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THE WHITE HOUSE

Office of the Press Secretary
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REMARKS BY THE PRESIDENT
IN DISCUSSION ON NEW MARKETS

Sweet Auburn Market
Atlanta, Georgia

2:55 P.M. EDT

THE PRESIDENT: Well, first, Mayor Campbell, Mayor Jackson, Mayor Young, my friends, it's wonderful to be back in Atlanta. I will be very brief because I want to spend most of my time listening to our panelists, but I'd like to try to put what the Mayor has said into the perspective of what we're trying to do with our administration. And I have with me our Housing and Urban Development Secretary Andrew Cuomo; our Small Business Administrator Aida Alvarez; my Deputy Chief of Staff Maria Echaveste. We had other members of the Cabinet with us earlier today, along with my National Economic Advisor Gene Sperling, who helped to put this whole event today together.

But let me try to tell you why I'm here. When I became President in 1993 I had traveled around America and I had seen with my own eyes for many years, as governor and then as a candidate for President, people able to start businesses in places that had high unemployment or low income or other economic problems, if they just had access to capital and they had the right technical support, marketing support, loan guarantees or whatever.

So when we started our administration we put into our first economic plan this whole idea of empowerment zones which would give tax credits, loan guarantees, technical assistance and direct investment, and community development financial institutions which would make direct loans to people who otherwise might not have access to it.

We've also been greatly aided in this national endeavor by some of our own financial institutions, and I think the leading one plainly has been Nations Bank in terms of what you have done to try to loan money to people who couldn't get it otherwise.

Now, after six years, watching these empowerment zones work, we can see examples like this. But what I want to say to you now is, I think it's important that we try to take this example to the whole nation. Our economy now is in the best shape it's been in at least a generation; some people think it's the best economy America has ever had. We have the lowest recorded rates of unemployment since we've been keeping separate statistics for African Americans and Hispanic Americans. We have record numbers of new small businesses starting in each of the last six years. We've got the lowest peacetime unemployment since 1957.

Now, that's all good, but we also know that we have neighborhoods in big cities, we have small- and medium-sized cities, we have rural areas and Native American reservations where there has been almost no new investment, almost no new

businesses, almost no new jobs. So I am trying to highlight, first of all, for the American people -- you, and people like you all over the country -- so people will know this can be done.

Secondly, I'm trying to build support for an initiative I have before the Congress, which is called the New Markets Initiative, designed to give tax credits for people who put equity money, investment money, into low per capita income areas, high unemployment areas in our country, and to provide loan guarantees, up to two-thirds per total investment for people who will do that, and to increase our community development loaning all over the country, not just in the empowerment zones.

Because I believe we ought not to leave anybody behind when we go into the 21st century. I think that every American who is willing to work ought to have a chance to do it. (Applause.)

And so, that's why I'm here. I want people to see you and believe it can be done in their neighborhoods, in their communities, rural or urban. I want to listen to you and I want to try to build support.

The last point I want to make is, in July I am going to take two or three days and go to places in America that need this help, and try to highlight for the American people in the midst of all our prosperity both the obligation and the opportunity we have to do better. And I'm going to ask the American business leaders to help me. And a lot of these folks came with me today from all over the country. I just want to mention who is here. They're all the leaders of their various organizations.

Duane Ackerman from Bell South and Dan Amos from AFLAC, both of Georgia; Don Carty of American Airlines, Emma Chappell of the United Bank of Philadelphia, Jon Corzine of Goldman Sachs, Ted Gifford of Bank of Boston; Martin Grass of Rite Aid, Dan Hesse, AT&T Wireless, Richard Huber, Aetna; Debra Lee of BET; Leo Mullin of Delta Airlines, another home base here; Frank Newman of Bankers Trust; Maceo Sloan of Sloan Financial Group; Sy Sternberg of New York Life; and Sandy Weil, head of City Group. I'd like to ask all them to stand. They are giving a day of their lives to try to help replicate this elsewhere, and we thank them. (Applause.)

Now, that's enough of our talk. We want to hear from you. Who would like to go first? I also want to say, I've got some of this good coffee from the Cameroon, and I gave myself a refill on the way out here; I hope you'll forgive me. And I had a little of that sweet potato cheesecake, and I have lifted things from almost every entrepreneur here. This is a beautiful market, and I want to thank all of those who had anything to do with it. This is something the entire city can be proud of, and

especially because of its roots to the rich history of 20th century Atlanta. So I'm very pleased.

But I would like to hear from all of you now. Who would like to go first and talk about what your experience was, how you got your business started, or what progress has been made here? Would you like to start?

Q Sure. Thank you, Mr. President. It's a pleasure being here. I tell you, it was rather fascinating, exciting for my company, myself to be invited here. We couldn't believe it when it first happened. The group with me -- I have my partnership here with me, which is Danny Gartner and Chanel Wickerson Slaughter, who is also my wife. And it's just a pleasure and honor to meet you and to really tell you that we really support your programs, and it's because of your programs that we're successful today.

And we just wanted to give you all the credit for that, because, I'll tell you, you've really put a lot of work and effort into making these things happen. And we have been great benefits of those programs. And in fact, we're right now benefitting highly with the empowerment zone and also the welfare to work program. And the biggest benefit we have there is not necessarily the tax credits and other benefits, but we've got good people working with us. And to me, just everybody needs an opportunity to perform, and we've given them that opportunity. They're doing a very good job for us.

So I think that's the biggest thing we've learned, is that give anybody and opportunity and they'll do well. And the tax credits are good. But I think the most important thing for us is we're making a positive difference in the community.

So our benefit has been the gain from the empowerment zone, even though we currently are not in the empowerment zone from a manufacturing perspective. We have, I'll tell you, truly been blessed. When working with the SBA, I'd say that program really helped us considerably, and along with Heller Financial -- we invested our own money years ago -- when I say years ago, it seems like years ago -- it's been about three years ago. All our equity that we had went into the company and we ran short. And we're manufacturers of -- made in the USA, that's us.

We ran out of money and SBA came in and Heller Financial came in to rescue us. And I think it was a true partnership of a preferred lender and also the SBA stepped up. And because of that, we've taken a little, small $150,000 company to over -- this year over $13 million in about three and a half years. (Applause.)

And one of the things from an employment perspective, we went from 12 to over 60 employees now. And we're still growing, we haven't stopped. In fact, we're sort of graduating to that conventional loan level now. And a lot of good things happened for us and again a lot of that is because of the programs that you put in place. It's truly making a difference in America. And I think we've been given an opportunity to make that difference and we're proud to have that. (Applause.)

THE PRESIDENT: Give him another hand. That was great. You were great. Jason, you might be interested to know that earlier today when we were meeting in the White House a lot of these business leaders -- and many of them have thousands and thousands of employees, but they repeatedly said to us, look, what we've got to do is to get capital out there to folks. They need that more than anything else. If they can get that first investment money -- because you can't borrow it all unless you're able to put something up -- that will make a big difference.

And you're living proof of it. The way I figure it, if you can keep growing at this rate, by the time I'm ready to draw Social Security you will be a billionaire and you can hire me to sort of work in my off hours. (Laughter.) I accept right now in advance. I'll be here, you get ready. That's great.

Would you like to talk a little bit about the role of your bank here and what you're trying to do?

Q Yes, I would. I'm very proud, Mr. President, of the commitment that Nation's Bank has made to the inner city and communities all over the country. We were the first bank chartered community development corporation, charted back in 1977. And since that time we have developed and redeveloped over 15,000 units of affordable housing. And that represents a commitment of over $300 million.

Now, in Atlanta, we opened our public community development corporation shop in 1993. And what we choose to do in Atlanta in the empowerment zone, we try to partner with a local community development corporation -- one of our first partners is in the audience, in Tamanika Youngblood. Stand up wherever you are -- back there -- from the Historic District Development Corporation. (Applause.) And Tamanika and her husband are really pioneers. They started the Historic District Development Corporation, and they have built a number of new homes and redeveloped homes here.

We also have partnered with another empowerment zone, Summer Hill Neighborhood Development Corporation -- a CDC. And in Atlanta, since 1993, we have developed or redeveloped over 4,200 units of affordable housing, and that represents a commitment of $125 million. So were proud of that commitment. And we feel that it's important to stabilize the housing in a community, and that will also bring in new business, just as John Aderhold has done with the Fulton Cotton Bag Mill. And then Tricia wanted to come in with a new business after that. So we think that's an important role that we can play.

And we challenge some of the other banks here -- Mr. Weil -- to match our investment in the community.

THE PRESIDENT: Let me say, many years ago, before I ever became President, my wife and I had a long talk one night with Hugh McCall about investment in low income areas in America. And we told him -- we talked about the Grameen Bank in Bangladesh which basically was the pioneering bank in the Third World, starting very poor people out in businesses and actually making good money doing that.

And both Hillary and I at various times in the last, probably 10 years, have had other conversations with him about it and with others involved with Nation's Bank. But I was particularly pleased that not long after you announced your merger plans that the bank's ten-year plan for reinvestment in communities, including direct loans to provide initial capital to people who otherwise wouldn't have it, was announced.

And I want to tell you I very much appreciate that. I think it will make a huge difference. These people prove that they need a hand up and they do right well if they get it.

Vivian, would you like to talk about your experience?

Q Yes. Thank you, Mr. President. On behalf of the Sweet Auburn Market, I'd like to say welcome. I'm operations manager for the Cafe Shop. My sister and I and husband started the business about a year and a half ago, but we started on our trek about two and a half years ago, going around Atlanta to see which area we'd like to put the business in. My -- working a full-time job, and she wanted to create something that we can pass on to our nieces and nephews and the grandchildren, and for us to work and do what we do best.

We looked on the Auburn Avenue side, we looked in this area. Fortunately, we had a sister that had a business here in the Curb Market -- he told us to come over here to find out if we'd like to open up a business here. It so happened there was a coffee shop, and we would always tease my sister saying that if she opens up a bookstore, we'd do the coffee and the bagels, because that's what we really love to do; we're really coffee drinkers.

So it just came about that way, and -- coffee to the manager and coffee to the vendors and -- here in the market, we had -- and one thing that really impressed us as a part of our family, is being -- generations here. On a weekly basis, we get to see someone else's children and grandchildren running around through the market, so that automatically set off a -- good feeling that -- family business that are working hard, and we want to be a part of it.

So we started the business about 18 months ago. It's been going well, we have our base from -- Spalding House we open up at 7:30 p.m. for them to come in to get their coffee and their espressos and cappucino. And now, what's growing as a part of our business is the lunch, the lunch crowd. So we're doing well, we will always need more assistance and ideas of how to grow.

Hopefully, the market will put together a marketing campaign, a major marketing campaign for the market and for the individual businesses. I think that's what we're lacking right now is really the customer bases coming in thinking the Sweet Auburn Market is the place to come every day and every week, not just for holidays.

We can't last for each holiday; we have to have a continual walk-in traffic. But we're doing well and it's been a success and not even with the outside customers, but the vendors and businesses here in the market; we all support each other, so that's what makes it work. We're happy to be here.

THE PRESIDENT: Thank you. Let me say, I think you hit on an important point, because I can just say, I was really looking forward to coming down here because I've always loved Atlanta and I love the history of the place. But when I got here, I saw a lot of things I didn't know were here, so I think you do need a marketing plan that tells people what it's like now and where you're going with it.

You know, you had so many different kinds of just food establishments, just different kinds, and the other thing that impressed me, you talked about the family businesses. The other thing that impressed me was the diversity of people working here. You have a lot of Asian American families here. You have -- there is a lady back there who is in a food store who told me she is from Ghana, and she said "Aquava" -- when I saw the Ghana word for welcome, which I first heard about a half a million people in Accra -- and I think this is something that ought to be highlighted, that there are people here from all over the world, so that you get the best of Atlanta's past and a picture of Atlanta's future here. And I think there is a way for you to market it that would even increase the rate of growth that the merchants are enjoying.

That's what I'm going to do when I get out of the White House, go around and give people advice like this.

Go ahead. Ken.

Q Thank you, Mr. President. We wanted to thank you and your administration for really playing a critical role in helping us bring jobs into the inner city. Under the leadership of Duane Ackerman who was our first chairman and Mayor Campbell, we as an initiative, following the Olympics, wanted to try to create more jobs in the inner city as one of the legacies of the Olympic Games. And our goal was to put in a business park that would operate as a modern business park, but be right in the center of the city near the neighborhoods where people could literally walk to work. And we struggled in how to put that deal together until we were able to get empowerment zone funding to be our initial seed funding of $5 million, and the Department of Housing and Urban Development awarded us an additional grant of $2 million for environmental cleanup, and the combination of those two grants and we hope EDA will be funding a third grant here shortly, will trigger, we believe, $100 million of private investment in the park. We have already purchased the property, we have two major tenants interested. The first of those tenants will bring 500 jobs, at least half of which will go to residents in the area.

We're hopeful that at the end of three years, this business park will generate about a $20-million payroll in some of the neediest inner-city neighborhoods in the city of Atlanta. And it really wouldn't have happened without your leadership and the leadership that HUD has exhibited to make this happen.

THE PRESIDENT: Give him a hand; that was great. (Applause.) I would like to emphasize just one of the points that Ken made. And that is the funds the federal government put into environmental cleanup. Most people don't ever think about this as an economic development issue. But one of the things that has retarded the comeback of many areas in our cities are so-called brownfields, areas that have been subject to some measure of environmental pollution and areas, therefore, that can't get new investment and new support and can't even very often get permits to do what people want to do unless the cleanup is done.

But if the people who want to put the plan in or the business in have to bear the cleanup costs, then the financing doesn't work out. There's no reasonable way they can make the economics of their business work in the early years. So this is something the Vice President pointed out to me fairly early on in our work together, because he was heading this empowerment task force that we had. And we've spent a lot of time and effort trying to give communities funds to clean up the Brownfields, because -- and it's just breathtaking what we've found happens, the way it sort of cascades on itself -- the money. And I appreciate what you're doing.

Thank you, and congratulations. You too. That's great.

Now, this is my cheesecake lady who destroyed my diet today, and I loved every bite of it. Do you want to tell us a little about your experience here and how you got started and what you're doing?

Q Yes, I would love to. And again, I'm really happy to have you here today. I guess a little bit about my background. I'm professionally trained as a chef. I was a chef instructor here in Atlanta, and I've always had the dream of owning my own business. And that dream was fulfilled through the Empowerment Zones Initiative.

One thing I will say about it, initially, they're very aggressive about helping you fund your business. There are a lot of locations within these inner cities that are viable for great businesses. This location is really good because of the revitalization of the downtown area, which would have a big effect on the growth of my business. I want my business to grow and actually help support this community.

I've been in business about a year and a half now, and at this point, I'm thinking one problem that I am having is being able to get -- being able to attract qualified people to my business. It's like, what do I have to offer them. I mean, I had a dream that was fulfilled through you all, but I need to be able to offer benefits and certain things to be able to get a qualified person to keep my business.

So as far as what you're doing as having the other executives here and the things that they could look into is maybe do some joint venture with some of the companies here, make sure that they are aware of us in these areas. I think some people may think that we are here, but they may have a question as to whether or not we are actually qualified or could we really fulfill some of their needs. And I would like to say that I know that we can, and we need to be able to reach these people and they need to be able to reach us.

Also, as far as being able to offer benefits and things for our companies within the inner city -- yes, for employees, to attract employees, which is a problem that I'm having, a really big problem that I am having for my business. I've heard it from other people also. It seems like we should be able to pool together within the area, get some company from these big companies to have us get the type of benefits for the employees, and really for yourself as the business owner.

But I think what you're doing, you're headed in the right direction and you're really getting the right people together. Being here today -- I was very happy to meet Mr. Slaughter and we're already talking business. And I've told -- I don't know any other way I would have gotten to meet him. But he's going to take the sweet potato cheesecake. (Laughter.) He trusts your taste. (Laughter.)

But I really want to thank you, and really, to keep doing what you're doing. And you're going in the right direction. I think, like I said, there was aggressiveness in the beginning, but it needs to be maintained and monitored. Because what we need and how things are going -- you need to get the feedback from us. And in turn, we should be able to help other people, because this is definitely something that is needed and can be successful. I feel that I am successful at this point, but you looking to grow for your business and ways to expand your business.

THE PRESIDENT: Let me ask you this -- are the principal needs you have to attract and keep good employees child care and health care?

Q Definitely.

THE PRESIDENT: Those are the principal ones?

Q Yes.

THE PRESIDENT: One more than the other?

Q They're right together, actually, I would say.

THE PRESIDENT: I do believe this year, at the end of the year when Congress has to pass the budget, I still think we have quite a good chance to pass our health care initiative -- I mean our child care initiative, which would provide more tax credits and more direct subsidies for people with modest incomes to afford quality child care. And one of the things -- there must be a child care center very close to this market with all these people down here; if there's not, that's something that ought to be looked at. But when you get a certain number of employees in the market and then people near here, you may be able to quite economically establish something for the neighborhood if there's not.

But if we pass this program, people like the people who would get a job working for you will have access to a lot more financial help to pay for that child care.

On the health care side, the only places that I know that have been really, really successful at this are people that have offered pool coverage to small businesses so, in effect, both the employers and the employees can buy health care at the same cost, more or less, per person that some of these large employers can. I don't think there is presently available another alternative to that, and so I think it's -- except for when some states allow people who make relatively low incomes to buy into the Medicare/Medicaid program for -- you know, they pay something, but not the full range.

Those are the only two options that I'm aware of. But if there's not such a pooled arrangement here in this area, that's the next thing you ought to try to get the empowerment zone to organize. They can't do it until they have a certain number of employees, because it doesn't work economically. But once you cross a certain threshold with a certain profile for the employees, and a lot of them are young restaurant workers and healthy -- you know, for example, you can do this and make the economics work. So that's something I think the empowerment zone can do.

Q What I was going to tell you is, as you know, this is a large convention and tourist city. We have helped to fund a day care center that does just what you've spoken about. In fact, they have 24-hour day care for many of the employees of our hospitality industry, and that helps them to be able to not only work effectively, but also have the day care, which assists in the most pressing need. It's hard to be a good employee if you're worried about your child care or if you don't have adequate child care.

And we think that's the kind of initiative, working with -- in the context of your new policy administrations that will help us to fund not only Welfare to Work, but also when you're making that transition where your children are going to be located in an effective day care program. So we're trying to do that, but it's on a very small scale; we need to expand it a great deal.

THE PRESIDENT: You know, it's very interesting. One of the things that -- I saw a study of Georgia about -- oh, this was six-eight months ago, we were looking at the impact of the welfare reform law. And at the time, one of the big problems was that Georgia was growing jobs like crazy, but most of them were growing were in the suburbs and most of the people who were losing their welfare benefits lived in the cities, and there wasn't an adequate transportation link.

Here's something that's been done here that has the potential to grow where are all of you are working folks in the urban areas, and there may be some way that the state's welfare reform program -- and I think the person who ran it at least for Governor Miller is here -- I don't know if the Commissioner is here or not, but he was out at the airport -- but there may be some way that they can use some of the money that they still have from welfare reform to subsidize child care centers in the city of Atlanta around here.

Because when we -- when I signed the Welfare Reform Bill, one of the things we did was we gave every state the amount of money they were receiving in February of 1994 when welfare caseloads were at an all-time high. Now, they have dropped more than at any period in history, they're almost 50 percent lower than they were in February of '94; the state still has that dollar amount. So they've got the same amount of money they had then, minus inflation, which hasn't been very much. So it may be that you could go there and try to get them to help the empowerment zone locate child care here for you.

Q. Mr. President, thank you very much for getting this group together. Our situation is a little bit different than some of the others, as you would imagine. As far as advocating the empowerment zone, you've got one sitting right here, and all of our group feel very strongly about the important part that it has played in what we're trying to do.

A little background. Thank you. Our mill, the Fulton Cotton Mill, which is the one we've talked about most at the moment, is about a half a mile from here, as the crow flies. It's on 12 acres of land and it's got 888,000 square feet, at one point in time most of which was completely dilapidated, square footage. Now, Secretary Cuomo came down about three years or a little bit earlier than that and helped us dedicate what we were going to try to do with this 888,000 dilapidated square foot group of buildings.

The Mayor obviously was with us, and so that's what we've been working on since that time. Now, the big thing that helped us get started when we didn't have any real big preconceived plans as to what we were going to be and how we were going to be able to do it, was the empowerment zone money that became available -- not a gift, it was a loan, $1 million, but that got us started and got our banks started thinking about us in a manner of speaking. So we've taken that, with HUD financing additionally to that. We will wind up with the biggest rehab project in the United States one half a mile from downtown where we are right here -- and we're proud of that.

Now, we'll have 504 apartments there. We'll have over 800 people living on 12 acres -- downtown Atlanta. Now, Atlanta, as you know, like a lot of urban cities, have had a lot of sprawl out into the hinterlands, and Atlanta was losing citizens.

We found, when the Olympics came, that citizens probably would move back in if there was a place for citizens to move to. Well, we're going to furnish 504 units -- over 200 of which are already ready right now, and 100 percent leased. And there's none that comes on line that doesn't get leased up; people are moving back into the city of Atlanta, largely because of the help that the empowerment zone gave us to begin with.

Now, I don't recommend that a lot of people do what we did, because it was a mess, and the Secretary can tell you it was a mess when he was here, raining and everything else you could think about it being bad.

But it seems to be working. I grew up in Atlanta. I didn't like to see an old mill go down, down, down. I didn't like to see people leaving Atlanta; I stayed in Atlanta myself. And so we're trying to help that come about.

It's not a risk-free business, however.

THE PRESIDENT: Well, thank you for taking a chance on it. And I think that, if someone like you is willing to take a chance of that magnitude, at least the modest amounts of money that the government put up is the least we can do to share the early risk.

Q One other thing I want to mention -- and this you might keep in mind as you go around to other places with empowerment zone money. The way that the city cooperates with the dispensing of the funds, the empowerment funds, and the way they encourage the right kind of funds to be dispensed, has an awful lot to do with the power that those funds have, to add or multiply the value of those funds.

Mayor Campbell did an excellent job with that, and he let it be known that what we were doing was what the city wanted to be done, and he wasn't very subtle about the whole project. And he's been a very tremendous big help to us, and we appreciate that very much.

THE PRESIDENT: Thank you. (Applause.) Yes, give them a hand, that's great. (Applause.)

I didn't mention this earlier, but we are having, two weeks from today -- maybe, and maybe it starts two weeks from yesterday; but either two weeks from yesterday or today -- we're having our annual Empowerment Zone and Enterprise Community national convention that the Vice President hosts, and we're doing it in South Texas this year, in a small town, rural empowerment zone area we had down there. I think it's in McCallum. And it's a great place to go if you've never been there.

And we're going to all gather down there, and, Mayor, if either you're going, or whoever is going from Atlanta representing you -- I'm sure you'll be represented there -- I think the point that John just made is one that ought to be made there. Because we have now had enough experience with these empowerment zones that we can see differences in the rate of effectiveness. And I think this is a point that ought to be hammered home.

So if either you go, or if you will instruct whoever is going on behalf of Atlanta, to make that point, I'd appreciate it.

Tricia?

Q Hi, welcome. Thanks for coming to Atlanta. You're the first guy to get me off a day of work, so -- (laughter) -- since we've opened.

THE PRESIDENT: Glad to do it.

Q Definitely, like, the soul and mission in our restaurants has always been about community. And that is what we did when we first started, in East Atlanta, in '95, when we were pioneers, and could not get anyone interested in us to go in an up-and-coming neighborhood.

And we got some money from -- we got federal money from HUD Housing. And that was what really sparked the initiative for other people to start getting interested in us. And we could not have started without that.

And that was four years ago, where it's now called East Atlanta Village. I put my house there, I bought a house there, and my business there. And that enabled us to start going into Cabbagetown -- and 800 apartments also made us think it was a good move to go. We're right next to the Fulton Cotton Mill -- the new restaurant, Eureka. And that's been open since November, and where I actively go out and find employees in the neighborhood, which is about more where personally we come from, where we want to get the community involved in, and actively go out and find employees, and where we get a great tax wage cut benefit for having employees working there in their neighborhood. You know, that makes the most sense to me.

And we're going into Oakhurst Village, which is another up and coming neighborhood, at the end of this year. And we did that --we're now independently financed because of, I believe, the help we got initially from the one-stop capital shop and the federal money.

I think also a good point is that all of us are saying how we -- we're looking inside the circle and I'm going to get some help from Sonya, I'm going to get some help from Mr. Slaughter, and this meeting, just putting us in all the empowerment zones really shows the strength what empowerment zones can do outside of if we just all look within. And that's it. (Applause.)

THE PRESIDENT: Thank you, that was great. I said this morning when I was meeting with all the CEOs, I don't think any of us ever conceived this as a charitable operation. We thought that if we could build a community where everybody had a chance to make a living, that it would help all the rest of us, that we would all be stronger if people who were willing to work and had skills and had gifts to give to the community had a chance to do it and be paid an appropriate amount for it.

I think that this is a -- it is really -- America is very good at creating jobs. And compared to almost every other country in the world with an advanced economy, we've got a very low unemployment rate. But we still have a problem when places have been down for a long time, going back and getting that economic opportunity there and bringing people into the circle of success.

And if we can't do it now when the economy is good, we'll never get around to doing it. So that's why I wanted people to see and hear all of your stories and your philosophy, and see how this can work, because this is what we would like to do in every community in America where it is not now being done.

Mr. Mayor?

MAYOR CAMPBELL: Well, first of all, again we want to thank you for bringing this group of business leaders, because I think it's important for them to see how the inner city is flourishing, but the opportunities that continue to exist. And always it's the absence of capital that's been a main impediment. That's why the empowerment zone has been so effective. That's why the SBA has helped us so much and of course, HUD -- we could not have done it without that.

But mostly, it's been because your administration has had a cogent urban policy -- whether it is in putting cops on the street, which has allowed our crime rate to go down -- just to give you some sense of that, 10 years ago, in 1989, we had 249 homicides; last year 148. And this year we're down again. Our crime rate is going down, as it is in other major cities, because of your COPS program.

Your economic policies to spur job growth and job creation; your empowerment zone initiatives have helped us to rebuild the empowerment zone. So we couldn't do it without you, without the Vice President, without your administration. So you come to a city that I think is revitalized, it's reborn. Much like our sign, the phoenix bird rising, we're on the move. And we appreciate all that you've done. And the best is yet to come. And we wish you well and we thank you for your assistance.

And we thank all of you who have participated. (Applause.)

THE PRESIDENT: Let's give all our participants a hand here. They're great. Thank you. (Applause.) Great job.

END 3:35 P.M. EDT

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release May 11, 1999

REMARKS BY THE PRESIDENT
ON NEW MARKETS INITIATIVE

The Rose Garden

11:25 A.M. EDT

THE PRESIDENT: Thank you very much. I'd like to begin by thanking all the business leaders who have come here to be with us today, members of the administration who are here and especially the Vice President, for the work that the has done to spearhead our community empowerment effort over the last six years and a few months.

I'd like to just say just a word or two by way of introduction to try to highlight why I asked these business leaders here today. You heard the Vice President talk about what we have tried to do since we came here, since we passed the first economic plan to give genuine economic opportunity to all of our citizens -- the empowerment zones, the community development banks, the kinds of incentives we were trying to give to create jobs and opportunity for people who hadn't had them.

And we are very grateful for the record declines in unemployment among African Americans and Hispanic Americans, and for the fact that the unemployment rate has dropped dramatically, not only overall, but in many of our toughest, toughest neighborhoods throughout the country.

On the other hand, even though we have the lowest peacetime unemployment rate since 1957, there are still 37 cities -- 37 -- where unemployment is double the national average. There are lots of smaller communities where children still have to go past abandoned storefronts to get to a grocery store to buy a carton of milk. There are rural areas and very small towns which have had almost no new investment in the last six years. And, of course, in many, many of our Native American areas and communities there is still a great deal of economic distress and uncertainty.

So what this whole effort has been about from the beginning for me -- and especially what we are working on now -- is the idea that we should go into the 21st century leaving no one behind. We should genuinely create opportunity for every responsible citizen. And we are being given a chance to do it.

I told the folks we met with today, it's very -- I've spent a lot of time over the last six or seven years studying how the American economy works as compared with other advanced economies in the world. And, on balance, we've done a better job of creating jobs, while others have worked harder to maintain a sense of community and a greater degree of equality among working people. The price that they have paid is that they have higher unemployment rates than we do.

We have been given an opportunity now, because we've got the strongest economy in at least a generation, to prove that we can bring the benefits of free enterprise to every neighborhood in America. We can prove that you can have low unemployment and increasing opportunity. The Vice President pointed out today that the wealth that minority families, for example, and families that live in poor rural areas have is still dramatically less than the wealth that average Americans have. They don't ever have a chance to accumulate anything.

This initiative that we are taking we believe can change all that. We believe it builds on what we've done with the empowerment zones, with the enterprise communities, with the community development banks. We do want the Congress to give us another round of empowerment zones, and we want more.

In July, I am going to visit communities for two or three days in our most stubborn pockets of poverty. I'm going places not just to remind America of the plight of the Americans who live there, but to highlight their enormous economic potential, and the visionary businesses who are helping to develop it.

Let me say, again, the people who are here behind me, I was astonished when we listened in the meeting this morning about some of the things that they're already doing to bring opportunity to people in the areas they serve. But we have to do more.

You know, for years our government has worked to give Americans incentives to invest in emerging markets around the world. But we now know, as we look forward to how we can continue to create jobs and have economic growth without inflation, that our greatest untapped markets are here at home -- at the least $85 billion in untapped markets.

So how are we going to do this? First, the business leaders of our country have to help us. We have to mobilize the private sector to bring new jobs and opportunities. We know that, since the government, the federal government is the smallest it has been since 1962, what we can do is to do what we have been doing. We can find a new way to create the conditions and give the private sector the tools to bring investment to these areas to put people to work.

Now, how can we do that? More empowerment zones, more community development banks, but also our New Markets Initiative. Many of the people here with me today said, what we need, if we want more investments in the inner-cities, more investment in the medium-sized cities and small towns, more investments in rural areas, you've got to have more equity investment. So in the State of the Union I proposed this New Markets Initiative, to leverage billions of dollars in that kind of investment by providing tax credits of up to 25 percent of the equity placed in untapped markets.

I also proposed to create American private investment companies and new market venture capital firms to bring more equity capital to investors who develop or expand in these areas with loan guarantees that would cover up to two-thirds of the investment. If you have 25 percent tax credit for what's at risk, and a loan guarantee of two-thirds of the rest, and a plain market there, and we can actually get this out in simple terms that people can understand, I think we have a chance to spark an enormous amount of economic development in America before this administration's work is done.

We should not be thinking of our success without an equal determination to give every one of our fellow citizens a chance to be a part of it as we go into a new century. We don't have to leave anyone behind. And if we can't do this now, when in the wide world will we ever get around to it?

So, July, we'll make the tour. In a few days we'll go down to South Texas, to the Vice President's annual Empowerment Conference. And we will continue to work with the business leaders that are here to do things that make sense. But the bottom line is we need the Congress to work with us in a bipartisan way. Of all the things in the world, this should not be a partisan political issue. We want to provide the economic incentives necessary to create jobs, keep growth going in America, keep inflation low and go into that new century with everyone -- everyone -- walking hand-in-hand together.

Thank you very, very much. (Applause.)

END 11:35 A.M. EDT

New Markets Initiatives

Summaries

2/12/99

AMERICA'S PRIVATE INVESTMENT COMPANIES

NEW MARKETS VENTURE CAPITAL COMPANIES

NEW MARKETS OUTREACH
AND THE LMI INVESTMENT INITIATIVE

NEW MARKETS LENDING COMPANY PROGRAM

BUSINESSLINC

NEW MARKETS TAX CREDIT:
SPURRING INVESTMENT FOR BUSINESS GROWTH IN URBAN AND RURAL COMMUNITIES

AMERICA'S PRIVATE INVESTMENT COMPANIES
Summary

In the six years since President Clinton took office, the economy has created nearly 18 million new jobs. But we have not yet ensured that no community will be left behind. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country.

The evidence is clear--there are attractive business opportunities in distressed inner city and rural communities that are not being served. A key step to tapping these markets--with purchasing power of over $85 billion per year according to the Harvard Business School--is expanding access to private equity investment in business and industry that serve these communities.

The President's New Markets Initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood and economic development of America's untapped new markets is not lost.

The America's Private Investment Companies (APIC) initiative is a key component of the president's New Markets Initiative. It will be a Department of Housing and Urban Development (HUD) program administered by HUD and supported by SBA to combine SBA's venture investment expertise with HUD's expertise in large scale economic revitalization in distressed areas. It complements SBA's equity investment programs, encouraging substantial business expansion into inner cities and rural areas.

America's Private Investment Companies

Described as "the domestic OPIC," it was inspired in part by the Overseas Private Investment Corporation which encourages investing in emerging markets overseas. This new program will provide equity capital for larger-scale businesses in inner cities and rural areas. It will fund large, investment partnerships formed by private investors for this purpose.

Who sets up?

APICs will be organized as for-profit private venture capital funds with an estimated minimum private capitalization of $100 million. APICs ~~will be~~ eligible for twice that amount in Government guaranties on loans obtained from private sources. These significant pools of investment capital will be available to take advantage of the opportunities described above and will help to create good jobs in inner cities and rural areas.

HUD and SBA will jointly solicit proposals for the creation of the investment partnerships. Approximately five organizations will be selected. HUD ~~and SBA~~ will enter into a negotiated financing agreement with each selected APIC. APIC investments will be in low and moderate-income areas and have prior Government approval for conformance with the APIC program's public policy objectives. But it is private investors who will identify and pursue ~~the most~~ promising business opportunities in the communities.

HUD/SBA anticipate that the budget authority authorized in FY 2000 will provide $1 billion of government-backed private loans at a budget cost of just $37 million in credit subsidy. Combined with a private equity investment of $500 million by investors in the selected organizations, the program is expected to have a total impact of $1.5 billion per year. So $37 million in government subsidy will leverage $1.5 billion in private investment in these untapped markets.

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1/30/99 HUD

NEW MARKETS VENTURE CAPITAL COMPANIES
Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in rural and inner city communities that are not being met. Among the most critical needs of these communities is access to equity investment and technical assistance.

President Clinton's New Markets Initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped new markets is not lost.

SBA's New Markets Venture Capital Company (NMVC) is a key component of the president's New Markets Initiative. It complements SBA's existing equity investment program, encouraging small business expansion by providing intensive technical assistance and equity-type capital in rural and inner city areas.

New Markets Venture Capital Companies

The SBA is proposing a program to fund between 10 and 20 New Markets Venture Capital Companies (NMVC).

NMVCs will be venture capital companies that provide a combination of equity venture capital financing and technical assistance to smaller businesses located in low- and moderate-income (LMI) areas.

LMI areas are census tracts where at least 20 percent of the population is ~~beneath the poverty~~ level, or where median family income is less than 80 percent of median family income for the surrounding area. SBA also intends to include other areas in which economic development is lagging, including HUBZones, Enterprise Communities, Empowerment Zones and counties with persistent poverty.

The NMVC program will involve community-based development organizations whose managers have established successful records in venture capital investing in small businesses. By providing equity capital with intensive technical assistance, they play a major role in the creation and expansion of small businesses in these areas. Their efforts have been severely limited by a lack of adequate funding for both investments and technical assistance.

The NMVC program will meet this need by providing government-guaranteed long-term funding, combined with technical assistance grants, to private for-profit community development venture capital companies that will target their efforts in these geographical areas.

SBA will select applicants that meet the program's public policy goals. Existing community development venture capital companies ~~and~~ groups with equivalent experience will be encouraged to apply for NMVC status. SBA's objective is to fund a variety of organizational structures and operating strategies, and provide the broadest geographical coverage possible.

NMVCs must be organized as for-profit entities and raise at least $5 million in investment capital, which SBA will match up to $10 million for any single NMVC. The interest on the Government funding will be deferred for the first five years. NMVCs must also obtain commitments to provide at least $1.5 million in technical assistance funding over five years. SBA will provide matching technical assistance grants. These grants will cover the costs of technical assistance provided by NMVCs to the small businesses in which they invest.

SBA will require each NMVC to invest principally in smaller businesses located in LMI areas. These venture capital investments will typically range between $50,000 and $300,000.

SBA anticipates that the program will involve $100 million in SBA-backed funding at a budget cost of $15 million, and $30 million in technical assistance grants in the FY 2000 budget, at a budget cost of $30 million. Establishing the program will require enabling legislation.

SBA's SBIC Program

The NMVC pilot program will complement SBA's existing Small Business Investment Company (SBIC) program. At the end of FY 98, the SBIC program had a total investment pool of $9 billion, up by more than $2.1 billion from the end of FY 97. In FY 98, licensees made 3,456 investments worth $3.2 billion in small businesses. Over the past 40 years, the SBIC program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies. Many of them have become household names: Intel, Apple Computer, Federal Express, America On Line, Callaway Golf, Compaq, Sports Authority, Outback Steakhouse, Staples and Sun Microsystems.

NEW MARKETS OUTREACH
AND THE LMI INVESTMENT INITIATIVE
Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in untapped rural and inner city communities that are not being met. One of the most critical needs of these communities is access to equity investment.

The president's New Markets Initiative is designed to make it more attractive to invest in these communities and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped new markets is not lost.

SBA's New Markets Outreach and LMI Investment Initiative for Small Business Investment Companies (SBICs) are key components of the President's New Markets Initiative. They complement SBA's existing equity investment program, encouraging small business expansion by providing intensive technical assistance and equity-type capital in rural and inner city areas.

Outreach Workshops

In July 1998, President Clinton directed SBA to hold workshops to promote the Small Business Investment Company (SBIC) program with the primary goal of encouraging the formation of SBICs focused on meeting the needs of the underserved, primarily in rural and inner city areas. As a result, SBA has expanded its existing efforts to recruit potential SBIC investors and management teams with experience in investing in small businesses in these areas.

SBA has organized a series of six workshops designed to bring together three main constituencies: 1) funding sources, primarily the banking community; 2) venture managers, including existing SBICs and Specialized SBICs; and 3) community development organizations. Beginning in late March, workshops are scheduled for Chicago, Kansas City, New York, Atlanta, Dallas and San Francisco.

have any happened?

When NY?

These workshops will result in the creation of new SBIC licensees, new interest in rural and inner city investing, and a database of investment and community development professionals that will be available to work with SBA on this effort.

Or SBA

LMI Investment Program

As part of its outreach effort, SBA is encouraging existing SBA licensed SBICs to seek out investment opportunities in low- and moderate-income (LMI) areas, and is encouraging formation of new SBICs that will focus their investments in these areas. In addition, the SBA will create a new funding mechanism to provide financial incentives to encourage SBICs and Specialized SBICs to invest in these areas.

LMI areas are census tracts where at least 20 percent of the population is beneath the poverty level, or where median family income is less than 80 percent of median family income for the surrounding area. SBA also intends to include other areas in which economic development is lagging, including HUBZones, Enterprise Communities, Empowerment Zones and counties with persistent poverty. ⇒ learn these

Under the LMI Investment program, SBA will create a new funding mechanism for licensees in SBA's SBIC and Specialized SBIC programs. The funding will be provided to licensees in amounts that match the level of their investments in small businesses that: 1) are located in LMI areas, or 2) hire at least 35 percent of their workforce from among residents of LMI areas.

SBICs making LMI investments will be eligible for a new form of debenture financing, known as LMI debentures. LMI debentures are debt instruments that are sold with an SBA guarantee in the Nation's capital markets to raise funds. The funds raised are, in turn, provided to SBICs to augment their private capital. The SBICs combine the debenture funds and their private capital to finance their investments in small businesses. Interest on the Government funding will be deferred for the first five years of the 10-year term. That gives SBICs more time to nurture their investments in small businesses before they have to start making payments on the money used to finance them.

As an additional incentive for LMI Investments, SBA will modify some SBIC regulations involving control, minimum investment terms and the use of royalty payments.

The LMI Investment Initiative will fit within SBA's FY 1999 and proposed FY 2000 budget levels for the Small Business Investment Company (SBIC) program. It will not require enabling legislation and can be established through changes in SBA's regulations.

SBA's SBIC Program

At the end of FY 98, the SBIC program had a total investment pool of $9 billion, up by more than $2.1 billion from the end of FY 97. In FY 98, licensees made 3,456 investments worth $3.2 billion in small businesses. Over the past 40 years, the SBIC program has provided roughly $20 billion in equity and debt financing to more than 85,000 different companies. Many of them have become household names: Intel, Apple Computer, Federal Express, America On Line, Callaway Golf, Compaq, Sports Authority, Outback Steakhouse, Staples and Sun Microsystems.

NEW MARKETS LENDING COMPANY PROGRAM

Summary

In the six years since President Clinton took office, the economy has created nearly 17.7 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in untapped markets that are not being met. One of the most critical needs of these communities is access to affordable commercial credit.

The President's New Markets Initiative is designed to make it more attractive to lend in these communities and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped New Markets is not lost.

New Markets are current and prospective small businesses owned by minorities, women, veterans and handicapped individuals, who are underrepresented in the population of business owners compared to their representation in the overall population, as well as businesses located or locating in rural areas and inner cities.

SBA's New Markets Lending Company Initiative is a key component of the President's New Markets Initiative. It complements SBA's lending network, encouraging small business expansion by providing debt financing to these untapped markets.

New Markets Lending Companies

SBA's proposed NMLC program is a limited term, limited participation pilot lasting between 5 and 10 years. ~~Under the pilot,~~ the SBA will select approximately 10 non-depository lending institutions to make SBA guaranteed loans targeted to New Market small businesses.

NMLCs will make SBA guaranteed loans under the 7(a) General Business Loan Guaranty program, the Agency's largest financial assistance program. Under the 7(a) program, SBA guarantees up to 80 percent of a loan that is made by a commercial lender to a creditworthy small business that cannot otherwise secure financing on reasonable terms.

SBA will select the NMLCs from applicants experienced in all phases of making, servicing and liquidating loans, with a capital base sufficient to finance loan-making activities and a strategy consistent with the program's public policy purpose of making loans to New Markets small businesses.

SBA's monitoring and oversight of NMLCs will include annual safety and soundness examinations, as well as the same program reviews that are required of other SBA lenders. SBA will publish program eligibility criteria shortly, and expects to implement the program no later than October 1, 1999.

Funding for loan guaranties made under the NMLC program will come from the SBA's appropriation for 7(a) program loans, which is funded at a level of $10 billion for the current fiscal year.

The NMLC program will fit into the existing SBA framework of the 7(a) program, which provided guaranties on loans to nearly 42,270 small businesses in FY 1998. Those loans amounted to more than $9 billion. Since 1992, SBA has guaranteed more than $49 billion in commercial loans to more than 252,000 small businesses, more than in the previous 12 years combined.

BUSINESSLINC
Summary

In the six years since President Clinton took office, the economy has created 17.7 million new jobs. Yet even during one of the greatest periods of sustained economic growth in American history, we still have not achieved true equality of opportunity. Concentrations of poverty and joblessness continue to have a devastating effect on the social and economic fabric of communities across the country. This lack of opportunity is at the heart of our deepest social divisions.

The evidence strongly suggests that there are attractive business opportunities in underserved rural and inner city communities that are not being met. One of the most critical needs of these communities is access to technical assistance.

The President's BusinessLINC Initiative is designed to encourage and support mentoring relationships between businesses. This will improve the commercial prospects of small businesses and ensure that the opportunity to stimulate job growth, neighborhood revitalization and economic development of America's untapped new markets are not lost.

BusinessLINC is a key component of the president's New Markets Initiative. It complements SBA's existing small business counseling programs and encourages small business expansion by providing mentoring and technical assistance from larger businesses.

BusinessLINC Initiative

The BusinessLINC Initiative is a new partnership between the Federal government and America's business community to encourage large businesses to work with small business owners and entrepreneurs, especially in America's rural areas and inner cities. BusinessLINC, which stands for Learning, Information, Networking, and Collaboration, is designed to stimulate business-to-business relationships that will produce one-on-one technical advice and consulting, classroom and group training, peer group consulting, strategic alliances, and supplier and marketing development for small businesses.

BusinessLINC will help facilitate the technical advice and assistance, access to resources and personal contacts that are necessary for small businesses to compete successfully.

The SBA and the Department of Treasury will jointly create mentor-protégé programs. The Treasury Department program - Success Partnerships - will help increase the participation of small, disadvantaged and women-owned businesses as contractors and subcontractors by offering technical advice, financial and management skills, endorsement credibility, and one-on-one advice from large companies. The SBA counterpart will seek to enhance the capabilities of participants in the Agency's 8(a) business development program, and to improve their ability to compete and receive Federal Government contracts. In addition, SBA will expand *ACENet* (Angel Capital Electronic Network), which helps link minority and women-owned businesses with investment capital.

SBA will recruit national and local organizations to advocate BusinessLINC strategies through their networks, and encourage companies to 1) build them into their core business strategies, 2) disseminate best practices, 3) create forums for businesses to exchange information and practices, and 4) support an Internet website to encourage BusinessLINC activities.

SBA will assemble a BusinessLINC leadership coalition of experts, comprised of both public and private sector representatives. The coalition will work to expand business-to-business relationships between large and small businesses and will provide businesses with on-line information, resources, and a database of companies with an interest in mentor or protégé programs (www.businesslinc.sba.gov).

SBA also will support activities throughout the Country that foster direct business relationships between larger and smaller firms on specific projects.

The Federal Government's HUBZone Empowerment Contracting program also will support the BusinessLINC initiative. Under the HUBZone program, up to $6 billion in new federal contracts will be targeted to small businesses and distressed areas by the year 2000. In addition, it will widen the pool of potential government contractors and create an estimated 25,000 new jobs in more than 7,000 rural and inner city communities.

Several large private sector firms have already committed resources to the project. Those include:

- GE Capital will expand its Small Business Colleges, which offer business advice to entrepreneurs in distressed areas, and to open a fifth college in St. Louis and a new pilot program for women business owners in Washington, D.C.

- Science Applications International Corporation (SAIC) will execute joint marketing agreements with small businesses and support relationships with small businesses in the new HUBZone areas.

- Chase Manhattan Bank will create a new program that will connect its senior bank officers with women and minority small business owners, and a new partnership withthe National Association of Black Management Consultants.

- Bell Atlantic will spend $1.8 billion, through a partnership with SBA, to increasepurchasing and subcontracting with minority and women-owned businesses.

NEW MARKETS TAX CREDIT:
SPURRING INVESTMENT FOR BUSINESS GROWTH IN URBAN AND RURAL COMMUNITIES

Summary

President Clinton's FY 2000 budget includes a "New Markets Tax Credit" to help spur $6 billion in private sector investment for business growth in low and moderate income rural and urban communities. Businesses in our nation's inner cities and isolated rural communities often lack access to equity capital to grow and succeed. To help attract new capital to these businesses, President Clinton is proposing a new tax credit for equity investments in these communities. Investors would be able to claim a tax credit worth 25 percent of the amount invested, in present-value terms. Investments in a wide range of investment vehicles focused on serving these communities would be eligible for the credit. Over the next five years, these funds would be able to attract an aggregate of $6 billion in new equity capital eligible for the tax credit.

What investment funds can use the tax credit? To provide flexibility and attract a range of investors, investments in a wide range of vehicles would qualify. Under the proposal, the Treasury Department would allocate tax credits to investment vehicles whose primary mission is to serve low and moderate income communities. These might include community development banks or venture funds, community development corporations (including for-profit subsidiaries of nonprofits), small business investment corporations focused on low and moderate income communities, funds established under SBA's new programs - America's Private Investment Companies and New Market Venture Capital Firms - or other investment funds set up to serve low and moderate income communities. Tax credits could also be provided for investments in designated national or regional funds that, in turn, invest in local community development funds. Similarly, tax credits could be provided for secondary market investments for qualified purposes.

What businesses would qualify? The designated investment entities would make their own decisions, based on local knowledge and expertise, about what investments or loans to make to help create and grow businesses in low and moderate income communities, subject to certain rules designed to ensure that the businesses are operating in these communities. A wide range of businesses could be funded by these investment entities, from small technology firms to inner city shopping centers, from manufacturers with hundreds of employees, to retail stores.

How would the tax credit work? Investment funds would apply for designation. Designated entities would be given the authority to allocate a given amount of tax credits to investors. The entities would use the tax credits to attract investment capital, and then provide the investors with tax credit authorizations, worth approximately 25 percent of their investment (in present-value terms). On their tax returns, the investors would claim a 6 percent tax credit for each of five years of a mandatory minimum holding period on their investment. The investment funds would report to the Treasury Department on the tax credit allocations made and on the use of the investment for qualified purposes.

"The New Markets Tax Credit is the most significant proposal for the economic development of distressed urban and rural communities in a generation." Michael Rubinger, President and CEO of Local Initiatives Support Corporation (LISC)

PRESIDENTIAL AWARDS FOR EXCELLENCE IN MICROENTERPRISE DEVELOPMENT

February 5, 1999

Today, President Clinton Presents The Presidential Awards for Excellence in Microenterprise Development. The Presidential Awards for Excellence in Microenterprise Development were created as one of the commitments made by the United States at the United Nations Fourth World Conference on Women, held in Beijing China in September 1995. The awards reflect an on-going commitment by President Clinton to advance the role that microenterprise development plays in enhancing economic opportunities of all Americans, especially those that lack access to traditional sources of credit such as women, low income people, and minorities. President Clinton directed the Treasury Department to establish the Presidential Awards (which are administered by the Community Development Financial Institutions (CDFI) Fund) to help bring wider public attention to the important role and successes of microenterprise development in the domestic economy. The first Presidential Awards were made in January 1997 and are made in different categories designed to embrace the diverse goals, purposes and activities of successful microenterprise organizations, and the challenges and opportunities they face.

This Year's Awardees (And Some of Their Clients' Stories) Are:

- **The Micro Industry Credit Rural Organization** (MICRO), a loan fund of the PPEP Microbusiness and Housing Development Corporation, of Tucson, Arizona. Established in 1987, MICRO is one of the oldest Hispanic development organizations and one of the oldest microenterprise loan funds in the nation. MICRO is recognized as a Presidential Awardee in the *Access to Capital* award category for its best practices as a high impact, credit-oriented model for promoting micro entrepreneurship in low income, rural Arizona communities.

    - ***Client Profile:*** Maria Jesus "Chuyita" Gaxiola was a migrant farm worker, widowed with two small daughters, barely surviving on her daughters' Social Security income and speaking no English when she first visited MICRO in 1993. She was nevertheless possessed of extraordinary drive and tenacity, and over the next several years participated in a series of programs at MICRO including ESL classes and training in basic business skills. From an initial microenterprise loan of $1,500, she was able to expand her cosmetics, jewelry and accessories business into a thriving entity which in 1998 brought in $60,000 with a net profit to Chuyita of $30,000.

- **The Detroit Entrepreneurship Institute, Inc.** (DEI) of Detroit, Michigan, provides a one-stop shop for aspiring microentrepreneurs. Created in 1990, DEI is recognized as a Presidential Awardee in the *Developing Entrepreneurial Skills* award category for providing a uniquely comprehensive range of training, technical assistance and business support services targeted to welfare recipients and low income individuals.

    - ***Client Profile:*** Jacqueline Tucker is a divorced mother of three children who started a small catering business after completing her training at DEI. Jacqueline, a divorced mother of three children who was on welfare for 10 years, was determined that there would be no second generation welfare recipients among her children. She was one of DEI's first graduates and borrowers in 1991, and repaid her first $2,000 loan six months before it was due. Jacqueline's three children have played an active role in her business, with the entire family often helping with food preparation and display, clean up, loading the van, and billing. In addition to learning how to manage a business, Jacqueline now feels more confident as a citizen, mother and woman. She states that, after participating in the DEI program, she began to grow as a person. Jacqueline has now been off welfare for more than five years.

- **The Northeast Entrepreneur Fund, Inc.** (NEF) of Virginia, Minnesota. Created in 1989, NEF is recognized as a Presidential Awardee in the *Developing Entrepreneurial Skills* award category for its strong commitment to developing and implementing impact measures for assessing the performance of training-based microenterprise programs, as well as providing an effective and flexible model for delivering skill development services to rural entrepreneurs.

    - *Client Profile:* Carol Willoughby first became a NEF client in 1991 when she was launching her sign making business, which she began by making wedding and church banners in her living room in order to supplement her family's income. Today, her business provides convention, sporting event, and special promotion signage for the Duluth area and the upper Midwest. Carol no longer paints signs; instead she creates her signs out of vinyl with the aid of two computer systems. During the years she has operated her business, Carol has received training, technical assistance and financing from NEF. Each year, Carol has established and achieved her business and financial goals. The company's sales in 1998 were 20 times what they were in 1991. For Carol, owning her own business "has been a dream come true," and she credits NEF for helping her to make it happen.

- **The Institute for Social and Economic Development** (ISED) of Iowa City, Iowa was founded in 1989 and has proven its long term staying power while maintaining a strong and aggressive commitment to serving its low income clientele. ISED is recognized as a Presidential Awardee in the *Poverty Alleviation* award category for its success in serving low income clients, its effective program design and its commitment to promote the evolution of the microenterprise field through impact measurement.

    - *Client Profile:* Dancing since she was six years old, Rhonda won local and regional dance competitions and always dreamed of owning her own dance studio. By 1990, Rhonda was the assistant gymnastics coach at the local YMCA, as well as a dance coordinator and aerobics instructor. That year, however Rhonda's life took a rough turn when her husband went to prison. Rhonda, with an infant son to support, found herself with no health insurance and insufficient income to make ends meet. She was forced to go on welfare. However, Rhonda was determined to get off of welfare and rebuild her life. Rhonda went through ISED's three-month training program and received technical assistance to obtain financing and get a business started. In June of 1994, ISED helped Rhonda get a $8,200 loan from a bank, and with it she opened the Showtime Dance School. "The early days and months were rough," said Rhonda. "But, ISED was there to help me get through. They were both my best friend and business consultant." By the following year, Rhonda had made enough money to get off of public assistance.

Today, Showtime has 260 enrollments and offers instruction in tap, ballet, jazz, point and lyrical dance for ages three and up. Rhonda paid off her bank loan in full in May 1998. In 1998, Rhonda's business had approximately $60,000 in gross income and $30,000 in net income.

- **The Corporation for Enterprise Development** (CFED) of Washington D.C. and San Francisco, CA. Founded in 1978, CFED has been one of the leading lights in the development of the U.S. microenterprise industry. CFED is recognized in the _Public or Private Support for Microenterprise Development_ award category for its steadfast and long-standing commitment to low income people and its vision, creativity and initiative in moving the microenterprise industry to new heights at every stage of its development.

  - ***Client Profile:*** CFED is a policy and research institute, and as such does not have its own microentrepreneur clients. However, its list of accomplishments is long. This Awardee carries out its mission by: conducting research and program evaluation; pioneering new credit and asset-building strategies tailored to the needs of low-income people; collecting and disseminating information to the field on best practices in microenterprise development; providing training and technical assistance to many leading organizations in the microenterprise field; and serving as a strong and effective voice for the industry. Among many other claims to fame, CFED helped launch several of the industry's leading microenterprise development organizations including four Presidential Award winners -- three 1998 winners, Detroit Entrepreneurship Institute, Inc., Institute for Social and Economic Development, and Northeast Entrepreneur Fund, Inc. and Women's Self Employment Program (a 1997 winner).

- **The Montana Microbusiness Finance Program** (MMFP) of Helena, Montana builds the capacity of local organizations to promote community asset-building and microbusiness ownership. Created in 1991, MMFP is recognized in the _Public or Private Support for Microenterprise Development_ award category as a state-sponsored model for creating and growing microenterprises in a rural state.

  - ***Client Profile:*** In 1994, Kevin and Heidi Snyder were seeking to purchase a racquetball club business. Kevin and Heidi had previously managed a health club while he was attending college and studying business management, yet no local bank would lend them the money. The Snyders approached the District VI Human Resource and Development Council, one of the microlenders supported by MMFP, for a loan. After purchasing a building for The Total Body Racquetball and Fitness Center with the loan, they expanded the weight training equipment, added a tanning bed and started a racquetball league. In 1995, Kevin and Heidi refinanced their first microloan, purchased equipment, and were able to add an aerobic exercise room with a second microloan. They have since added nutrition counseling and a pro shop to their range of services, and plan to build an indoor swimming pool. They have also added to their family, and currently switch off responsibilities for raising three young boys with that of managing the Center. The Snyders were winners of the 1998 Montana Microenterprise of the Year Award. They attribute much of their success to MMFP, for backing them when no one else would, and for the business counseling, training and other assistance that enabled them to go so successfully from launch to thriving business.

PRESIDENT CLINTON:
CREATING OPPORTUNITY BY SUPPORTING MICROENTERPRISE
February 5, 1999

Today, President Clinton Unveiled the Administration's Domestic and International Microenterprise Agenda for FY2000 and Honored Recipients of the 1998 Presidential Awards for Excellence in Microenterprise Development. President Clinton's FY2000 budget includes a 159-percent increase in support for domestic microenterprise programs, with a significant strengthening of the Administration's commitment for training and technical assistance -- an essential component on fully delivering the microenterprise promise. President Clinton's budget also continues to ensure that America provides global leadership on microenterprise through the U.S. Agency for International Development (USAID).

What Is Microenterprise? Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor, women, minorities, and those in areas of economic downturn. Recognized for 25 years as a powerful tool for development in poorer countries, microenterprise has been increasingly successful in providing opportunity in America. In this country, a microenterprise is generally defined as a business with 5 or fewer employees -- at least one of whom is the owner -- and that has a demand for amounts of credit less than $25,000.

A 159-Percent Increase in Overall Budget To Support Microenterprise At Home. The President's domestic microenterprise agenda -- which increases support from $32 million to $83 million -- includes:

- **$15 Million To Support The Program for Investments in Microentrepreneurs (PRIME) Act.** The President's FY2000 budget includes $15 million for PRIME -- helping provide technical assistance and capacity building -- within CDFI, which the President proposes to expand from $95 million in FY99 to $125 million in FY2000.

- **Doubling of Support For Technical Assistance in SBA Microloan Program** - from $16 million in FY99 to $32 million in FY2000.

- **Doubling of Support for SBA Lending To Leverage Over $75 Million In New Micro-Loans.** The President's new budget doubles support for the SBA Microloan Program, from $3 million in FY99 to $6 million in FY2000 -- which should help leverage over $75 million in new loans.

- **Doubling of Funding for Individual Development Accounts (IDAs)** -- which provides incentives for lower-income Americans to save for a first-home, post-secondary education, or to start a new business -- from $10 million in FY99 to $20 million in FY2000.

- **Tripling of Funding for SBA's One-Stop Capital Shop Initiative** - from $3.1 million in FY99 to $10 million in FY2000.

Focus on Countries in Crisis and Extending Microenterprise's International Reach. Early in his Administration, the President launched the USAID Microenterprise Initiative; today USAID is the world's leading donor in microenterprise development (averaging $135 million per year over the past three years). This year, the Administration will continue to provide global leadership in microenterprise through USAID, focusing on countries in crisis, increasing multi-lateral resources, and creating regulatory environments to assist microenterprise. This year's agenda includes:

- **Increased Funding for Countries in Crisis** -- including $7 million for microenterprise for countries hit hard by the global financial crisis, and a substantial commitment of funds and technical assistance for microenterprise support (in addition to $5 million approved thus far) as part of a supplemental and bipartisan package of relief for Hurricane Mitch.

- **Leveraging International Resources and Developing Conducive Regulatory Environments.** The Administration will work with the World Bank and other Multilateral Development Banks (MDBs) to raise the portion of lending dedicated to building microenterprise worldwide. The Treasury Department and USAID will work with the IMF, MDBs and microfinance institutions to provide technical and other assistance to help central banks and other regulators in less-developed nations develop legislative and regulatory frameworks that support microenterprise.

PRESIDENT CLINTON:
CREATING OPPORTUNITY BY SUPPORTING MICROENTERPRISE
February 5, 1999

Today, President Clinton Unveiled the Administration's Domestic and International Microenterprise Agenda for FY2000 and Honored Recipients of the 1998 Presidential Awards for Excellence in Microenterprise Development. Long a passionate interest of both President Clinton and the First Lady, microenterprise has proven a powerful tool for empowering people left out of the economic mainstream, providing them the skills and credit they need to improve their own lives. President Clinton's FY2000 budget includes a 159-percent increase in support for domestic microenterprise programs, with a significant strengthening of the Administration's commitment for training and technical assistance -- an essential component on fully delivering the microenterprise promise. President Clinton's budget also continues to ensure that America provides global leadership on microenterprise through the U.S. Agency for International Development (USAID).

What Is Microenterprise? Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor, women, minorities, and those in areas of economic downturn. With these resources, these people can start and/or build businesses, creating jobs and opportunity. Recognized for the past twenty-five years as a powerful tool for development in poorer countries, microenterprise has been increasingly successful in providing opportunities in the United States. In this country, a microenterprise is generally defined as a business with five or fewer employees -- at least one of whom is the owner -- and that has a demand for small amounts of credit (less than $25,000).

A 159-Percent Increase in Overall Budget To Support Microenterprise At Home. President Clinton's domestic microenterprise agenda recognizes that in the new economy, simply providing credit to microentrepreneurs is often not enough. Microentrepreneurs often need training and mentoring to help them succeed, and microenterprise organizations need technical assistance to build their capacity and enhance their effectiveness. This year, the Administration seeks to dramatically increase its support for these critical services, nearly tripling funding for training and technical assistance. This year's budget also focuses on leveraging new resources through Individual Development Accounts, and on making microenterprise and other resources more widely available through the Small Business Administration's (SBA) One-Stop Capital Shops. Specifically, the President's plan includes:

- **$15 Million To Support The Program for Investments in Microentrepreneurs (PRIME) Act.** The bipartisan PRIME Act -- introduced by Senators Kennedy and Domenici and Representatives Rush, Leach and LaFalce -- authorizes the Community Development Financial Institutions (CDFI) Fund to establish a microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs. PRIME will also sponsor research on the most innovative and successful ways of encouraging new businesses and enabling them to succeed. PRIME, like all other CDFI programs, will leverage non-federal funding with federal dollars by requiring that all assistance be matched. The PRIME Act authorizes an appropriation level of $105 million over four years, starting with $15 million in FY2000. The President's FY2000 budget includes $15 million for PRIME within CDFI, which the President proposes to expand from $95 million in FY99 to $125 million in FY2000.

- **Double Support For Technical Assistance in SBA Microloan Program.** Key to the success of the SBA Microloan Program has been its capacity to link loans to entrepreneurs with the provision of training and technical assistance. The Administration's FY 2000 budget seeks to double funds devoted to training and technical assistance from $16 million in FY99 to $32 million in FY2000.

- **Double Support for SBA Lending To Leverage Over $75 Million In New Micro-Loans.** The SBA Microloan program makes loans to microfinance development organizations, which in turn re-lend the funds to small businesses. Over the last seven years, well over 100 organizations have participated in the program, making over $78 million in loans to more than 7,800 microentrepreneurs. The average loan to a business is roughly $10,000, and the SBA has not incurred a single loss in that time period. The President's FY2000 budget doubles support for the SBA Microloan Program, from $3 million in FY99 to $6 million in FY2000 -- which should help leverage over $75 million in new loans.

- **Double Funding for Individual Development Accounts (IDAs).** Since 1992, President Clinton has supported the creation of Individual Development Accounts (IDAs) to empower lower-income individuals to start a new business, invest in a first home, or save for post-secondary education. Low-income families will receive matching contributions of between $1 and $8 for each dollar they save in an IDA. Last year, President Clinton signed legislation authorizing IDAs. The President's FY2000 budget doubles support for IDAs, increasing the IDA budget from $10 million in FY99 to $20 million in FY2000.

- **Triple Funding for SBA's One-Stop Capital Shop Initiative.** One-Stop Capital Shops offer financial and training/mentoring services and products -- microenterprise development, personal finance, even credit repair -- in Empowerment Zones to communities and individuals often passed-over by economic booms. SBA is committed to providing a microloan presence in every One-Stop Capital Shop, and will provide office space at each Shop for microloan intermediaries. The President's FY2000 budget proposes to triple funding for the One-Stop Capital Shop Initiative, from $3.1 million in FY99 to $10 million in FY2000.

PRESIDENT CLINTON'S FY2000 BUDGET: A 159-PERCENT INCREASE IN MICROENTERPRISE			
	FY1999	FY2000	Percent Increase
PRIME Act	--	$15 million	n.a.
SBA Training and Technical Assistance	$16 million	$32 million	100%
SBA Lending	$3 million	$6 million	100%
Individual Development Accounts	$10 million	$20 million	100%
SBA One-Stop Capital Shop	$3.1 million	$10 million	223%
TOTAL	**$32.1 million**	**$83 million**	**159%**

Focus on Countries in Crisis and Extending Microenterprise's International Reach. Internationally, microenterprise has proven to be a compelling component of effective development strategies, contributing substantially to a rise in the standard of living for millions of families and providing a solid base for robust small business sectors. Early in his Administration, the President launched the USAID Microenterprise Initiative; today USAID is the world's leading donor in microenterprise development (averaging $135 million per year over the past three years). This year, the Administration will continue to provide global leadership through USAID, focusing especially on the unique challenges presented by the global economic crisis and the ravages of Hurricane Mitch, and on exploring new ways of leveraging support from multi-lateral institutions for microenterprise.

- **Increased Funding for Countries in Crisis.** In response to the financial and natural crises that have afflicted so many this year, USAID and the Administration have proposed several programs to assist microenterprise intermediaries in rebuilding and expanding capacity, and in providing additional liquidity to programs in need. These include:

  - An additional $7 million in USAID's FY2000 budget for microenterprise to speed economic recovery for countries hit hard by the global financial crisis;

  - The First Lady, during her visit to Central America in November, announced a $17 million Microenterprise Recovery Fund for those Central American countries most affected by Hurricane Mitch. The Fund will include $5 million from USAID (which has already been approved), and $12 million from the Inter-American Development Bank Multilateral Investment Fund;

  - A further and substantial commitment of funds and technical assistance for microenterprise support will be a part of a supplemental package of relief for Hurricane Mitch. The Administration is currently working with a bipartisan group of Congressional leaders on the final details of that plan.

- **Leveraging International Resources.** The Administration has played a lead role in the formation of the Consultative Group to Assist the Poorest (CGAP), which -- under World Bank auspices -- coordinates bi-lateral and multi-lateral donors who now collectively provide more than $500 million in support for microenterprise worldwide. This year, we will work with the World Bank and other Multilateral Development Banks (MDBs) to increase the portion of their lending dedicated to building microenterprise retail and wholesale intermediaries worldwide and, where possible, to channel those resources directly to those intermediaries.

- **Developing Conducive Regulatory Environments.** Access to credit for microentrepreneurs in developing countries is quite often limited by banking and other regulations that were not designed to accommodate the unique needs of microenterprise lending institutions. To address this constraint, the Treasury Department and USAID will work with the IMF, MDBs and microfinance institutions to provide technical and other assistance to central banks and other regulators in less-developed nations to develop legislative and regulatory frameworks that support the unique needs of microenterprise.

THE WORKFORCE INVESTMENT ACT OF 1998 SIGNING CEREMONY

TRAINING AMERICANS FOR THE JOBS OF THE FUTURE

PRESIDENT WILLIAM J. CLINTON

AUGUST 7, 1998

THE WORKFORCE INVESTMENT ACT OF 1998
SIGNING CEREMONY
August 7, 1998

President Clinton Has Pushed For Reform of America's Job Training System Since 1992. In *Putting People First*, candidates Bill Clinton and Al Gore outlined a vision to retrain America's workers, stating that workers should be "able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs." Three and a half years ago, President Clinton proposed a G.I. Bill for America's Workers to reform our employment and training system for the 21st-century economy by empowering individuals, streamlining services, enhancing accountability, and increasing flexibility. For over three years, President Clinton has repeatedly pressed Congress to pass job-training reform based on his original proposal.

Today, President Clinton Signs The Bipartisan Workforce Investment Act. After three years, Congress passed -- with overwhelming bipartisan support -- legislation that incorporates the principles articulated in the President's original job training reform proposal. Led by Senators Jeffords (R-VT), DeWine (R-OH), Kennedy (D-MA), and Wellstone (D-MN), the Senate version of the bill passed on May 5, 1998 by a vote of 91-7. Nearly a year earlier, Representatives Goodling (R-PA), McKeon (R-CA), Clay (D-MO), and Kildee (D-MI) led the House in passing their version of the bill by a vote of 343-60. This important legislation reforms America's job training system so that it works better for today's workers and is more responsive to America's rapidly changing economy.

HOW LEGISLATION CHANGES THE JOB TRAINING SYSTEM:

- **Empowers Individuals.** Through "Individual Training Accounts" or skill grants, performance reports to inform consumers' choices, and universal access to core services like job search assistance, this bill empowers individual workers.

    - *Individual Training Accounts.* Individual Training Accounts -- based on President Clinton's Skill Grants proposal -- will allow adults to have more control and choice over their training or retraining. This customer-driven system replaces the decades-old tradition of making job training decisions for adults through bureaucratic systems. Individual Training Accounts will make job training more responsive to individual interests and the skill needs of the labor market.

    - *Performance Reports to Inform Consumers' Choices.* So that workers can make informed decisions about which job training program would be best for them, this bill requires that training providers report the performance of their "graduates" in terms of job placement, earnings, and job retention.

    - *Universal Access to Core Services.* Core labor market services -- such as job search and placement assistance, career counseling, labor market information identifying job vacancies, information on skills necessary for occupations in demand, an initial assessment of skills and needs, and follow-up services to assist in job retention -- would be available on a universal basis with no eligibility requirement.

- **Streamlines Services.** This bill streamlines job training services by consolidating a tangle of individual programs into a simple system and creating a nationwide network of One-Stop Career Centers.
  - *Consolidating Tangle of Individual Programs.* Currently, there are dozens of individual training programs run by the Federal government. This bill consolidates this tangle of programs into three separate grants.
  - *Nationwide Network of One-Stop Career Centers.* Over the past few years, the Clinton Administration has entered into partnerships with over 95 percent of states to build One-Stop Career systems. These One-Stop centers consolidate multiple training and employment programs at the "street level." Today, there are more than 800 One-Stops in operation. This bill requires each local area to have at least one One-Stop center that includes job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance. One-Stop centers would also provide universal access to the core services described above.

- **Enhances Accountability.** Through tough performance standards for states, localities, and training providers, and by requiring training providers to be certified under the Higher Education Act, the National Apprenticeship Act, or a State-prescribed procedure, this bill enhances accountability.
  - *Performance Measures.* The bill identifies core measures of performance -- including job placement rates, earnings, and retention in employment -- that States and local areas would have to meet. Failure to meet the performance levels would lead to sanctions, while exceeding the levels would qualify for receipt of incentive funds.
  - *Ensures Quality Job Training Providers.* To ensure against waste, fraud, and abuse, the bill requires training providers to be certified under the Higher Education Act, the National Apprenticeship Act, or under a State procedure used by the local Workforce Investment Boards. In addition, each training provider must meet levels of performance established by States and communities to remain in the program and be eligible to receive Federal job-training funds.

- **Increases Flexibility.** The Workforce Investment bill allows for increased flexibility so that states can innovate and experiment with new ways to train America's workers better.
  - *Simpler System for Waivers.* Currently, the Secretary of Labor can provide waivers to states or local areas on an annual basis <u>only</u>. This bill provides the Secretary permanent authority to waive rules in exchange for performance improvements, thereby allowing states and local areas to implement innovative, new job-training programs. The bill would also expand the Work-Flex authority for the provision of workforce training and employment activities, which is limited to six States. All States would be eligible for Work-Flex, which grants Governors the authority to approve local requests for waivers of statutory and regulatory provisions.

- **Helps Create Jobs and Opportunity.** The bill also authorizes $1.25 billion over five years in Youth Opportunity Grants to direct resources to high-poverty areas, including Empowerment Zones and Enterprise Communities, to provide comprehensive services designed to increase employment and school completion rates for disadvantaged youth. The basic concept of the initiative is to provide employment and training services to *all* disadvantaged youth in selected high-poverty areas for an extended period to change the culture of joblessness and high unemployment. The funding would provide approximately 15-20 grants to high-poverty urban and rural communities.

PRESIDENT CLINTON'S SIX-YEAR SUPPORT FOR JOB TRAINING REFORM

"I am pleased that both houses of Congress have now passed a comprehensive bill to give Americans new opportunities and choices to train for the jobs of the future... Modeled on my GI Bill for America's workers, this new training bill streamlines the vast array of existing job programs and empowers individuals to learn new skills with a simple grant. It will make sure that job training helps Americans meet the demands of a rapidly changing economy, and I look forward to signing it into law."

-- President Bill Clinton
July 31, 1998

FOR SIX YEARS, PRESIDENT CLINTON HAS SUPPORTED MAKING AMERICA'S JOB TRAINING SYSTEM WORK BETTER FOR WORKING AMERICANS. In the 1992 book, Putting People First, candidates Bill Clinton and Al Gore outlined a vision to retrain America's workers. Since then, the President has repeatedly pushed Congress to pass initiatives geared toward retraining America's workers -- culminating in the final passage of job training reform by Congress last week.

1992: BILL CLINTON AND AL GORE OUTLINED VISION FOR WORKER RETRAINING INITIATIVE. In the 1992 book, Putting People First, candidates Bill Clinton and Al Gore outlined their vision for an initiative to retrain America's workers: *"Workers will be able to choose advanced skills training, the chance to earn a high school diploma, or the opportunity to learn to read. And we will streamline the confusing array of publicly funded training programs."* [Putting People First, 1992]

MARCH 1994: PRESIDENT CLINTON INTRODUCED REEMPLOYMENT ACT OF 1994. President Clinton formally introduced the Reemployment Act of 1994, a plan that would replace an array of programs operated at the state and federal levels with one program that offers job counseling and allows workers to apply for jobless benefits and sign up for training programs all in one place. [Associated Press, 3/9/94]

- **March 15, 1994: President Clinton Urged Congress For "Prompt And Favorable Consideration" Of Reemployment Act.** President Clinton in a letter to Congress: *"I urge the Congress to give this legislation prompt and favorable consideration so that Americans will have available a new, comprehensive reemployment system that works for everyone."* [Public Papers of the President, 3/15/94]

- **June 4, 1994: President Clinton Said He Is "Fighting" For Reemployment Act.** President Clinton during a radio address: *"Now we have to fix our broken unemployment system to replace it with a reemployment system so that when someone loses a job, he or she can find a good new job as quickly as possible. I am fighting for Congress to pass this reemployment act this year, too."* [Public Papers of the President, 6/4/94]

- **June 21, 1994: President Clinton Called Reemployment Act "Very, Very Important."** President Clinton on the Reemployment Act: *"I want Congress to enact that this year. This is very, very important."* [Public Papers of the President, 6/21/94]

DECEMBER 1994: PRESIDENT CLINTON UNVEILED CONCEPT OF G.I. BILL IN MIDDLE CLASS BILL OF RIGHTS. The fourth point of President Clinton's Middle Class Bill of Rights became the G.I. Bill for America's workers. In an address to the nation, the President told Americans his plan: *"Since every American needs the skills necessary to prosper in the new economy -- and most of you will change jobs from time to time -- we should take the billions of dollars the Government now spends on dozens of different training programs and give it directly to you, to pay for training if you lose your job or want a better one."* [Public Papers of the President, 12/15/94]

JANUARY 1995: PRESIDENT CLINTON ARTICULATED VISION OF G.I. BILL FOR AMERICA'S WORKERS. Building on his prior proposals, President Clinton in his 1995 State of the Union Address articulated his vision of a G.I. Bill for America's Workers -- an initiative consolidating an array of federal job-training programs, while providing individuals with Skill Grants to purchase training services. [Public Papers of the President, 1/24/95]

- **January 24, 1995: President Clinton Said "We Should Pass" G.I. Bill.** In his 1995 State of the Union Address, President Clinton called for passage of a G.I. Bill for America's workers: "*We should pass a GI bill for America's workers...Let's empower people in this way, move it from the Government directly to the workers of America.*" [Public Papers of the President, 1/24/95]

- **October 13, 1995: President Clinton Said We Should "Support" and "Properly Fund" G.I. Bill.** President Clinton pushed the G.I. Bill during his remarks to the Business Council in Virginia: "*It's a very important idea, and we ought to stick with it and support it and properly fund it.*" [Public Papers of the President, 10/13/95]

- **January 23, 1996: President Clinton "Challenge(d)" Congress To Pass G.I. Bill.** President Clinton in his 1996 State of the Union Address: "*I challenge Congress to consolidate 70 overlapping, antiquated job-training programs into a simple voucher worth $ 2,600 for unemployed or underemployed workers to use as they please for community college tuition or other training. This is a "GI bill" for America's workers we should all be able to agree on.*" [Public Papers of the President, 1/23/96]

- **March 8, 1996: President Clinton Called G.I. Bill "Important."** President Clinton on the G.I. Bill during his remarks to business employees in California: "*I believe it's an important thing.*" [Public Papers of the President, 3/8/96]

- **January 9, 1997: President Clinton Said He Is "Determined" To Pass G.I. Bill.** President Clinton on the G.I. Bill during a speech in the Oval Office: "*One of our other proposals that I've had on the table in Congress for 4 years now, which I am determined to get passed in this next Congress, is the 'GI bill' for America's workers.*" [Public Papers of the President, 1/9/97]

- **February 4, 1997: President Clinton Said G.I. Bill Was Sitting For "Too Long."** In his 1997 State of the Union Address, President Clinton called for congressional action on the G.I. Bill: "*For too long, this bill has been sitting on that desk there without action. I ask you to pass it now. Let's give more of our workers the ability to learn and to earn for a lifetime.*" [Public Papers of the President, 2/4/97]

- **January 27, 1998: President Clinton Called On Congress To "Continue Its Bipartisan Work."** In his 1998 State of the Union Address, President Clinton reinforced his support for the G.I. Bill: "*Again, I ask the Congress to continue its bipartisan work to consolidate the tangle of training programs we have today into one single 'GI bill' for workers, a simple skills grant so people can, on their own, move quickly to new jobs, to higher incomes, and brighter futures.*" [Public Papers of the President, 1/27/98]

- **March 6, 1998: President Clinton Asked Senate "To Pass This Bill."** President Clinton speaking about the G.I. Bill during his remarks on the national economy: "*But we also...must do more to reform our job training system. For more than 3 years, I have called on Congress to consolidate the tangle of training programs we have today into a 'GI bill' for workers...Now, last year a bipartisan majority in the House of Representatives passed a bill that would achieve the goals that I have called for years now. A similar bill has attracted bipartisan support in the Senate...I ask the Senate to pass this bill and send it to me so that I can sign it into law.*" [Public Papers of the President, 3/6/98]

- **May 1, 1998: President Clinton Said He Has Tried To Pass G.I. Bill "For Five Years."** President Clinton on the G.I. Bill during a roundtable discussion with business employees in California: "*I've been trying for 5 years to pass this -- the 'GI bill' for America's workers.*" [Public Papers of the President, 5/1/98]

PRESIDENT CLINTON'S AND VICE PRESIDENT GORE'S RECORD ON JOB TRAINING AND LIFELONG LEARNING

Since 1993, President Clinton and Vice President Gore Have Worked To Strengthen America's Workforce Development System And Promote Lifelong Learning. The Clinton-Gore Administration has undertaken a number of significant initiatives to strengthen America's job training system and promote lifelong learning. These efforts -- both legislative and administrative -- have sought to provide more access to job training and skill development for adult workers and to make the job training system work better for working Americans.

- **Dislocated Worker -- More Than Doubled Funding.** President Clinton has more than doubled funding for dislocated workers, increasing it from $517 million in 1993 to $1,351 million in 1998. This year, the program will assist over 600,000 workers, almost double the number in 1993. The President's 1999 budget increases dislocated worker funding by another $100 million, so that we would nearly triple the funding compared to 1993.

- **Tax Incentives To Increase Skills.** In an effort to provide adults increased opportunity to get job training and obtain the skills they need for the new economy, President Clinton has put in place tax incentives to make community college universally available and to give workers the chance to go back to school and upgrade their skills. These tax provisions include:

    - *HOPE Scholarship Tax Credit.* President Clinton proposed and signed into law a $1,500 HOPE Scholarship Tax Credit to help make the 13th and 14th grades as universal as a high school diploma is today.

    - *Lifetime Learning Tax Credit.* This tax credit is targeted to adults who want to go back to school, change careers, or take a course or two to upgrade their skills, and to college juniors, seniors, graduate and professional degree students. The 20-percent Lifetime Learning Tax Credit will be applied to the first $5,000 of a family's qualified education expenses through 2002, and to the first $10,000 thereafter.

    - *Section 127 Extension.* The 1997 tax relief act extends Section 127 of the tax code for three years. Section 127 allows workers to exclude up to $5,250 of employer-provided education assistance from their income. The assistance must be for undergraduate courses beginning prior to June 1, 2000.

    - *Penalty-Free Withdrawal from Individual Retirement Accounts (IRAs).* The 1997 tax relief act allows penalty-free IRA withdrawals for undergraduate, post-secondary vocational, and graduate education expenses. Additionally, taxpayers are given the opportunity to deposit $500 into an education IRA. Earnings would accumulate tax-free and no taxes will be due upon withdrawal for an approved purpose.

- **One-Stop Career Centers.** Using implementation grants from the Department of Labor, more than 95 percent of states have built a One-Stop Career Center; in fact, more than 800 One-Stop Centers have been established around the country. The One-Stop Career Center is at the heart of the Clinton Administration's efforts to encourage state and local governments to reinvent themselves, focusing on customer satisfaction by consolidating service delivery at the "street level". Instead of an array of services provided at different locations, One-Stops bring together -- for the benefit of the customer -- job and career resource rooms (e.g., computers, faxes, telephones); job listings (including those on America's Job Bank); job referral and placement; information on education and training programs; initial screening for training eligibility; testing and assessment; job search skills; and assistance in filing UI claims.

- **America's Labor Market Information System.** An integral part of the One-Stop concept is labor market information and at the center of the Labor Department's efforts is America's Labor Market Information System (ALMIS), which provides all American workers and businesses with information necessary to exercise informed choice in their workforce decisions.

  - *America's Job Bank.* America's Job Bank is the largest and most frequently visited job bank on the Internet, with 700,000 job openings posted daily. Job Bank daily "hits" or access have increased each month to well over 6 million job searches in July 1998 *alone.*

  - *America's Talent Bank.* America's Talent Bank allows registered employers to search a database of electronic resumes to find suitable candidates for their job openings. This service was fully integrated with America's Job Bank in May 1998. As of late July 1998, a total of 112,000 resumes had been posted on the service.

  - *America's Career InfoNet.* America's Career InfoNet offers resources including employment trends, wage data, training requirements, and other economic information. This month, this service will updated to include state and local information and will be directly linked to America's Job and Talent Banks.

- **Allowing States to Innovate Through Increased Waivers.** Using new authority, the Secretary of Labor has waived legal and regulatory requirements, allowing state and local reforms in return for higher performance. Thirty-one states have been granted -- and have implemented -- a variety of waivers. Moreover, the Secretary has designated six states to participate in the five-year Work-Flex demonstration, which grants Governors the authority to approve local requests for waivers of statutory and regulatory provisions.

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

- **Created the School-to-Work program in 1994.** In 1994, President Clinton created the School-to-Work program, which is enabling states and communities to help students meet high academic standards, prepare for college and careers, and create alternative learning systems for youth who have dropped out or are about to leave school. As of the end of July 1998, 42 states (and Puerto Rico) and more than 1,000 local community partnerships have received School-to-Work grants. The remaining states are expected to receive implementation grants this September.

- **Pell Grants -- Maximum Grant Over $500 Higher Today Than in 1996.** President Clinton has increased the Pell Grant maximum grant amount from $2,470 in 1996 to $3,000 in 1998. The President's 1999 budget proposes $249 million more for Pell Grants, which would help increase the maximum by another $100 to $3,100 -- the highest ever. This would reach 3.9 million low- and middle-income undergraduates. If the President's budget were enacted, the maximum grant would be 25-percent higher than in 1996.

- **Job Corps -- Expanded One-Third Since 1992.** Job Corps is a residential training program for severely disadvantaged young people aged 16-24, assisting young people in gaining the education and skills they need to become more responsible, employable and productive citizens. Since 1993, Job Corps funding has increased by one-third, from $937 million in 1992 to $1,246 million in 1998. In 1996, almost 68,000 new students enrolled in the program. As part of the Job Corps expansion, the Department is adding five new Job Corps centers or satellites of existing Job Corps centers.

PROMOTING INVESTMENT IN AMERICA'S NEW MARKETS

January 15, 1998

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President Clinton challenged the leaders of Wall Street, who are fueling America's economic growth, to take the lead in investing in America's own "New Markets" -- inner-city areas, like New York's East Harlem, and distressed rural areas like parts of Appalachia. The President's FY 2000 balanced budget includes a new initiative designed to create the conditions for success by:

- providing tax credit and loan guarantee incentives to stimulate billions of new private capital investment in targeted areas;
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HARNESSING THE POWER OF THE PRIVATE MARKET TO REVITALIZE COMMUNITIES

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

1. ***The New Markets Tax Credit*** -- To help spur $6 billion in new equity capital for investment in America's New Markets, President Clinton has proposed a tax credit worth up to 25 percent for investments in a wide range of vehicles serving these communities,

including community development banks, venture funds and corporations, the new investment company programs announced by the President (see descriptions below), and other targeted investment funds. Credits would be allocated to the targeted investment vehicles which could use the tax credits to **attract** investors. The investment funds would make their own decisions about what investments or loans to make to help create and grow businesses in the New Markets. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

2. ***America's Private Investment Companies (APICs)*** -- For years, America has supported OPIC, the Overseas Private Investment Corporation, to promote growth in emerging markets abroad. Now we must do the same thing in America's New Markets. Under this program, investors will put a minimum of $100 million in equity into new private investment partnerships to be known as America's Private Investment Companies (APICs). HUD and SBA working together will provide up to another $200 million in loan guarantees for each. APICs will make equity investments in larger businesses that are expanding or relocating in inner cities and rural areas. Under the financing structure, the private investors' funds are at risk ahead of the government. However, the individual investment decisions must be approved by the government for consistency with the public policy mission of the program.

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

4. ***New Markets Venture Capital Firms (NMVCs)*** -- There are thousands of inner-city and rural entrepreneurs who need both capital and expert guidance to transform their small businesses and great ideas into thriving companies. SBA will select ten-to-twenty NMVC firms whose management has successful records in community-based venture capital. The equity funds of private investors will be matched with government debt guarantees of up to $10 million per NMVC, with interest on the debt deferred. Investors

must also provide at least $1.5 million in technical assistance over five years to the target firms, matching SBA's grants of technical assistance. The program should provide long-term, patient growth capital and facilitate critically needed technology and management skills development for smaller businesses in new markets.

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6. *Continued Growth for CDFIs* -- The President's initiative to develop community development financial institutions (CDFIs), locally-based institutions with expertise in lending and investment in underserved areas, will continue to grow. His FY 2000 balanced budget will include $125 million for the CDFI fund. Thus far, CDFI has made over $180 million in awards to community development organizations and financial institutions.

7. *BusinessLINC* -- The President's budget will include $3 million in seed money to expand BusinessLINC -- an innovative public-private partnership launched by Vice President Gore and led by Treasury Secretary Rubin and SBA Administrator Alvarez -- to new markets in economically distressed communities. BusinessLINC (Learning, Information, Networking and Collaboration) is designed to encourage large businesses to work with small business owners and entrepreneurs in order to improve the economic competitiveness of smaller firms located in distressed areas, both urban and rural. The funds will be used to leverage private sector efforts to spur new BusinessLINC partnerships at the national and local level.

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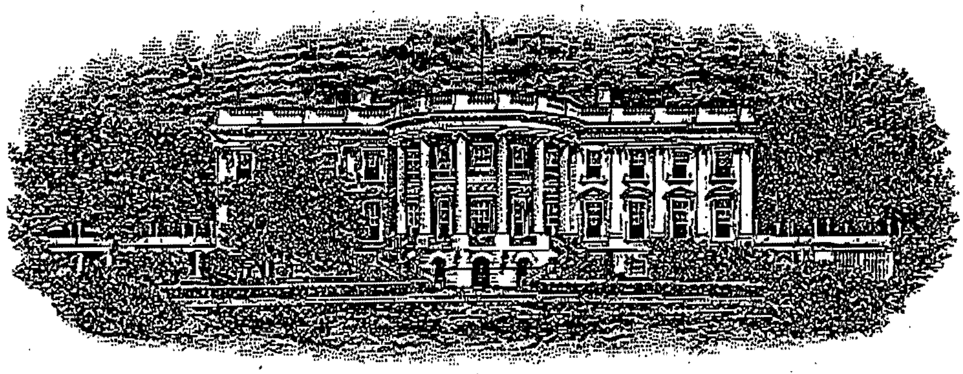

THE WHITE HOUSE

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Ruby

X O where are you?

Sara & Leslie

DRAFT

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

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

Leach (R-IA)

[Santorum (R-PA)]

Appropriations
Mollohan (D-WV-Subcomm. Ranking)
Price (D-NC)

Appropriations
Byrd (D-WV-Ranking)
Lautenberg (D-NJ)
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Stevens (R-AK)

Other
Harkin (D-IA)

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PRESIDENT CLINTON and VICE PRESIDENT GORE: TAX CUT PLAN FOR WORKING FAMILIES UNIVERSAL SAVINGS ACCOUNTS PLUS TARGETED TAX CUTS

President Clinton has worked to deliver tax relief to America's working families. In 1993, the President delivered a tax cut to 15 million working families through an expanded ETC.. Then, in 1997, the President delivered a $500 child tax credit and $1,500 HOPE Scholarships to make the first two years of college universally available. The result: the lowest federal tax burden in two decades for a typical middle-income family. To build on this record of tax relief for working families, President Clinton proposes significant new tax relief for America's working families:

USA Accounts -- A $536 Billion Tax Cut Over 15 Years

The President's plan would allocate 12 percent of the projected surpluses to create new Universal Savings Accounts (USAs) so all working Americans can build wealth to meet their retirement needs. Elements of this powerful new tax incentive -- the USA account -- could, for example, include:

- Automatic flat annual contributions for low and moderate working Americans;
- An additional tax incentive to match a portion of each dollar on a progressive basis that an individual voluntarily contributes.

Additional Tax Cuts for Working Families.

The President's budget provides $34 billion over five years in additional paid-for targeted tax relief to modernize our schools, to help working families care for elderly parents, and to better afford child care. Highlights of the President's tax relief plan include:

MAKE HEALTH CARE MORE AFFORDABLE

- **A $1,000 Long-term Care Tax Credit** to help pay for formal and informal long-term care services for about 2 million Americans, including 1.2 million older Americans, over 500,000 non-elderly adults, and approximately 250,000 children at a cost of $5.6 billion over five years.
- **A $1,000 Tax Credit for Work-related Expenses for People with Disabilities** to help cover the formal and informal costs that are associated with employment, such as special transportation and technology needs. This tax credit will help 200,000 to 300,000 Americans, and costs $700 million over 5 years.

EXPAND EDUCATION TAX INCENTIVES

- **Tax Credits to Build Modern Schools for Our Children.** A centerpiece of the President's tax cut agenda is to provide Federal tax credits to pay interest on nearly $25 billion in bonds to build and renovate public schools. Two types of bonds are being proposed: School Modernization Bonds ($22.4 billion) and Qualified Zone Academy Bonds ($2.4 billion). $400 million of the school modernization bonds will go to tribes or tribal organizations for the construction and renovation of BIA funded schools. The tax credits on these bonds will cost $3.7 billion over 5 years.
- **Other Education Tax Incentives** include the elimination of the 60-month limit on student loan interest deduction at a cost of $281 million over five years; an 18 month extension and an expansion of the tax- favored treatment of employer provided education (Section 127); a new 10% credit for employer-provided workplace literacy and basic education programs; a 50 percent credit for corporate sponsorship payments to qualified zone academies.

MAKE CHILD CARE MORE AFFORDABLE

- **Tax Relief for Child Care for Three Million Working Families, Plus Tax Relief to Parents Who**

Stay at Home. The President's proposal increases the child and dependent care tax credit (CDCTC) for families earning up to $59,000, providing an additional average tax cut of $345 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty ($35,000 for a family of four) that claim the maximum allowable child care expenses. The President also proposes to enable parents who have children under one year old to take advantage of the CDCTC by allowing them to claim assumed child care expenses of $500. The President's budget proposal will provide an average tax credit of $178 and will benefit 1.7 million families. Overall, this combined proposal costs $6.3 billion over five years.

PROVIDE INCENTIVES TO REVITALIZE COMMUNITIES

- **Better America Bonds.** The President is proposing Federal tax credits to pay the interest on $9.5 billion in bonds over five years for investments by state, local and tribal governments. The bonds can be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields (abandoned industrial sites). The cost is $673 million over five years.
- **New Markets Tax Credit.** To help spur $6 billion in new equity capital for investment in America's New Markets, President Clinton is proposing a tax credit worth up to 25 percent for investments in a wide range of vehicles targeted to underserved communities, including community development banks, community development corporations and venture capital funds, and new targeted investment vehicles proposed by President Clinton known as America's Private Investment Companies (APICs) and New Market Venture Capital Firms. A wide range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores. The proposal costs roughly $980 million over five years.
- **Increase the Low-Income Housing Tax Credit.** To expand and improve the supply of available low income housing, the budget raises the allocation of low-income housing tax credits to States. The President proposes to raise the State per capita cap from $1.25 to $1.75 beginning in 2000 at a cost of $1.7 billion over five years. This increase will lead to an additional 150,000 to 180,000 units of affordable housing over five years.

INCREASING ENERGY EFFICIENCY AND IMPROVE THE ENVIRONMENT

- **Tax Credits For More Fuel Efficient Vehicles and Homes.** The budget contains $3.6 billion over the next 5 years in tax cuts for energy-efficient purchases and renewable energy, including: tax credits of between $1,000 and $4,000 for consumers who purchase advanced-technology, highly fuel-efficient vehicles; a 15 percent credit (up to $2,000) for purchases of rooftop solar equipment -- to provide incentives for meeting the Million Solar Roofs goal; and a tax credit of up to $2,000 for purchasing energy-efficient new homes.

EXTEND EXPIRING PROVISIONS

- **One-year extenders package including the Work Opportunity Tax Credit, the Welfare-to-Work Tax Credit, and the R & E Tax Credit.**
- **Personal Credits and the Alternative Minimum Tax (AMT).** The deductibility of personal credits, such as the $500 child tax credit, the HOPE Scholarship, the CDCTC, and Lifetime Learning tax credit against the AMT would be extended for two years -- tax years 1999 and 2000 -- at a cost of $1.4 billion over five years. Extending this provision will greatly simplify tax preparation for millions of families.

Curb Corporate Tax Shelters and Reduce Unwarranted Tax Subsidies

The $34 billion over five years in targeted tax cuts are paid for with proposals to curb corporate tax shelters and reductions in unwarranted tax subsidies. Addressing tax shelters is important to stem perceptions of unfairness and disrespect for the system. The budget increases disincentives for entering into abusive transactions and attacks specific tax shelter transactions. The Treasury will continue to study additional remedies for corporate tax shelters and will work with Congress to address this issue.

COMMUNITY EMPOWERMENT

Most Americans are enjoying the fruits of our strong economy. But while many urban areas are doing better, we still need to do more to raise up those communities that remain disconnected from our values of opportunity, responsibility, and community. Working with the private sector and State and local governments, the President is determined to help bring distressed areas back to life. To address this need, the budget proposes a New Markets Initiative, expands the President's national service program, proposes to create more Empowerment Zones and Enterprise Communities, and increases the opportunities for home ownership. The budget includes the following:

- **The New Markets Initiative:** The budget provides tax credit and loan guarantee incentives to stimulate $15 billion of new private capital investments in targeted areas; build a network of private investment institutions to funnel credit, equity and technical assistance into businesses in America's new markets; and provide the expertise to targeted small businesses that will allow them to use investment to grow.

    - *The New Markets Tax Credit:* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds and corporations, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.

    - *America's Private Investment Companies (APICs):* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APIC will encourage private investment in this country's untapped markets. For each $100 million of private equity, HUD and SBA will guarantee loans up to $200 million, creating a $300 million investment fund to target larger businesses that are expanding or relocating in inner city and rural areas.

    - *SBIC's Targeted to New Market:* Last summer, the Vice President challenged the SBA to find ways to better meet the needs of minority firms and underserved markets. The SBA is responding by offering more flexibility and new financing terms for Small Business Investment Companies (SBICs) that invest in low and moderate income areas.

    - *New Markets Venture Capital (NMVC) Firms:* NMVC firms will make both capital and expert guidance available to small business entrepreneurs in inner-city and rural areas. Ten to twenty NMVC firms are planned. SBA will match the equity and technical assistance of private investors.

- **Empowerment Zones and Enterprise Communities:** The Empowerment Zones and Enterprise Communities encourage investment in distressed communities through tax benefits for businesses, and flexible block grants for job training, day care and other purposes. The original EZs from 1994 have already used funding to leverage private dollars to create or save 1,500 jobs, train 900 persons, and serve 3,200 youth in developmental programs. In 1999, Congress provided first-year funding of $55 million for the new EZs, and $5 million in first-year funding for 20 new rural Enterprise Communities announced in January. The 2000 Budget proposes mandatory funding for ten years: $150 million a year for urban EZs and Strategic Planning Communities; $10 million a year for rural EZs; and $5 million a year for rural ECs.

- **National Service:** This program encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes $848 million for the Corporation, a 19 percent increase over 1999.
- **Low-Income Housing Tax Credit:** Since its creation in 1986, the Low-Income Housing Tax Credit (LIHTC) has given states tax credits of $1.25 per capita to allocate to developers of affordable housing. Even though building costs have increased 40 percent in the last decade, the amount of the credit has not

been adjusted for inflation. Therefore, President Clinton and Vice President Gore propose to increase the cap on the LIHTC from $1.25 per capita to $1.75 per capita -- restoring the value of the credit to its 1986 level. Estimates suggest that the LIHTC currently helps build 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will create an additional 150,000-180,000 new rental housing units for low-income American families over the next five years. Last year, over two-thirds of the House and Senate were co-sponsors on bills to raise the cap on the LIHTC -- more support than any other tax legislation. This proposal will cost $1.7 billion over five years.

- **Play-by-the-Rules:** In 1999, the Administration proposed and Congress enacted a $25 million Neighborhood Reinvestment Corporation "Play-by-the-Rules" pilot program. This program will allow renters with solid payment track records to own their own homes. The 2000 Budget proposes a second round of $15 million for this initiative.

- **Elderly Housing:** The budget provides $747 million for the Department of Housing Urban Development's (HUD's) elderly housing program to address the changing needs of the elderly population and reconfigure an aging housing stock to better serve the frail elderly. In addition to providing grants to non-profits for construction of 5,970 units, funds would be provided to convert some projects to assisted living using a combination of capital grants and service coordinators to bring services from the community to residents. The budget permanently authorizes 15,000 new housing vouchers linked to Low-Income Housing Tax Credit properties to make these units affordable to extremely low-income elderly.

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

- **Transportation and Housing for Families Moving From Welfare to Work:** The President's budget will provide $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers. This is a 50 percent increase over the 50,000 vouchers the President secured last year. The vouchers will help families move closer to a new job, reduce a long commute, or secure more stable housing so they can perform better on the job.

- **Helping America's Communities Redevelop Abandoned Buildings:** This new Federal initiative would attack one of the primary causes of blight in urban neighborhoods: abandoned apartment buildings, single family homes, warehouses, office buildings, and commercial centers. Under the proposal, HUD will provide $50 million in competitive grant funds in FY2000 to local governments to support the demolition or deconstruction of blighted, abandoned buildings, as long as there is a plan -- with significant private-sector participation -- to redevelop the property for commercial use or multi-family and single family housing. To ensure no incentive is created to abandon buildings, the program would be sunsetted after three years and no building abandoned after October 1, 1999 would be eligible for redevelopment. Preferences will be given to communities that link existing youth training programs with the property's redevelopment.