers put their homes at risk, and expand the number of auto and other consumer loans that receive disclosure statements under the Truth in Lending Act.**
- **In the sub-prime area, improve reporting of high-cost loans and give the FTC and HUD adequate authority to stop the worst abuses.**

EXPAND ACCESS TO FINANCIAL SERVICES

Too many Americans cannot afford, or do not have access to, basic banking services. The Administration will increase and strengthen its efforts -- working with banks and consumer groups -- to increase access to low-cost banking services to all Americans. As part of this effort, Treasury is finalizing a program to pay set-up costs for low-fee basic banking accounts for federal benefit recipients.

EDUCATE CONSUMERS AND IMPROVE FINANCIAL LITERACY

The daunting complexity of financial products and choices increases the importance of consumer financial education. President Clinton today directed the National Economic Council to convene a high-level interagency group to prepare a plan to raise financial literacy and expand the Administration's commitment to consumer financial education.

SSS

THE CLINTON-GORE PLAN FOR CONSUMER FINANCIAL PROTECTION AND PRIVACY IN THE 21st CENTURY

April 22, 1999 - draft

DETAILED PROPOSAL SUMMARY

INTRODUCTION

A revolution in technology and increased competition in financial services has given Americans more numerous and complex financial choices than ever before, and consumers should have the tools to profit from these new opportunities. Certainly, many consumers already benefit from this financial revolution -- they have greater access to credit, can comparison shop for mortgage rates on the Internet, and use credit cards to earn frequent flyer miles. But not all Americans have access to convenient or affordable financial services. Moreover, for all Americans, new products have brought new complexities and new opportunities for abusive practices and invasions of privacy. We must update our consumer protection laws to adapt to this rapidly changing marketplace.

Members of Congress, including Ranking Members Sarbanes and LaFalce, have sponsored important legislation to modernize our consumer financial protection laws. We applaud their leadership and look forward to working with Congress on a consumer protection agenda.

Set forth below is a series of actions that the Clinton Administration believes should be part of this agenda. The list is not exhaustive, and we will continue to look for constructive ideas in these and other areas. Among the issues deserving further scrutiny are lending practices such as "pay day" loans (short-term loans which can carry interest rates of 400%) and bank check processing practices that may be designed to maximize bounced check fees. We will work with the states and the FTC to address these issues. Secretary Cuomo is also making important efforts to address abusive mortgage lending practices.

PROTECTING FINANCIAL PRIVACY

Ensure consumers have meaningful notice and an opportunity for informed choice if their financial information is shared. Although consumers put great value on the privacy of their financial records, our laws have not caught up to technological developments that make it possible and profitable for companies to share financial data in new ways. Current law does provide some important privacy protections: for example, the Fair Credit Reporting Act (FCRA) requires a form of notice and opt-out before sharing certain information about consumers (e.g., information provided on an account application). But there are no limits on the sharing of information about consumers' transactions (e.g., account balances, who they write checks to) within a financial conglomerate, or even on the sale of that information to a third party. We support legislation to give consumers control over the use and sharing of all their financial information.

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Prevent use of medical information for credit decisions or other unanticipated purposes.

Our greatest privacy concerns involve medical information. Yet, with a growing number of mergers between insurance companies and other financial services firms, lenders and brokers potentially have access to private medical records. We support legislation requiring that medical information, such as that gathered from life insurance records, not be shared within financial services conglomerates (e.g., between banking and insurance affiliates), except for narrowly defined purposes. Consumers who undergo physical exams to obtain insurance, for example, should not have to fear that the information will be used to lower their credit card limits or deny them mortgages.

Monitor Bank Compliance with FCRA. Currently, bank regulators may not examine for compliance with existing privacy protections, but must wait for a consumer complaint. Congress should give regulators broader authority to monitor compliance.

[**Best Practices.** Even in the absence of legislation, many responsible banks have begun posting their privacy practices on the Internet and otherwise informing customers about how their data is handled. The Office of the Comptroller of the Currency is today publishing best practices in this area, so that additional institutions can be encouraged to inform their customers and do so in the most effect way possible.]

EXPANDING DISCLOSURE

Credit Card Disclosures

Prevent Misleading Credit Card Marketing of "Teaser" Rates. Consumers frequently complain that they did not understand marketing materials on credit card interest rates and are shocked when rates skyrocket, whether because a "teaser" rate expired or they had a minor late payment. Some consumers are misled by mailings that promote a "low 3.9% initial rate" but fail to disclose as prominently that the rate doubles or triples in six months or with a single late payment. We support legislation requiring "teaser" rates for credit cards to be accompanied by equally prominent disclosure of the expiration date of the initial rate and the eventual APR.

Require Credit Card Minimum Payment Disclosures. In recent years, credit cards lender's have lowered minimum payments. Many consumers still assume, however, that, as with a monthly mortgage payment, repeated payment will eventually retire the debt. In reality, low minimum payment requirements and high interest rates often means that borrowers make little, if any, headway. We support legislation requiring clear and conspicuous notice of how long and how costly repayment would be if a consumer makes only the minimum payment.

Disclosure of Late Payment Fees. It can be hard to tell from a credit statement whether and when a late payment fee (in addition to interest on the unpaid balance) will be assessed. We support legislation requiring monthly statements to display prominently the date that payment is due, together with any late payment fee.

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Disclosure of Security Interests. Increasingly, creditors take security interests in goods purchased on credit. While consumers expect that they can lose their car or their home, they may not realize that they are granting a lien when they use a credit card. Liens may be taken in goods with little resale value as a collection technique or to encourage reaffirmation of the debt if the consumer goes into bankruptcy. We support legislation requiring effective notice of liens taken.

Disclosure of Interest Rates and Fees on Credit Advances Through Third-Party Checks. Credit cards offer some card holders "convenience" checks that allow them to write checks against their credit account in places where credit cards are not honored. But card holders may not understand that rates and charges are typically higher than for their credit card. Currently, these charges are explained only in initial disclosures but not at the time that the checks are sent to the consumer. That law should be changed.

Apply Disclosure Rules to Internet Credit Card Solicitations. More and more, credit cards are offered to consumers on the Internet, but current law does not require the same complete disclosures as apply to direct mail solicitations. We support legislation requiring that all Internet credit card solicitations include clear and conspicuous disclosure of the card's terms and conditions, updated regularly to reflect current terms and costs.

Bank Disclosures

Provide Enforcement "Teeth" for Rules on Bank Sale of Non-Deposit Products. Increasingly, consumers can buy securities, mutual funds, annuities, insurance on bank premises. Although none of these non-bank products are insured, studies have shown that many customers believe that these products are FDIC-insured or that the bank would protect them from loss. Under current bank regulator guidelines, banks that sell non-deposit products must disclose that those products are not federally insured and limit their practices to avoid such confusion, for example by selling these products at a space physically separate from where banking transactions occur. However, a violation of these guidelines brings no penalties. We call on the banking regulators to adopt regulations that will be fully enforceable by civil money penalties and other sanctions.

Rent-to-Own Companies

Disclosures and Other Requirements for Rent-to-Own (RTO). The attraction of obtaining a TV, refrigerator, or living room furniture with little down has spurred the rapid growth of firms offering to rent products with an option to buy. But an RTO firm can sell a customer a used product that looks new, and the consumer can pay many times the value of the product. The FTC is nearing completion of a study of the RTO industry. We look forward to their recommendations, and expect to support a legislative response. Adequate consumer protections, including disclosure so consumers can compare the cost of RTO to other alternatives, should be required. In addition, we will work with states to ensure that any federal rules do not interfere

with or preempt state consumer protection efforts, including regulation of RTO under state credit sales and usury laws.

ATMs

Mandate Clear and Conspicuous ATM Surcharge Disclosures. When customers use an ATM, the operator of the machine may impose a sizeable surcharge. Accordingly, most consumers shop around to avoid ATM fees or pay less. A conspicuous posting of the amount of any surcharge allows customers to easily avoid higher priced machine, or at least to begin the transaction with their eyes open. While ATM networks generally require members to post fee notices on the machine, a recent survey shows that nearly 25 percent of machines had either no posting or an inaccurate one. We support legislation requiring ATM owners to post a clear and conspicuous notice on the machine as well as on-screen, and subjecting ATM owners to sanctions for failure to make the mandated disclosures.

Mortgages

✓ **[Truth-in-Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) Reforms to Enhance Comparison Shopping for Mortgage and Settlement Services and to Stem Abusive Practices.** In July 1998, the Federal Reserve Board and the Department of Housing and Urban Development released a Congressionally mandated study of how best to streamline the statutory disclosure requirements for mortgage loans and settlement services, with the goal of simplifying and improving the quality of information provided to consumers to enhance their ability to shop and increase competition. The report calls for a series of statutory reforms to RESPA and TILA to make the information provided to consumers more reliable, more timely, and more helpful in comparison shopping for all the services required to finance a home. Congress should adopt the report's recommendations. For example, the required annual percentage rate disclosure should include all costs the consumer is required to pay in order to receive credit, instead of the patchwork of costs currently disclosed. Creditors should be required to provide firm and reliable closing cost informations, and disclosures should be made early in the application process, before creditors impose substantial fees.]

Other Disclosures

✓ **Expand Truth in Lending Act (TILA) coverage for consumer loans and leases.** TILA protections currently apply to all credit transactions secured by home equity and to other non-business consumer loans under \$25,000. When TILA was passed in 1968, the \$25,000 limit was sufficiently high to ensure that most automobile, credit card, and personal loan transactions would come under TILA protections. Thirty years later, this is not the case, particularly for automobile loans. The same \$25,000 limitation was imposed in 1976 in the Consumer Leasing Act sections of TILA. The limit should be raised to \$50,000 to cover most cars and other consumer loans.

Require Effective Disclosure of Exchange Rate and Fees for International Money Transfers. Consumers wiring money abroad often are confused or misled about fees and exchange rates. To prevent this confusion, we would amend the Electronic Funds Transfer Act to require additional disclosures relating to exchange rates for international transfers. Financial institutions or other businesses that initiate international money transfers on behalf of consumers would have to disclose, in both English and the language principally used by the business: (1) the exchange rate used in the transaction; (2) the prevailing exchange rate; and (3) all commissions and fees charged in connection with such transactions. Current law does not require such disclosure.

COMBAT FRAUD AND ABUSIVE PRACTICES

Devote Law Enforcement and Agency Resources to Financial Fraud.

"Identity Theft" Enforcement Initiative. Identity theft is the use of another's individual identifying information to commit an offense -- for example, using another's social security number to apply for a credit card.) Once, one had to forge or steal documents to impersonate another, but now one can easily use your identifiers to impersonate you over the phone or Internet. This type of crime is growing rapidly [insert numbers]. Last year, Congress enacted new laws barring the use of another's identifying information. The Secret Service, in coordination with the Justice Department and regulatory agencies, will undertake a vigorous prevention and enforcement strategy to combat identity theft. They will work cooperatively with the American Bankers Association and others in the banking industry who have worked to combat this problem.

Combat Internet Securities Risk and Fraud with Investor Education and Enforcement. More and more Americans are investing in the stock market; 5.6 million are now trading on-line. The technology opens up great opportunity, but the rewards are not without their risks. Complaints to the SEC were up 330% in one year, and new securities fraud schemes are uncovered each day. SEC Chairman Levitt is launching a stepped-up SEC effort to arm investors with the information they need to understand and manage the risks and protect themselves against fraud. In addition, President Clinton's budget provides \$11 million in new funds for SEC enforcement that will allow for a substantial increase in resources to tackle Internet fraud.

Internet Fraud Enforcement Initiative. Federal, state and local law enforcement officials and regulatory agencies are receiving a growing number of complaints from consumers about Internet fraud. Many of the same features of the Internet that make it a powerful tool for legitimate e-commerce (global reach, instant and often anonymous communications, ability to reach millions of consumers) also make it an attractive vehicle for fraud schemes. The Internet Fraud Initiative will crack down on Internet fraud by, for example, stepping up training for federal, state, and local prosecutors and agents; developing information on the nature and scope of Internet fraud; and keeping the public

better informed about current fraud schemes and how to handle them. The initiative will also help coordinate the efforts of federal (Department of Justice, Secret Service, FBI, Postal Inspection Service, FTC, and SEC), state and local law enforcement agencies.

Ban "Pretext Calling." We are alarmed by widespread reports of private investigators and data brokers tricking financial institutions into providing confidential customer information. Along with the banking industry, we support legislation that would end this practice, ensure that institutions protect the privacy and security of consumer financial information, and punish wrongdoers.

Fully Implement FTC-HELP and Consumer Sentinel. The Year 2000 will be the first year of operation for FTC's toll-free consumer hotline, part of the Commission's Consumer Response Center. The hotline will give consumers fast and easy access to information they need to protect themselves — from tips about credit and debt collection to advice on how to avoid becoming a victim of fraud. Complaints to the hotline become part of the Consumer Sentinel, the FTC's fraud database, which is shared only with other law enforcers in the U.S. and Canada. By 2000, the Consumer Sentinel database is expected to be a primary tool in the fight against consumer fraud. The President's FY2000 budget funds Consumer Sentinel. [TO BE AMENDED ONCE 2001 BUDGET ISSUES WORK OUT]

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✓ **Take Action Against Abuses in "Sub-prime" lending.** Sub-prime loans are generally made to lower income Americans, and include some of the most abusive practices in the financial services sector. [Bracketed items being vetted; will eventually be shortened.]

[Curb Abusive Practices in the Home Equity Market. The Fed/HUD Report documented continued problems with abusive practices in some segments of the mortgage market, including problems associated with loans outside the reach of the Home Ownership Equity Protection Act (HOEPA), which provides additional protections for purchasers of high-cost loans. These uncovered practices include "loan flipping" -- recurrent refinancings that may make it difficult for a home owner to pay off a loan or to sell her home. The study recommended that substantive consumer protections to target abusive practices: for example: to reduce the occurrence of loan flipping, creditors should be restricted from charging financing fees in high cost loans covered by HOEPA; provisions restricting prepayment penalties should be expanded and simplified, and the HOEPA threshold should be lowered. In addition, creditors should be required to provide additional data to the Federal Trade Commission on HOEPA loans. We will work with Congress to enact the report's recommendations.

The FTC will take enforcement action to ensure that creditors do not evade HOEPA through misuse of open-ended home equity loans. Creditors should also be required to inform HOEPA applicants of available home counseling programs prior to closing. Congress should eliminate the requirement for a showing of "pattern or practice" of asset-based (foreclosure) lending to establish HOEPA violations, and provide for civil penalties for HOEPA violations. Moreover, all amounts paid by a borrower, including credit insurance, should be counted toward the HOEPA trigger. The definition of "creditor" should be expanded to include individuals that control the lending practices of a company to deal with the problem of small, thinly capitalized sub-prime lenders who escape HOEPA liability by dissolution or bankruptcy. Finally, Congress should expand enforcement of RESPA by providing injunctive authority to HUD, state attorneys general and state financial regulators; expanding HUD's civil remedies; strengthening the current criminal sanctions for violations of anti-kickback provisions, providing for private causes of action to enforce RESPA violations; and standardizing statutes of limitations.]

[The Banking Regulators Should Continue to Improve Guidance on Sub-prime Lending. The Federal Financial Institutions Examination Council is improving guidance to regulated financial institutions on fair lending compliance. The FFIEC issued fair lending examination procedures for banking regulators in January 1999 and focused particular attention on the problem of "steering" loan applicants on a prohibited basis to a sub-prime lender within a financial institution's organization. In March, the FFIEC released additional guidance focused on safety and soundness issues and fair lending problems. The OCC recently issued guidance warning of the risks in this area.

Today, the President is directing the Office of the Comptroller of the Currency and the Office of Thrift Supervision, in consultation with HUD, the FTC, the Justice Department, and the other banking regulators, to study whether further actions are necessary to halt abusive practices in the sub-prime area.]

✓ **[Improve Reporting on High-Cost Loans.** There is a current imbalance in reporting requirements and enforcement under HMDA as between regulated depository institutions and other mortgage lenders. Some unregulated lenders do not have to report all their loans, and face no sanctions if they fail to report when required. We support legislation providing HUD with enforcement authority to assure compliance by all lenders with HMDA reporting, unless the lenders are already covered by existing enforcement authority of the banking regulators. These legislative changes will help level the playing field on reporting and compliance between regulated and unregulated financial institutions, and will improve disclosure in a growing segment of the mortgage lending market.]

✓ **[Improved Reporting on Race, Income and Other Data.** Financial institutions are required under the Home Mortgage Disclosure Act (HMDA) to report the race, income and other data about home mortgage borrowers, but a Federal Reserve regulation implementing the Equal Credit Opportunity Act (ECOA) prohibits them from collecting such information for non-mortgage borrowers. Experience suggests that the data collection on home mortgage borrowers has helped to reduce discrimination and increase access for minority borrowers in that market, and the current prohibition has inhibited self-testing under the fair lending laws, reduced the ability of financial institutions to develop and market innovative products to reach new markets, and reduced the reliability and effectiveness of fair lending enforcement. The Treasury Department will work with the Federal Reserve to determine whether the regulation can be amended to allow increased reporting.

✓ **Clear Reporting.** HMDA regulations do not require financial institutions to report separately on sub-prime loans; these loans are lumped together with traditional loans, which may distort the data, for example, with respect to denial rates. If these loans were reported separately, banking regulators and enforcement agencies could better analyze the data for potential fair lending problems. The Treasury Department will work with the Federal Reserve on ways to require financial institutions to report the reasons for any denial.

✓ **Evasions of HMDA.** An institution does not have to report under HMDA if fewer than 10% of its loans are made for home purchase. The effect of the rule is to exclude from reporting some of the largest and fastest growing mortgage providers in the country, whose consumer loan portfolio is also large. The Board should consider reissuing the rule to bring such providers under HMDA coverage.

✓ **Ban Coercive Sales of Insurance Products.** Credit insurance is designed to ensure repayment of the mortgage in the event of the borrower's death or injury or job loss. However, the economic value to the consumer of these products is dubious. Moreover, credit insurance is frequently marketed in a way that is either explicitly or implicitly coercive -- that is, consumers are told or left with the impression that their chances of getting the loan or getting it more quickly would improve if they purchased the insurance. Some creditors collect up-front lump-sum insurance premiums for the policy term, so consumers cannot cancel. Required disclosures appear to be ineffective at deterring these practices. We support legislation barring the advance collection of lump-sum insurance premiums, so that consumers can pay for the insurance one month at a time, and so loan termination automatically cancels both coverage and liability for insurance payments. *In addition, Congress should bar the solicitation of credit life insurance until the lender has approved the loan application and communicated approval to the borrower.* [check?][Fed points out that allowing consumer to cancel at any time screws up pricing, as lender has priced loan assuming that the insurance is there; if insurance can be cancelled at any time, the lender will charge the consumer a higher price assuming that the consumer will cancel. Do we have an answer?]

Limit Consumer Liability for Non-PIN Protected Debit Cards. "Off-line debit cards" allow consumers to pay for products through an electronic transfer at the point of sale. These "check cards" differ from on-line debit cards (i.e., ATM cards) because there is no PIN or other security feature (other than a signature) to authenticate the transaction. Although credit cards also carry no PIN protection, the consumer is generally only liable for no more than \$50 of unauthorized charges. But with debit cards losses can be much higher unless the customer quickly notices and reports the loss. Thus, consumers can get the worst of both worlds: higher exposure to loss without security protections. Consumer liability for these cards should be limited as it is currently limited for credit cards -- a step that VISA and Mastercard have already taken voluntarily.

Prohibit Unsolicited Mailing of Loan Checks. Loan checks are credit products for which the consumer need only sign and cash the check to obtain a loan. Because these unsolicited checks are "live," however, the consumer is also at risk for fraudulent endorsement of the check. For the same reasons that Federal law prohibits unsolicited mailing of credit cards -- protecting consumers from the hassle of contesting liability for stolen card purchases -- we support legislation prohibiting unsolicited mailing of loan checks. Consumers should not feel they have to shred their daily mail.

Reform Accounting Rules for Consumer Installment Loans. We support legislation to eliminate the use of the "rule of 78," an outmoded accounting rule that disadvantages borrowers, for all consumer credit transactions. In 1992, Congress barred the rule's use in loans with terms over 61 months; our proposal would finish the task. Creditors would have to use an accounting method "at least as favorable to the consumer as the actuarial method."

EXPAND ACCESS TO FINANCIAL SERVICES

Provide Low-Cost Banking Services to All Americans. Too many Americans cannot afford, or do not have access to, basic banking services. The Administration will increase and strengthen its efforts -- working with banks and consumer groups -- to increase access to low-cost banking services to all Americans. As part of this effort, Treasury is finalizing a program to pay set-up costs for low-fee basic banking accounts for federal benefit recipients.

Provide Individual Development Accounts (IDAs) To Make It Easier for Low-Income Families to Save. IDAs allow low-income households to save not just for retirement but also for education, emergencies, home ownership, or business investment. Individual contributions can be matched to encourage more savings. (The FY 2000 budget doubles funding for IDAs.)

Bolster the Community Development Financial Institutions (CDFI) Fund. Treasury's CDFI Fund provides grants, loans, and equity investments to locally-based, specialized financial institutions and mainstream banks and thrifts serving low and moderate income communities. The CDFI Fund is helping to expand the reach of these institutions to under served communities. The Administration is seeking \$125 million for the Fund in FY 2000 and Fund reauthorization.

IMPROVE CONSUMER FINANCIAL EDUCATION

Launch a Campaign to Promote Education on Credit, Savings, and Investment. One of the best protections for consumers is education. Yet evidence suggests that consumers often find credit and investment opportunities confusing, and are carrying greater levels of debt, filing bankruptcy more often, not saving as much as they would like for retirement, and investing without full comprehension of the risks involved. The President today directed his National Economic Council to convene a high level interagency task force to present him with a plan to raise financial literacy levels, and to expand the Administration's commitment to public and private consumer financial education programs. Elements of this plan will include:

Identify and publicize successful "best practices" for high school and other financial education programs. Nonprofit groups such as the National Council on Economic Education and JumpStart, as well as government agencies including the Department of Agriculture and the Department of Defense, have developed educational modules and course materials that not only improve students' understanding of complex financial topics but also have been shown to improve their long-term financial status. Working with the interagency task force, the Department of Education will help publicize these proven educational programs, to make it easier for teachers, professors, and other educators to adopt financial education programs that work.

Promote effective financial planning. Studies show that families who are able to develop and follow a financial plan are much more successful in achieving major financial goals, such as saving adequately for retirement, their children's education, or a new business venture. A growing number of public, nonprofit, and corporate initiatives have begun to educate Americans about effective financial planning, such as the campaigns sponsored by

the American Savings Education Council, the Securities and Exchange Commission, and the Department of Labor. The Administration will participate in joint initiatives with these and other groups to highlight the benefits of personal financial planning and the steps that all Americans can take to make financial planning easier.

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It was nice to talk to you again, here a few education ideas

1. Need to Connect Technology to Better Quality. Wiring schools is great, now we need to keep showing parents how this ~~actually~~ improves their kids' education. So, create a Corporation for Public Broadcasting for Schools -- this channel would broadcast NASA launches with commentary by top scientists, interview NIH and Smithsonian experts with simultaneous Internet interviews and curriculum follow-up, directly to the classroom. The idea is that we should connect the best minds in America directly to American youth. It will be a huge competitive advantage globally. Plus, we should welcome the fight about whether private companies should have a monopoly on broadcasting into our classrooms. It sets up a nice contrast with R's who are associated with laissez-faire. This could be a public/private partnership. FCC sets aside spectrum, satellite companies give dishes to schools, Department of Education helps put together model curriculum, simultaneous coordination on the Internet, bi-partisan American leaders serve on the board of the channel.

2. Make College Easier for Parents. Save For College. Offer a \$2,000 a year IRA to save for college and or consider making 2/3 (or more) of college tuition tax deductible for those who make under \$140,000 a year.

3. Encourage People to Become Teachers and Tougher Standards. Expand Loan Forgiveness. If you commit to teach 5 years or more, we will forgive your loans. ~~You need to combine this~~ with a call to spread the experiments on tenure review that are going on in some cities. NEA has officially backed a peer review approach -- we need to push a package that rewards encourages and rewards good teachers with mechanisms to remove or help retain teachers who aren't doing well enough. Our theme should be: There is no job more important than teaching in America, we need to give recruiting, training, removing, and retaining them the attention they deserve.

I don't suggest all of these work, but some may be worth mixing in, depending on how well they do with Penn.

* Also, on Equal Pay the Republican Policy Committee in the Senate has made a blunder and you should take advantage of it. They have put an item on their website attacking the idea that there is a wage gap between men and women and quoting H.L. Mencken regarding the pay gap, to them it is an "imaginary hobgoblin." As you know, the Republican view is in sharp contrast to what the American people think, the public consistently says it is one of their highest priorities. At the appropriate time I think this could be a good attack for you.