ECONOMIC CONFERENCE OF THE PRESIDENT AND VICE PRESIDENT

Briefing Papers on Select Administration Policies

THE WHITE HOUSE

WASHINGTON

May 8, 1995

MEMORANDUM FOR WHITE HOUSE STAFF

FROM: Gene Sperling

SUBJECT: Select Briefing Papers

Attached is the Briefing Papers on Select Administration Policies. This briefing book is 295 pages in length, and covers "actions to date" and current policy proposals on 42 major areas of Administration policy. The document also includes an overview of the past two years, as well as the Administration's proposals for a Middle Class Bill of Rights.

This binder was given to 160 participants at the Southern Regional Economic Conference and members of the press.

Production of these papers has been a true team effort. Various members of the National Economic Council (NEC), the Domestic Policy Council, the National Security Council, the National Performance Review, and the Office of the Vice President as well as several people from the departments, contributed serious time drafting and editing sections. The Office of Management and Budget did a review and fact check of the entire document. Two NEC interns, Sona Virdi and Erik Bringard, deserve mention for the endless hours they spent on the production work and research for several drafts of this document.

I would like to specifically note one person who deserves special mention. Theo Lubke who works with me at the NEC put in tireless hours organizing, editing and helping to conceptualize this effort. He did an excellent job on this project.

BRIEFING PAPERS
ON SELECT ADMINISTRATION POLICIES

BRIEFING PAPER 1: THE NATIONAL ECONOMY

BRIEFING PAPER 2: REINVENTING GOVERNMENT

BRIEFING PAPER 3: REWARDING WORK FOR WORKING FAMILIES

A. Earned Income Tax Credit
B. Raising the Minimum Wage
C. The Family and Medical Leave Act of 1993
D. Welfare-to-Work
E. Child Support

BRIEFING PAPER 4: LIFELONG LEARNING

A. Pre-school: Head Start Reform
B. GOALS 2000
C. School-to-Work Opportunities
D. National Service
E. Individual Education Accounts/College Loans
F. New Skills for New Economy

BRIEFING PAPER 5: INTERNATIONAL TRADE

A. Tearing Down Trade Barriers
B. Helping American Business Do Business

BRIEFING PAPER 6: BUILDING SAFER COMMUNITIES

A. 100,000 New Police Engaged in Community Policing
B. The Brady Act
C. Assault Weapons Ban
D. Stiff Penalties for Violent Offenders
E. Violence Against Women
F. National Police Corps

BRIEFING PAPER 7: COMMUNITY EMPOWERMENT

A. Empowerment Zones and Enterprise Communities
B. Creating a National Network of Community Development Banks and Financial Institutions

BRIEFING PAPER 8: HEALTH CARE

A. Health Care Reform
B. Special Supplemental Nutrition Program for Women, Infants and Children
C. Childhood Immunizations
D. HIV/AIDS
E. Women's Health

BRIEFING PAPER 9: ENVIRONMENT AND PUBLIC HEALTH

A. Protecting Public Health
B. Taking Responsibility for Our Land and Water
C. International Leadership

BRIEFING PAPER 10: A STRONGER, HI-TECH DEREGULATED ECONOMY

A. Improving the Nation's Infrastructure
B. The Information Superhighway
C. Technology for Economic Growth
D. Interstate Banking
E. Trucking Deregulation in 1994
F. Small Business

BRIEFING PAPER 11: PROTECTING OUR NATION'S SECURITY

A. Keeping Our Military Strong and Ready to Fight
B. Reducing the Threat of Nuclear Weapons and Other Weapons of Mass Destruction
C. Advancing Regional Security
D. Acting as an Effective Peacemaker and Mediator
E. Promoting Democracy
F. Confronting Transnational Threats
G. Defense Reinvestment: Meeting the Challenges of Defense Downsizing

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: 1

1. THE NATIONAL ECONOMY

Today, America's economy is as strong as it has been in a generation. Over the past two years, the budget deficit has dramatically declined, trade barriers have come down, growth has been strong, investment in productive equipment has increased at record rates, private sector job growth has been impressive, and inflation has remained moderate. Yet for all this progress, many working families still feel that the economy is not working for them. Wages have been stagnant for twenty years. Too many Americans lack the education and lifelong training opportunities they need to succeed in the new economy. And too many working families feel that with the costs of health care, child care, housing, and education, they are running faster and faster just to stay in place.

This overview chapter discusses the economy that President Clinton inherited, the results of his economic plan, and the Administration's responses to the continuing struggles of working families. The chapter is divided into four sections. Section I discusses the economy President Clinton inherited. Section II details the progress over the last two years. Section III discusses the challenges that remain to make the economy work for working families. Section IV provides an overview of the President's policies for the future, with a summary of the four main proposals in the President's Middle Class Bill of Rights, included in his 1996 budget.

A. THE ECONOMY AND FISCAL ENVIRONMENT: WHERE WE WERE

When President Clinton took office on January 20, 1993, his top priority was restoring America's economic health. The nation faced five fundamental challenges: first, an economy with extremely weak job growth; second, an escalating deficit and bloated federal bureaucracy; third, a tax system widely perceived as unfair; fourth, stalled trade agreements; and fifth, inadequate investment in our people. Confronting these basic challenges was essential--not only to revitalize the economy in the short-term, but also to address the long-term problem of stagnant wages for the middle class and working poor.

1. Anemic Job Growth: While the economy was expanding in 1992, nine million people remained out of work, and the unemployment rate topped seven percent. There were no signs that the jobs situation was improving: the economy was creating only 34,000 private sector jobs per month, hardly a booming recovery. Experts said that the nation was in a "jobless recovery," which most families said was no recovery at all.

2. Escalating Deficits: The challenge of recovery was made all the more difficult by the huge budget deficit that the President inherited. In the previous twelve years, the federal debt -- the total of all the yearly deficits -- quadrupled from less than $1 trillion to more than $4 trillion. Worse still, the deficit as a percentage of the economy (GDP) was at consistently high levels throughout the 1980s. The U.S. had achieved the dubious distinction of going from the world's largest creditor nation to the world's largest debtor nation in record time. Moreover, the deficit was projected to grow rapidly -- even if the economy continued to recover -- if tax and spending laws remained the same. For all these reasons, the President believed that his first budget had to reverse the growth in the deficit--and restore fiscal sense and accountability.

3. Tax Fairness: Americans also rightfully believed that the tax system had become less fair, leaving middle-class families to bear the burden of fiscal irresponsibility. Marginal tax rates for the highest-income Americans had declined substantially over the past decade, yet working families were not enjoying the benefits of lower rates because of increased payroll taxes. While the average tax bill for the wealthiest 1% of Americans dropped by over $30,000 between 1977 and 1989, taxes for the bottom 60 percent of Americans remained static--or even increased.

4. Stalled Trade Agreements: Two major efforts to open world markets for American goods were in jeopardy. Passage of the North American Free Trade Agreement (NAFTA) seemed unlikely. And the Uruguay Round of GATT was stalled after seven long years.

5. Inadequate Investment in People: In a changing economy, Americans recognized that the key to raising living standards was enhancing the education and training of the American people. Yet the 1980s saw little federal effort to improve or expand pre-school education, K-12 school reform, school-to-work opportunities, college access, or lifelong learning for Americans already in the workforce.

B. THE PRESIDENT'S FIVE YEAR ECONOMIC PLAN OF 1993

The President's economic plan sought to address all of these fundamental problems--reinvigorating the economy, controlling the deficit while reinventing government, lowering trade barriers and expanding exports, restoring tax fairness, and increasing the investments in people needed to raise the incomes of all Americans in the long-term.

I. CUTTING THE DEFICIT AND UNNECESSARY SPENDING

When President Clinton began his term, the deficit was at its highest dollar level in history: $290 billion, equal to nearly 5 percent of all of the income generated in the economy. Worst of all, without a fundamental change in policy, the deficit would grow even larger: to over $400 billion by 1999, and over $600 billion by early in the next century. Such an exploding deficit could not be sustained. Interest rates would rise, driving the deficit still higher, and sending the economy spinning out of control. Yet there was little expectation among either average citizens or the global financial markets that Washington would make a serious effort to bring the deficit down. This lack of confidence hurt America's clout internationally and led to higher interest rates -- even in our then-weak economy -- because investors feared that the deficit would only get worse.

To meet the threat posed by the massive deficit, the President came forward only 27 days after his inauguration with a line-by-line, specific plan for half a trillion dollars of deficit reduction. Over the next eight months, the debating, lobbying, and criticism were intense, but when the dust settled on August 6, 1993, Congress had passed the President's economic plan, including the largest deficit reduction package in history -- $505 billion. The plan cut over $255 billion in spending and over 300 domestic programs. Yet it also included tax relief for over 15 million families earning under $28,500, made millions of small businesses eligible for tax cuts, and increased investment in education and technology. Only the top 1% of individuals and corporations saw their income taxes increase.

As a result of the deficit reduction plan: :

• The federal civilian workforce is declining by 272,900 employees over five years -- to the lowest level since John Kennedy was President.

• The deficit is coming down for three years in a row, the first time since Harry Truman was President.

• The deficit is being cut in half as a percentage of our national income.

• In 1994, the deficit was over $100 billion less than projected before the President's economic plan was passed.

• In 1993 and 1994, the deficit declined by more than during any other two year period in history.

• There is about $10,000 less debt per family of four because the passage of the President's economic plan.

• If not for the interest on debt accumulated during the twelve years prior to his Presidency, President Clinton's budget would not only be balanced--it would be in surplus.

> *"The actions taken last year to reduce the federal budget deficit have been instrumental in creating the basis for declining inflation expectations and decreasing pressures on long-term interest rates. Although we may not all agree on the specifics of the deficit reduction measures, the financial markets are apparently inferring that, on balance, the federal government will be competing less vigorously for private saving in the years ahead. Partly because of these structural adjustments, the foundations of the economic expansion are looking increasingly well-entrenched."*
>
> Alan Greenspan,
> Federal Reserve Board
> January 31, 1994

II. RESTORING TAX FAIRNESS

There has been considerable misinformation about the taxes in the President's economic package. Tax increases fell overwhelmingly on upper-income Americans. The taxes of middle-class Americans were basically untouched, and taxes for the working poor declined dramatically. The only tax increase that affected working families with children was a small 4.3 cents tax on gasoline that costs the average family only three dollars per month. As financial experts recognized (see box), income tax rates increased only for the top 1% of individuals and corporations. The President cut taxes for millions of small businesses and working Americans.

Two of the tax cuts in the President's plan were especially notable:

Earned Income Tax Credit-- A Rewarding Work Tax Cut. The expansion in the Earned Income Tax Credit represented a dramatic change in the way the tax system treats families that work hard and play by the rules but earn a limited income. The EITC provides a tax break averaging $1,000 per household to 40 million people in 15 million families earning under $28,500. These are families working hard to stay out of poverty and off welfare. The Earned Income Tax Credit could better be called the rewarding work tax cut.

Small Business Tax Relief. The economic plan also expanded the expensing limit for small businesses from $10,000 to $17,500. As a result, the plan lowered taxes for over 1 million small businesses in its first year alone -- and likely several million more over the next few years. In addition, the plan also gave a special capital gains tax cut to prospective investments in new equity held for five years or longer in small businesses.

Objective analysts have confirmed these basic tax facts time and again

H&R Block: Income tax rates are raised only on the "top 1.2% of all taxpayers ... [while there] is no income tax increase for middle-income taxpayers...income tax rates are unchanged on middle incomes -- 82.2% of all tax payers...and a tax cut for 16.6% of all taxpayers [who] benefit from Earned Income Tax Credit Expansion." *H&R Block Analysis of the Income Tax Consequences of the Revenue Reconciliation Bill of 1993*, pp. 21-24.

Wall Street Journal: "(E)xcept for a small gasoline tax boost and an increase for the best-off social security recipients, the tax increases in last year's bill mostly didn't touch the middle class, but hit the wealthiest 1.2% of Americans." (*The Wall Street Journal,* 10/26/94)

***Washington Post* Citing the Congressional Budget Office**: The Congressional Budget Office has found "only a sliver of tax filers -- 1.2% will a face higher income tax bill on April 15 because of the Clinton Administration's economic program." The "income tax applies only to taxable income in excess of...gross income of roughly $185,000." ("GOP Tax Issue May Fade Away: Only 1.2% of Filers will face Increase, CBO study Finds," Washington Post 1/13/94)

III. EXPANDING TRADE

Due to strong bipartisan support and an intense effort by the President, the last two years turned out to be perhaps the best in this century for opening trade for America. Congress approved NAFTA, and in just one year, American exports to Mexico increased by 20%, while exports to Mexico and Canada created more than 100,000 new jobs -- jobs that pay 13 to 17 percent more than non-exported related jobs. The subsequent passage of GATT promises to create hundreds of thousands more export-related, high-paying jobs -- adding between $100 billion and $200 billion per year to the U.S. economy when fully implemented.

The Economic Report of the President expressed some of the scope of the President's trade achievements:

> The North American Free Trade Agreement (NAFTA) with Mexico and Canada is a pathbreaking accord with two of our three largest trading partners, achieving a degree of liberalization well beyond that of similar international agreements. In its bilateral negotiations, the Administration has been forceful in seeking market-opening measures in Japan, China, and other countries and in advancing the interests of U.S. exports through its National Export Strategy. Finally, during the second half of 1994, the Administration helped launch negotiations that will lead to the creation of open and free trade areas among the countries of the Western Hemisphere by 2005 and among the countries of the Asia-Pacific Economic Cooperation forum by 2020.

While improving our own economy, the President's actions also sent a signal to the rest of the world: the United States is assuming world leadership in world trade. As the Economic Report put it, "The Administration's efforts... have established an environment in which counties feel they must participate in meaningful trade liberalization efforts or be left out."

While pursuing expanded trade, in 1994 the United States became the world's most competitive economy, displacing Japan as leader.

IV. STRENGTHENING THE RECOVERY

The introduction of the President's economic plan had an immediate positive impact on the economy. Once investors recognized that this was a serious deficit reduction package that would set the congressional agenda, interest rates fell, business confidence increased, and job growth surged. Financial expert after expert confirmed the key role of the economic plan in the renewed recovery.

The interest rate decline that came from the strong deficit reduction effort spurred private investment. Investment in producer's durable equipment has soared at an 18.2%

annual rate since the Administration began--bringing this investment to a postwar high relative to GDP. And in 1994, the United States also overtook Japan as the world's number one auto producer for the first time since Ronald Reagan was President.

As the recovery solidified, the American jobs machine finally started humming. Since the passage of the President's economic plan in August 1993, employment has expanded by nearly 5 million jobs (272,000 per month) -- with 93 percent in the private sector. The economy added more private sector jobs in 1994 than in the previous four years combined--making it the best year for job growth and economic growth in a decade. All the while, the inflation rate remained low and stable. Today, the combined measure of inflation and unemployment -- known as the "Misery Index" -- is at its best level since 1968.

Built on a foundation of lower deficits that stretches across the entire U.S. economy, America's jobs recovery has reached every economic sector. After losing 2.2 million manufacturing jobs during the 12 years prior to President Clinton's taking office, the nation added 284,000 manufacturing jobs in 1994. Since January 1993, construction employment has grown by 540,000. In 1994 alone, the nation created more construction jobs than in the previous *nine years combined.* And in the last year and a half, more than 94,000 new jobs were added in the automobile industry, bringing auto employment to its highest level since 1979.

It is not only the quantity of the new jobs that has improved; it is their quality. After losing more than 170,000 jobs over four years, high-wage industries (those with average wages above the median wage), have enjoyed a jobs rebound. High-wage industries have added well over 2 million jobs since the beginning of 1993, and last year they created more jobs than during the previous five years combined.

Since the President took office, the unemployment rate has fallen from over 7 to 5.4 percent -- the lowest level since the summer of 1990. That means the number of unemployed people dropped by 1.6 million in 1994 -- fewer people collecting unemployment benefits, and more people are getting pay checks. The number of people working part-time when they would have preferred full-time work fell by over half a million in 1994. And although there is still a long road to travel, the unemployment rate for African-Americans has fallen over the last two years, at one point dipping into single digits for the first time in over two decades.

Output growth during 1994 was also impressive, far exceeding the forecasts of almost all economists. The Gross Domestic Product, the best measure of national output, grew by 4.0 percent after adjusting for inflation -- the strongest growth in a decade. This conceals an even bigger story: government spending fell, and private sector GDP surged. Excluding government purchases, GDP growth was 5.1 percent in 1994.

In the private sector, it was investment that drove the growth of 1994. As noted earlier, investment and productivity growth have been robust over the last two years. Consumers spent money on cars and houses, and businesses poured money into equipment--not only increasing the quality of life in the short-term, but also increasing our rate of productivity growth. Since the trough of the most recent recession, productivity has risen at an average annual pace of 2.1 percent -- nearly twice the trend rate of productivity growth over the past 16 years. Because economists agree that productivity growth and living standards are closely linked, this increase should pay off in higher living standards.

As the economy has continued to grow, signs of inflation have been few. In 1994, the Consumer Price Index (CPI) rose only 2.7 percent, while core inflation (excluding volatile food and energy prices) advanced only 2.6 percent, its lowest annual increase since 1965.

Objective analysts confirm that the President's economic plan strengthened the recovery

Fortune Magazine (October 3, 1994): "[President Clinton's] economic plan helped bring interest rates down, spurring the recovery."

The Financial Times (February 26, 1993): "US Treasury price roared ahead at the long end of the market yesterday on the growing hopes that the Clinton Administration will take a tough line on tackling the budget deficit."

The Wall Street Journal (February 24, 1993): "The spectacular bond market rally accelerated yesterday, with long-term Treasury bond yields plunging to another record low as investors rushed to embrace President Clinton's economic package."

THE ECONOMY UNDER PRESIDENT CLINTON

Over 6 million new jobs since President Clinton took office.

- In the first 25 months of the Clinton Administration, the economy created 6.1 million new jobs.
- 93 percent of these jobs were in the private sector, a record compared to comparable points of past economic recoveries.
- Since the President's economic plan was passed in August 1993, employment expanded by nearly 5 million jobs -- 93 percent in the private sector.
- 3.5 million jobs were added to the economy in 1994, the best year of overall job growth in a decade.
- In the first 25 months of the Administration, more than twice as many jobs were created than during the previous four years combined. (6.1 million vs. 2.4 million).
- Since January 1993, the economy has created five times more jobs per month than during the previous four years (245,000 vs. 50,000).

Nearly 5.7 million private sector jobs in the first 25 months of the Clinton Administration.

- Since January 1993, the economy created 5.7 million private sector jobs -- 3.3 million in 1994 alone.
- More private sector jobs were created in 1994 than in the previous four years combined (3.3 million vs. 2.0 million).
- 4.6 million jobs were created in the private sector since the passage of the President Clinton's economic plan in August 1993.
- 3.3 million private sector jobs were added in 1994, the best year of private sector job growth in a decade.
- 93 percent of all job growth in 1994 was in the private sector, the highest percentage of new jobs in the private sector in over a decade.
- Eight times more private sector jobs per month were created in the first 25 months of the Administration than in the previous four years.
- More than twice as many private sector jobs created per month since January 1993 than during the previous 12 years (228,000 vs. 111,000).

In 1994, more new jobs in high-wage industries than in the previous five years combined.

- The economy created more jobs in high-wage industries in 1994 alone than were created during the previous five years combined.
- Since the beginning of 1993, the economy has created 2.2 million jobs in high-wage industries.
- More than 1 million new jobs in high-wage industries were added last year alone.
- Over half of all the jobs created were in managerial and professional

THE ECONOMY UNDER PRESIDENT CLINTON

The manufacturing, construction, and automobile industries made impressive gains.

- Manufacturing employment grew each and every month during the calendar year of 1994 for the first time since the 1970's.
- After losing 2.2 million manufacturing during the 12 years prior to the Administration, the nation added 284,000 manufacturing jobs in 1994.
- Since President Clinton was inaugurated in January 1993, construction employment expanded by 540,000.
- In 1994 alone, more construction jobs were created than in the previous *nine* years combined.
- Since President's Clinton's economic plan passed in August 1993, employment in the automobile industry has increased 94,000.
- Auto employment is at its highest level since 1979.

By the end of 1994, the unemployment rate had dropped to its lowest level in over 4 years.

- The unemployment rate declined from over 7 percent in January 1993 to 5.4 percent in February 1995.
- Since August 1993, the unemployment rate has fallen from 6.7 percent to 5.4 percent.
- The unemployment rate is at its lowest level since July 1990.

Output and productivity growth were robust.

- Real Gross Domestic Product (GDP) increased by 4.0 percent in 1994, its largest annual increase in a decade.
- Since the President's plan passed in August 1993, spending by the federal government on goods and services declined 5.5 percent (at an annual rate), while private sector GDP growth was 5.2 percent.
- In 1994, consumer spending on cars jumped up 6.2 percent.
- Business investment on capital equipment has increased 18.2 percent per year since the President took office.
- Since the trough of the most recent recession, productivity has risen at an average annual pace of 2.1 percent -- nearly twice the average rate of productivity growth over the past 16 years.

In 1994, inflation remained low and stable.

- The Consumer Price Index (CPI) increased 2.7 percent in 1994 -- the third consecutive year with less than 3.0 percent inflation.
- In 1994, the core CPI -- excluding food and energy prices -- rose only 2.6 percent, its lowest annual increase since 1965.

C. GROWING TOGETHER AND GROWING APART

Reducing the deficit, strengthening the recovery, opening markets, and making the tax system fairer were all necessary steps in order to get our fiscal house in order and put the economy on a solid path. Yet long-term economic prosperity depends on more. It depends on increasing investment in technology, continuing to preserve our environment, and empowering our communities. In particular, long-term growth requires strengthening the overall skills and education of the American people. Because of these long-term goals, the President has also implemented an ambitious strategy to improve lifelong learning. It includes increasing investment for Head Start, WIC, and worker training, along with passage of new legislation creating Goals 2000 education improvement efforts, a school-to-work program, AmeriCorps National Service, and a new college loan program that makes borrowing and repayment cheaper and more flexible.

In truth, the performance of the economy over the last two years has only highlighted the need to invest in the long-term potential of our people, even as we take the right short-term steps to solidify the economy. While economic growth over the last two years has been robust, all Americans have not shared in the gains. Deeper economic forces have proven stubborn -- and fiscal measures *alone* have proven insufficient to reverse trends that been building over fifteen years.

Since 1979, real household income has grown by $767 billion -- roughly a $2,000 increase for the average household. But the average figure conceals a different story: Adjusted for inflation and population growth, about 97 percent of the increase in income has gone to the top 20 percent of households. Everyone else -- 80 percent of American households -- has shared just 3 percent of the income gains. (See Chart 1A and Chart 1B below.) As a result, in 1993, real median income was virtually unchanged from 20 years earlier.

The shift from growth widely shared to growth narrowly distributed to a minority of families--from growing together to growing apart--is as historic as it is troubling. The promise of America has always been that we all could share in the fruits of the largest economy on earth--that families who work hard and play by the rules would enjoy a rising standard of living for themselves and their children. Yet over the last 20 years, many families have found that they are working longer hours, taking extra jobs. drawing down savings--yet still barely making their way.

This shift has many sources, but one is most striking. In the past two decades, new technologies and expanded trade have reshaped America's economic landscape. As a result, education has become the fundamental fault-line running through the workforce. Demand for highly-skilled workers is soaring at the same time as demand for less skilled workers is shrinking. Well-educated and skilled workers are prospering. Those whose skills are out of date or out of synch with industrial change are anxiously contemplating their prospects. And those without adequate education or skills are drifting further and further away from the economic mainstream.

The data are striking. Fifteen years ago, a male college graduate earned 39 percent more than a man with only a high school degree. By 1993, this gap had increased, and a male college graduate out-earned his high school graduate counterpart by 80 percent. Women are divided along similar, though slightly less stark, lines.

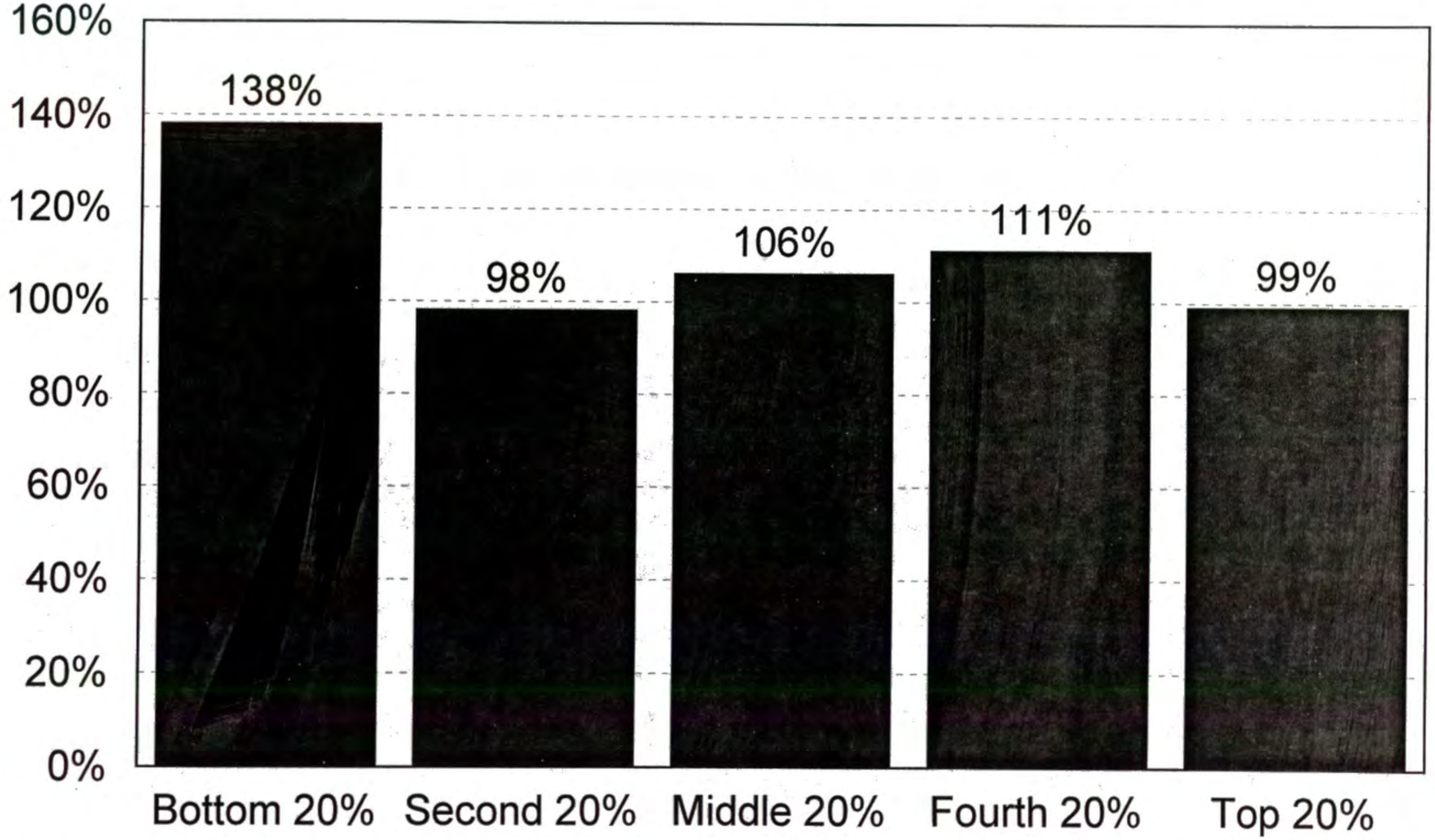
But earnings do not tell the complete story. Employer-sponsored health coverage for workers with college degrees has declined only slightly, from 79 percent in 1979 to 76 percent in 1993. For high school graduates, rates have fallen further: 68 percent to 60 percent over the same period. And rates for high-school dropouts have plummeted -- from an already low 52 percent in 1979 to only 36 percent two years ago. Retirement only hardens these divisions. Nearly two out of every three workers with a college degree gets a pension on the job, while more than three out of four high school dropouts do not.

The nation is moving inexorably toward a two-tiered society composed of a minority who are profiting from economic growth and a majority who are not. That is very far from the American Dream--and from American history. A large and sturdy middle class has always been this country's defining feature. President Clinton believes it can be so in the future-- but only if we equip Americans with the education and job training to prosper in the new economy. That is why rebuilding a new middle class for a new era is the President's fundamental mission over the next two years.

CHART 1A

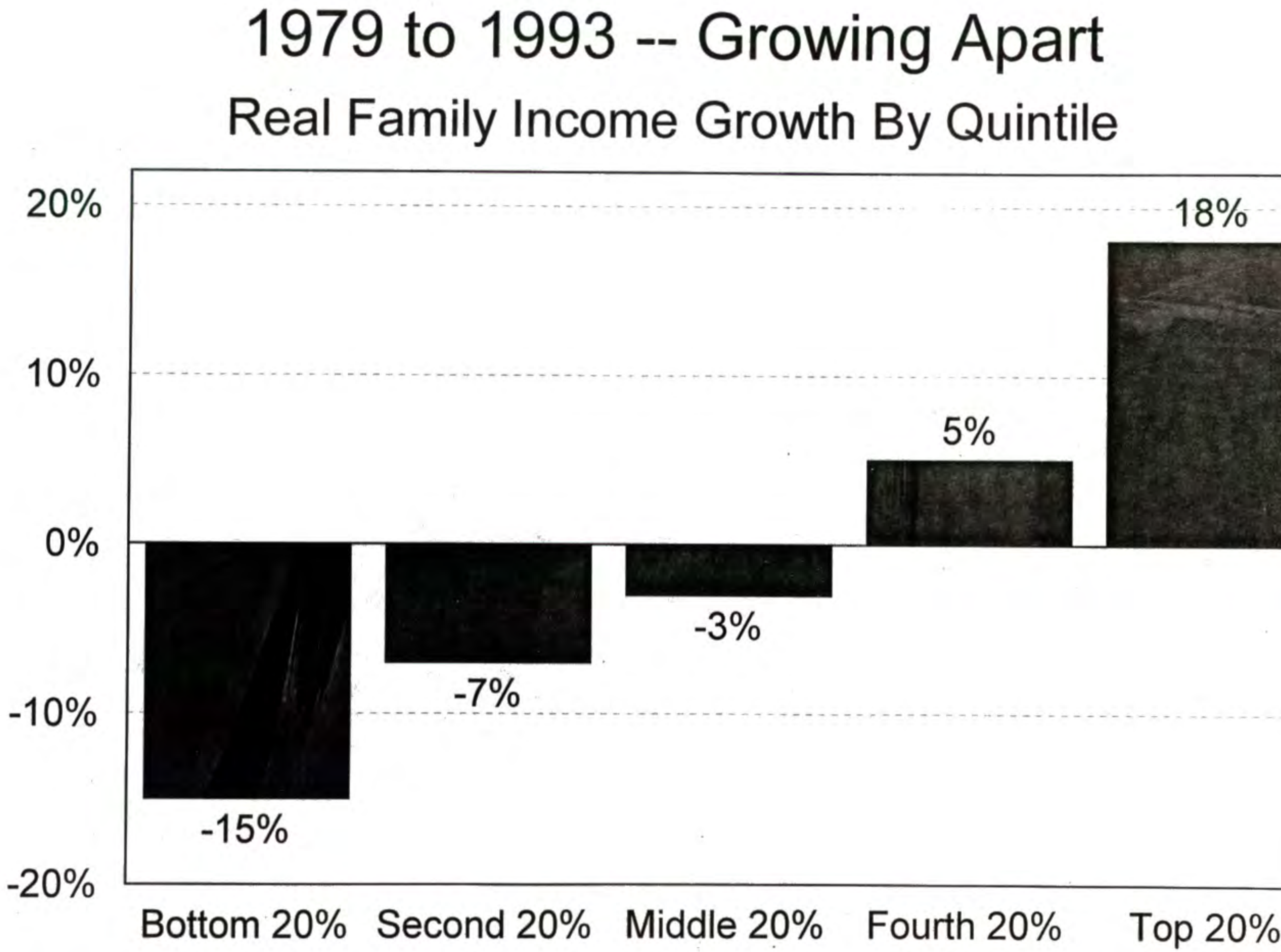
1950 to 1978 -- Growing Together

Real Family Income Growth By Quintile



SOURCE: Bureau of the Census, Department of Commerce. All data converted to 1993 dollars.

CHART 1B



SOURCE: Bureau of the Census, Department of Commerce. All data converted to 1993 dollars.

D. GOING FORWARD

I. CONTINUED DEFICIT REDUCTION

The President's 5-year economic plan passed in 1993 is currently projected to reduce the deficit by $616 billion. In the President's FY1996 budget, he proposed $144 in additional savings, with $81 billion for additional deficit reduction. The FY1996 budget also eliminated or consolidated over 400 programs. As a result, under the President's new plan, the deficit as a percentage of our economy would be reduced from 4.9% in FY1992 to 2.1% in FY2000 and then to 1.5% by the year 2005. (See chart.) *If not for the interest being paid on debt created during the 12 years before President Clinton took office, his 1996 budget would not only be balanced--it would be in surplus.* And the President is committed to working with the current Congress to bring down the deficit further in the context of serious health care reform.

II. CONTINUED INVESTMENT IN EDUCATION, CHILDREN AND TECHNOLOGY

Like his earlier budgets, the President's 1996 budget combines deficit reduction with continued investment in areas that are essential to long-term economic growth. These investments include key technology initiatives, environmental initiatives, and community empowerment proposals such as Community Development Financial Institutions and Empowerment Zones. The heart of the President's strategy is a comprehensive effort to invest in the skills and education of our people throughout their lives. The President is fighting not only to protect but to expand a number of investments in people, including the following:

- **WIC TO BE FULLY FUNDED:** By enabling parents and young children to get the nutrition they need, WIC saves money and saves lives. WIC was put on a full-funding path, and funding is projected to increase by $960 million from 1993 to 1996 -- a 34% gain. The new funding has already enabled WIC to enroll an additional 1 million women, infants, and children since 1993.

- **HEAD START FUNDING WILL INCREASE BY 42%:** Head Start funding is projected to go up from $2.77 billion in FY1993 to $3.94 billion in FY1996. The new funding will enable over 130,000 more children to enroll in 1995 than in 1992, while also moving many students from part-time to full-time enrollment and improving program quality.

- **K-12 EDUCATION IMPROVED BY GOALS 2000:** The Goals 2000 bill codifies the National Education Goals and offers grants to schools and states that commit themselves to specific plans for systemic reform of K-12 education. Already, 47 states and thousands of schools are uniting parents, teachers, and principals in bottom-up reform efforts. Authorized funding for Goals 2000 in FY1996 is $750 million.

• **INCREASED FUNDING FOR DISADVANTAGED STUDENTS**: Funding under Title 1 of the Elementary and Secondary Education Act is expected to increase from $6.7 billion in FY1993 to $7.4 billion for FY1996. Title 1 provides assistance to local school districts to help disadvantaged students.

• **COLLEGE MADE MORE AFFORDABLE:** Borrowers will be able to take advantage of the new direct student loan program by consolidating their guaranteed loans into direct loans. When fully phased in, approximately 20 million borrowers will be eligible to pay for their education through direct lending. Some of these borrowers will benefit from lower interest rates, and all will benefit from a greater range of repayment options, including pay-as-you-can repayment. And the new student loan program will save taxpayers over $6 billion over five years.

• **HISTORIC NATIONAL SERVICE PROGRAM CREATED:** This year, 20,000 AmeriCorps Members are tutoring students, immunizing children, reclaiming parks, and patrolling streets--and earning education awards in return to pay for college or job training. AmeriCorps Members work inside community organizations, improving neighborhoods from the bottom up. AmeriCorps is scheduled to grow to 34,000 members in 1995, and over its first three years, 100,000 Americans will serve our country through AmeriCorps.

• **SCHOOL-TO-WORK PROGRAM WILL HELP STUDENTS GET JOBS:** President Clinton signed into law the School-to-Work Opportunities Act, a crucial element of the Administration's lifelong learning agenda. With this landmark legislation, the federal government will provide venture capital to spark a nationwide system for moving America's young people smoothly from the classroom to a job with a future. This year, 28 states have received funds for implementing their school-to-work programs--with all other states receiving planning grants. Funding has increased from $50 million to $400 million in 1994.

III. THE MIDDLE CLASS BILL OF RIGHTS

On December 15, 1994, President Clinton proposed a Middle Class Bill of Rights -- his plan to ensure that *all* Americans share the benefits from an expanding economy now and in the future.

Three general features of the plan are most striking. First, it is tightly targeted at the middle class families who need help most. About 85 percent of the tax benefits will go to families that earn less than $100,000 per year. Second, the President's proposal invests in those who are investing in our future: getting an education, buying a home, raising a family. Third, every penny of the Middle Class Bill of Rights if fully paid for by spending cuts--with billions left over for deficit reduction.

The "Middle Class Bill of Rights" has four components:

- **$10,000 Education Tax Deduction:** Americans can deduct from their taxable income the money they spend on post-secondary education for themselves or their families. Once the policy is fully implemented, up to $10,000 of education spending will be deductible each year. Taxpayers would not have to itemize their deductions to get the education and training deduction. To focus the tax cut on the middle class, deductibility is gradually phased out over the income range of $100,000 to $120,000 for a couple filing jointly, and between $70,000 and $90,000 for individuals.

- **$500 Child Tax Credit:** A $500 non-refundable tax credit will be allowed for each child under the age of 13. This tax credit will be available to any family whose income is less than $75,000 -- the families with young and growing children.

- **An Expansion of IRAs:** The IRA proposal would expand the availability of deductible IRAs to all middle income families. Working Americans with family incomes under $100,000 would be able to put $2,000 tax free into an IRA account and then be able to withdraw that money tax free -- without penalty -- for education, medical expenses, or a purchase of a first home.

- **G.I. Bill for American Workers:** This proposal takes nearly 70 different training programs and consolidates them into one program that directly empowers workers with skill grants and vouchers of $2,620 per year for up to 2 years. This proposal would be self-financing too, since it uses existing funds from the previous programs. Workers who are laid off or disadvantaged would also be eligible for income contingent loans through an expanded Individual Education Account. This proposal centers on accountability and strong consumer information which should weed out bad programs and reward those programs that successfully help workers get the skills they need for new and better jobs.

A. EDUCATION AND TRAINING TAX DEDUCTION

HELP MIDDLE-CLASS AMERICANS GET THE SKILLS THEY NEED

The President proposes making tuition for college, community college, technical school, graduate school and job-training fully deductible up to $10,000. The deduction will be fully available to families earning up to $100,000, and phased out at $120,000.

BROADEN OUR MIDDLE CLASS AND NARROW THE GAPS BETWEEN US

Each year of college or job training beyond high school increases average future earnings by 6 to 12 percent. And while workers with the right skills have seen their incomes rise over the last 15 years, paychecks for everyone else have declined.

STOP RISING TUITION FROM CRUSHING MIDDLE-CLASS FAMILIES

Wealthy students can afford higher education and lower-income students receive financial aid. The middle-class gets squeezed as college costs rise. Between 1981 and 1991, average college tuition rose more than 130 percent -- compared to about 50 percent inflation over that period.

An Example of How A Working American Family Will Benefit from the Education and Training Deduction

A four-person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit in the following way from the education and training deduction.

This family has two children who are in college and they have $10,000 in education expenses. When the tax cut is fully phased in, the family would get a $1,500 tax cut since they are in the 15% tax bracket. This would lower their income tax liability by 31 percent.

Current Law	Fully Phased In Tax	Tax Reduction	% Reduction
$4,875	$3,375	$1,500	31%

OFFER AN INCENTIVE FOR EDUCATION SIMILAR TO BUSINESS INVESTMENT

The tax code already encourages business investments. It's time to create the same incentive for families to make the best investment they can make: education.

MILLIONS OF WORKING FAMILIES WOULD GET TAX RELIEF

Twelve million students would benefit from the deduction, over 80 percent of them with incomes less than $75,000.

FAMILIES DON'T NEED TO ITEMIZE TO GET THE DEDUCTION

The deduction will be "above the line" -- allowed in determining adjusted gross income-- so middle-class families that don't itemize will still get the tax break.

TAX BREAKS WON'T TRIGGER TUITION INCREASES

Little evidence links higher federal aid with higher tuitions: in the 1980s, education aid virtually froze while tuitions jumped; in the last two years, President Clinton expanded student aid and tuition increases slowed. With 7,500 schools competing for students today, schools that try to cash in by raising tuition will lose students -- and money.

PART OF THE PRESIDENT'S COMMITMENT TO EXPAND CHOICE AND ACCESS

The President is already implementing Individual Education Accounts to make more affordable student loans available to every American and save taxpayers billions of dollars. Convenient "pay-as-you-can" options enable individuals to repay the investment as their earnings permit. In addition, the President is proposing to raise Pell Grants to $2600 and extend Skill Grants to laid-off and low-wage workers who usually can't take full advantage of the education and training tax deduction.

B. $500 CHILD TAX CREDIT

GIVE TAX RELIEF TO MIDDLE-CLASS FAMILIES

President Clinton wants to give a $500 tax credit to families for each child under age 13. The credit will be fully available to families earning up to $60,000 and phased out at $75,000.

HELP RESTORE THE AMERICAN DREAM

Middle class families who work hard and play by the rules aren't getting ahead; they're getting squeezed. The median family earned essentially the same in 1993 than in 1973.

THE COSTS OF RAISING CHILDREN CONTINUE TO RISE

For middle-class families, the costs of health care and education are rising faster than inflation. In 1990, the average middle-income family with children in daycare or afterschool care spent $3,000 on day care alone.

An Example of How A Working American Family Will Benefit from the Child Tax Credit

A four-person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit in the following way from the Child Tax Credit.

This family has two children under the age of 13 and therefore receives two child tax credits. When fully phased in, this will be worth $1,000 and would reduce the family's federal income tax liability by 21 %.

Current Law	Fully Phased-In Tax	Tax Reduction	% Reduction
$4,875	$3,875	$1,000	21%

RESTORE FAMILIES' ERODED PERSONAL EXEMPTION

In 1950, the personal exemption was worth $3,800 in 1995 dollars. Today, it's just $2,500 -- a 34 percent decline. President Clinton wants to restore the value of the personal exemption for the people who need it most -- families with young children.

FOCUS RELIEF ON THE MIDDLE CLASS, NOT THE WEALTHY

President Clinton gives tax relief to families with incomes below $75,000--the middle class that's been hurt the last 15 years. In contrast, the proposal approved by the House Ways and Means Committee offers a child tax credit to families with incomes up to $250,000 -- including some of the wealthiest 1 percent of Americans.

TARGET RELIEF WHERE WORKING FAMILIES NEED IT MOST

The tax credit goes to the families with the greatest needs, those with children under 13 who may require child care or afterschool care. For families with older children, President Clinton has proposed a tax deduction for education expenses up to $10,000. And for 15 million families earning less than $28,500, he has already expanded the Earned Income Tax Credit -- offering an average tax cut of $1,000.

C. EXPANSION OF IRAs

HELP WORKING AMERICANS SAVE FOR THEIR FUTURE

The President's proposal would enable more middle-class families to save in two ways:

- First, he would **double the income thresholds for tax deductible IRAs**: eligibility would now be phased out for couples with incomes between $80,000 and $100,000.
- Second, President Clinton would **allow Americans to withdraw money from IRAs without penalty to pay for education and training, a first home, or medical expenses**.

An Example of How A Working American Family Will Benefit from Expansion of IRAs

A four-person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit in the following way from the expansion of IRAs.

The family has two children who are over the age of 12 and are not in college. If they only wanted to save for their children's education, each working parent could put $2,000 in their IRA to save for their children's college and save $600 in taxes for a 12 percent reduction of their tax liability.

Current Law	Fully Phased In Tax	Tax Reduction	% Reduction
$4,875	$4,275	$600	12%

EXPANDING IRAs WILL INCREASE PRIVATE SAVINGS

Private savings are key to creating good jobs and raising incomes in the long-run. Yet our private savings rate has declined from 8.1 percent of GDP in the 1970s to 5.1 percent in the 1990s. Several empirical studies have shown that expanded IRAs can increase private savings--and the President's proposal will do so in three ways:

- **Dramatically increase the number of families eligible for tax-free IRAs**, enabling middle-income families now putting away less than they'd like to save more, tax-free.
- **Giving families more incentives to save** by allowing them to use savings for purposes other than retirement, like paying for education or buying a home.
- **Increasing awareness of IRAs**, because as more people are eligible for IRAs, banks will promote them more, and more people will decide to save.

ANOTHER WAY TO HELP AMERICANS PAY FOR COLLEGE OR JOB TRAINING

Middle-class Americans will be able to use IRAs to pay for education without penalty. Together with the education tax break and the G.I. Bill for Workers, it's another way that President Clinton is helping Americans to invest in their future.

HELP A FAMILY BUY A HOME

Families will now be able to save tax-free in an IRA and then use the money without penalty to buy a first home--or help a child buy one.

MORE CHOICES FOR MIDDLE-CLASS FAMILIES

The President's plan allows families to take the tax breaks from IRAs either when they deposit money or when they withdraw it. And President Clinton allows withdrawals without penalty for more reasons -- such as care of an elderly parent or unemployment.

TAX RELIEF TARGETED AT THE MIDDLE CLASS, NOT THE WEALTHIEST

President Clinton's proposal is targeted at those who have seen their incomes stagnate over the last 15 years -- middle-class families with incomes under $100,000. (The "Contract with America" offers them fewer options but offers a costly tax break to people earning as much as $250,000 -- people who are already saving.)

D. G.I. BILL OF RIGHTS FOR WORKERS

FROM FEEDING BUREAUCRACIES TO EMPOWERING INDIVIDUALS

- **Collapse some 70 Federal programs** for education and job training
- **Put the power to learn in workers' hands**-- offering low-income and unemployed workers Skill Grants for education and training up to $2,620 per year, and Individual Education Accounts to get low-cost loans and repay them on a flexible schedule.

EMPOWERING WORKERS DIRECTLY

Instead of just shifting money from a federal bureaucracy to a state bureaucracy, the President consolidates programs and empowers workers directly with Skill Grants -- so they can choose the quality training and education they want, where and when they want it.

LEANER GOVERNMENT

The current maze of job training programs wastes money and doesn't get the job done. The President will replace some 70 separate programs with one integrated system.

STATE FLEXIBILITY

The President's proposal enables states to work with communities, schools, and the private sector to tailor information systems, job search assistance, and on-the-job training to meet local goals. Most federal rules dictating procedures will be wiped out.

GOOD INFORMATION TO GUIDE GOOD CHOICES

The proposal encourages states and the private sector to develop a system of One-Stop Career Centers or other information networks where workers get access to real job search help and reliable information on jobs and the records of training institutions.

HELPING WORKING AMERICANS: AN EXAMPLE

When a worker is laid off, he becomes eligible for a Skill Grant. He can go to a One-Stop Career Center to learn about the community college and job training programs nearby and study their success records in detail. Then he can choose the program with the best placement record in a field that interests him, and use the Skill Grant to pay for it. The worker will learn a new trade, and at the end of the program, receive job search assistance with area employers.

ACCOUNTABILITY

For the first time, training programs will have to pass the same test as the private sector: meet your customers' needs or lose business. Choice, competition, and good information will empower individuals to pick providers who deliver. And performance standards for training providers will cut off the frauds and the incompetents.

PRIVATE SECTOR PARTNERSHIP

The President's proposal isn't about government. It's about jobs, so the private sector has a central role. Business and labor will be full partners in designing new systems so that workers and education providers know what skills employers will pay for. New awards will recognize excellence in creating workplaces that reward worker skills.

PATHS FROM SCHOOL TO WORK FOR YOUNG PEOPLE

This initiative will fold federal training programs for young people into the school-to-work movement underway at the state and local level. Young people can look forward to clearer paths to new skills and better jobs.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **2**

2. REINVENTING GOVERNMENT

Actions to Date

President Clinton has promised a revolution in government--to reduce the federal government by 100,000 jobs, eliminate wasteful spending and make government more accountable to the American people. Under the leadership of President Clinton and Vice President Gore, the Administration is already making government **work better and cost less.** The Administration:

- Has already cut over **100,000** federal jobs. In less than five years, the federal government civilian workforce will drop by at least **272,900** -- the smallest it's been since the Kennedy Administration (See Chart 2-A on following page).

- Has saved **$63 billion**.

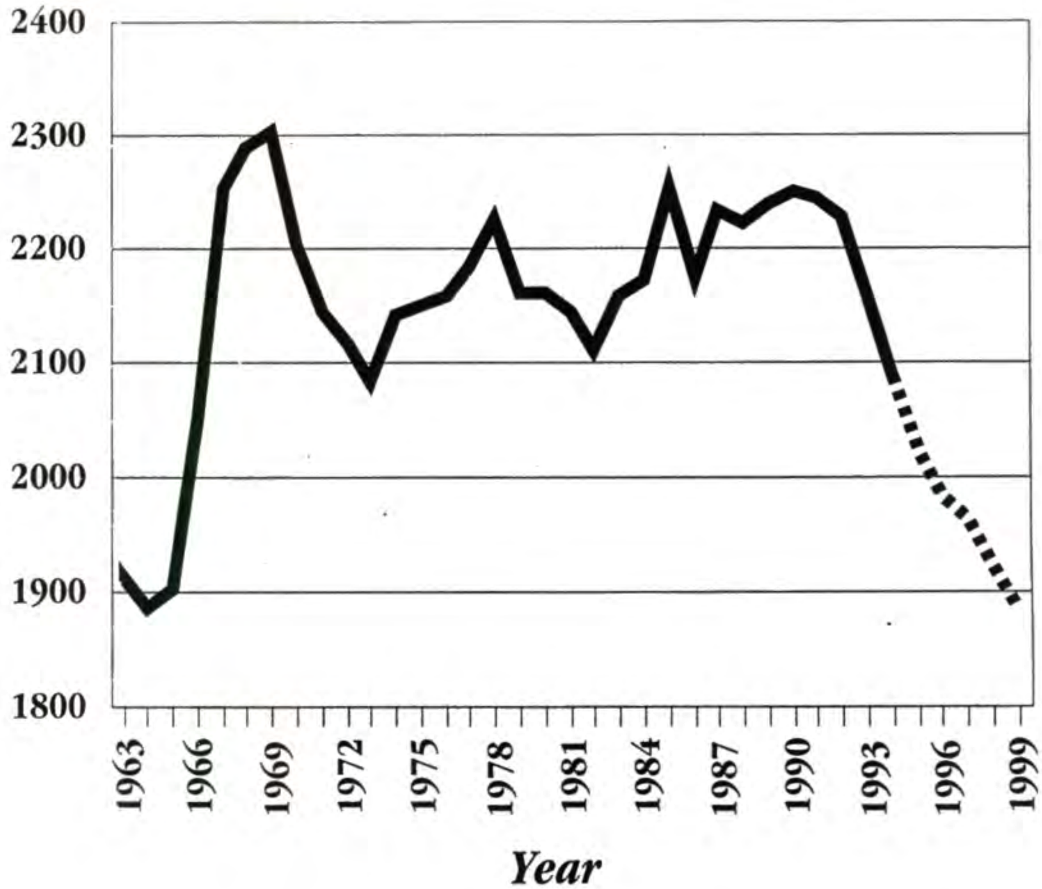
- Is cutting an additional **$76 billion** by eliminating obsolete federal programs, letting states or private businesses take over programs they can operate better, and by not increasing current spending levels.

- Has cut through reams of red tape like reducing the 2-inch thick Small Business Administration's loan application to only 2 pages.

- Is streamlining organizations, including closing **1,200** U.S. Department of Agriculture field offices and eliminating over 30 customs management offices and reassigning 1,400 people from administrative jobs to serving customers on the front lines.

CHART 2A

Executive Branch Civilian Federal Employment
(In thousands)



Background

Many have talked about reforming government in the past. When President Clinton and Vice President Gore arrived in Washington, the federal government had plenty of reports on reform just gathering dust on the shelves.

President Clinton changed all that by putting Vice President Al Gore in charge. When Herbert Hoover finished the Hoover Commission report in 1955, he went back to Stanford. When Peter Grace finished the Grace Commission report in 1983, he went back to New York City. But when Al Gore finished his report, he went back to his office and got to work turning the recommendations into reality.

The Initiative: Phase I

The driving question for the first phase of Reinventing Government was **"how can government work better and cost less**?" Beginning in March 1993, the Vice President led an intensive 6-month review of federal government structures and procedures called the National Performance Review (NPR). The Report, issued in September 1993, was a challenge to the entire federal government and a promise of something better for the government's customers -- the American people.

Realizing that the problems with the federal government stemmed from the archaic systems which had developed over the years, Vice President Gore asked the people who knew best what was wrong with the way government worked -- career civil servants -- to lead the revolution to reinvent government.

The four main principles were simple:

- **Put customers first** -- change government's culture by focusing on what matters to the people it serves;
- **Empower employees** to get results -- remove layers of oversight, give front-line employees not only responsibility, but also accountability, for results;
- **Cut red tape** -- eliminate unnecessary paperwork, procedures, and requirements for

the federal government, its state and local partners, and its customers; and

- **Cut government** back to basics -- eliminate obsolete and duplicate programs and functions, and reengineer what's left.

The NPR report was well-received. Max DePree, author of the popular Leadership Is An Art, called it "the best book on management available in America."

What follows is a sampling of accomplishments in Reinventing Government, Phase I. Some are great and some are small. All show our commitment to making government work for people again.

A GOVERNMENT THAT WORKS BETTER AND COSTS LESS

Government has started working better. Over 90 percent of the NPR's proposals have moved forward -- implemented by a Presidential Executive Order or by agency action or proposed in legislation.

We have focused on improving the performance of federal programs to ensure that they achieve **real results** like cleaner air and fewer teen pregnancies, rather than just spending taxpayer dollars. **For the first time, federal agencies have asked customers what they want and set more than 1,500 customer service standards.**

HISTORIC CUTS IN THE FEDERAL WORKFORCE

President Clinton is streamlining federal agencies and cutting management layers and excessive controls **as he shrinks the federal workforce to its smallest size since John F. Kennedy was President.**

FEMA

> *"FEMA, the Federal Emergency Management Agency, has gone from being a disaster to helping people in disasters."*

President Clinton, January 24, 1995

After Hurricane Andrew in 1992, FEMA was criticized for waiting too long to act and for making inaccurate damage assessments. The immediate needs of victims, as well as the need of the general public for a competent presence in the midst of the destruction, went largely unmet.

But under this Administration, FEMA has completely turned around. Ask the farmers in the midwest who fought the flood there or the people in California who have dealt with floods and earthquakes and fires, and they'll tell you that the Administration has reinvented FEMA. Government workers working hand in hand with private business rebuilt Southern California's fractured freeways in record time and under budget. And because the federal government moved fast, **all but one of the 650 schools damaged in the January 1994 earthquake are back in business.**

FEMA eliminated two layers of organization, cutting supervisors by 34 percent, and is now organized around functions. Everyone works when disaster strikes. For example, 48 days after Hurricane Hugo in 1989, FEMA had registered 55,228 disaster victims and checked 8,418 housing units. But **45 days after the 1994 Los Angeles earthquake, FEMA had registered 392,992 disaster victims and checked 124,848 housing units.**

SOCIAL SECURITY ADMINISTRATION

"Putting people first means ensuring that the Federal Government provides the highest quality service possible to the American people."

President Bill Clinton
Executive Order 12862
Setting Customer Service Standards
September 11, 1993

The Social Security Administration has become an independent agency under a bill that President Clinton signed and is putting the highest premium possible on customer service. As one indication of SSA's commitment to customer service, the agency conducted a nationwide series of customer focus groups and surveyed 10,000 customers in person or by phone and another 22,000 by mail.

SSA's reengineering efforts are intended to improve the processing of its major workloads. The agency's initial effort focuses on disability claims processing. The average disability claim passes through the hands of 26 workers over 150 days. Many claims are rejected and then reconsidered, involving more people, more processing and more time. By the end of the full appeal process, the average claim is handled by 43 employees over a span of 700 days.

SSA's goal in redesigning the disability claims process is to give initial decisions within 60 days and reduce the time for appeals decisions, if necessary, by nearly 60%.

Suppose the social security check that you need to pay your rent doesn't come the day you expect it. As things stand now, you call the Social Security Administration and set in motion one of those systems that was designed to please somebody other than you. First, the agency notifies Treasury to stop payment on the first check. You begin waiting. Meanwhile, Treasury searches its records to see whether the check has been cashed. You keep waiting. If you're lucky, and it has not been cashed, Treasury mails you another check. Total waiting time for you and your landlord: two to three weeks. If you're unlucky, and the missing check has been cashed, you'll wait an additional six weeks.

We have cut four days off the time to reissue an uncashed check. In cases where checks have been cashed, Treasury is working to get the added six weeks pared down to one week.

And before President Clinton took office, millions of people did not receive their Social Security cards within 5 days. Now they do.

Ultimately, the best way for customers to avoid all the problems associated with paper checks is to get benefit payments electronically through the government's direct deposit program; it's much faster and safer. Plans are underway for a nationwide system to deliver other government benefits such as food stamps directly. An electronic benefits card can eliminate paperwork and deliver services more quickly, cheaply, and accurately, with less fraud. The program will produce federal savings of **$195 million a year** once in operation, and **31 million people in 12 major state and federal programs will benefit.**

DEPARTMENT OF DEFENSE

"I think I might rather eat a cake that FAILED that particular test."

Vice President Al Gore

The Defense Department is aggressively eliminating ridiculous military specifications such as this one:

CAKE MIX

4.6.3 Breaks and cracks. *Bake as in 4.6.1*

a. Cool the cake in the pan for 2 hours at room temperature 69 degrees F + 5 degrees F and a relative humidity of 50 + 5 percent.

b. Space two 4 inch diameter cylinders (for example, two flat-topped metal cans) 6-1/2 inches apart at the closest point.

c. Place the cake (with pan and liner re-

moved) with the flat side down equally on the two cylinders.

d. Examine after 2 minutes for breaks and cracks.

The Pentagon decided to reinvent the cake mix with a method used widely in homes across America -- TASTE the cake! If you like it, great. If you don't, get another cake mix. The Pentagon scrapped all military specifications for mess hall food and is buying real food.

U.S. CUSTOMS SERVICE

The Customs Service often took hours, even days, to move fresh flowers and fruit and other perishable cargo through its port in Miami. Viewing shippers as its customers, Customs worked with other agencies (e.g., the Immigration and Naturalization Service, the Food and Drug Administration, and the Fish and Wildlife Service) to find ways to move cargo more quickly, constantly asking the airlines and other customers how they wanted the system to work. By relying on electronic filings of shipping documents, Customs discovered how to please shippers and regulators simultaneously. Now, Customs pre-approves most cargo before it reaches Miami, permitting agents to focus on inspecting higher-risk shipments, like illegal drugs.

GIVING STATES AND LOCALITIES MORE FLEXIBILITY

Moving towards a new partnership with states and localities, the Clinton Administration has made extensive use of waivers to provide states and localities flexibility in managing existing programs, especially in health services and welfare. President Clinton has given 25 states the right to slash through federal regulations to reform their welfare systems. He has also been involved in an ongoing effort to consolidate planning requirements for 199 federal programs targeted to children and families in the states and local jurisdictions of Indiana and West Virginia.

In December 1994, the Administration designated 104 community empowerment zones and enterprise communities. The Community Empowerment Initiative is an experiment in community-based decision making with the federal government as a partner to help communities meet their needs.

Case Study: The Oregon Option

In Oregon, we are creating a new partnership based on an outcomes-oriented approach to intergovernmental service delivery. In December, Oregon's governor and numerous mayors signed an agreement with Vice President Gore and several federal agencies to pilot a redesigned system that will be:

- based on results;
- oriented to customer needs and satisfaction;
- biased toward prevention of problems, not remediation; and
- simplified and integrated -- delegating responsibilities to front-line, local level providers.

THE PROCUREMENT PROCESS

Too often the procurement process ties people in knots. For example, during Operation Desert Storm, the Air Force needed better communication among its units. The Air Force found just the right procedure in Motorola's commercial radio, and they ordered 6,000 of them. But Motorola lacked the record-keeping systems required by the procurement rules to show the Pentagon that it was getting the lowest available price. (Never mind that the price could be easily checked on the commercial market.) To circumvent the problem, the government had to persuade the Japanese government to buy the radios and donate them back to the Air Force.

The system made no sense. Early in the Administration's efforts to implement NPR, President Clinton revolutionized the federal procurement process with the stroke of a pen, signing a memorandum through which the executive branch will implement a government-wide electronic commerce acquisition system. A year later, the President signed into law the Procurement Reform bill, reinventing the federal government's procurement system.

The Department of Defense, which spends 75 percent of the government's procurement budget, jumped at the new opportunity. Defense Secretary Perry ordered the Pentagon to reduce reliance on military specifications. In a move that will **save billions of dollars**, Perry directed the department to allow contractors to make greater use of commercial items in the equipment they sell the government. Freed from the burdensome "mil specs," more contractors will seek defense work and competition means better quality and prices.

All aspects of procurement -- ordering, invoices, payment, and so on -- will change from a paper-based to an electronic system for small purchasers. It will cut costs and present a host of opportunities for small business to bid on business from the government. It also will **cut the time for many purchases from three weeks to three minutes.**

ENDING YESTERDAY'S GOVERNMENT SUBSIDIES

Wool and Mohair

During World War II and the Korean conflict, the United States imported half the wool required for military uniforms. Determined to reduce dependence on foreign fibers and to insulate American producers from foreign competition, Congress declared wool a strategic material and enacted the National Wool Act in 1954. The Act was designed to increase domestic production of wool by providing direct payments to farmers based on a percentage of their market sales. In other words, the more wool farmers produced, the more federal funding they received. About one-third of the payments went to ranchers who raised Angora goats for mohair. Although mohair never had strategic value, it was included in the 1954 Act as an offshoot of the wool industry.

Wool was removed from the Pentagon's strategic materials list in 1960. However, the Act remained in effect until the Clinton Administration ended it, **saving an estimated $923 million over a four-year period.**

Honey

Until the Clinton Administration ended it, the federal government supported honey production since 1950. The program was enacted after honey prices dropped following World War II because of reduced demand and excess inventories. During the war, the government declared beekeeping war-essential and encouraged heavy production. Beeswax was used in place of petroleum to waterproof ammunition and other equipment, and honey replaced tightly rationed sugar. After the war when demand decreased, Congress introduced price supports for honey in the Agricultural Act of 1949. The purpose of the legislation was to ensure that enough honeybees would be available for crop pollination.

The market overcame the original need for the program, and by eliminating the program we are saving about $15 million over a four year period.

The Initiative - Phase II

"We are sticking to the principles we used in the first National Performance Review - principles that underpin America's most innovative and successful private companies: put customers first, cut red tape, delegate authority and cut back to basics. And we are going to make government work better and DO less. We are going to trade interference for opportunity and make it possible for middle-class Americans to have the break they've earned to raise a family, educate their children and get ahead in life."

Vice President Al Gore

The purpose of the second phase of Reinventing Government is to answer the question, "what should the federal government be doing?" The goal is a smaller federal government that helps communities solve their own problems and delivers quality services so that Americans know they are receiving value for their tax dollar.

How will we know when this effort is successful? We will know when there are fewer decisions being made by the federal government that can best be made elsewhere, and when customers of the federal government see substantial improvements in services. And when we move from a process where lawyers and bureaucrats write volumes of regulations to one where people work in partnership to issue sensible regulations that impose the least burden without sacrificing rational and necessary protections.

REGULATORY REFORM

"I believe we can bring back common sense and reduce hassle without stripping away safeguards for our children, our workers, our families."

President Clinton
Remarks at Regulatory Reform Event
February 21, 1995

"Everyone wants reform. This administration is the first to take it seriously and make it work."

Philip Howard
Author, The Death of Common Sense
February 21, 1995

In February 1995, President Clinton announced sweeping changes in the federal regulatory process with specific instructions to federal regulators:

First: Cut Obsolete Regulations

President Clinton ordered regulators to conduct a page-by-page review of all agency regulations and eliminate or revise those that were outdated or in need of reform. A list of eliminated or modified regulations will be delivered to the President by June 1, 1995.

Second: Reward Results, Not Red Tape

The President directed the agencies to change the way they measure the performance of the agency and the frontline regulators in order to focus on results, not process and punishment. By June 1, agencies must eliminate all personnel performance measures based on process (number of visits made, etc.) and punishment (number of violations found, amount of fines levied, etc.).

Third: Create Grassroots Partnerships Outside of Washington

President Clinton directed agency directors to convene groups of frontline regulators and the people affected by their regulations around the nation -- at our cleanup sites, our factories and our ports.

Fourth: Negotiate, Don't Dictate

The President directed regulators to substantially expand efforts to promote consensual rulemaking instead of the traditional rulemaking that has dominated the regulatory arena. By March 30, regulators must submit to the President a list of upcoming rulemakings that can be converted into negotiated rulemakings.

To highlight the Administration's regulatory reform efforts, the President visited Custom Printers, a small print shop in Northern Virginia, where he announced the first in a series of government-wide reforms to cut red tape and reduce the regulatory burden on American businesses, especially small businesses.

President Clinton unveiled a landmark package of 25 environmental reforms and announced a government-wide policy that allows regulators to waive fines where small businesses have acted in good faith, but violated the rules. He also announced a set of reforms that will make high-quality drugs and medical devices available to consumers more quickly and cheaply.

The regulatory reform process will continue as the Administration continues to throw out yesterday's regulations without sacrificing real protection for our citizens.

REINVENTING FEDERAL AGENCIES - Phase II

President Clinton and Vice President Gore are examining the basic missions of government to find and eliminate things that don't need to be done by the federal government and sort out how best to do the things the federal government should continue to do. Agency teams are using this chart to determine whether their programs should be eliminated, consolidated, privatized or given to state and local governments. (See Chart 2B on following page).

After President Clinton said, "We have to change yesterday's government and make it work for the America of today and tomorrow," The President got some quick results from agencies on the leading edge of our government revolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

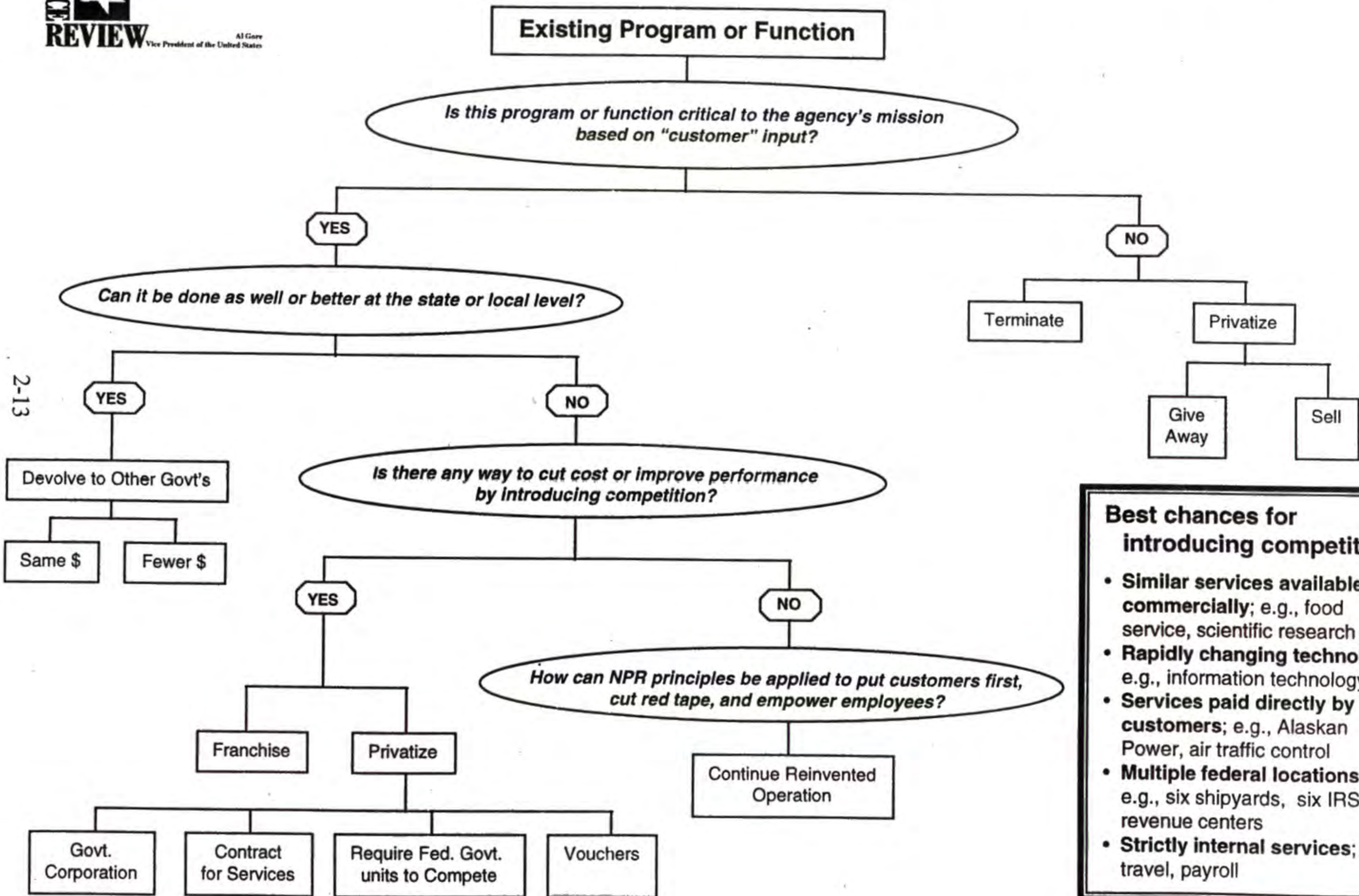
The housing needs of low- and moderate-income families have worsened in the past decade and a half. Our cities have increasingly become enclaves of the poorest of the poor. Violence and drugs, homelessness and AIDS have ravaged inner city neighborhoods. Decades of efforts to solve urban America's problems of poverty and lack of affordable housing have created layers of programs, regulations and bureaucracies that shifted the focus away from people to projects. The President has called for a radical transformation of HUD, giving back responsibility to cities and states, empowering people and eliminating the layers. To do this, the President will:

1. Transform public housing. Federal assistance will no longer go to public housing projects, but instead will go directly to people, particularly those who work or are making meaningful efforts to become employed. And President Clinton will end the monopoly of public housing agencies. They will have to compete for tenants like others in the marketplace. Current residents of public housing and privately owned assisted housing projects will get certificates and the freedom to move to use these certificates to help pay rent in the private market if they wish.

2. Consolidate 60 major HUD programs into three performance-based funds - a Community Opportunity Fund, an Affordable Housing Fund, and Housing Certificates for Families and Individuals, to provide flexible resources to mayors and governors for critical housing and economic development activities in their communities. The consolidation will sweep away the clutter of separate application processes, rules and regulations that has accumulated at HUD over the past 30 years, as programs were piled on top of programs. And it will free cities and states to solve their housing and community development problems in their own ways.

NATIONAL PERFORMANCE REVIEW
Al Gore
Vice President of the United States

Sample Decision Tree for Analyzing Agency Programs



Best chances for introducing competition

- **Similar services available commercially**; e.g., food service, scientific research
- **Rapidly changing technology**; e.g., information technology
- **Services paid directly by customers**; e.g., Alaskan Power, air traffic control
- **Multiple federal locations**; e.g., six shipyards, six IRS revenue centers
- **Strictly internal services**; e.g. travel, payroll

CHART 2B

3. Reinvigorate the Federal Housing Authority (FHA), creating new flexibility as a government-owned corporation. The new entrepreneurial FHA will work with private enterprise and non-profit organizations to expand homeownership opportunities to low-and moderate-income Americans, and provide decent, affordable housing to low-income renters.

ELIMINATING THE INTERSTATE COMMERCE COMMISSION (ICC)

For a more efficient government that is out of areas where it doesn't belong, we must eliminate governmental functions that are no longer needed and streamline those that are essential.

The Interstate Commerce Commission is a relic of nineteenth century government, created to address nineteenth century problems. In the mid and late 1800's, railroads' monopoly and arrogance earned their owners the label of "robber barons." The creation of the ICC was the result.

Circumstances have dramatically changed. In 1885, railroads had twice the level of revenues as the federal government. Today, the federal government takes in almost 30 times more revenue than the nation's railroads. The most significant changes occurred fifteen years ago with the enactment of broad deregulatory legislation. It is now time to write the final chapter on deregulation. President Clinton is recommending the elimination of the ICC. Those functions for which there is a need will be transferred to other federal agencies.

During the 1887 debate on the Interstate Commerce Act, Congressman Crisp, the champion of the creation of the Interstate Commerce Commission, stated: "I maintain, sir, that the railroad business, or the business of transportation, is no exception in one respect from any other business, and that is, ... it is to the interest of the public to have competition." That principle applies no less forcefully today than it did 108 years ago.

THE DEPARTMENT OF ENERGY

The Energy Department owns and operates one of the largest oil fields in the United States - the Naval Petroleum Reserve. During World War I the Navy changed the fuel for our battleships from coal to oil and decided it needed its own oil field to fuel the battleships if we ran out of oil from all other fields. We no longer need that oil to fuel these battleships, so the federal government is getting out of that business. By letting the private sector operate the oil field, taxpayers will get a more efficient product at less cost.

The Department of Energy will save taxpayers over $14 billion by privatizing the Naval Petroleum Reserve and four Power Marketing Administrations, making government contractors more accountable, consolidating research facilities and programs, and implementing other streamlining activities.

TRANSPORTATION--AIR TRAFFIC CONTROL

A reinvented government should not perform functions government doesn't do best. The core federal role in aviation is regulating safety and encouraging infrastructure investment. The day-to-day operations of the air traffic control system need not be part of this direct federal role.

The Administration is proposing to transfer the FAA's air traffic control services to a wholly-owned government Air Traffic Services Corporation. The corporation will not be subject to federal procurement, personnel and budget restrictions, so it will have the flexibility to speed modernization of the air traffic system and improve its operating efficiency.

GENERAL SERVICES ADMINISTRATION

The General Services Administration was created in 1949 to help agencies perform administrative services cost-effectively and to provide selected administrative services directly to departments and agencies, taking advantage of economies of scale and avoiding duplication. But the government has grown in size and complexity in the post-World War II period and agencies, particularly the larger ones, now provide for themselves most of the services that GSA offers. Assumptions about economies of scale and the cost-effectiveness of traditional means of providing goods and services must be challenged and tested in the current marketplace.

GSA will be transformed into the policy and oversight organization for government-wide administrative services, except personnel. This will increase agencies' accountability for results, encourage innovation and better government-wide planning and assure responsible asset management. The agency will examine its service functions and ask: "Why can't this service be provided more effectively by the private sector?" If government must do it, the question will be: "Why should it be done centrally; why can't other agencies do it just as well?"

PERFORMANCE PARTNERSHIPS

The Clinton Administration is reinventing relationships with states and local governments by consolidating funding and eliminating overlapping authorities, creating funding incentives to reward desirable results and reducing wasteful paperwork. It's time to focus on outcomes. President Clinton and Vice President Gore are proposing performance partnerships with states and localities that will empower communities to make their own decisions about how to address their needs and make them accountable for results. In addition to the HUD performance partnership discussed above, the Administration's job training improvements highlight the benefits of performance partnerships. By combining some 70 education and job training programs into one system which will provide Skill Grants to low income and unemployed workers, the Administration will give states and local governments substantial flexibility for developing workforce development programs to meet local needs.

> *"Government of the future is about never sacrificing our standards of excellence, never abandoning our responsibilities, but always discarding the remnants of yesterday's government.........always discarding red tape in favor of results."*
>
> Vice President Al Gore
> January 12, 1995

For all of the success to date, reinvention is no short-term challenge. Consider this: even the most successful businesses have needed years to overhaul their operations in order to compete in the new economy. The federal government, which dwarfs even our largest corporations in size, will also need to continuously renew its processes.

As the process of reform continues, this Administration will accelerate reinvention efforts, move ahead more boldly and ask even more fundamental questions about what the federal government does and how it can do it better. President Clinton has asked the departments and agencies to bring him bold, creative, innovative, new ideas about how to deliver services and benefits to the American people. They are responding, and our vision of a government that works better and costs less is becoming a reality.

Clinton Presidential Records
Digital Records Marker

Divider Title: **3**

3. REWARDING WORK FOR WORKING FAMILIES

Introduction

Earned Income Tax Credit

- The 1993 expansion gives 15 million working families a tax cut.
- The credit returns a total of $21 billion to working families making up to $28,500 per year.
- When fully phased in, the EITC will offer a maximum credit of about $3,560 for families with two or more children, more than double the maximum basic credit of $1,511 in 1993.

Making Work Pay -- The Minimum Wage

- The President has proposed increasing the minimum wage from $4.25 to $5.15 over two years through two 45-cent increases.
- The proposal would offer 11 million workers a raise and provide a full-time, year-round worker a raise of $1,800 a year -- as much as the average family spends on groceries in over seven months.
- Over a dozen empirical studies show a proposal like the President's can increase wages without costing jobs.

Family and Medical Leave Act

- In February 1993, President Clinton signed the Family and Medical Leave Act, mandating 12 weeks of unpaid, job-guaranteed leave for childbirth, adoption, or illness of an employee or family member.
- The Department of the Treasury estimates that 42.5 million American workers are covered under the new legislation.
- The General Accounting Office estimates that up to 2.539 million workers were likely to need unpaid leave in 1993.

Welfare to Work

- In its first two years, the Clinton Administration has granted welfare reform waivers to 25 states to cut through red tape and launch welfare reform initiatives.
- In June 1994, the Administration introduced the Work and Responsibility Act -- the most sweeping welfare reform plan a President has ever proposed.
- President Clinton has pledged to launch a National Campaign Against Teen Pregnancy and his welfare bill includes challenge grants for teen pregnancy prevention programs at 1,000 schools around the country and the establishment of a national clearinghouse on teen pregnancy.
- President Clinton hosted a national bipartisan working session on welfare reform in January 1995 with leading officials from both parties and all levels of government. The session produced a bipartisan agreement to work together to pass sweeping welfare reform legislation this year.

Child Support

- The Administration collected a record $9 billion in child support in 1993 -- a 12% increase over the previous year. President Clinton's welfare reform bill included the toughest child support enforcement measures ever proposed. The plan would increase child support collections by $24 billion over the next decade and signal that both parents have a responsibility to raise the children they bring into this world.
- The plan's provisions would require AFDC mothers to help establish paternity, streamline the paternity establishment process, ensure fair child support awards, help states establish superior processes to enforce awards, track parents across state lines, and enable states to set up work and training programs for noncustodial parents who earn too little to meet their child support obligations.
- In February 1995, the President signed an executive order to make the federal government a model employer in the area of child support, ensuring its employees are fulfilling fair obligations to their children.

3A. EARNED INCOME TAX CREDIT

"The new direction I propose will make this solemn, simple commitment. By expanding the refundable earned income tax credit, we will make history. We will reward the work of millions of working poor Americans by realizing the principle that if you work 40 hours a week and you've got a child in the house, you will no longer be in poverty."

President Clinton
February 17, 1993

Actions to Date

With the passage of the Omnibus Budget Reconciliation Act of 1993, the Administration took the first step toward fulfilling one of President Clinton's strongest commitments: to ensure that no child of full-time working parents would have to live below the poverty level. This expansion, which began in 1994, will be fully phased in by 1996. This expansion:

- Gives 15 million working families **a tax cut**.
- Returns a total of $21 billion to working families making up to $28,500 per year over 5 years.
- When fully phased in will offer a maximum credit of about $3,560 for families with two or more children, more than double the maximum basic credit of $1,511 in 1993.
- When fully phased in will offer a maximum credit for families with one child of about $2,156, compared to the maximum basic credit of $1,434 in 1993.
- Will, for the first time, offer a maximum credit of $324 to very low-income workers without children.

Background

Our country was forged by men and women who came to America looking for a better life. People who were willing to work hard prospered. For many centuries the American dream was within reach for most Americans because hard work paid off. It paid with wages that men and women used to support their families.

Yet the promise of hard work started to flicker in the 1970s. Adjusted for inflation, wages for the average worker were essentially no higher in 1993 than they had been twenty years earlier. For the first time in many generations, children earned less than their parents had. Each year, working men and women seemed to have to toil harder, just to stay in the same place.

The toll was particularly hard on young families. No longer could one take a job and be sure of supporting a family. In 1979, all but 12 percent of full-time jobs paid enough to support a family of four above poverty. By 1993, the figure had climbed to 16 percent. More young working families were poor. Like most Americans they responded by working still harder, with increasing tolls on family life.

The Initiative

In his first major address to the nation on February 17, 1993, the President committed to expanding the EITC in order to make work pay for young families. Instead of using the tax system to take money away from low and moderate income working families, it would be used to reward them for their hard work. He called for expanding the Earned Income Tax Credit (EITC), which might better be labelled the working family tax credit.

The EITC amounts to a pay raise for the working poor. For every dollar a low income family with children earns -- up to a certain maximum -- they earn additional tax credits they can collect in a refund. The EITC has enjoyed strong bipartisan support for many years. First adopted in 1975, the EITC is nearly universally acknowledged to be a powerful way to help working families struggling to make ends meet. And it provides support, without stigma, without interference in the marketplace, and with almost no bureaucracy.

But unlike any of his predecessors, President Clinton called for raising the EITC to the point where any person who works full-time, even at a minimum wage job, earned enough so that, combined with food stamps, he or she could keep a family of four out of poverty. He also called for increasing the credit so that families struggling above poverty, with incomes up to about $28,500 also benefitted from an increase in the credit.

The President proposed and the Congress adopted a dramatic expansion in the EITC. With the EITC, a worker earning under $8,900 with two children, will effectively receive a 40% pay increase by 1996. Every dollar of his or her earnings will bring 40 cents in tax credits in 1996. A family with a full time minimum wage worker could qualify for up to $3,560 in EITC from the government--$2,500 more than they would have in 1990. Even families earning $25,000 per year benefit from the EITC. In 1996, they would qualify for nearly $750 in tax rebate. In 1990, they would have received nothing.

Indeed, one of the great untold stories of the budget which passed in 1993 -- the first year of the Clinton presidency -- is that it dramatically lowered taxes and increased incomes for millions of working families. Twenty million taxpayers will take advantage of the EITC in FY 1995 with resulting tax cuts reaching $22 billion. Eighty percent of these claims were refunded as direct payments to families. When fully phased in 1996, 16.1 million families are expected to take advantage of the credit with tax cuts totaling $25.2 billion.

Under present law, EITC claimants can opt to receive part of the EITC in advance payments throughout the year, rather than wait to file for a lump-sum refund. However, only a small percentage choose to do so. While reasons vary for the low utilization rate for advance payments, it is partly due to a lack of information and the fact that employers are responsible for determining eligibility and administering the advance payments. In President Clinton's Welfare Reform Bill -- the Work and Responsibility Act of 1994 -- he proposed that States be allowed to conduct demonstration projects to make advance payments of the EITC through a State agency. Welfare recipients who move to the workforce could particularly benefit from receiving the EITC in advance payments throughout the year because they would experience the rewards from work on a more timely basis.

The EITC offers a genuine alternative to welfare. By going to work, rather than remaining on welfare, families can earn tax credits which make their income exceed welfare payments. By doing the right thing for their own dignity and independence, they are also doing the right thing for their families economically. By moving toward independence, they are being rewarded, rather than penalized.

3B. RAISING THE MINIMUM WAGE

Action to Date

- On February 3, 1995, the President's proposed an increase in the minimum wage from $4.25 to $5.15 over two years, through two 45 cent increases. The last increase, passed by an overwhelming, bipartisan vote in 1989, and implemented in 1990 and 1991, was also a 90 cent increase in two 45 cent stages.

Background

Americans know a raise in the minimum wage is one way to help make work pay. A higher minimum wage -- a floor to ensure workers that they're getting a fair deal for their efforts -- provides a foothold into the middle class for many hardworking Americans. And for those Americans who already rely on the minimum wage, an increase is essential to their standard of living.

Minimum wage work just does not pay. The real value of the minimum wage is now 27 percent lower than it was in 1979, and by next year -- if it is not increased -- the minimum wage will be at its lowest real level in four decades. Contrary to popular opinion, the average worker affected by an increase in the minimum wage is not just a teenager flipping hamburgers. The fact is that the average minimum wage worker brings home half of his or her family's earnings, and that two-thirds of minimum wage workers are adults. Furthermore, an increase in the minimum wage will help working families get by: for example, just a ninety cent per hour increase in the minimum wage means an additional $1,800 for a minimum wage earner who works full-time, year-round -- enough for the average family to pay for groceries for seven months.

$4.25 an hour is not enough earnings to pay the bills, and $8,500, for a year of full-time work, is not a decent, livable income. At the same time as inflation has stolen much of the value of the minimum wage, the condition of America's working poor has declined. The Bureau of Labor Statistics estimates that, adjusted for inflation, the average hourly wage of male high school graduates fell by 19 percent since 1979, and by 3 percent for female high school graduates. High school drop outs have fared even worse. This trend of declining real wages for less-skilled Americans has continued for 15 years.

Most disturbing, less-skilled workers have done poorly in times of economic growth as well as in times of economic downturns. The U.S. economy created more jobs in 1994 than in any other year in the past decade, and the unemployment rate fell to a four year low while the help wanted index climbed to a four year high. Yet the prosperity of this recovery, and of the past 15 years, has not been shared by all our citizens.

The Initiative

President Clinton's proposal to increase the minimum wage 90 cents an hour over two years can help lift the lives of the eleven million Americans who currently earn less than $5.15 an hour. For those workers putting in 40 hours a week, all year round, this minimum wage increase provides $1,800, which is enough money for the average American family to buy groceries for seven months.

The most productive and powerful country in the world does not even guarantee its people that if you work full-time, year round -- even with the Earned Income Tax Credit (EITC) -- that you can raise a family out of poverty. To that end, President Clinton made a simple compact with the nation: if you work 40 hours a week, you will not have to bring up your children in poverty.

In pursuit of this objective, the President expanded the EITC as a way for low and moderate income families to make ends meet. But expanding the EITC is not enough. In order to ensure that there is a strong incentive for work over welfare, there needs to be a multi-tiered strategy. The EITC has fulfilled its part of this plan, now, the President has proposed an increase in the minimum wage to make every hour of work pay more.

With a 90-cent minimum wage increase, food stamps, and the EITC, a family of four with a full-time, year round minimum wage worker would be lifted above the poverty line. Simply, a $5.15 minimum wage would provide every American the simple guarantee that they could raise a family out of poverty, if they were willing to fulfill their side of the bargain: to work hard and play by the rules.

The critics claim, though, that an increase in the minimum wage will not guarantee a brighter future for working Americans, but will cost jobs for exactly the people that the President is trying to help. But their criticism is off-target. Over a dozen studies have found that increases in the minimum wage have had an insignificant effect on employment. Several of these studies even extended previous ones that had claimed that raising the minimum wage decreases employment and these studies, when updated, no longer find a significant impact. This "new view" is gaining support among economists: Professor Robert Solow, a Nobel laureate in economics, commented: "When the minimum wage has deteriorated so much in purchasing power, there are probably enough people who would be worth the higher wage and would not lose their jobs." Solow also notes that, "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small." And in a recent review of the literature, Professor Richard Freeman of Harvard, a widely respected labor economist, wrote: "At the level of the minimum wage in the late 1980's, moderate legislated increases did not reduce employment and were, if anything, associated with higher employment in some locales."

If the minimum wage doesn't cost jobs, critics say, then it certainly doesn't help the neediest workers. They base their views on the conclusion that the typical minimum wage worker is a middle-class high school student. The facts suggest otherwise. Only one in 14 workers earning between $4.25 and $5.15 per hour is a teenaged student from a family with above-average earnings. Fully 47 percent of workers who would be affected by the President's proposal have family earnings in the bottom 20 percent of all working families; families that earn less than $360 per week. The average worker who would be affected by the President's proposal brings home half of his or her family's earnings; 38 percent of those affected are the <u>sole</u> <u>breadwinner</u> in their family.

Despite the criticism in some corners, the minimum wage has traditionally had bipartisan support. In 1989, the minimum wage increase passed the House by a vote of 382 to 37 (with 135 Republicans voting for the bill), and 89 to 8 in the Senate (with support of 36 Republicans).

The current situation -- with the real minimum wage heading for its lowest real level in 40 years and with more and more workers finding that full-time work doesn't pay -- is unacceptable. And a reasonable remedy is at hand.

3C. THE FAMILY AND MEDICAL LEAVE ACT OF 1993

"Family and medical leave is a matter of pure common sense and a matter of common decency. It will provide Americans what they need most: peace of mind. Never again will parents have to fear losing their jobs because of their families."

President Clinton
Remarks on the Signing of the
Family and Medical Leave Act
February 5, 1993

Actions to Date

President Clinton signed the Family and Medical Leave Act into law on February 5, 1993, fulfilling his pledge to "treat families right."

- The Act guarantees 12 weeks of unpaid, job-guaranteed leave for childbirth, adoption, or illness of the employee or a family member.
- The Department of the Treasury estimates that 42.5 million American workers are covered under the new legislation.
- The General Accounting Office estimates that up to 2.539 million workers were likely to need unpaid leave in 1993.

Background

Until President Clinton signed the Family and Medical Leave Act (FMLA) on February 5, 1993, the United States was the only country in the industrialized world -- with the exception of South Africa -- that did not provide family leave protection to workers. The FMLA replaced measures twice vetoed by former President Bush.

The Initiative

"I know that men and women are more productive when they are sure they won't lose their jobs because they're trying to be good parents, good children. Our businesses should not lose the services of these dedicated Americas. And over the long run, the lessons of the most productive companies in the world, here at home and around the world, are that those that put their people first are those who will triumph in the global economy."

President Clinton
Remarks on the Signing of the
Family and Medical Leave Act
February 5, 1993

The Family and Medical Leave Act promotes "family values" in the fullest sense by enabling an estimated 40 to 50 million working Americans to balance the demands of their workplace with the needs of their families. Before they were covered by the Family and Medical Leave Act, such employees were forced into agonizing choices between keeping their jobs and taking care of their loved ones. Hospitalized employees routinely lost their jobs -- as well as their health insurance -- for "excessive absenteeism." Working parents who had to leave work to take care of ill or aged parents were being fired.

The Family and Medical Leave Act has not only helped workers facing difficult family or medical situations, it has also proven beneficial to employers. As many of America's most respected business leaders testified during legislative hearings, there is a direct correlation between stability in the family and productivity in the workplace. The costs incurred in providing leave are more than offset by savings realized from lower turnover, higher productivity, and reducing or avoiding the costs of training new employees.

Despite sensational predictions by FMLA opponents that the Act would prove ruinous to business, the experience of the first year and a half indicates that the federal legislation has caused little disruption or expense to employers. As many companies have discovered, providing family and medical leave is not only the right thing to do; it is also cost-beneficial.

For example, the software and computer services company Compuserve had a policy similar to FMLA in place two years before the Act went into effect and found it relatively easy and inexpensive. And it paid off handsomely in company loyalty. Other companies have had similar experiences. According to the New York Times, attrition at Aetna Life and Casualty dropped from 23 percent in 1986 to 9 percent in 1990 after the firm adopted a family and medical leave policy.

The Family and Medical Leave Act of 1993 became effective on August 5, 1993 for most private and public sector employees. The legislation allows eligible employees up to 12 weeks of unpaid leave for specific family and medical reasons, such as the birth or adoption of a child, care of a spouse, child or parent who has a serious health condition, or when a serious health condition that makes the employee unable to perform his or her job. An employee returning from Family and Medical leave is entitled to the same or an equivalent position as he or she held before the leave and is entitled to the continuation of health insurance benefits.

In the first year-and-a-half that the Act has been in place, most employers have demonstrated that they want to do the right thing, once they understand what is required. The vast majority (91%) of valid complaints have been easily resolved, usually over the telephone, without the need for litigation or any complex administrative procedure.

Case Study:Employee Terminated for Attending to Critically-Ill Husband in Intensive Care

"Jane Smith" and her husband, "Joe," were both involved in a serious car accident and taken by ambulance to the hospital. Although Jane was treated and released, her husband was admitted to the intensive care unit. When Jane asked her employer for leave to care for her husband, she was told to take "whatever time she needed." Each day she called in to work and let her supervisor know the current situation. When Jane called in on the seventh day and reported that her husband's condition had worsened, she was told to report to work immediately. Leaving the bed side of her critically-ill husband, she arrived at the office to be informed that she was being terminated because of "excessive absences." A desperate Jane called the Department of Labor (DOL), the federal agency responsible for enforcing the FMLA. A DOL official explained the law to the employer's lawyer, who understood that Jane was entitled to Family and Medical Leave while her husband was seriously ill. Jane was immediately reinstated and granted leave.

Case Study: Employee on Cancer Surgery Leave Terminated Because Employer Feared Increase in Insurance Rates

Following her cancer surgery and treatment, "Maria Lopez" had been recovering at home for a month and four days. Now she was feeling much better and had been cleared by her doctor to return to work. But when she advised her employer that she was ready to come back, the employer terminated Maria, instead of restoring her to her job. Maria contacted the Department of Labor, which discussed the situation with her employer. The firm readily acknowledged that Maria was an excellent employee, but had fired her anyway because they were self-insured and feared rising insurance rates if Maria had a relapse.

The Department of Labor explained that under the FMLA, the employer was required to grant leave to an eligible employee with a serious health condition -- such as Maria's -- and to reinstate her to the same or a comparable position when she returned. The employer agreed to reinstate Maria, but fired her three weeks later. DOL once again contacted the employer and advised the firm that employees may not be discriminated against for filing FMLA complaints. Maria was not only reinstated, but was also compensated for the pay she lost during the time she was not allowed to return to work.

3D. WELFARE-TO-WORK

Last year I introduced the most sweeping welfare reform plan ever presented by an Administration. We have to make welfare what it was meant to be -- a second chance, not a way of life. We have to help those on welfare move to work as quickly as possible, to provide child care and teach them skills if that's what they need for up to two years. And after that, there ought to be a simple hard rule: anyone who can work must go to work.

President Clinton
State of the Union Address
January 24, 1995

Actions to Date

- To date, the Clinton Administration granted welfare reform waivers to 25 states -- more than the previous two administrations had granted in 12 years. These waivers cut through federal rules and red tape so that states can launch their own initiatives to reform welfare.

- After a year of bipartisan consultation with state and local officials, members of Congress, reform experts, citizens, and people on welfare, the Administration introduced a sweeping welfare reform plan in June 1994. The New York Times called the Clinton plan "a genuine attempt to impose the toughest work requirements ever attached to welfare, the first serious effort by any President, Democrat or Republican, to stop the disastrous generational cycle of America's dole society." (NYT Magazine, 7/31/94)

- President Clinton has pledged to launch a National Campaign Against Teen Pregnancy. The welfare reform plan the Administration proposed in 1994 included challenge grants for teen pregnancy prevention programs at 1,000 schools around the country. The President has also challenged business, civic, and religious leaders, foundations, and parents to join in an initiative outside government to attack the growing problem of teen pregnancy and births outside marriage.

- President Clinton hosted a national bipartisan working session on welfare reform in January 1995 with leading governors, members of Congress, and local officials from both parties. The session produced a bipartisan agreement to work together to pass sweeping welfare reform legislation this year that will move people from welfare to work, discourage teen pregnancy and encourage responsible parenting, set the toughest possible national standards for child support enforcement, and give states more flexibility in return for more accountability.

Background

"Last year I introduced the most sweeping welfare reform plan ever presented by an Administration. We have to make welfare what it was meant to be -- a second chance, not a way of life. We have to help those on welfare move to work as quickly as possible, to provide child care and teach them skills if that's what they need for up to two years. And after that, there ought to be a simple hard rule: anyone who can work must go to work."

President Clinton
State of the Union Address
January 24, 1995

There is near universal consensus that the present welfare system is broken. The public disdain is clear in polls and talk shows alike. And the harshest critics of all are the supposed beneficiaries -- welfare recipients themselves. They talk of a system which isolates and stigmatizes. A system that seems to penalize them when they try to go to work, and sends the message that welfare recipients should not work.

President Clinton has been on the forefront of the effort to fix the welfare system both as a State Governor and as President. As Governor he led the effort, along with Senator Moynihan, to pass the Family Support Act of 1988 (FSA). As President he has led the way with the introduction of the Work and Responsibility Act of 1994.

The 1988 reform reflected a growing expectation that welfare should be a transitional period of preparation for work and self-sufficiency. For those without sufficient work skills or education it would provide the necessary education, training and job search assistance activities through the Job Opportunities and Basic Skills (JOBS) Training program. For many welfare recipients, the JOBS program has worked, and they have moved off welfare and into the workforce. Unfortunately, the FSA did not change the welfare system as much as was intended. Many states did not have the ability to draw down the full amount of available funds as a weak economy in the initial years after enactment put additional demands on state budgets and AFDC caseloads mushroomed. Broad exemptions also limited the program participation. Even after 1988, the welfare system was primarily a system designed to get money to people who were not working, rather than one designed to move people to self-support.

As the President has pledged, it is time to end welfare as we know it, and to create a system that is based on work and responsibility designed to help people help themselves. We need to move beyond the old debates and offer a simple compact that gives people more opportunity in return for more responsibility. Work is the best social program this country has ever devised; it gives people hope and structure and meaning to their daily lives.

Responsibility is the value that will enable individuals and parents to do what programs cannot -- because governments don't raise children, people do. And ultimately, we need to change the very culture of welfare offices, from writing checks to helping people move off welfare. It's time for the welfare system to reflect our values as Americans.

The Initiative

The Administration vision is straightforward: People should not have children until they are ready to support them. Parents - both parents - have responsibilities to support their children. Government has an important role to give people a hand up and give people access to the skills they need - but we can and should expect work in return. And support should be limited to a maximum of two years of cash assistance during which time the recipients should be in job placement or training or education so as to move off aid as quickly as possible. After two years people should be expected to work, preferably in the private sector, but in community service jobs if necessary. Anyone who is willing to work ought to be able to support their family. But those who are able but not willing to work, should not be eligible for welfare.

In June of 1993, President Clinton formed a Working Group to develop a welfare reform plan. The Working Group actively sought input from State Governors, State administrators and the public. Five hearings were held throughout the country in Illinois, Washington, D.C., New Jersey, California and Tennessee. Members of the Working Group and staff met with some 250 different organizations and took testimony from 150 groups. The Working Group visited many welfare offices to observe first hand the problems with the existing system and to discuss these problems with caseworkers. Most importantly, perhaps, the Working Group sought input from those most affected by welfare reform - welfare recipients themselves. The Working Group met with over 100 welfare recipients and heard about the struggles they endure daily: with poverty, with the welfare system that is often demeaning, stigmatizing and isolating, and with the difficulties in leaving welfare and finding work that can support their families.

The plan, which was introduced in Congress in June, 1994 as the Work and Responsibility Act of 1994, has four major principles: 1) work, 2) responsibility, and 3) reducing teen pregnancy and births outside of marriage; and 4) state flexibility and accountability.

1. Work

Making Welfare a Transition to Work: The plan the Administration proposed last year changes the focus of welfare to helping people get jobs, not writing them checks for life. From the first day, the new system would focus on making recipients self-sufficient. Working with a caseworker, each recipient will develop an employability plan identifying the education, training, and job placement services needed to move into the workforce. Participants who are job-ready would be immediately oriented to the workplace. Parents who refuse to stay in school, look for work, or attend job training programs would be sanctioned. For the first time, time limits would be imposed - receiving welfare cash benefits, without work, would end after two years. (While there would be appropriate exceptions for the disabled or those with disabled children, existing exemptions would be reduced.)

Those people unable to find work at the end of two years must go to work, preferably in the private sector, but in a community service job if necessary. People would be paid for the hours they work - this is work, not workfare.

Supporting Working Families: The EITC, Health reform, Child Care and Minimum Wage. -- Work must pay so that a person leaving welfare for work is better off than on welfare. The earned income tax credit (EITC) expansion, enacted by the Administration in 1993, is one important way to help support working families. Under the welfare reform proposal, four states would be able to work with the Treasury Department to issue the EITC on a monthly basis. Health care reform remains vitally important - we have to ensure that those leaving welfare for work don't lose health care coverage. We should expand child care for those leaving welfare for work and for low-income working families. Finally, increasing the minimum wage would make every hour of work pay more and guarantee that a worker willing to work hard can raise a family out of poverty.

2. Responsibility

"We should demand responsibility from parents who bring children into the world, not let them off the hook and expect the taxpayers to pick up the tab for their neglect."

President Clinton
National Association of Counties
March 7, 1995

Parental Responsibility. -- Both parents have a responsibility to support their children. The plan calls for the toughest child support enforcement measures in the history of this country. This includes universal paternity establishment efforts and education and outreach efforts aimed at stressing the importance of paternity establishment. Young people should be taught that parenting a child brings real responsibilities, and that they should not become parents until they are able to nurture and support their children. The plan also provides for regular awards updating, a national child support clearinghouse to track delinquent parents across state lines, and tough enforcement measures such as license revocations.

Accountability for Taxpayers. -- To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor receipt of benefits through a national public assistance clearinghouse and state tracking systems.

Performance, Not Process. -- The plan the Administration proposed last year demands greater responsibility of the welfare office itself, existing programs will be better coordinated and simplified and improved incentives will be directly linked to performance. Under a separate initiative developed by Vice President Gore, States will be encouraged to move toward Electronic Benefit Transfer, leading to reduced fraud and substantial savings in administrative costs. The plan also calls for increased state flexibility - allowing states to try innovative approaches within broad parameters designed to ensure that children are appropriately protected.

3. Reducing Teen Pregnancy

> *"We must discourage irresponsible behavior that lands people on welfare in the first place. We must tell our children not to have children until they are married and ready to be good parents."*

President Clinton
National Association of Counties
March 7, 1995

Preventing Teen Pregnancy. -- To prevent welfare dependency in the first place, teenagers must get the message that staying in school, postponing pregnancy, and preparing to work are the right things to do. The President has called for a National Campaign Against Teen Pregnancy, with a national clearinghouse on teen pregnancy, mobilization grants and demonstrations in middle and high schools, and most important, an initiative outside government that brings parents, religious, civic, and business leaders, and foundations together to change the signals we send the next generation.

A Clear Message for Teen Parents. -- Teenagers who have children will face responsibility - they will be required to stay in school, live at home or with a responsible adult, and identify the fathers. At the same time, caseworkers will work closely with them, offering them encouragement and support, assisting them with living situations, and helping them access services such as parenting classes and child care.

4. State Flexibility and Accountability

"In the last two years we made a good start in continuing the work of welfare reform. Our Administration gave two dozen states the right to slash through federal rules and regulations to reform their own welfare systems, and to try to promote work and responsibility over welfare and dependency."

President Clinton
State of the Union Address
January 24, 1995

As a former governor, President Clinton has worked hard to give states the flexibility they need to reform the welfare system. In its first two years, the Clinton Administration granted welfare reform waivers to 25 states -- more than the previous two administrations had granted in 12 years. These waivers cut through federal rules and red tape so that states can launch their own initiatives to reform welfare.

The welfare reform plan the Administration proposed last year provided unprecedented flexibility to the states. Under the plan, many initiatives that currently require a waiver -- such as expanding work incentives, removing penalties for two-parent families, and denying additional benefits for additional children conceived on welfare -- would become options that states could carry out on their own, without having to ask special permission from Washington.

The Clinton Administration is committed through welfare reform and many other initiatives to giving the states much greater flexibility, and changing the way Washington works to begin holding the states accountable for real results, instead of dictating all the processes by which states achieve those results.

The plan the Administration proposed last year would dramatically change the nature of the welfare system from one that just writes checks to one that helps people get paychecks. By the year 2000, under this reform proposal, 2.4 million adults would be subject to the new rules, including time limits and work requirements; almost one million people would either be off of welfare or working; 873,000 recipients would be in school or training programs leading toward employment; and federal child support collections would more than double to $20 billion. Most importantly, children will be better off.

Case Study: Ohio's "State of Opportunity" program

Ohio received approval from the Clinton Administration to implement its "State of Opportunity" welfare reform program on March 7, 1995. The goal of the new project is to increase the incentives for welfare recipients to go to work. The key elements of the State of Opportunity program include working with the private sector to create wage-supplemented jobs for welfare recipients, expanding eligibility for two parent families, extending transitional child care for those moving from welfare to work, increasing earnings disregards, and encouraging education by requiring school attendance for dependent children. The project builds on Ohio's Learning, Earning and Parenting (LEAP) Program, implemented in 1989, in which teen parents are encouraged to stay in, or return to school. The demonstration will operate for five years.

Case Study: Florida's Family Transition Program

Florida's Family Transition Program is testing time limits for achieving financial independence, combining the threat of benefit loss with intensive case management and assistance in preparing for and finding work. The project encourages families to work and get off of welfare by increasing earnings disregards and asset limits, and extending transitional medical care and child care benefits. To encourage parental responsibility, the demonstration requires dependent children to be immunized and attend school regularly. The Family Transition Program began operating in February of 1994.

Case Study: Indiana's Manpower Placement and Comprehensive Training Program (IMPACT)

Indiana's IMPACT embodies President Clinton's ideal that welfare should be a transitional support system, not a way of life, which provides opportunity, but demands responsibility in return. Through IMPACT, Indiana is promoting work and responsibility by imposing time limits on cash benefits; requiring recipients to create a personal responsibility plan; increasing asset limits and earnings disregards; extending transitional support services, including case management; eliminating the 100 hour rule for recipients in the AFDC Unemployed Parents (AFDC-UP) program; and requiring children to stay in school and be immunized. Indiana's welfare reform program, approved in December, 1994, makes work pay and provides assistance families need to move from dependence to independence.

3E. CHILD SUPPORT

> *We have to make responsibility a way of life. If deadbeat parents paid all the child support they should in this country, we could immediately move over 800,000 mothers and children off welfare.*
>
> President Clinton
> Radio Address
> March 18, 1995

Actions to Date

In June 1994, President Clinton introduced the Work and Responsibility Act of 1994, which contains the toughest child support enforcement measures ever in the history of the country. The plan would collect billions more in support, and send a clear signal that both parents have a responsibility to raise the children they bring into this world.

The plan would:

1) require that AFDC mothers fully cooperate with efforts to establish paternity before they can receive welfare benefits;
2) expand outreach and education programs aimed at voluntary paternity establishment;
3) streamline the paternity establishment process and impose tough paternity establishment requirements on the states;
4) ensure fair child support award levels that are regularly updated;
5) create a more uniform and service-oriented program by giving all states the effective enforcement tools and techniques that the best states have used and proven to be successful -- such as denying drivers and professional licenses to parents who refuse to pay;
6) create a National Clearinghouse to track delinquent parents across state lines and ensure that states can efficiently collect support in these cases;
7) create a state option to make money available for work and training programs for noncustodial parents who earn too little to meet their child support obligations.

In February 1995, the President signed an executive order to crack down on federal employees who owe child support.

In 1993, the federal government collected a record $9 billion in child support -- a 12% increase over the previous year.

Background

Almost everyone agrees that the child support system is badly in need of overhaul. According to a recent Urban Institute study, there is a gap between what is currently received in child support and what could potentially be collected of $34 billion dollars annually. Child support enforcement is vitally important for millions of families - in 1991, 14.6 million children lived in a female headed family, almost triple the number in 1960, and 56 percent of them lived in poverty.

The present child support system, initiated in 1975, involves a joint federal and state effort. The Federal government provides partial funding for state child support enforcement programs, and the Federal Office of Child Support Enforcement provides technical assistance to states and operates the Federal Parent Locator Service. States are required to provide child support enforcement services, although the way they do this varies tremendously.

The Family Support Act of 1988, championed by then Governor Clinton, strengthened the Child Support program considerably. The Omnibus Reconciliation Act of 1993, signed by President Clinton, requires states to implement in-hospital paternity establishment programs, a proven cost-effective way of establishing paternity.

These recent legislative initiatives are having an impact, but they still don't ensure that millions of parents who should be paying child support are doing so. In 1989, of the over ten million women potentially eligible for child support, 42 percent did not even have an award, and another 12 percent had an award, but actually received nothing. Indeed only 26 percent of those potentially eligible both had an award and received the full amount. Thus, millions of noncustodial parents do pay support, often because they care deeply about the well being of their children. But many more do not pay, or pay less than they should. Unfortunately the child support system seems to be sending the message in all sorts of ways that once a parent ceases living with their child, their responsibilities for supporting and nurturing the child end.

One of the major reasons for this failure is the lack of paternity establishment. Paternity is established in only about one-third of cases, in large part because efforts do not keep up with the continuing increase in out-of-wedlock births. Because the enforcement systems are often weak, many noncustodial parents who do not pay support have been able to elude state officials, leaving a perception that the system can be beat. Interstate cases, which represent about one-third of all child support awards, continue to pose a major problem because states do not have similar laws governing essential functions, and there is no effective way to track delinquent parents across state lines.

Child support must be treated as a central element of social policy, not only because it will save welfare dollars, but also because children have a fundamental right to--and need for-- support from both their parents. It is central to a new concept of government, one where the role of government is to aid and reinforce the proper efforts of parents to provide for and nurture their children, rather than the government substituting for them.

The Initiative

President Clinton introduced his child support reform plan to Congress as part of his welfare to work proposal, the Work and Responsibility Act of 1994. The plan truly does contain the toughest child support enforcement measures ever in the history of the country. It will collect billions more in support. And it contains a few simple elements.

Paternity Establishment. The first principle is that paternity establishment ought to be the starting point for child support that works. We need to send a clear message to parents - especially young parents - that bringing a child into this world brings with it real responsibilities. For fathers this means that fathering a child will bring real and immediate financial consequences. Paternity establishment ought to be seen as a right of the child - a right to financial support, absolutely - but perhaps even more importantly, a right to the emotional connection and the chance for a nurturing relationship with the father.

And mothers should cooperate in establishing paternity. Our system should say to mothers, "Help us identify and locate the father, or you cannot get public aid, because parents have the primary responsibility for supporting their children." But at the same time, we also need to hold the state child support agencies responsible, and if the mother has done her part, they should be held accountable for having effective programs to get paternity established.

The child support plan builds on the in-hospital paternity establishment programs passed as part of the Omnibus Reconciliation Act of 1993. The plan requires that AFDC mothers fully cooperate with efforts to establish paternity before they can receive welfare benefits. It expands outreach and education programs aimed at voluntary paternity establishment and promoting the importance of paternity establishment as both a parental responsibility and a right of the child. It streamlines the paternity establishment process so that paternity can be established more quickly and easily. Performance incentives will encourage states to establish paternity for all births.

Fair Awards. Once paternity is established, we need to ensure that the child support award amount is fair. This means that it considers the needs of the child first, but that it also reflects the current ability of the noncustodial parent to pay support. A commission will study whether national awards guildelines should be adopted. States will automatically update awards for families as non-custodial parents' incomes change.

Tough penalties to ensure collection. And once a fair child support obligation is established it ought to be paid - no exceptions, no excuses, no way out. Once fair child support awards are set they will be collected through a more uniform and service-oriented program. All states will be given the effective enforcement tools and techniques that the best states have used and proven to be successful. States will be able to use central registries of child support orders to track cases, making use of economies of scale and modern technology to handle routine cases in volume. Wage withholding orders will commence immediately at the time the obligor is hired and states will withhold drivers and professional licenses if parents who are able to pay support refuse to do so. Changes in the funding and incentive structure would encourage and reward states for good performance.

Interstate tracking. Finally, interstate cases ought to receive the same attention as other cases. We need the capability to track parents across state lines so that people are unable to evade their responsibility simply by moving to the next state.

Under the President's plan, the federal government will assist in tracking the interstate cases to ensure efficient location and enforcement when people cross state boundaries. A National Clearinghouse will track delinquent parents across state lines and uniform laws for interstate cases will ensure that states can efficiently collect support in these cases.

Work requirements. The reform plan would, for the first time, create a state option to make money available for work and training programs for noncustodial parents who earn too little to meet their child support obligations. Ultimately, anything we ask of mothers we should also ask of fathers. States can choose to make these programs mandatory - so that noncustodial parents work off what they owe. At the same time, demonstration grants for parenting and access programs - providing mediation, counseling, education, and visitation enforcement - would foster noncustodial parents' ongoing involvement in their children's lives.

Case Study - Maine

The State of Maine recently enacted a "Deadbeat Dads" bill to withhold licenses from parents who are delinquent on their child support obligations. The State found that the threat of suspension is really the most powerful deterrent, absent parents usually pay after receiving warning letters. "The Maine plan is designed not to suspend thousands of licenses," says State representative Sean Faircloth, "but rather to create a credible sanction that will motivate deadbeat parents to pay up." Maine's program expects to collect an additional $4.7 million biennially for AFDC families and $12 million for families not on welfare. The Clinton plan would give every state the authority to follow Maine's lead in denying driver's and professional licenses to those who refuse to pay the child support they owe.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **4**

4. LIFELONG LEARNING

Introduction

"We can do all these things -- put our economic house in order, expand world trade, target the jobs of the future, guarantee equal opportunity -- but if we're honest, we'll admit that this strategy still cannot work unless we also give our people the education, training, and skills they need to seize the opportunities of tomorrow."

President Clinton
State of the Union Address
January 25, 1994

Pre-School and Parenting, so that every child starts school ready to learn.

- Reformed Head Start to create tough new quality standards, reduce child-to-teacher ratios, expand services, and create the new Early Head Start for infants and toddlers.
- Expanded Head Start to enable over 130,000 more children to participate in 1995 than in 1992 -- with a proposed increase of 31,500 for 1996.
- Introduced the new Early Head Start for infants and toddlers.

Goals 2000 and School Improvement, to enable our K-12 students to pursue challenging academic standards--and meet them.

- Signed the Goals 2000: Educate America Act, including the Safe Schools Act, and the Improving America's Schools Act, to provide top-down support for bottom-up reform.
- Empowered teachers, principals, and parents to change the way schools work -- with cutting-edge technology, challenging academic standards for what students should know, renewed commitment to involving parents in schools, and new, flexible partnerships with states and communities -- cutting red tape so that communities can tailor their schools to meet their children's needs.
- Kicked off an anti-crime initiative inside schools to make sure students can learn in safety, not fear.

School-to-Work Opportunities, to prepare *all* young people for further education and first jobs that lead to high-wage, high-skill careers.

- Signed the School-to-Work Opportunities Act to support efforts in all 50 states to create and reform school-to-work systems. The Act has sunsets in 2001 -- a limited national catalyst for local initiatives.
- Every school-to-work initiative will enable all participants to develop high-level academic and technical skills, obtain a high school diploma and an occupational skills certificate, and move toward further training and first jobs that lead to high-skill, high-wage careers.

National Service, so young people have a change to help their communities -- and help pay for college, too.

- Signed the National and Community Service Trust Act, creating AmeriCorps, the new national service initiative.
- AmeriCorps gives young people the chance to spend a year or more in tough, direct service making our people safer, smarter and healthier -- while earning an award of nearly $5,000 per year to pay for college or job training.
- AmeriCorps already engages 20,000 Americans as AmeriCorps Members in more than 350 community efforts around the country.
- AmeriCorps relies on the initiative of communities and the support of states to change communities from the inside out -- not with bureaucracy, but with citizens helping each other and building voluntary organizations -- getting things done.

College Loans, so that every American is able to borrow the money to pay for college and pay it back on an affordable schedule.

- Signed into law the biggest change in student loans ever--a new direct lending program which takes the middlemen out of the process.
- Will enable any student to get loans for college or job training and repay them in one of four ways, including "pay-as-you-can" repayment as a small percentage of income over time. Students can change repayment plans throughout the life of their loans, and "pay-as-you-can" gives them more freedom to choose careers without repayment as a dominant concern.
- Dramatically cut back red tape, making it faster and easier for students to get the money to pay for college.
- Will save taxpayers more than $6 billion by the year 2000.

Training and Reemployment, so Americans can continuously learn to obtain better jobs and better wages.

President Clinton has signed into law major reforms in the first five areas. In the sixth, training and reemployment, he has taken major strides -- and proposed comprehensive reforms for this Congress to enact.

4A. PRE-SCHOOL: HEAD START REFORM

"Head Start reminds us that our country cannot afford to waste its young or ignore their families. We must value every child and help every parent succeed. Head Start creates the sense of community that all of us need in our lives. The dedication of thousands of volunteers, staff, and parents helps create the special relationship that defines the Head Start program. Head Start is indeed a celebration of human diversity and creativity."

President Clinton
May 18, 1994

Actions to Date

President Clinton has promised to improve and expand preschooling initiatives for America's youngest citizens. The budget reconciliation act that President Clinton signed in 1993 authorized $1 billion in new family preservation and support efforts, and on May 18, 1994, the President signed legislation reforming and enlarging Head Start, America's leading program preparing children for school. In two years, President Clinton has increased investment in our children through Head Start by more than $750 million, and taken together, his efforts will:

- Create tough new quality standards for Head Start.
- Enable Head Start programs to improve staff training and reduce child-to-teacher ratios.
- Allow Head Start Centers to expand their services to include more full-day and full-year programs.
- Create the new Early Head Start program for infants and toddlers.
- Expand Head Start to enable over 130,000 more children to participate in 1995 than in 1992 -- with a proposed increase of 31,500 for 1996 -- while also moving many students from part-time to full-time enrollment.

Background

"I've often said that governments can't raise children, that people have to do that. But parents need help in a lot of places in this country today, just like they did in 1992."

President Clinton
May 18, 1994

Launched in 1965, Head Start has helped almost 14 million children to prepare for the challenges ahead with education, health care, and parental education. Yet the world of Head Start today is very different from thirty years ago -- with more children who have lived with violence and substance abuse, and more families with linked problems of homelessness, poor education, and unemployment. The ranks of those needing help have expanded to include more single parents, and increasingly, more working parents as well.

President Clinton promised to expand and improve Head Start to meet the needs of pre-school children in the twenty-first century. In the first months of the new Administration, President Clinton and Secretary of Health and Human Services Donna Shalala convened a bipartisan team of experts to form the Advisory Committee on Head Start Quality and Expansion. Six months later, that Committee issued a Final Report -- a blueprint for reforms to come.

Echoing parents and scientific studies, the Report noted that Head Start improves the cognitive ability and school readiness of the children who participate. Yet the Report also found that quality in Head Start is uneven, and that the 30-year-old program has not entirely adjusted to the changing needs of America's families. With more parents single and more working full-time, full-day and infant and toddler programs are in rising demand. Yet Head Start has remained primarily a half-day program for three- and four-year-olds. And even in this traditional niche, demand increasingly outstrips supply: less than half of eligible three- and four-year olds participate.

The Report made three major recommendations. First, make quality the centerpiece of the new Head Start. Second, become more responsive, serving more children, but also serving them differently in a way that better answers to parents' changing needs. And third, forge new partnerships--to build on what works and build a more caring community for children and parents.

These recommendations formed the basis of the Head Start reform signed into law by President Clinton on May 18, 1994.

The Initiative

"This is not a program involving bureaucrats in Washington making decisions that individuals and families and teachers have to live by. This is a program that is built at the grassroots by families and teachers and communities."

President Clinton
May 18, 1994

Last year's reform of Head Start, the biggest change in years, makes improvements in five major areas.

First, the legislation requires tough performance standards to define the scope and quality of Head Start services. For the first time, the past performance of applicants will be a key factor in determining future funding. Head Start is demanding results, and programs that do not show them will be cut off.

Second, Head Start programs will now have the resources to raise levels of quality dramatically. Programs can invest in staff training and raise staff salaries in order to increase morale, attract qualified staff, and reduce turnover. They can increase the number of staff on site, to provide more individualized attention to both children and parents. And programs can invest in basic necessities, like quality equipment and transportation services, in order to provide more opportunities for children to grow.

Third, more children will be served under the reform. Enrollment is up 27,000 in 1994, and between 1992 and 1995, the total number of children served is rising from 621,000 to 752,000. The President's 1996 Budget proposes to increase participation in the Head Start program by an additional 31,500 children, for a total of 784,000 in 1996.

Fourth, programs gain the freedom to expand the scope of their services. Under the new legislation, Head Start centers can provide full-day, full-year services to meet the needs of parents who work full-time. More services aren't a requirement, but they are an option: the decision rests with the community itself, not the federal bureaucracy.

Finally, the reform recognizes that children from birth to age three also need positive early child development experiences. The new Early Head Start represents a turning point in America's commitment to our youngest children. Drawing on the lessons of Head Start, Early Head Start will dedicate new resources to high-quality services promoting healthy child and family development. Families and communities will have the flexibility to develop programs that meet their own needs, but also satisfy tough national standards. Early Head

Start should join Head Start in lasting well into the next century--always changing to provide high-quality, responsive, and respectful services to America's youngest children and families.

Case Study: Rachel DeBruler and her son Michael

Six years ago, Rachel DeBruler and her oldest son, Michael, began to chart a bright new future by walking through the door of a Head Start center in Olympia, Washington.

Michael quickly came to love Head Start. He told his mother that the best part was passing around bowls, family style, at lunch time. Michael liked sharing with the other children.

While her son benefitted from Head Start, Rachel DeBruler contributed to it. She was continuously engaged in improving the Head Start center. She attended parent meetings. She got involved with fundraising for her program. She even participated in Head Start's state association.

Her commitment--and the commitment of the teachers and staff in Olympia--produced real results. Today Rachel DeBruler's three children are doing very well in school. As she wrote in a letter of thanks, "I never knew that there was a program that would ask parents to be so involved in their child's education."

Case Study: The Results of Head Start Reforms

With the new resources from the Head Start reauthorization, here are a few things that Head Start programs are doing:

- Reducing average class size.
- Hiring mental health staff to work individually with children experiencing behavioral difficulties.
- Adding bus aides -- to make sure there are always two adults with every busload of children.
- Replacing outdated and potentially unsafe playground equipment and facilities.
- Expanding part-time programs to run full-day in order to meet the needs of parents who are working or in job-training.
- Hiring additional family workers to reduce unacceptably high caseloads.

Pre-School-Addendum: Family Support and Preservation

Summary

President Clinton recognizes that government doesn't raise children -- parents do. But he also knows that sometimes parents need a helping hand in their communities and has promised to support them in their efforts to raise their children. As President, he signed the Family Preservation and Family Support Act. This legislation authorizes almost $1 billion over 5 years to help states to develop a continuum of services to assist families with children at risk, including:

- Help for parents of all backgrounds to strengthen their parenting skills, before crisis hits;
- Referrals and improved access to other important services; and
- In emergencies, crisis intervention in order to prevent family breakup whenever possible.

Background

While the vast majority of parents are committed to doing right by their children, many parents can use help with child-rearing. These needs exist everywhere, but they're particularly great for parents who have few resources and little education, and face neighborhoods torn by crime, drugs, and gangs. Smart investments that teach parents to teach their children can yield tremendous dividends in the lives of parents and children alike.

While the movement to maintain intact families dates back at least to the turn of the century in the United States, the goal of helping parents moved on to the national agenda once more during the 1970s and 1980s, as incomes stagnated and millions of parents struggled to balance the demands of work and family. Starting in the 1970s, states and communities developed a range of promising initiatives to use home visits, classes, referrals, and other services to help parents with their own efforts to raise their children.

President Clinton has promised to support programs that support families. President Clinton and Mrs. Clinton know the success of these programs first-hand; in Arkansas, they helped to bring from Israel the Home Instructional Program for Pre-school Youngsters (HIPPY), now a model for family support nationwide.

Recognizing the variety of successful efforts at the grassroots, President Clinton endorsed the emerging consensus that services for families with young children ought to cover a wide continuum. At one end, programs would help parents of all backgrounds to enhance their own parenting skills in areas such as education, health and nutrition, and child safety. These "family support" services would prevent crises by helping equip parents in advance. At the other end of the continuum, for families under deep stress, family preservation efforts would offer emergency services designed to prevent imminent breakups when possible. By keeping children in the home and out of foster care whenever possible, these would save families from wrenching experiences and could also save the government money.

The Initiative

In his first months in office, President Clinton worked together with Congress to enact the Family Preservation and Support Act. Included in the Omnibus Budget Reconciliation Act signed in August 1993, the legislation authorizes close to $1 billion over 5 years for states and communities to develop a continuum of care for families. The program is designed not only to offer direct support to successful programs, but also to help states to redesign their family services--eliminating duplication, connecting efforts, and offering parents easier access to an array of services. The law brings the principles of reinventing government to bear on programs directly affecting our families and children.

Already, all 50 states are developing plans to redesign their family preservation and support services, and in future years, the funds will support a range of models. Models like HIPPY and Parents as Teachers center on home visits in which parents receive individualized help in areas like child development and education. In these programs, parents also attend classes where they can meet other parents addressing similar issues, and their children receive screening to track their developmental success. Other model programs, called family resource centers, focus on helping parents gain access to the help they need, including job search and job training, health care, and substance abuse treatment. And still other efforts, such as Homebuilders, offer intensive short-term services and access to 24-hour assistance for families in crisis.

These and other models supported by the new legislation promise to help a new generation of parents achieve their own highest hope--raising their children successfully.

4B. GOALS 2000

"Goals 2000 is a new way of doing business in America. It represents the direction our government must take with many problems in the 21st century."

President Clinton
May 16, 1994

Actions to Date

President Clinton promised to transform our public schools by offering "top-down support for bottom-up reform." In 1994, President Clinton signed the two acts that constitute the most important school reform legislation in a generation: on March 31, the Goals 2000: Educate America Act, including the Safe Schools Act; and on October 20, the Improving America's Schools Act, reauthorizing the Elementary and Secondary Education Act. These Acts are already empowering teachers, principals, and schools to change the way we teach children with:

- Challenging academic standards for what students should know and how well they should know it.
- Violence prevention initiatives inside schools to make sure that the academic environment is conducive to learning, not fighting.
- Cutting-edge technology to create new opportunities and new excitement in learning.
- Strong parental involvement so that parents help their children learn and schools reinforce parents' efforts.
- Less red tape, so communities can offer challenging and tailored opportunities to children and government can help--not hinder--their efforts.

Already, 47 states have applied for and received grants to develop plans to reform their schools -- and better educate millions of children.

Background

"Our states and communities have always taken the lead in public education, and they'll continue to do so. But the national government can do more to help.

President Clinton
February 22, 1994

Americans take pride in a public school system that strives to give all our children the education they need to make the most of themselves. Community control of schools and parental involvement in education have made America's schools uniquely successful in the world. But since the 1980s, a series of studies confirmed what many parents already knew: America's schools have not been doing their jobs.

The problems are diverse. Many schools have stopped demanding high achievement from students: in "the tyranny of low expectations," students are asked for little and deliver less. Some teachers are inadequately prepared for the demands of the classroom and inadequately assisted once inside it. The curriculum often fails to engage students or their teachers. Technology inside the schools has not kept pace with changes outside them. Violence in communities has entered the hallways and engulfed many schools. And complicated bureaucracies create a government octopus that tends to slow change down. Red tape stifles the very people--the parents--whose involvement is most essential to children's educational success.

While researchers studying schools have found the problems, educators have gone to work solving them. Governor Clinton made education the centerpiece of his program to prepare a rural state for a complex economy. He pursued comprehensive school reform--including a tough new curriculum, incentives and requirements for parental involvement, statewide testing of students and teachers, and mandatory reporting on school performance. The results were impressive: in 1992, at a time when educational performance in many states was declining, Arkansas boasted rising student scores on standardized tests and the highest high school graduation rate in the region. Other states pursuing similar reforms scored equally striking victories.

The movement for school reform picked up national support in 1988. As head of the National Governors' Association, Governor Clinton joined President George Bush to convene a national Education Summit. Participants together hammered out six goals for American education. These represent a lighthouse to guide the efforts of communities and states to improve education. (See box for the goals, now totalling eight, as formalized in law by the Goals 2000 Act passed last year.)

National Education Goals

By the year 2000:

1) School Readiness: All children in America will start school ready to learn.

2) School Completion: The high school graduation rate will increase to at least 90 percent.

3) Student Achievement and Citizenship: American students in America will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter--including English, mathematics, science foreign languages, civics and government, economics, arts, history, and geography--prepared for responsible citizenship, further learning, and productive employment.

4) Teacher Education and Professional Development: The nation's teaching force will have access to programs for the continued improvement of their professional skills and the opportunity to acquire the knowledge and skills needed to prepare students for the next century.

5) Mathematics and Science: U.S. students will be first in the world in science and mathematics achievement.

6) Adult Literacy and Lifelong Learning: Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship.

7) Safe, Disciplined, and Alcohol- and Drug-Free Schools: Every school in America will be free of drugs, violence, and the unauthorized presence of firearms and alcohol and will offer a disciplined environment conducive to learning.

8) Parental Participation: Every school will promote partnerships that will increase parental involvement and participation in promoting the social, emotional, and academic growth of children.

The Initiative

"[We set world-class standards of excellence] because we believe every child can and must learn at world-class standards of excellence. And those of us who are older believe we have a practical and moral obligation to see that you have a chance to do it."

President Clinton
March 31, 1994

President Clinton has initiated national reforms that bolster community efforts, offering "top-down support for bottom-up reform." The reforms are embodied in two key pieces of legislation, both passed with broad bipartisan support in 1994: the Goals 2000: Educate America Act, and the Improving America's Schools Act, reauthorizing the Elementary and Secondary Education Act (ESEA).

The centerpiece of the program is Goals 2000. At the national level, the Act revises and codifies the National Education Goals, making them the official benchmarks for educational excellence in America. The legislation then challenges states and local school districts to set their own high standards -- and to design plans to help all children reach them. Goals 2000 will offers financial support for the implementation of those plans -- with 90 percent of the funds going to the local level.

At the state and local level, the Act offers assistance to states and school districts to establish broad-based panels to develop reform plans for their schools. If the plans meet broad national guidelines, Goals 2000 will then offer financial support for their implementation.

The state and local provisions of Goals 2000 are voluntary and designed entirely to achieve each state's and community's own goals and challenging standards. States need not participate -- although 47 states already are. The legislation specifically prohibits federal mandates. The Goals 2000 application is a simple, four-page document with <u>no</u> accompanying regulations. And Goals 2000 gives the Secretary of Education authority to waive some federal requirements and delegate waiver authority for promising reform plans.

The key features of the reform process fall into five areas:

<u>High Standards</u>

America's students will need to meet new and challenging academic standards in order to meet the high demands of the new economy. And high standards do more than set benchmarks; they galvanize young people. The more you ask of our nation's students, the more you get back from them.

Goals 2000 encourages every state to develop challenging content standards (what students should know) and performance standards (how well students should know it).

Through the reauthorization of the Elementary and Secondary Education Act, the Administration has taken another stand for standards. For many years, economically-disadvantaged students, those helped by "Chapter 1" (now called "Title I"), were not expected to reach the same levels of achievement as other students. Instead, these students were often taken out of their regular classes, placed in remedial classes, and offered a watered-down curriculum. The new Title I raises expectations again: schools will once more expect students in the program to learn to meet challenging academic standards like all other students.

Under Goals 2000, standards should be much more than abstract ideals cut off from the day-to-day activities of the school. Rather, standards can become guidelines around which states and localities align virtually everything in their education system, including curriculum and professional development. Replacing the tangle of goals inside schools today, challenging standards can act as a fixed star to orient every effort.

Parental Involvement

Parents are the most important teachers of their children. Without dedicated help from parents, good schools will not be enough. Study after study shows that parents who play an active role in their children's learning boost their children's grades--and their lifelong commitment to education.

Parents need to be involved in both the education of their children and the life of their schools. They can talk to children about school, especially homework. They can read with children and keep books around the house. In addition, parents can take personal responsibility for their children's attendance at school--while limiting the time kids spend in front of the television. And finally, parents can get to know their children's teachers and their schools' administrators, and help to shape the way schools teach children.

The Administration is working to help parents get involved. With the strong support of the President and the national PTA, the new National Education Goals establish increased parental participation as one of two new goals. The Improving America's Schools Act requires schools participating in Title I to develop written compacts with parents that spell out the goals, expectations, and shared responsibilities of schools and parents. The Administration is supporting new initiatives designed to help parents act as teachers for their pre-schoolers (see Family Support and Preservation section). Education Secretary Riley is leading a national partnership--with an aggressive public campaign--to encourage parents to become more active. He and his staff have met with more than 125 different parent, religious, education, community-based and business groups to discuss ways to promote parental involvement in children's education.

Important as these efforts are, their limits are clear. No law nor initiative can do the work of a family. In the end, the responsibility for teaching children to learn rests with every parent.

Teacher Training

If we are going to demand high achievement from students, we have to expect a lot from teachers, too. Improving student performance means improving teacher training, too. With Goals 2000, teachers play a crucial part in developing the new standards that students will pursue. Because teachers are "in on the ground floor," reforms will reflect the needs that students demonstrate inside the classroom. And under the new legislation, teachers will also get the improved training they need to help students achieve high standards.

Technology Development

Computers and other advanced technology offer exciting ways for students to learn traditional subjects. They also provide hands-on training in the work skills that an Information Age demands. Goals 2000 funds can be used to integrate technology into school improvement efforts. And the reauthorized ESEA will help more schools get on the emerging Information Superhighway.

Safe Schools

If schools aren't safe, children aren't going to reach high standards. The Goals 2000: Educate America Act and the Improving America's Schools Act include provisions to prevent violence in schools. The programs are flexible, giving schools the power to meet their unique safety needs. One school might focus on teaching students how to resolve conflicts without violence. Another might encourage parents and community leaders to come together and stop school violence. A third school might focus on safe after-school programs for all students. All three schools could add other efforts to these, including acquiring metal detectors, hiring security personnel, and developing safe zones around school.

Case Study of High Standards: Oceanside High School, Los Angeles

The Improving America's Schools Act says that all students should aspire to challenging standards--whatever their backgrounds. Some say that's too much to ask. The experience at Oceanside High School suggests otherwise.

It wasn't long ago that a proposal at Oceanside to place disadvantaged underachievers in a college-prep course sparked fierce opposition among some teachers and administrators. Says teacher Lennie Noordhoorn, "They thought it was a disservice to the kids--that they couldn't handle" advanced classes. But the AVID program ("Advancement Via Individual Determination") has students doing better in their classes--and skeptics becoming believers.

AVID teaches underachievers how to take notes, improve their writing, participate in class discussions, and develop other skills needed to reach college and succeed there. "What they're really doing," says University of California-San Diego Professor of Education Hugh Mehan, "is teaching kids about this culture of the schools.... how to study, how to use libraries... the kind of things that middle-income kids often receive implicitly at home." Today, more than 90 percent of AVID graduates go on to postsecondary education--50 percent of those at four-year colleges.

Case Study of Technology: Christopher Columbus Middle School, Union City, NJ

As part of a comprehensive reform proposal, new computers in the classroom can transform education--for all students.

In the late 1980s, the Union City school district was in crisis, and on the verge of state takeover. This densely-populated, poor, urban, predominantly Latino district was having difficulty meeting New Jersey State education goals. At Christopher Columbus Middle School, student attendance and scores on standardized tests were well-below state averages, while dropout and transfer rates were far above the state norm.

All that began to change in the 1989-90 school year. The school developed a restructuring plan, teachers created an innovative new curriculum, staff were retrained, and extended periods for core subjects were instituted. With added money from New Jersey's Quality Education Act, the schools installed 775 computers. That was when Bell Atlantic offered to institute an intensive "technology trial" at the school. In addition to each classroom having several computers, Bell placed computers in a new media resource room, the science laboratory, and the computer laboratory. The company installed high-level computer equipment with graphics and voice capabilities in the schools and homes of all seventh-grade students and their teachers. All the computers were tied into local- and wide-area networks.

Computers are now an integral part of the curriculum, helping students learn to research and work together better. For example, when students study the American Revolution, they form teams that can conduct research in new ways: by going to the media center and using the Grolier multimedia encyclopedia; by using the computer to research George Washington through a CD-ROM information disc; and by using e-mail to access critical essays now on the network. Teams that don't finish their work in school can continue working at home, communicating by computer.

Teachers receive support for using the computers from Bell Atlantic and a local Education Development Center. They, in turn, have helped run workshops that introduce parents to the new technology.

Today, Union City students in grades K-8 are performing above-average work in math and other areas. The transfer rate is down dramatically at Christopher Columbus. Students are using the media resource room during lunch time and after school. They are actually eager to hand in their homework, neatly typed on the computer. And they're lining up before the formal school day begins, so they can start learning early.

Case Study of Safe Schools: James P. Timilty Middle School, Roxbury, MA

Because they are led by schools, not government, Safe Schools efforts can transform even the most dangerous schools into safe havens.

Timilty Middle School was once considered one of the weakest schools in Boston. Violence was rampant, and the quality of education suffered. Then a group of Timilty students, guided by their teachers, sponsored a forum to discuss ways to stop the violence. Student councils from eight schools joined and agreed that conflict resolution should become a part of the curriculum. All students and staff would make a written commitment to bring the violence under control. And with hard work, the levels of violence in the school dropped dramatically.

With the guns and gangs under control, Timilty focused on improving academic achievement. The school implemented "Project Promise," which adds 90 minutes of reading and math instruction four days a week for all students--more than twice the time many students spend in these areas. The result of these and other reforms have been the highest reading and math scores in Boston Middle Schools for the last five years.

Other innovations are now under way. The school has four clusters of 80 to 100 students, each led by a team of nine teachers who together design and offer interdisciplinary instruction. Parents serve on Timilty's management council. A staff member works half-time on parent outreach. Doctors, nurses, and engineers from Massachusetts General Hospital help students with science projects and career exploration. Three new summer programs provide continued academic instruction and community service to the elderly in the area. And an adult literacy program helps Spanish-only parents learn English.

Once a hotbed of violence, Timilty is now an engine of reform inside the Boston schools.

4C. SCHOOL-TO-WORK OPPORTUNITIES

"School-to-work is central to our efforts to guarantee lifetime learning for every citizen. In a rapidly changing world economy, what you earn increasingly depends on what you learn."

President Clinton
April 21, 1994

Actions to Date

In 1994, President Clinton's School-to-Work Opportunities Act passed Congress with bipartisan support, fulfilling his pledge to create a school-to-work system. With $250 million appropriated in 1995, the new initiative will build on efforts begun in 1994 with $100 million. School-to-Work is:

- Allowing states and communities to design diverse programs.
- Enabling all participants to develop high-level academic and technical skills, obtain a high school diploma and an occupational skills certificate, and move toward further training and first jobs that lead to high-skill, high-wage careers.
- Expanding the number of states receiving implementation funding from 8 in 1994 to 28 in 1995 to overhaul their systems to create better and broader school-to-work opportunities.
- Offering support for every state to create school-to-work opportunities by 1997.
- Will end in 2001 -- because President Clinton wanted the is program to provide a catalyst for local initiative and not a new federal bureaucracy.

Background

Too many American high school students have few options today. Not every young person wants to go straight to college after high school. The education offered to the vast majority of young Americans (both "general" and "vocational") provides neither access to jobs nor solid grounding in academic fundamentals. The wage gap between workers with and without college degrees has literally doubled. For young people without four-year degrees, this means frustration and anxiety as good jobs become more scarce. For the national economy, it means a tragic waste of talent and potential.

In America, many skilled trades have long been passed on from master to youth through a structured system of apprentices. A range of models for combining meaningful education and career paths for young people flourishes throughout western Europe and other industrialized nations. The President's school-to-work legislation not only launches new innovations in work and learning, but also reaffirms the tradition of "work-based learning."

The Initiative

The culmination of a national dialogue involving leaders from business, labor, and education as well as students, parents, and Administration officials, the School-to-Work Opportunities Act will renew for millions of Americans our nation's promise that anyone who works hard and plays by the rules can enjoy economic security.

During the last two years of high school, and typically for at least one year beyond, young people participating in school-to-work programs receive classroom instruction and structured work experience that relates to what they learn in school. They may not know at any one moment whether they are formally in "schooling," "training," or "higher education" -- but it doesn't matter. What matters is that they are following well-marked pathways between school and careers and are developing the confidence, competence and connections required to succeed in the global economy.

The school-to-work legislation is remarkable for what it contains: the framework for a national system of community work and learning partnerships. But the legislation is nearly as remarkable for what it leaves out. Rather than attempting to force change with a flood of money from Washington, or dictating a single design for all schools to follow, the Act encourages states and communities to take the lead. The federal role in School-to-Work is crucial, but limited. A joint enterprise by the Labor and Education Departments manages a pool of venture capital that empowers state and local innovators.

The Act builds on a common-sense, three-part consensus: first, young Americans need paths to prosperity that don't require a conventional four-year degree, but do meet the need for practical post-secondary training to prepare for new middle-class careers; second, almost all students, college-bound or not, learn better when their studies are linked to relevant contexts like the working world; third, no single path suits every student -- there must be a range of school-to-work opportunities, with plenty of room for local diversity and experimentation. There are many valid models, including youth apprenticeships, innovative vocational education programs, career academies, and cooperative education.

The legislation ensures, however, that all school-to-work programs share four key elements. Every participant receives high-level academic and technical skills; a high school diploma that keeps the door open to college; an occupational skills certificate reflecting mastery of an industry skill; and preparation for further education and first jobs that lead to high-skill, high-wage careers.

- A *Work-based learning experience*;
- An *integrated curriculum* of academic and occupational skills;
- A *high school diploma* that keeps the door open to college;
- An *occupational skills certificate* offering access to a first job with a real future.

Small planning grants have already gone to every state. Reform is now moving forward in "waves" as individual states complete their own blueprints for change. Eight states won implementation grants in the first year, 1994, and in the second year, Congress approved funding for as many as 20 more states to implement reform plans. By 1997, every state will have a chance to implement school-to-work reforms. Then, having achieved its goal of sparking local change and creating new programs, the School-to-Work Opportunities Act will be phased out by 2001.

In its early stages, the school-to-work movement has yielded impressive results. At Roosevelt High School in Oregon, students choose from among six "career majors" which serve as themes for applying academic learning and open opportunities for work-based learning. The freshman dropout rate has plummeted by 62 percent. At the Rindge School of Technical Arts in Cambridge, Massachusetts, 85 percent of the youth apprentices are entering college -- compared with the district's average college placement rate of 67%. In Boston, all 38 seniors from Project ProTech who graduated at the end of the 1992-93 school year enrolled in postsecondary programs.

But the power and promise of school-to-work programs is best expressed by the students themselves, who testify to its impact in changing their lives. Said one graduate of the Oakland Health and Bioscience Academy, now a professional RN: "The best thing about this program is learning through high school the hands-on experience that I needed in terms of focusing on what I really wanted to do in the nursing field. It gave me exposure and clinical experience and networking with the professionals and I was able to project myself in five years -- that this was how I wanted to be and who I wanted to associate with." Or as another school-to-work participant has said, "This program taught me responsibility -- you can do anything you put your mind to."

Case Study: Siemens Stromberg-Carlson Electronics Technicians Apprenticeship Program

Siemens Stromberg-Carlson, an international company based in Germany, has years of experience training young people for high-skill, high-wage jobs. Their Electronics Technicians project in Florida translates some of the best features of the famed German youth apprenticeship model -- such as master teachers at the company, high academic standards, and employer involvement in curriculum -- to create a school-to-work opportunity that works for young Americans and their communities. The program is a partnership between local high schools and community colleges, government and industry.

The results so far have not only equaled, but actually exceeded those of the German model. For two years in a row, Siemens students in the U.S. have scored the highest of all Siemens apprentices worldwide. In fact, despite having five months less training, American Siemens apprentices outscored their German counterparts on the same exam.

Case Study: Chris Brady

When Chris Brady decided to drop out of school, it seemed like a logical step. The South Boston native was so turned off by school he rarely made it to any classes. But he saw that his friends who had dropped out were sweeping floors and stocking grocery shelves -- and not making enough money to pay the rent. He wanted something better.

So instead of leaving school for good, Chris found his way into the Project ProTech school-to-work program in financial services. For the first four months, he learned the basics of banking and what work was all about. Then he started to work part-time in the "large currency" department at Fleet Financial Group, one of the nation's largest banks. The job required him to pay close attention to detail, communicate with other branch offices, use a computer to enter data and retrieve information. In the afternoon, he would attend classes that were set up to relate to his job -- learning math and English with lessons on word processing, data bases, and spreadsheets.

In the process, Chris started to see the connection between work and school and, as he says, once he "got a taste of the business world, something just clicked" for him. He is now in college, where he is studying business administration.

4D. NATIONAL SERVICE

"Beyond the concrete achievements of AmeriCorps, beyond the expanded educational opportunities those achievements will earn, national service will help us to strengthen the cords that bind us together as a people--to remember in the quiet of every night, that what each of us can become is to some extent determined by whether all of us can become what God meant us to be."

President Clinton
September 21, 1993

Actions to Date

President Clinton promised to enable Americans to earn money for education by engaging in service to America. On the 100th day of his administration, President Clinton sent to Congress the National and Community Service Trust Act. With bipartisan majorities, Congress passed that Act, and on Septem[illegible] 21, 1993, President Clinton signed the legislation and created AmeriCorps. With a [illegible] illion first-year investment, AmeriCorps fulfills his promise by:

• Giving young people the chance to spend a year or more making our people safer, smarter, and healthier--while earning an award of nearly $5,000 per year to pay for college or job training.

• Engaging 20,000 Americans as AmeriCorps Members in its first year--more than the Peace Corps at its height.

• Combining existing Federal agencies and relying on communities to design their own initiatives.

Background

"The lesson of our whole history is that honoring service and rewarding responsibility is the best investment America can make."

President Clinton
March 1, 1993

"I believe.... that national service will remain throughout the life of America not a series of promises, but a series of challenges, across all the generations and all walks of life, to help us to rebuild our troubled but wonderful land."

President Clinton
September 21, 1993

America has a long tradition of civic service. Th[illegible]on was founded by citizens who came together in order to build a foundation for fre[illegible]m. "A debt of service," said Thomas Jefferson, "is owed by every [citizen] to [our] country." In the 19th century, Alexis de Tocqueville found that in America as nowhere else, people joined in religious, educational, and civic organizations in order to solve problems.

Programs of service organized at the national level have built on this rich tradition. During the Great Depression, Franklin D. Roosevelt created the first major national service program, the Civilian Conservation Corps (CCC). Four million young people joined--restoring the nation's parks, revitalizing our economy, and supporting their families and themselves. A generation later, President Kennedy created the Peace Corps as the concrete embodiment of his most famous words: "Ask not what your country can do for you, ask what you can do for your country." Responding to that call, thousands of Peace Corps Volunteers have left the comforts of home and traveled to the poorest corners of the globe, building schools where none existed, helping farmers feed the hungry, and creating hospitals to care for the sick.

In developing a program of national service for a new generation, President Clinton has drawn on two vital principles from these programs. First, service is important because there is a lot of work to do right now in America. If national service is to meet any other objective, it first has to meet real needs: ensuring immunizations for infants, teaching children to read, making neighborhoods safe for families, and keeping the elderly safe in their homes.

Second, a new program of national service should strengthen the spirit of citizenship.

Too often today, young people speak about rights, but not about responsibilities. Yet an ethic of entitlement without obligation doesn't work--and it certainly isn't what has always made America great. A program of national service shows those who serve and those who don't that Americans can--and should--give back to their communities and country.

And in return for their contribution to our country, those who make a long-term commitment to service can get something in return for themselves. This idea is reciprocity: more opportunity in return for more responsibility. And for young people near the beginning of their careers, there is no greater source of opportunity than education. The model here is the GI Bill, passed during World War II to enable returning veterans to get a college education. Through the GI Bill, millions of Americans contributed to their own future and to America's productivity at the same time. National service here at home offers a new way for young people who help others to help themselves.

A final important principle is that national service ought to strengthen the voluntary associations that have always made America strong. In recent years, social scientists and community leaders alike have worried that Americans are working together less than we once did. National service can provide a steady source of new help for America's civic organizations, helping them to solve community problems from the grassroots up. And those participating can help to draw other community members back into service. The program becomes a catalyst for communities to come together, draw new volunteers and support from the community, and solve problems.

The Initiative

"National service recognizes a simple but powerful truth, that we make progress not by governmental action alone, but we do best when the people and their government work at the grassroots in genuine partnership."

President Clinton
March 1, 1993

President Clinton's pledge to create a "domestic Peace Corps" excited as much interest as any proposal. Young people were especially energized; in the first 100 days of the Clinton Administration, the White House was flooded with thousands of postcards and phone calls about the shape of the new program. On the 100th day, President Clinton detailed his program to fulfill that promise, and a few months later, Congress passed the National and Community Service Trust Act creating the new program, dubbed "AmeriCorps." Today, in its first year, more people are participating in AmeriCorps than joined the Peace Corps at its height.

Designed with bipartisan support in the Congress and from the Governors, AmeriCorps is simple enough. Anyone over age 17 may participate, although in practice most AmeriCorps Members are young people. Members agree to make a significant commitment to service--either a year or two full-time, or a longer period part-time. Through their service, they meet important needs in four areas: education, public safety, the environment, and human needs (including health and housing). Service ranges from improving our schools, housing the homeless, and making our streets safe and our environment clean. In return for their service, they earn a small stipend and, at the end of their service, an education award worth nearly $5,000 per term--nearly the average cost of a year at a four-year, public university. The education award can be used to repay existing loans or to pay for current or future expenses at any accredited four-year, two-year, or vocational institution.

As the first program of its kind in a generation, AmeriCorps had to be on the cutting-edge of reinventing government. And it is. The Corporation for National Service--a combination of existing agencies, not a new one--oversees the effort. The idea, as Corporation Chief Executive Officer Eli Segal says, is to "translate national service from the poetry to the prose." The Corporation sets broad standards, tracks cost-effectiveness, and monitors progress toward basic goals. But the real power is in the hands of states and communities, which design programs to meet their own special needs.

Today, in more than 350 communities around the country, nearly 20,000 Americans are getting things done right now. They are from every state in the union and every background under the sun. What they share is a commitment to helping themselves and improving our country--not with the heavy hand of government, but with the helping hand of service. In Texas, AmeriCorps Members have helped immunize more than 200,000 infants, saving taxpayers millions of dollars--and saving untold lives. From the floods in California to the fires in the Pacific Northwest, AmeriCorps Members have helped limit the toll of natural disaster and helped the displaced get back on their feet. And in Kentucky today, AmeriCorps Members are raising reading levels from two years behind to one year ahead of standards.

Beyond these direct results, AmeriCorps helps transform communities. AmeriCorps Members develop the skills and the spirit to make a lifetime of active citizenship. And their communities come together again as well. When AmeriCorps Members help a church set up regular neighborhood cleanups or tutoring programs, neighbors get to know each other again. And they learn that they don't need to wait for anyone else to help them--that they can help themselves. AmeriCorps is helping bring America together and move America ahead--neighborhood by neighborhood, and block by block.

Case Study: AmeriCorps Cadet Program

A unique partnership among the New York City Police Department (NYPD), the John Jay College of Criminal Justice, and the Corporation for National Service, AmeriCorps Cadets enables young people to fight crime in their communities and become police officers themselves. The Cadet term is similar to the Reserve Officer Training Corps (and the Police Corps, discussed elsewhere). During the school-year, Cadets attend classes full-time, including those of the police academy, and serve with the NYPD part-time. During the summer, they serve full-time in their communities. On completing both their college education and their AmeriCorps experience, the Cadets become sworn police officers.

The AmeriCorps Cadets program builds on the existing Cadet program of the NYPD, but it adds an especially strong commitment to community-based problem-solving, using insights from the community policing movement. Teams of six to eight cadets are assigned to 15 of the highest crime precincts in New York City. There, they work with police officers and community members to address specific problems. Projects include reducing "quality-of-life crimes" in Lower Manhattan by cutting loitering and drug and alcohol violations; establishing a "Safe Corridor" for commuting schoolchildren in mid-Manhattan; taking back a drug-infested block in East Harlem by recruiting blockwatchers, enlisting landlords, and coordinating patrols; patrolling parks across Brooklyn to report and reduce crimes; and more.

During the 1994 "Summer Of Safety" (SOS), a pilot for the AmeriCorps program, the first 100 AmeriCorps Cadets made striking advances against crime in New York City. The positive accomplishments are many, but the most notable is something that didn't happen: for the first summer in memory, there were no sexual assaults reported at New York City's public swimming pools, thanks largely to AmeriCorps Cadet patrols there. All 100 SOS Cadets, as diverse as New York City itself, have re-enrolled this year.

Case Study: David Trevino

When David Trevino sees teachers send children to the corner for bad behavior, he tells himself, "That was me." After his parents split up in his early childhood, David struggled. Teachers said David was learning disabled and placed him in special education classes. In an example of the "tyranny of low expectations," David recalls teachers telling him he "wasn't going to make it." For a long time, David believed--them and scored poorly.

One key figure in David Trevino's life was a fourth grade teacher who took a special interest in him and taught him, for the first time, to enjoy learning and believe in himself. David graduated from high school and went on to attend Austin Community College, where he is currently a sophomore. Still inspired by his former teacher's example, David has become a teacher himself, as part of the AmeriCorps for Math and Literacy program in Austin, Texas. There, David teaches basic skills like reading, writing, and mathematics to disadvantaged children--the kinds of children he once was.

David is passionate about giving back the caring and inspiration given him in his childhood. He says his goal this year is to change as many lives as he can. One life he is sure to change is his own. David will use his education award next year when he transfers to the University of Texas to begin pursuing a degree in environmental studies with a concentration in water quality.

4E. INDIVIDUAL EDUCATION ACCOUNTS/COLLEGE LOANS

"We already give Americans looking forward to their retirement the chance to save in what we call an Individual Retirement Account. Now, we offer people at the beginning of their careers the chance to pay for college in what we call Individual Education Accounts."

President Clinton
October 21, 1994

Actions to Date

College has always been a gateway to the American Dream, but in the 1980s, college costs soared while students dropped out because they couldn't repay their loans. President Clinton has promised to reform the system--so all Americans could borrow the money for college and repay it as a percentage of their income over time. As part of the budget reconciliation passed by Congress and signed by the President in 1993, President Clinton fulfilled his commitment and enacted the biggest change in student loans ever. The reform is already in place at 104 schools, and will eventually be available to every student in college, graduate school, or job training nationwide--over 20 million Americans. Under President Clinton's plan, over the next five years:

- Any student can get loans for college or job training, and repay them in one of four ways, including "pay-as-you-can" repayment as a small percentage of income over time.
- Defaults will decline--they are already down from $2 billion to $1 billion per year--because borrowers have better service and more flexibility to repay their loans at a manageable pace.
- Borrowers can choose among different repayment schedules and change schedules over the life of their loan--reducing the burden of debt on the choice of a career.
- Red tape and loan-processing time are cut back dramatically as students can borrow directly through their schools, not from multiple "middlemen."
- Taxpayers are saving more than $6 billion--with another $5 billion in savings planned in the 1996 budget.

Background

"I got interested in this because I got tired of hearing young people in my own state tell me they were going to drop out of college because they couldn't afford to take out another loan; or tell me that they wouldn't go until they had some money because they knew they'd never be able to repay the loan. And I think we've changed all that now."

President Clinton
November 1, 1994

Higher education has enabled millions of Americans to step into the middle class. And now more than ever, getting a college education is a key to getting ahead in the world economy. Today's new technologies and global competition make high demands on workers' skills, driving an economic wedge between those who have more education and those who don't. In 1994, the average unemployment rate for Americans without a high school diploma was 12.6 percent; in 1992, the average income, less than $22,000. For Americans with a four-year college degree, the unemployment rate dropped to 2.9 percent, while the average income shot up to more than $57,000.

Because nothing is more important to America's economic future than college opportunity, nothing could be more troubling than key trends in higher education during the 1980s. At a time when middle-class incomes were stagnating, college costs were rising far faster than inflation--even more rapidly than health care costs. The college dropout rate climbed to more than twice the high school dropout rate, with many of the casualties leaving school because they just couldn't afford it any longer. As always, families struggled and sacrificed to pay for the cost of a single child's higher education. But for many, the cost was just too great.

Throughout this period, the student loan system made matters worse. Thousands of banks, secondary markets, and guaranty agencies formed a maze that made borrowing as complicated as any college exam. These "middlemen" imposed enormous burdens and inefficiencies--with billions of dollars in costs passed along to taxpayers. Rigid repayment schedules and high monthly payments often forced borrowers just out of school to change their career decisions--forsaking rewarding work in public service for less interesting jobs that might pay more. Those decisions didn't serve America's young people, and the defaults didn't help America's economy, either.

President Clinton promised to reform the student loan system so that all Americans would have the opportunity to borrow for college and pay off their loans on a manageable timetable--as a small percentage of their income over time. Rather than make repayments according to a fixed schedule linked only to the size of their loan, young people fresh from college could pay less at first, when they were likely at their lowest levels of income, and more in subsequent years, when they might be earning more. This idea was not new. As early as 1949, Nobel laureate Milton Friedman advocated such "income-contingent" or "pay-as-you-can" repayment of student loans.

The second component of Clinton's program called for the Federal government to lend money directly to students, bypassing "middlemen" and passing along savings to both students and taxpayers. On a limited scale, the Federal government began "direct lending" in 1959 through the Perkins Loan Program. And beginning in the 1980s, Senators Durenberger, Bradley, and Simon, along with Congressman Petri, proposed a much broader direct-lending program along with income-contingent repayment. In 1992, Congress established a small demonstration to test the idea; it was superseded by President Clinton's initiative, introduced in 1993 and passed as part of the budget reconciliation act of that year.

The Initiative

Under the new program, students set up Individual Education Accounts to pay for education. These enable borrowers to pay off their loans in one of four ways--and to switch plans as their financial situations change. With the new options, borrowers have greater freedom to take risks and pursue personal interests that eventually benefit us all. They can start their own businesses. They can accept lower-paying public service jobs--as teachers, nurses, or police officers. Or they can take time off to care for a child or sick relative. The new options promise to bring defaults down while dramatically expanding opportunities for young people to pursue their dreams.

With Individual Education Accounts, standard, fixed payments over ten years are still available. But in addition, borrowers can choose two other repayment plans that allow them to extend payments over 12 to 30 years. (One requires fixed payments, the other offers lower payments at first that increase over time.) And borrowers can also choose the "pay-as-you-can plan" that links a borrower's monthly payment to his or her annual income and loan amount.

Individual Education Accounts are part of the new Direct Student Loan program that offers a variety of other benefits to students and taxpayers. The system eliminates seas of red tape and enables borrowers to obtain loans directly through schools. This way, students need only deal with one institution--"one-stop shopping" for student loans. Borrowers will pay only one loan servicer and receive one monthly statement throughout the life of their loans.

Because of its simpler structure, the new program will save more than $6 billion by the year 2000. Savings are already being passed along to students through lower fees and interest rates. And that means millions of Americans will have an easier time paying for college.

Already, 104 colleges and schools are participating in the Direct Loan Program, with more than 300,000 students receiving loans totalling $1.2 billion. By Fall 1995, about 40 percent of new student loan volume will be in the new program. Individuals also are now able to consolidate their federal student loans in Individual Education Accounts. Over the next five years, every post-secondary student -- over 20 million Americans -- will have the opportunity to participate in the Direct Loan program.

Early reports on the effort are very positive. Colleges and universities--and the U.S. Department of Education--have implemented the program by reassigning staff, needing little or no new hiring. The President of the University of Michigan has reported that loans are up 43 percent on his campus. "With one-stop shopping," he says, "students have been able to obtain their loans in record time." And the American Council on Education says the reforms "will benefit millions of American students and their families for years to come. In the final analysis, they will help ensure that the United States has a more highly-educated citizenry and a work force better prepared for the challenges the nation will face in the next century."

Comments from Students

On November 1, 1994, at the University of Michigan's Dearborn campus, a group of students (including Stacy Tenderson, Alex Vincent, and Charles Tisdale) discussed the new program with President Clinton. Here are selections from their comments.

"The new system is much easier. It works out great. I particularly appreciate the income contingency of repayments. I'm going into the library profession, and as everybody knows, it's not as lucrative as some of the other fields. I'd like to start out by repaying my loans that way, and the move to a more standardized payment plan as my salary potential increases."

"Plans change, and in order to move with the things that happen in your life, having the options is always a plus."

"It's less cumbersome, as far as getting your checks."

"From my perspective, it's what allowed me to dedicate my life to education and community service within higher education."

"One of the nice things about this new process and this new procedure is that there's a lot less paperwork. In the years before, we had a lot of paperwork; we had a lot of things to fill out -- a lot of forms. It was very cumbersome.... With less paperwork, I can manage my own time. I'm able to take more classes. I have a part-time job now."

"It has really made a difference in my life and I've seen it made a difference in a lot of other young Americans lives."

Four Repayment Options

- *Pay-As-You-Can Plan:* A borrower's monthly payment is based on his or her annual income and loan amount. Since repayment is a fixed percentage, repayments rise when income goes up and decline when income decreases.
- *Standard Repayment Plan:* Borrowers can still choose the standard fixed payments over ten years.
- *Extended Repayment Plan:* Borrowers can extend their repayments over 12-30 years depending on loan amounts.
- *Graduated Repayment Plan:* Borrowers have lower monthly payments initially, with payments increased every two years over a period of 12-30 years.

Composite Borrowers with Better Options under IEA

1. **Entrepreneur**. Jane Smith, a recent graduate with a degree in computer science and $25,000 in loans, wants to start her own business. Jane realizes that she will have high start-up costs for the first few years, and chooses to draw a minimal salary of $12,500.

Without IEA under the *standard repayment* plan, Jane would face monthly payments of about $300--nearly 30 percent of her income.

With IEA, she can still choose standard repayment, but also has three additional options:

Pay-as-you-can, with monthly payments around $85, which is a little more than 8 percent of her income.
Graduated payments, with initial monthly payments that are less than $160, but gradually increase to almost $300 near the end of the 20-year repayment period.
Extended repayment, with monthly payments of about $200 for 20 years.

2. **Teacher**. David Blackwell, a teacher, graduates from a private university. He borrowed $35,000 to finance his undergraduate and graduate degrees, and his starting salary as a teacher is $30,000.

Without IEA under the *standard repayment* plan, David's monthly payment would be $415 over ten years, or almost 17 percent of his initial income.

With IEA, he can still choose standard repayment, but also has these other choices:

Pay-as-you-can, with initial monthly payments of about $270 (less than 11 percent of his initial income) would retire his loan in about 13 years.
Extended repayments with monthly payments of about $280 for a 20-year term.
Graduated payments with initial payments of about $220 that gradually increase to a little more than $400 per month near the end of the 20-year term.

3. **Professional with Temporary Hardship**. A lawyer, Shirley Anderson, borrowed $60,000 to finance her undergraduate and law degrees. She easily managed her $700+ monthly payment while working at a law firm. After several years, she chooses to work part-time for $20,000 annually in order to care for an ailing relative.

Without IEA, Shirley would have to continue the high monthly payments.

With IEA, she can change to a *pay-as-you-can* plan requiring monthly payments of only $250. Shirley would pay more when her income rose again, and she could change plans again to accommodate a new job situation.

4F. NEW SKILLS FOR NEW ECONOMY

"We do not need all of these separate government programs telling people what to do. We ought to just give you the money if you're eligible for it and let you bring it and get a good education."

President Clinton
Remarks at Sandburg Community College
January 10, 1995

Actions to Date

President Clinton has aggressively deployed existing authority and resources to begin building a reemployment system. **Reemployment reforms already achieved include:**

- About half of the states -- empowered with federal grants -- are planning or assembling networks of one-stop career centers.

- Funding for reemployment services has increased 150 percent from 1993 to $1.3 billion this year, increasing the number of workers who receive support to find new jobs from 297,000 in 1993 to 679,000 in 1995.

- Workers applying for unemployment insurance are getting individual assessments of their skills, so that each can quickly find the kind of help they need for rapid reemployment.

- Administration-sponsored changes in unemployment insurance are encouraging laid-off workers to start their own businesses.

Building on this progress, President Clinton has proposed a plan to provide every American worker who is willing to learn and work with the tools to build a better future. **Specifically, the President is proposing:**

- creating individual skill grants of $2,620 for unemployed and low-income workers to enable individuals to take responsibility, acquire skills, select services, and find rewarding work;

- consolidating some 70 federal programs for dislocated and low-income workers, and empowering states to create tailored, flexible systems for job search and training;

- offering tax deductions so that working Americans can afford the training they need to acquire new skills;

- making sure that Individual Education Accounts are available to every working American to borrow money to finance new learning and repay the loan as they are able from future earnings;

- making readily available better information on skills, jobs, and the quality of training providers--so that all workers can learn new skills and find good jobs.

Background

In the closing years of the 20th century, America's workforce is riding a roller-coaster of economic change. New technologies and global competition are changing the growth centers on the industrial landscape, from muscle-driven mass production plants producing uniform goods, to brain-driven flexible firms producing customized goods and services. This is mostly good for America: overall, we are well-equipped to prosper in a fast-paced, increasingly integrated world economy.

But the unfortunate truth is that America's workforce is increasingly divided according to skills. Just 15 years ago, a male college graduate earned less than 40 percent more than a man with only a high-school diploma; today, he outearns the high-school graduate by 80 percent. That's the story: for the most part, well-educated and skilled workers are prospering, with the American dream of upward mobility still within their grasp. But those whose skills don't match the changing economy contemplate their prospects with anxiety. And Americans without education or skills drift further and further away from the economic mainstream. Partly because so many Americans are unprepared for the new economy, between 1973 and 1993 the average hourly wages of all workers actually fell.

In today's economy, America's central challenge is to enable workers to get the skills they need for rewarding work. The good news is that those skills can be learned, not just in our school years, but throughout our lives. Every year of education or training beyond high school -- whenever it occurs in a person's life -- increases future earnings by 6 to 12 percent.

We have many resources to offer new training. Our country is blessed with a rich array of learning institutions to deliver the skills that workers want. And more and more firms are finding that the surest path to competitive advantage is embedding learning in the workplace.

But the current patchwork of Federal reemployment and retraining programs isn't doing the job. They're fragmented, full of conflicting rules that confuse the people they're supposed to help. Many programs empower bureaucracies instead of working people to choose who gets what training. They don't provide adequate information to those who want it. And many aren't held accountable for what matters most--equipping America's workers to find rewarding work.

It's time to change the system and make sure that every American worker has access to the training and information they need. If we do, America's workers and families will reap the reward: for all who continue to learn and work, a sure path to higher wages and rising living standards.

The Initiatives

Already, President Clinton has aggressively deployed existing resources to begin building a reemployment system.

- About half of the states--empowered with federal grants--are planning or assembling networks of one-stop career centers to offer efficient, customer-driven access to counseling, job listings, training, education, and other reemployment services.

- Funding for dislocated worker training and reemployment services has increased 150 percent from 1993 to $1.3 billion this year, giving hundreds of thousands of additional workers support to find new jobs.

- Workers applying for unemployment insurance, because of plant closings or defense conversions, are getting individual assessments of their skills and risks of long-term unemployment, so that each can quickly find the help they need to get new work.

- Changes the Administration sponsored in unemployment insurance laws encourage laid-off workers to start their own businesses.

But these accomplishments are only a beginning. President Clinton has called upon Congress to join with him and transform the nation's employment and training systems, root and branch. His plan will take money out of bureaucracies and empower workers by putting resources and information in their hands. And it will replace the disorganized welter of education, training, and job search assistance with an efficient, effective system.

Principles of reinventing government inspire President Clinton's initiative. It will dramatically consolidate Federal programs and hold them newly accountable, and offer new flexibility to states to tailor their employment systems. The effort will empower the workers who know better than any bureaucracy just what they need. And it will make business and labor full partners in the reform program.

The first part of President Clinton's initiative aims to put the resources to obtain training and find jobs in the hands of America's workers. His initiative will create individual Skill Grants for dislocated and low-income workers and job seekers. Valued at up to $2,620 per year, these grants will be payable toward whatever certified training that America's workers believe they need. And the grants will be supplemented with the right to student loans guaranteed through President Clinton's already enacted Individual Education Account program. Together with the skill grants, Individual Education Accounts ensure that workers can get the training they need--and repay their loans on an flexible, affordable schedule.

While President Clinton's reform puts new money in the hands of workers, it will consolidate some 70 Federal programs. In place of the old bureaucracies, the proposal empowers states to redesign training programs and delivery systems. Cumbersome regulations will disappear, and states that eliminate bureaucracies will be able to plow the money back into training. Within five years, every State is expected to have completed its reform plan and begun implementation of an efficient, effective system.

The new systems will make sure workers have the information about training and jobs that they need to make smart choices. The proposal speeds implementation of the One-Stop Career Centers that will provide comprehensive data about jobs and training. And it will offer workers new ways to gather this information to make intelligent job and training decisions, such as interactive computers.

The President's reforms break down the artificial lines dividing different types of training programs. The new system will link adult training opportunities to school-to-work initiatives that are already underway. States will be able to eliminate duplication, use funds more flexibly, and build cross-cutting partnerships with businesses, higher-education institutions, and community services.

The system brings the best practices of the private sector to government. The business and labor communities will help each state to design its strategic plan and ensure the highest level of quality. Private firms will be encouraged to form consortia to provide training, and companies that upgrade worker skills in innovative ways will receive special awards to highlight their successes.

This is not a traditional federal program. Because workers will get "consumer reports" on the quality and track records of training programs, institutions that don't work won't survive. States will develop standards of excellence that their programs must meet, and Federal standards will ensure that unqualified institutions and programs are not approved, and unsuccessful ones are not continued.

The President's initiative will arm every American worker with the tools to learn new skills, find good jobs, and earn higher wages at more rewarding work. It will be up to individual Americans to make the most of this opportunity--in their own way, to build a better life for themselves and their families. In every generation, Americans have risen to that challenge, and we will do so again. With new skills for a new economy, Americans will take responsibility for restoring the tradition of middle-class prosperity--and for passing it on for generations to come.

Case Study: Deb Woodbury

Deb Woodbury of Bangor, Maine dropped out of high school in the tenth grade to get married. When her marriage ended a few years later, she found herself responsible for supporting her three children. She worked first as a cook and next in a textile factory. But then her company's fortunes soured and Deb was laid off. And finding a new job was difficult. She didn't have a high school diploma, and most of her skills were fit for an industry that was losing jobs. So Deb enrolled in a local job training program, where she earned her GED -- which gave her the momentum to then earn a certificate in office and computer skills from a local college. Now Deb is a sales and service representative for a railroad, responsible for pricing nearly half of all commodities the railroad hauls. Her current salary is four times what she earned in her first job. Deb says that when she finishes putting her final two children through college, she'll return to college herself to pursue an Associates Degree.

Case Study: Antonio Dodero

Antonio Dodero was a 30-year veteran of the defense industry when--like many of his colleagues in southern California--he lost his job and knew it was gone for good. "I did a little soul searching," Mr Dodero wrote in a letter to the President, "and decided it was time for a change. I'm at what you could call a difficult age, too young to retire but too old to start all over."

He enrolled in a new-skills program that was part of our emerging reemployment system. He chose courses in refrigeration, heating, and air conditioning repair that allowed him to apply some of the skills he already had. And he supplemented his experience with extensive classroom training in this new line of work.

Mr. Dodero graduated from his program with honors -- and thanks to job search assistance provided by his reemployment program, he quickly landed a good job as a service technician at a local heating and air conditioning company, then an even better job at a similar firm.

Clinton Presidential Records
Digital Records Marker

Divider Title: 5

5. INTERNATIONAL TRADE

Introduction

> *"The truth of our age is this -- and must be this: open and competitive commerce will enrich us as a nation... And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat."*
>
> President Clinton
> American University
> February 26, 1993

We live in a new global economy in which people, products, money and ideas criss-cross the world with blinding speed, disregarding national boundaries. More than ever before, the growth of the American economy and the quantity and quality of the jobs it produces are tied to our ability to compete in this new economy.

Every day, the lives of most Americans are touched by the flows of commerce. Forty years ago, imports and exports accounted for about $1 in every $10 of our Gross National Product. Now they represent $1 in every $5 of GNP. Nearly three-quarters of what we produce in America is subject to competition at home or abroad from foreign producers. And some 7 million Americans work in export-related jobs.

In recent years, American companies have reemerged as the most competitive in the world. Once again, we are the world's largest automobile producer and the leading seller of computers and telecommunications. From movies to microchips, beef to biotechnology, the world wants to buy the goods and services we produce. Given the opportunity, American companies can succeed in the global economy.

But to have that opportunity, our companies must be allowed to compete freely and fairly. That basic assumption lies at the heart of President Clinton's international trade agenda. During its first two years in office, the Clinton Administration conceived and implemented a dynamic trade strategy. That strategy has two parts: first, tearing down the barriers that deny our companies the opportunity to compete fairly while enforcing our trade laws which ensure that American firms are not disadvantaged by foreign practices; and second, helping our companies take advantage of these opportunities through a vigorous National Export Strategy.

The United States already has the most open markets in the world. Foreign companies have great opportunities in our country, but American firms face more limited opportunities abroad. In just two years, the Clinton Administration radically leveled the playing field. It reduced worldwide trade barriers by completing the Uruguay Round of the General Agreements on Tariffs and Trade -- the largest, most comprehensive trade agreement ever. It opened markets in our own hemisphere by winning passage of the North American Free Trade Agreement -- which already has increased American exports to Mexico 20% and created more than 100,000 jobs. And the Administration secured commitments to make trade more free in Asia and Latin America -- the world's fastest growing regions -- at the Asia Pacific Economic Cooperation Forum and the Summit of the Americas.

To take advantage of these new openings, the Administration also launched a National Export Strategy. At the heart of this strategy lies a coordinated effort by all of the government's economic agencies to advocate aggressively on behalf of American business. The Administration assisted firms with 100 major contracts worth more than \$20 billion in exports -- from a multi-billion dollar Saudi Arabian telecommunications procurement to a major contract to build an Indonesian power plant. These exports are expected to support over 300,000 American jobs. Many of these jobs are in small and medium sized companies, who act as suppliers for major overseas projects. The Administration also acted aggressively and effectively to provide loans and financial guarantees to U.S. exporters. It streamlined the export licensing system, eliminating over \$30 billion of outmoded controls that handcuffed American business without benefiting our national security. And it reorganized the way we provide our services to make them more readily accessible to small and medium sized businesses.

Two years ago, the United States stood at a crossroads on how we were going to deal with the risks and uncertainties of the new global economy. Many Americans wanted to go backward on the issue of free and open trade. But the Clinton Administration chose to reach out, not retreat. As a result, we are creating new high paying jobs in the United States for millions of Americans and making our workers stronger for the century ahead.

5A. TEARING DOWN TRADE BARRIERS

Actions to Date

For forty years, the United States has had the most open economy in the world, while facing unfair trade barriers in foreign markets. The status quo gave foreign countries and companies the freedom to compete freely and fairly with American business in the United States, while limiting opportunities for our companies abroad. In two years, President Clinton led the most successful market opening effort ever. As a result of these efforts, the Administration:

- Successfully concluded the Uruguay Round of global trade negotiations under the General Agreements on Tariffs and Trade round after seven years of negotiations. The largest, most comprehensive trade agreement ever signed, GATT will level the playing field between the U.S. and its major trading partners by slashing tariffs and taking down barriers to trade that had unfairly penalized American business. GATT creates the largest tax cut in the history of the world through its tariff reductions.

- Put into effect the North American Free Trade Agreement, which has allowed American companies to increase sales of U.S. goods and services to the emerging Mexican market. In just one year, American exports to Mexico increased by 20%, and exports to Mexico and Canada created more than 100,000 new jobs.

- Secured a commitment to achieve free trade in the fastest growing regions of the world, Asia and Latin America, at the Asia Pacific Economic Cooperation Forum and at the Summit of the Americas.

1. OPENING WORLD MARKETS -- GATT

"No country can escape the global economy, and the greatest, largest, most powerful country in the world cannot escape the global economy. We must lead it in a direction that is consistent with our values, consistent with our interests, consistent with what is necessary to keep the American Dream alive. That's really what GATT is all about."

President Clinton
December 8, 1994
Signing of the Uruguay
Round Agreement Act

Background

In the aftermath of the First World War, there were strong pressures in the United States to withdraw from the world -- politically and economically. The United States raised barriers and ushered in an era of economic isolationism and protectionism which exacerbated the Great Depression and helped provoke worldwide economic collapse. The United States and the other major trading nations learned their lesson and, at the end of the Second World War, took a the first bold step to establish an open, liberal trading regime: The General Agreements on Tariffs and Trade ("GATT").

Through successive "rounds" -- a series of negotiations among all its members -- the GATT has reduced tariffs worldwide by 85 percent. Nonetheless, the U.S. historically has maintained the most open markets in the world while other nations were allowed to preserve higher barriers to trade or to play by different rules. The average U.S. tariff was 4 percent; other countries maintained tariffs as much as ten times higher. U.S. products -- some of the most competitive products in the world -- faced an unfair disadvantage, an extra tax, when exported to another country.

President Clinton was determined to complete the GATT and at long last make the playing field more level for American business.

The Initiative

The new GATT agreement will make trade more free and more fair for American business. GATT will:

- Cut foreign tariffs on manufactured products by more than one-third -- a $744 billion worldwide reduction in tariffs, the largest international tax cut in history;

- Protect from piracy the patents, trademarks and copyrights of some of our most competitive industries, including pharmaceuticals, entertainment and software;

- Tear down barriers to aid U.S. companies that export services such as accounting, advertising, architecture, engineering and construction;

- Greatly expand export opportunities for U.S. farmers by limiting the ability of foreign governments to distort agricultural trade through tariffs, quotas, subsidies and other domestic policies and regulations.

- Ensure that the fast-growing economies in the developing world live by the same trade rules as the advanced industrialized countries.

Under the agreement, all quantitative restrictions will be converted to tariffs and capped -- preventing other countries from further raising their barriers to U.S. exports. This will provide about $43 billion in increased export opportunities each year in sectors ranging from computers to furniture, pharmaceuticals to paper. For example, Japan and Korea are opening their rice markets for the first time ever.

Taken together, the increased export opportunities generated by this agreement will create hundreds of thousands of high-paying jobs -- jobs that pay 13%-17% more on average than non-export related jobs. When fully implemented, it will add $100-200 billion to the U.S. economy each year.

Case Studies

- For American workers who produce farm machinery, GATT is a giant step forward. Right now, farm machinery imported into the U.S. faces a "zero" tariff -- no extra taxes. However, tariffs on U.S. farm machinery exports to Europe range from 3.5 to 9 percent, resulting in an almost two-to-one trade deficit in favor of European manufacturers. GATT eliminates all tariffs on farm machinery, saving American exporters tens of millions of dollars and allowing them to compete more effectively in the world marketplace.

- The U.S. exports crops grown on about 1 out of every 3 acres of our cropland. Because domestic demand for farm products does not grow as fast as farm productivity, expanding export markets is vital to our farmers' livelihoods. In 1993, U.S. agricultural exports totaled $42.5 billion. Twenty percent of these exports went to markets that impose some form of non-tariff trade barrier. Almost 60 percent were commodities that face subsidized export competition. And many markets were almost totally inaccessible to U.S. exports. Now, for the first time, agricultural trade will be brought under GATT rules. Subsidized exports must be reduced by 21 percent in volume and 36 percent in value over 6 years. Since the European Union subsidizes its exports much more than the United States, it will have to cut back its subsidies much further than we do.

GATT's successor, the World Trade Organization, will now turn its attention to fully implementing the GATT obligations, resolving issues not adequately addressed by the GATT -- for example, financial services -- and taking up new issues on the international trade agenda.

2. OPENING MARKETS NEXT DOOR -- THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

"In a fundamental sense, this debate about NAFTA is a debate about whether we will embrace these changes and create the jobs of tomorrow, or try to resist these changes, hoping we can preserve the economic structures of yesterday."

President Clinton
September 14, 1993
Washington, D.C.

Background

The North American Free Trade Agreement (NAFTA) went into effect on January 1, 1994. But the potential for developing new markets and free trade with Mexico and Canada has been increasingly apparent for years.

Under the 1988 bilateral free trade agreement with Canada, our largest trading partner, U.S. merchandise exports have increased by nearly 60 percent.

In 1986, Mexico undertook a revolutionary program to open its economy. It privatized industry after industry, cut its budget deficit, and slashed inflation. And it began -- unilaterally -- to reduce its trade barriers. By 1992, our exports to Mexico -- more than $40 billion -- and the jobs they supported -- some 700,000 -- had tripled.

But despite Mexico's more open economy, barriers to many U.S. goods and services remained high. For example, Mexico's average tariff rate was 10% -- a ten cent tax on every dollar of U.S. exports. The average U.S. tariff on Mexican exports was only 4% and half of Mexico's exports to the U.S. came in duty-free. And U.S. exporters of services -- including telecommunications, insurance, banking and advertising -- were not allowed to compete on equal terms with their Mexican competitors.

Republicans and Democrats alike saw Mexico's potential. President George Bush began NAFTA negotiations with Mexico and Canada in 1991, and completed negotiations on trade provisions in August of 1992. President Clinton pledged to support NAFTA -- so long as it provided adequate protections for workers, farmers and the environment. The Clinton Administration proceeded to negotiate path-breaking side agreements on labor, the environment and sudden surges in imported goods. Working with a bipartisan coalition, President Clinton won approval for NAFTA in November, 1993.

The Initiative

NAFTA went into effect on January 1, 1994, and Mexico began to sweep away decades of protection and over-regulation. Half of all U.S. exports to Mexico were immediately made tariff-free. This included some of our most competitive products: semiconductors; machine tools; aerospace equipment; telecommunications equipment; and medical devices. Within five years, two-thirds of U.S. industrial exports will enter Mexico duty-free. After ten years, almost all goods traded between the U.S. and Mexico will be duty-free.

NAFTA also requires Mexico to open its market to U.S. service exports. And it rolls away layers of red tape in Mexico, removing licensing requirements that hampered U.S. exporters. U.S. services exporters will now be able to provide most services cross-border, without having to establish operations in Mexico or Canada, as in the past.

A year after NAFTA entered into force, the results speak for themselves. U.S. exports to Mexico are up 22% compared to 1993 -- an average of $1 billion a week. NAFTA has created tens of thousands of U.S. jobs. Exports to Mexico and Canada now support 2.7 million U.S. jobs. More than 100,000 of those jobs have been created since NAFTA went into effect.

NAFTA sets a long-term course for our relations with Mexico. Despite its recent financial difficulties, the Mexican economy remains fundamentally sound and will continue to grow as a major market for our goods and services. Mexico's 90 million citizens spent 70 cents of every import dollar on goods made in the U.S. -- even before NAFTA gave Americans a leg up on our European and Asian competition. NAFTA locks in place important reforms, including the elimination of tariff taxes on U.S. exports.

Recognizing Mexico's growing importance to the United States, President Clinton took decisive action to help Mexico overcome its financial crisis before it deepened and spread to other countries that also buy billions of dollars worth of our goods and services. The President's plan helped stabilize Mexico in a moment of difficulty -- preserving a huge export market for American business, securing American jobs, protecting our borders from an increase in illegal immigration and preventing the crisis from spreading to other emerging economies.

Case Studies

- In Toledo, Ohio, auto workers are producing thousands of Jeeps for export to Mexico. In fact, Chrysler sold more vehicles to Mexico in the first three months of 1994 than in all of 1993. Because of NAFTA, Ford is shifting production of its Mexico-bound Thunderbirds and Cougars from Mexico to Lorain, Ohio. The Big Three anticipated sales of 55,000 vehicles to Mexico in 1994, compared to 9,479 in 1993.

- In Washington State, apple farmers are benefiting from NAFTA's elimination of tariffs and import licenses. They exported 4.1 million boxes of apples to Mexico in the first four months of 1994, compared to only 2.7 million for all of 1993.

NAFTA's success has spread far beyond the borders of the United States, Canada and Mexico. At the Summit of the Americas in December 1994, Chile -- the fastest growing economy in Latin America over the past decade -- began the process of joining NAFTA. Throughout the hemisphere, NAFTA has motivated other countries to liberalize their own trade regimes. In fact, all of the democratic nations of the hemisphere have agreed to negotiate a hemispheric free trade area by 2005. In a very real sense, NAFTA is a gateway to a continent of opportunity.

3. OPENING REGIONAL MARKETS -- THE SUMMIT OF THE AMERICAS AND APEC

"The United States has concluded agreements to push for regional free trade in the two fastest growing areas of the world -- first, at Bogor in Indonesia with the Asian Pacific economies, and [then] with the free trade agreement at the Summit of the Americas. These things, along with the implementation of GATT and the expansion of the NAFTA agreement, will set the agenda for world trade for years to come, in ways that benefit ordinary American families, that generate more high-wage jobs in this country and more opportunity in the countries of our trading partners."

President Clinton
December 12, 1994
Miami, Florida

Background

As we approach a new century, we must rethink our traditional notions about trade priorities. While markets in Europe and Japan will continue to be important, the future lies in the developing economies of Latin America and Asia. The Western Hemisphere already is our most important export market, with 1994 exports totaling $207 billion, one third of our world-wide total. And nearly another third of our exports now go to Asia, supporting more than two million jobs. As the countries in these regions develop, their demand for U.S. goods and services will rise dramatically, which will support millions of jobs throughout the United States.

But our competitors in Europe and Japan also seek to develop these markets. And significant barriers to free trade remain. One of the greatest challenges we face in the trade arena is opening the door for U.S. exporters to these emerging markets of the future.

The Initiative

Two major U.S. initiatives demonstrate the Administration's commitment to opening the markets of tomorrow.

The Summit of the Americas

"This is more than words; this is a commitment to deeds. Free trade in our

hemisphere has been talked about for years, but because of this process we've launched this weekend it will now become a reality. Free trade will yield dramatic benefits in terms of growth and jobs and higher incomes . . . and reaffirm our commitment to promote the rights and interests of our workers so that all our people have the chance to benefit from free trade."

President Clinton
December 11, 1994
Miami, Florida

Over the next decade, American companies have exceptional opportunities in Latin America. In preliminary studies, the World Bank estimates that Latin America will need infrastructure investment on the order of $24 billion for power generation, $14 billion for transport, $12 billion for water and sewerage, and $12 billion for telecommunications in each year for the rest of the decade. Adding investments in natural gas, flood control and other urban infrastructure brings the total of needed investment to more than $60 billion per year. And Latin America is a region where the U.S. has a leg up on the competition. The countries of Latin America already import 43% of their goods from the U.S., compared to 13% from Asia and 20% from Europe. By the year 2000, it is likely that Latin America alone will be a larger customer for U.S. exports than Western Europe.

Over the past few years, Latin America has embarked on a historic effort to liberalize its economies. Despite great strides, much of the region's potential remains locked behind the walls of tariffs and other barriers. For example, Chile's average tariff -- the border tax it applies to U.S. goods -- is around 11%. That's more than 250% higher than the average U.S. tariff. Argentina maintains average tariffs of 10%; Brazil 14%. These are major markets, but U.S. access is disadvantaged compared to local producers. New trade agreements could bring down barriers to U.S. exporters.

Trade topped the agenda in December 1994, when President Clinton hosted the democratically elected leaders of the Western Hemisphere at the "Summit of the Americas" -- the first meeting of hemispheric leaders in three decades. At the Summit, the President secured agreement from all 34 nations to negotiate a "Free Trade Area of the Americas" by 2005. Hemispheric integration would create the world's largest free trade area -- a $13 trillion market with more than 850 million consumers by 2003. The nations of the hemisphere used the Summit to adopt an action plan for achieving this goal. Trade ministers from each of the participating countries will meet in June to discuss and adopt concrete steps for moving forward.

As a first step toward integration, the United States, Mexico, Canada and Chile at the Summit of the Americas announced their intention to extend NAFTA's benefits to Chile. With its high economic growth, low inflation and commitment to high labor and environmental standards, Chile represents a valuable opportunity to U.S. exporters. In addition to opening a key emerging market, successfully completing a free trade agreement with Chile would send an important signal to the hemisphere that economic and political liberalization pays real dividends.

- **<u>The Asia Pacific Economic Cooperation (APEC)</u>**

  "We want the Pacific Ocean to unite us, not to divide us . . . We sought to give this incredibly diverse Asian Pacific region a common identity rooted in a common purpose, committed to free trade and investment."

  President Clinton
  November 16, 1994
  Jakarta, Indonesia

Asia boasts the fastest growing economies in the world. Between now and the year 2000, Asia will account for one-third of the global growth in imports. U.S. workers and farmers are particularly well-positioned to take advantage of this growth. Already, the region absorbs $135 billion, or nearly one-third, of all U.S. merchandise exports and supports more than 2 million U.S. jobs. Increasing our market share by just 1% in Asia would create more than 100,000 new U.S. jobs.

That's why President Clinton -- through the Asia Pacific Economic Forum -- has made Asia a top priority for our economic engagement. At the 1993 APEC meeting hosted by the President in Seattle, the leaders of the 15 APEC member economies sought to give this extraordinarily diverse region a common purpose: that of a community committed to free trade and investment. At the 1994 APEC summit in Indonesia, President Clinton led the effort to transform the vision set out in Seattle into reality by securing a commitment to achieve free trade and investment in the Asia Pacific region by 2020.

Two examples among many underscore the importance of President Clinton's initiative.

- By the year 2020, auto sales in Indonesia, Malaysia, Thailand and the Philippines will equal the current market in Canada and Mexico combined and exceed the current market in the UK. However, tariffs on autos being imported into these countries range as high as 60%. The APEC initiative -- by eliminating these tariffs -- will allow American companies to compete fairly for their share of this huge market.

- Between now and 2020, APEC countries have plans to construct $1.1 trillion in infrastructure projects -- or the entire annual Gross Domestic Products of Greece, Portugal and Ireland combined. Once completed, the APEC agreement will reduce the barriers facing U.S. exporters of products that are essential to building these projects.

In the months ahead, APEC members will develop a blueprint for achieving free and open trade and investment throughout the region. The Leaders will review this blueprint at their next meeting in November 1995 in Osaka, Japan.

5B. HELPING AMERICAN BUSINESS DO BUSINESS

"I have long believed that America has a bright future in this rapidly changing global economy. We are now positioning ourselves to compete for new markets and the jobs they will create at home as never before. The implementation of NAFTA and the passage of the GATT are critical to opening markets abroad. The National Export Strategy is essential to make sure that we do in fact take advantage of those openings."

President Clinton,
October 1994
National Export Strategy Report to Congress

Actions to Date

Opening new markets for American business around the world is only half the story of the Clinton Administration's international trade initiative. Through its National Export Strategy, the Administration has also done more than any of its predecessors to help American business take advantage of these new opportunities.

The Clinton Administration's National Export Strategy:

- Supports U.S. bidders in global competition through a coordinated government advocacy program. The program ensures that U.S. companies receive a full and fair hearing as they compete for contracts around the world.

- Improves trade finance by facilitating our companies' access to loans, loan guarantees, and feasibility study funding while successfully fighting foreign "tied aid" that unfairly handicaps U.S. business.

- Reduces and eliminates counterproductive export control regulations -- freeing more than $32 billion of high technology exports from restrictive and outdated controls.

- Establishes U.S. Export Assistance Centers which provide comprehensive export financing and marketing information to small and medium sized firms in "one-stop shops" throughout the U.S.

1. SUPPORTING U.S. BIDDERS IN GLOBAL COMPETITION

"[We are] changing the culture of our [government] and getting [it] in country after country much more involved in trying to promote commercial activities... We will continue to work hard at home and abroad to help our people thrive in the global economy."

President Clinton
February 16, 1994

Background

The competition for major contracts by foreign countries is fierce. Most of our major trading partners -- including Japan, Germany, France and many others -- aggressively help their firms expand exports, especially by using high level officials as advocates to close a deal. Until the Clinton Administration took office, the United States was the exception to this rule. As a result, American business was losing billions of dollars in sales every year, largely because U.S. government advocacy efforts were not as effective as those of foreign governments.

The Initiative

Recognizing the crucial role government can play in helping American business reap the many benefits of the new world economy, the Clinton Administration launched a comprehensive advocacy program to give American bidders a full and fair opportunity in global competition. Since November, 1993, this program assisted American firms competing for over 120 major contracts -- contracts that are worth over $24 billion in U.S. exports and support more than 360,000 jobs in the United States.

None of these deals would have advanced if the companies in question did not offer top quality products and services, and without their hard work and skillful marketing. But the American government was able to play an important -- and sometimes crucial -- supporting role in helping these companies close their deals or move them forward despite strong competition.

The advocacy program coordinates resources from across the U.S. government in a full court press on behalf of American business. American ambassadors, commercial attaches and visiting officials go to bat for our companies with foreign governments and businesses. A new Advocacy Center established at the Department of Commerce works closely with U.S. bidders. Its computer database tracks pending projects around the world. When assistance on a particular project is needed, interagency teams are quickly mobilized to develop project-specific strategies.

All of the government's economic agencies -- including the Departments of Commerce, Treasury and State and the Export/Import Bank, the Overseas Private Investment Corporation, and the Trade and Development Agency -- meet on a regular basis to develop and coordinate strategies for American companies seeking help. And top Administration officials, starting with the President and his Cabinet, have demonstrated an unprecedented willingness to lend their support -- including face-to-face meetings with foreign decision-makers both here and abroad -- American exporters competing for major overseas contracts.

Case Studies

- With the help of the Trade and Development Agency, last May, Hughes Space & Communications Company signed a multi-million dollar deal with Malaysia for the East Asia Satellite. The project supports jobs for about 400 people at Hughes' facilities in El Segundo, California.

- With strong personal support from President Clinton, Secretary of State Christopher and Secretary of Commerce Brown, AT&T won a $4 billion contract to modernize Saudi Arabia's telecommunications system -- beating out major competitors from Germany, France, Canada and Sweden. The majority of manufacturing for the project will take place at AT&T's plants in Oklahoma City, OK, Andover, MA and Columbus, OH. Software for the system will be created at facilities in Illinois and New Jersey.

- Following a trade mission to Brazil, Argentina and Chile led by Secretary Brown and 20 American CEOs, contracts and deal memos worth more than $1.7 billion were signed -- including a $1.4 billion Amazon rain forest protection program contract awarded to Raytheon Corp., a defense contractor moving into non-defense related activity. The Commerce Department's International Trade Administration and the National Oceanic and Atmospheric Administration provided technical and scientific expertise and critical links to Brazilian agencies to help Raytheon win the contract, and the U.S. Export-Import Bank provided a critically important competitive financing package for the deal.

- With the help of sustained advocacy by the Clinton Administration, in the six months from March to August 1994, American firms won 34 major contracts in Asia -- from turbine generators in China to waste incinerator technology in Taiwan. These contracts will generate $5.3 billion in U.S. exports and support 85,000 jobs across the United States.

In addition to these advocacy efforts, we are targeting our export promotion efforts on those regions with the greatest growth potential for American exporters. We will focus on the big emerging markets -- Argentina, Brazil, Mexico, the Chinese Economic Area, India, Indonesia, South Korea, Poland, Turkey and South Africa -- that are expected to account for over 40 percent of total global imports over the next 20 years. To improve our competitive position in these markets, we will establish bilateral forums to discuss commercial cooperation; open new U.S. Commercial Centers to provide U.S. exporters easy access to the full array of government export promotion and financial services for small to medium sized exporters and larger companies as well; expand cabinet and sub-cabinet travel to these markets to strengthen commercial ties; and craft long term export strategies for each country, to be directed by interagency teams.

2. IMPROVING TRADE FINANCE

Background

The availability and terms of trade financing often play a decisive role in securing export contracts. Foreign governments give their companies a leg up through subsidies, loans and loan guarantees. They also provide "tied aid" -- loans or grants that are only available to recipient governments if they buy goods and services for the project in question from the donor country. In 1994, tied aid totaled $7 billion worldwide and seriously handicapped American companies bidding for foreign capital projects.

Working together through the National Export Strategy, the Clinton Administration's trade and economic agencies have responded to this challenge. As a result, companies have easier access to more capital. And the Administration has taken effective action to counter financing practices by other countries that make trade unfair.

The Initiative

The Administration increased the Overseas Private Investment Corporation's project financing limit from $50 million to $200 million and doubled its per project insurance limit to $200 million. The higher limits have already made support available for 15 major projects -- in power, energy, telecommunications and transportation -- that OPIC might not otherwise have been able to support. All told, these and other projects OPIC supported in 1994 are expected to produce more than $3 billion in U.S. exports over the first five years of the lives of those projects.

The Administration also initiated innovative cooperative ventures with state and local governments to take advantage of new opportunities. Last year, four U.S. Export Assistance Centers were opened in Baltimore, Miami, Chicago, and Long Beach to co-locate the marketing, counseling and trade finance services of Commerce, the Small Business Administration, and the Export/Import Bank. Eleven more "one-stop shops" will open in 1995, creating a comprehensive national network. The Small Business Administration now co-guarantees export loans with state and local governments. These arrangements leverage both SBA and the local finance entities' guaranty capacity and allow the SBA to benefit from local expertise and loan-packaging capabilities. The Export/Import Bank's City/State Program assists small and less experienced exporters through the entire export financing process: from counseling to drafting proposals to securing commercial bank loans and guaranties. In FY 1993, the program supported $75 million in U.S. exports.

By reinvigorating and consolidating funding for feasibility studies in the Trade and Development Agency, the U.S. government has enabled American business to become more easily involved in the planning stage of infrastructure projects. The studies include advice to a host country about the availability of appropriate U.S. equipment and services -- advice that often leads to follow-up contracts for the feasibility contractor and to U.S. exports during the project's implementation.

In tandem with its efforts to improve access to capital, the Administration worked within the Organization for Economic Cooperation and Development to adopt new tied aid guidelines. As a result, tied aid has decreased dramatically -- from $15.5 billion in 1992 to $7 billion in 1994. To eliminate trade distortions arising from the use of tied aid credits, the Administration established the Tied Aid Capital Projects Fund. The Fund, managed by the Export/Import Bank, does not initiate tied aid credits -- indeed, Export/Import seeks to convince foreign countries not to provide trade distorting tied aid. Nonetheless, the Fund is available to counter tied aid used by foreign competitors which disadvantages American competitors.

Case Studies

- OPIC supported dozens of projects in Central Europe, including the International Paper Company's acquisition of a major mill in Poland and U.S. West's venture to bring cellular telephones to Hungary. These two deals will each generate about $30 million in U.S. exports and support hundreds of jobs in America.

- With the support of a joint SBA/State of California loan guaranty, Laub Engineering, a 15-employee producer of liquid filling systems, secured a contract to supply its technology to a major motor oil plant in Indonesia. As a result, the company doubled its work force, and all the new employees will stay on after the contract is completed.

- Armed with $300,000 from the Trade and Development Agency to help fund a feasibility study on health care in the Republic of Tatarstan, Russia, HCR, a Rochester, NY company, generated orders to purchase medical equipment from several U.S. suppliers and is pursuing several spin-off projects as a result of the study.

This year, the Administration will concentrate on a new initiative with the potential to help increase exports. Project finance, a type of financing where repayment is based on the revenue flow of the project rather than external guarantees, is becoming a significant method of funding major projects, especially in emerging markets where infrastructure investment is a priority. OPIC and Export/Import Bank are arranging new ways to provide project finance to support U.S. exporters.

3. REMOVING OBSTACLES TO EXPORTING

"We have on too many occasions, for too many years, not had a coordinated, effective [export control] strategy... Streamlining unnecessary controls will make the rest of the system more responsive and more efficient."

President Clinton
September 29, 1993
Remarks announcing a National
Export Strategy

Background

Over the course of the Cold War, the United States imposed export prohibitions and licensing requirements on thousands of products that could be of strategic value to communist countries. Successive administrations sought to balance national security concerns against the burden these restrictions placed on American business.

While our security interests require that we maintain some export controls -- for example, to prevent the proliferation of nuclear materials -- with the end of the Cold War, many licensing restrictions became obsolete and counter-productive. They imposed additional costs on American companies and hindered their ability to fill orders as rapidly as their competitors, without benefit to America's national security.

The Initiative

In just one year, the Clinton Administration has made major progress in eliminating unnecessary and ineffective export controls and in streamlining the licensing process for those products that still require an export permit. As a result, the value of goods requiring an individual export license already has dropped from $6 billion per quarter to $2 billion -- an annualized reduction of more than $16 billion.

The computer industry was one of the major beneficiaries of the liberalization of export controls. The United States had required a license to sell computers operating at a processing speed of over 12.5 MTOPS. This covered virtually every computer above the level of a desktop personal computer and even restricted the export of some desktop models that are available in most electronics stores. The Administration raised the MTOP ceiling to 1000 -- this will free some $30 billion of American computer exports per year from licensing requirements.

Reducing the number of licenses required has had the added benefit of eliminating gridlock for those products that still require export permits. To further streamline the licensing process, the Administration will continue to simplify regulations and further improve interagency coordination, which would speed decision making at all levels of review and reduce the maximum processing time by 25 percent.

Case Study

Before the liberalization of export controls that began in 1993, the licensing lead time for exports by Silicon Graphics, a computer software maker, averaged 150 days. Within a year, the lead time dropped to less than thirty days, enabling the company to double its volume shipped.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **6**

6. BUILDING SAFER COMMUNITIES

Introduction

100,000 New Police Officers

- President Clinton's landmark Crime Bill, signed on September 13, 1994, is putting 100,000 new police officers on our streets, funded by savings realized through reducing federal employment by 272,900. Already, the President's plan has helped half the nation's law enforcement agencies hire nearly 17,000 new officers.

The Brady Act

- President Clinton supported and signed the Brady Act, an historic piece of legislation, which requires a five-day waiting period during which all potential purchasers are required to submit to a background check. A one-year progress report on the Brady Act estimates that approximately 41,000 fugitives, felons and other prohibited purchasers have been stopped from buying a handgun.

- The President also won passage of the Brady Act Implementation Program to upgrade state criminal history records. This will ensure that states can comply the Act, that sales are not made to ineligible purchasers, and that the national instant check system can become a reality. $100 million dollars has been appropriated in FY 1995, and another $50 million is authorized for the next fiscal year. Already, 5 states with few or no automated criminal history records have received up to $1 million each.

Assault Weapons Ban

- The President successfully fought for the historic Assault Weapons Ban, which was included in the Crime Bill. The law prohibits the manufacture, transfer, or possession of semiautomatic assault weapons not lawfully possessed under federal law on the date of enactment. The ban covers 19 military-style assault weapons, assault weapons with specific combat features, and "copy-cat" models. The Act specifically exempts over 600 firearm models used for hunting and sporting purposes.

Stiffer Penalties for Violent Offenders

- The President's program for imposing stiffer penalties on violent criminals was also embodied in the Crime Bill. It:
  - Imposes the death penalty for more than 60 federal offenses, making it available for most homicides prosecuted in federal court;
  - Makes "three strikes and you're out" the law of the land, requiring this punishment for repeat violent offenders;
  - Authorizes $10 billion for new state and local prisons to house violent criminals -- with half the funding reserved for states that work towards tough, "truth in sentencing" guidelines.

Violence Against Women Act

- Finally, the President won passage of the Violence Against Women Act as part of the Crime Bill. The act includes four key components:
  - Safe Streets for Women -- Funding more prosecutions and police patrols to combat sexual assaults against women, and increasing penalties for such crimes;
  - Safe Homes for Women -- Launching programs to combat domestic violence, and to give battered women a safe place to go;
  - Civil Rights for Women -- Giving women who are the victims of gender-based attacks the right to sue their attackers;
  - Safe Schools for Women -- Promoting sex assault prevention on college campuses, and making campuses safer with common-sense answers like more and better lighting.
- On March 21st, the Justice Department awarded $26 million -- up to $426,000 for each state -- to bolster law enforcement, prosecution and victims' services related to violence against women.

National Police Corps

- The Crime Bill also includes the Police Corps Act, setting up a national Police Corps program which offers a maximum grant of $30,000 to each student, with an average of $7,500 per year. Students who receive the scholarships must commit to four years of service with their state or local police.

6A. 100,000 NEW POLICE ENGAGED IN COMMUNITY POLICING

"When I signed this crime bill, we [took] a big step toward bringing the laws of our land back into line with the values of our people."

President Clinton
Signing of the Crime Bill
September 13, 1994

Actions to Date

President Clinton fought for and won passage of the Violent Crime and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994.

- The Crime Bill will put 100,000 new police officers on our streets, funded by savings realized through reducing federal employment by 272,900.

- Already the program is under way: awards for more than 16,000 new police officers have already been granted. Smaller towns are allowed to file one page applications for their new police officers; bigger cities are being given grants to get officers out of headquarters and back on the streets.

- On December 19, 1994, President Clinton named a 20-year police veteran, Police Chief Joe Brann of Heyward, California, as the Director of the Community Oriented Policing program -- the COPS program. Under Chief Brann's leadership, plans to put the 100,000 police on our streets will be implemented with efficiency and intelligence.

Background

In the 1950s, there were three times the number of police as there were violent offenses. But today, the ratio is reversed: in 1993, there were four violent crimes for each officer.

Notwithstanding this fact, the federal government did nothing during the 1980s to reverse these two terrible trends. In fact, in 1981, the Reagan administration cut all federal aid to local police departments by more than 80%. While the Congress gradually upped such aid (now known as the Byrne Grant program) over the course of the 1980s, these funds were not used to hire more police officers. Thus, at the start of the Clinton Administration, there was no federal effort in place to do anything to reverse the dramatic erosion of our effective police strength in America's cities. Nor was there any substantial effort to expand or promote community policing around the country.

While Washington ignored the problem, local officials did not have the same luxury. They stretched their resources where possible to put more police on the streets, and developed innovative ways to deploy the limited number of police on their forces. One of the innovations, started by creative police leaders like Chief Rueben Greenberg in Columbia, South Carolina, and Chief Lee Brown in New York, became known as "community policing." The idea was to have cops "walk the beat:" patrol local communities, get to know the residents, and get involved with the neighborhood. An old-fashioned idea whose time had come again, community policing helped prevent crimes by finding trouble spots -- and trouble makers -- before they got worse.

President Clinton articulated a clear vision for reversing these trends. In a speech in March of 1992, he noted the declining ratio of police to crimes in our country, and offered a clear answer: the federal government should put 100,000 more police on our nation's streets. Moreover, in his speech at the Democratic National Convention in July, he linked it to another promise: his pledge to cut the federal bureaucracy by 100,000 workers. Why not, Clinton asked, cut 100,000 bureaucrats in Washington, and use the savings to put 100,000 more police on the streets? The idea, which won popular support, was doubted by the cynics who thought that as President, Clinton would never deliver on the pledge.

But President Clinton's vision did not end there. As he stressed time and again, the 100,000 new police would be engaged in community policing -- not stuck behind desks or in squad cars. As a result, these 100,000 new officers would represent almost a one-fifth increase in the number of street level cops in this country.

The Initiative

We must take serious steps to reduce violence and prevent crime, beginning with more police officers and more community policing. We know right now that police who work the streets, know the folks, have the respect of the neighborhood kids, focus on high crime areas, we know that they are more likely to prevent crime as well as catch criminals.

President Clinton
State of the Union Address, 1/25/94

Shortly after taking office, in March of 1993, the President had an unexpected opportunity to launch a small beginning to his plan: he won funding in a Supplemental Appropriations bill for a program to begin hiring 2,000 new police officers. By November, the first round of grants -- for the first new police officers hired with federal assistance in more than 15 years -- where on their way.

Winning Congressional passage of the larger program was more difficult, of course. The President offered an initial plan to hire 50,000 new police officers over five years in a comprehensive anti-crime bill in August of 1993; it passed the House a month later. Still, the program provided only one-half the promised officers -- and its funding was uncertain.

Following Vice President Gore's Reinventing Government report, and passage of Congressional legislation to implement the President's recommendation that government employment be cut by 250,000, the opportunity to make the President's original vision a reality reemerged. In November of 1993, Senate Democrats and Republicans jointly approved a plan to take the savings from the 250,000 reduction in government employment and put it in a Trust Fund to fund a comprehensive Crime Bill -- including the President's plan to put 100,000 new community police officers on the street.

It took almost another year of wrangling to get the Bill finally passed by Congress. Some wanted the money shifted to other purposes; others wanted to strip away assurances that more police would be hired. But in the end, in September of 1994, President Clinton signed the landmark Violent Crime and Law Enforcement Act, which embodied his pledge to put 100,000 more police on the streets, in community policing, paid for by cuts in the federal workforce over the next six years.

The commitment was now law. But much work was left to be done to implement that promise. Just one month later, the first grants of 2,800 new police officers were made. In December of 1994, 4,700 more police were awarded -- the program was well on its way. Smaller towns were allowed to file one page applications for their new police officers; bigger cities were given grants to get officers out of headquarters and back on the streets. In February of 1995, additional awards were announced which will enable smaller cities and towns to add 7,100 officers.

And on December 19, 1994, President Clinton named a 20-year police veteran, Police Chief Joe Brann of Heyward, California, as the Director of the Community Oriented Policing program -- the COPS program. Under Chief Brann's leadership, plans to put the 100,000 police on our streets will be implemented with efficiency and intelligence.

Case Study: Ocean City, Maryland

One of the first cities to win a police hiring grant from the Clinton Administration was Ocean City, Maryland -- a small resort town with a population that ballooned during summer months. Just a few weeks after the first of the three new officers given to that town were on the job, the results were clear.

On an early July day, one of the police on patrol as a result of the grant, Officer Bill Stamps, was on bike patrol in Ocean City. Hearing a noise, he rushed to the scene of an assault on a young woman. The man Officer Stamps arrested in the attack turned out to be a serial rapist, wanted in a large number of sex crimes in the area.

Case Study: Albany, Georgia

Another early winner of a police hiring grant was the mid-sized town of Albany, Georgia. Albany, like many smaller cities, was experiencing serious crime problems: the emergence of gangs, a growth in youth violence, more burglaries -- problems that needed to be attacked before they got worse.

Albany got a police hiring grant in November 1993, and had 12 new officers on patrol by early the next year. Albany's new cops proved to be heroes beyond just fighting crime. After just a few months on the job, Albany found itself with another deluge -- the terrible 1994 floods that decimated many cities and towns in the South. Albany's new community police officers pitched in, fighting the floods with sandbags, and helping to save much of the small city's beleaguered downtown.

6B. THE BRADY ACT

> *This is the only country, the only advanced country in the world, the only country I know of where we would permit children access to weapons that make them better armed than police forces. So I'll tell you what we ought to do. I've asked the Congress to pass the Brady Bill, which would give us a national system, a waiting period to check the backgrounds of people for age, criminal records, and mental health before we sell them weapons.*
>
> President Clinton
> October 3, 1993

Actions to Date

After stalling for several years in Congress, the Brady Bill became law under the leadership of President Clinton.

- Signed by the President on November 30, 1993, the Brady Act requires a five-day waiting period during which potential handgun purchasers are required to submit to a background check.
- The Brady Act also provides funding to upgrade state criminal history records.
- $100 million dollars has been appropriated in FY 1995, and another $50 million is authorized for the next fiscal year to upgrade and automate state criminal history records.

Background

On March 3, 1981, during an assassination attempt against President Reagan, Press Secretary James Brady was tragically and critically shot in the head. His arduous road to recovery brought well wishes and support from all Americans. But Jim Brady and his wife Sarah felt that there was more to be won than just one man's survival, or one family's recovery. At stake was nothing less than a national commitment to conquer the unreasonable and unimaginable proliferation of violence in America. And so they set out to seek Congressional passage of a five-day waiting period and background check for the purchase of handguns, so that guns would not be put in the hands of criminals and mentally unstable individuals. On February 4, 1987, Congressman Ed Feighan of Ohio introduced the Brady Bill.

The Brady Bill became a lightning rod for organized gun lobbies and others who opposed any meaningful anti-crime legislation. And in 1988, 1991 and 1992, the Brady Bill could not muster enough votes for passage because of the powerful chilling effect gun lobbies and others had on the Congress and the President.

The challenge was to build the sort of coalition required to overcome the special interests and obstructionists. The coalition took shape when President Clinton assumed the mantle of leadership and announced during his campaign his commitment to a partnership with law enforcement to "make the people of this country safer, and to make our policies saner, and to bring us closer to the kind of country we ought to have by supporting law enforcement, and doing the things we know will work" -- such as the Brady Bill.

The President told the American people the hard facts about violence in our nation. He made clear that it was simply unacceptable that one person is gunned down every 20 minutes by gunfire; and that it was unacceptable that in the seven years that Sarah and Jim Brady had fought for reform, more than 150,000 Americans had been killed with handguns, and countless others wounded.

The coalition gained momentum when states and law enforcement began to see the clear difference a waiting period and background check could make. Under the existing gun control statute there were several categories of persons who were prohibited from purchasing or owning firearms. However, there was no way to determine whether a prospective handgun purchaser fell within one of the prohibited categories. Sales were made on the honor system. By the time the Brady Bill had finally been passed, four states who had already enacted versions of the Bill, had in four years, prevented some 50,000 people from buying a handgun because they were legally forbidden to purchase such weapons.

Congress finally passed, and the President triumphantly signed into law the Brady Bill on November 30, 1993. Efforts were already underway to improve the Act by upgrading the criminal history record keeping systems and expanding the categories of persons prohibited from possessing firearms to include those convicted of domestic violence or subject to a restraining order for alleged acts of domestic violence. This was accomplished in the 1994 Violent Crime Control and Law Enforcement Act.

The Initiative

The Brady Law, an historic piece of legislation, requires a five-day waiting period during which potential hand gun purchasers are required to submit to a background check. And it works. A recently-completed Bureau of Alcohol, Tobacco and Firearms' ("ATF") survey of 30 law enforcement authorities reveals that from March 1994 through January 1995, **more than 15,500 persons in** the surveyed jurisdictions who applied to purchase handguns had their applications denied. The officials polled constitute a cross section of the national law enforcement scene. Drawn from every region of the country, they represent communities large and small, rural and urban.

The "bad guys" blocked by the Brady Act from obtaining handguns included:

- 4,365 convicted felons;
- 945 fugitives;
- 97 persons under indictment;
- 649 illegal drug users;
- two juveniles; and
- 63 persons under restraining order for alleged stalking, harassment or other forms of domestic threats or intimidation.

The more than 15,500 Brady applications denied represent **only 3.5 percent** of the total number of applications submitted in the surveyed jurisdictions (more than 440,000). Further, ATF has confirmed through discussions with the firearms industry that the overall volume of handgun sales remained relatively constant during that time. **This suggests that the Brady Law is doing what it was designed to do -- keeping handguns out of the reach of that small percentage of persons who use handguns criminally, while not unduly**

infringing on the rights of legitimate handgun owners.

National estimates of the number of prohibited persons who were prevented by the Brady Act from purchasing a handgun in states affected -- based on information supplied by the FBI's criminal history data base **was approximately 41,000** from March 1, 1994 through January 31, 1995. This estimate was corroborated generally by a CBS News public polling unit which estimated that more than 44,000, or approximately two percent, of the applications to purchase handguns submitted during the one year period following the Brady Law's effective date were denied.

The Brady Law also provided funding to upgrade state criminal history records. This will ensure that states can comply with Brady, that sales are not made to ineligible purchasers, and that the national instant check system can become a reality. $100 million dollars has been appropriated in FY 1995, and another $50 million is authorized for the next fiscal year.

This grant program gives preference to states with the lowest level of automated complete records. The reality is that under half of all states have fully automated records systems, and four state systems are not even partially automated. The success of the Brady Law and other crime fighting provisions such as the "Three Strikes" law depend upon quick access to criminal history records.

Guidelines have been published and states may now apply for these grants and for the National Criminal History Improvement Program (NCHIP), which will help states speed up their connections with the FBI's National Instant Criminal Background Check System. This will permit firearm dealers to obtain immediate information about potential handgun purchasers to see if they are disqualified by law. Already, 5 states with few or no automated criminal history records have received up to $1 million each.

The categories to limit those eligible to purchase a handgun under the Brady Law have also been expanded to include persons under restraining orders stemming from domestic abuse situations.

Case Studies: Prairie Village, Kansas and San Antonio, Texas

In March 1994, the Brady Law prevented an accused stalker in Prairie Village, Kansas, from purchasing a handgun. The attempted handgun purchase was stopped by the Prairie Village Police Department when a Brady background check revealed that the prospective purchaser, who was the subject of a restraining order for allegedly stalking his wife and threatening to kill her, was a resident of Missouri, not Kansas, as he had represented in his Brady form.

In April 1994, a suspected drug dealer was arrested in San Antonio, Texas after a Brady background check performed by the Uvalde County Sheriff's Office indicated that the alleged dealer was the subject of outstanding warrants for possession of cocaine with intent to distribute, possession of heroin with intent to distribute and failure to appear in court.

6C. ASSAULT WEAPONS BAN

Hunters must always be free to hunt. Law-abiding adults should always be free to own guns and protect their homes. I respect that part of our culture; I grew up on it. But I want to ask the sportsmen and others who lawfully own guns to join us in this campaign to reduce gun violence. I say to you, I know you didn't create this problem, but we need your help to solve it. There is no sporting purpose on Earth that should stop the United States Congress from banishing assault weapons that out-gun police and cut down children.

President Clinton
State of the Union Address, 1/25/94

Actions to Date

President Clinton fought for and won passage of the Violent Crime Control and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. Included in the Crime Bill, the Assault Weapons Ban:

- prohibits the manufacture, transfer, or possession of semiautomatic assault weapons and large capacity feeding devices not lawfully possessed under federal law on the date of enactment;
- covers 19 military-style assault weapons, assault weapons with specific combat features, and "copy-cat" models; and
- specifically exempts over 600 firearm models used for hunting and sporting purposes.

Background

America enjoys a rich tradition of sportsmanship and appreciation for the great outdoors. Part of that tradition includes the freedom to enjoy hunting and gaming at parks and reserves throughout the country. President Clinton, like so many Americans, has memories from his boyhood of taking his first shot at a can on a fencepost and learning the responsible way to use hunting and recreational weapons.

Before the Assault Weapons Ban, however, highly-dangerous weapons with no legitimate civilian use were available to the public. Along with hunting rifles, gun dealers sold uzis, street sweepers, and other assault weapons designed for rapid fire, close quarter shooting of human targets. Because of their inaccuracy, assault weapons are of no value for hunting or target practice. Their firepower and military features, though, make them of great value to criminals. Assault weapons represent only one percent of privately owned firearms in this country, yet account for eight percent of firearms traced to crime.

Assault weapons, then, pose a grave threat to public safety. Police risk being outgunned and citizens face exposure to the random spray of gunfire in America's streets.

On January 17, 1989, a deranged man wandered into a school yard in Stockton, California and opened fire with an AK-47. In just a matter of seconds Patrick Purdy had killed five children and wounded 29 others. This horrific event galvanized public opinion and inspired action. In 1989 Congress banned the importation of semiautomatic assault weapons.

Yet, the law did not effect American-made assault style weapons or copy cat versions of the foreign models. And soon after the imposition of the ban, the status quo returned, with law makers unable to overcome the gun lobby and advance the effort to get assault weapons off the gun store shelves and streets of America. A House Bill in 1991 to ban assault weapons was defeated by a 70 vote margin, even though 70 percent of Americans indicated they were in favor of gun control.

President Clinton stated unequivocally during the 1992 campaign that he favored an assault weapons ban. "We ought not to have assault weapons whose only purpose is to kill ... when the police don't have a chance. It's wrong ... And it's time we took the side of people in law enforcement." President Clinton drew upon the unified support of law enforcement. He knew full well that it was wrong to ask them to risk their lives in the fight against crime -- and then deny them the help they need.

The Initiative

The Violent Crime Control and Law Enforcement Act, signed into law by President Clinton in September 1994, prohibits the manufacture, transfer, and possession of semiautomatic assault weapons not lawfully possessed under federal law on the date of enactment. The ban covers 19 named assault weapons, copies and duplicates of such weapons, and semiautomatic rifles, semiautomatic pistols, and semiautomatic shotguns with specified features. The Act specifically exempts over 600 firearm models used for hunting and sporting purposes.

The Act also prohibits the transfer or possession of large capacity ammunition feeding devices not lawfully possessed on the date of enactment. Such devices are defined to include a magazine, feed strip, or similar device that can accept more than 10 rounds of ammunition or can be readily restored or converted to accept more than 10 rounds.

The ban on both semiautomatic assault weapons and large capacity ammunition feeding devices is subject to a sunset provision that will cause its repeal in ten years. In addition, semiautomatic assault weapons and large capacity ammunition feeding devices lawfully possessed on the date of enactment may be lawfully transferred to another individual.

Case Study: Stephen Sposato

In July 1993, a man entered a downtown San Francisco office building, and went to the 34th floor law offices of Pettit & Martin. He was carrying two 9mm Intratec TEC-9 pistols, a .45 caliber semiautomatic handgun and hundreds of rounds of ammunition. Gunman Gian Luigi Ferri, apparently motivated by a disagreement with the firm, opened fire randomly shooting at employees, and murdered eight people. One victim was Jodie Sposato, wife of Steven and mother of 10-month-old Meghan.

In the wake of this inexpressible tragedy, Steven Sposato channeled his own personal loss and worked tirelessly to fight for a ban on the type of weapon that had taken the life of his wife. "Murders like this could have been prevented," said Steven Sposato, last August in Washington. "The killer had no prior record. His first crime was his last crime, and then he killed himself... In 1991, if Congress had passed an assault weapons ban, this terrible tragedy would have been prevented."

6D. STIFF PENALTIES FOR VIOLENT OFFENDERS

"We must recognize that most violent crimes are committed by a small percentage of criminals who too often break the laws even when they are on parole. Now those who commit crimes should be punished. And those who commit repeated, violent crimes should be told, 'When you commit a third violent crime, you will be put away, and put away, and put away for good. Three strikes and you are out."

President Clinton
State of the Union Address, 1/25/94

Actions to Date

President Clinton fought for and won passage of the Violent Crime and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. The President's program for imposing stiffer penalties on violent criminals was embodied in his anti-crime legislation which:

- imposes the death penalty for more than 60 federal offenses, making it available for most homicides prosecuted in federal court;
- makes "three strikes and you're out" the law of the land, requiring this punishment for repeat violent offenders; and
- authorizes $10 billion for new state and local prisons to house violent criminals -- with half the funding reserved for states that work towards tough, "truth in sentencing" guidelines.

Background

While a wide variety of tools are needed to combat crime -- more police, more prevention programs, more efforts to help young people before they become violent -- stiff punishments for violent offenders is a vital part of the solution.

Over twenty years ago, the U.S. Supreme Court struck down the ultimate penalty -- the death penalty -- as then-existing under state and federal law. While most states responded with modified death penalty laws to permit them to reinstitute that penalty, Congress was unable to reach agreement on any such legislation.

Even many state criminal justice systems with a death penalty found themselves faced with the "revolving door" syndrome: violent criminals sentenced to apparently long terms, only to be let back out again -- and only to commit more crimes once released. Complex and ambiguous sentencing schemes accounted for some of this; a lack of adequate prison space was another factor.

As a former Attorney General, President Clinton knew how important stiff punishments for violent offenders are, as part of a comprehensive attack on this critical problem. And President Clinton had authorized the imposition of the death penalty in four cases during his tenure as Governor of Arkansas.

Consequently, President Clinton endorsed a renewed federal death penalty as part of a comprehensive anti-crime package. He also backed additional, stiff penalties for violent criminals.

Another part of this plan came into focus when, in 1993, a young girl named Polly Klass was kidnapped from her home in California, and killed by a repeat violent offender who had been released. The Klass family vowed to make sure such incidents would not be repeated, and Polly's father, Mark Klass, led a movement in California to pass the nation's first "three strikes and you're out" law -- a law to insure that three-time violent offenders serve real life in prison.

President Clinton met with Mark Klass in December of 1993, and the next month, in his State of the Union address, called on Congress to pass a federal version of that law. Early in February of 1994, the President submitted a legislative proposal to make "three strikes and you're out" the law of the land.

President Clinton fought hard to end 20 years of inaction, and six years of gridlock, to get the federal death penalty reinstated. Though four Presidents -- Nixon, Ford, Reagan, and Bush -- had proposed legislation to have a federal death penalty, none had been able to win passage of that legislation by the Congress.

The Initiative

The President's program for imposing stiffer penalties on violent criminals was embodied in his anti-crime legislation, that he fought hard to get passed by the Congress. As signed by the President in September 1994, this Violent Crime Bill:

- Imposed the death penalty for more than 60 federal offenses, making it available for most homicides prosecuted in federal court;
- Made "three strikes and you're out" the law of the land, requiring this punishment for repeat violent offenders;
- Authorized $10 billion for new state and local prisons to house violent criminals -- with half the funding reserved for states that have tough, "truth in sentencing" guidelines.

Taken as a whole, the Crime Bill signed by the President in September contains the toughest package of penalties for violent offenders in our nation's history.

6E. VIOLENCE AGAINST WOMEN

Actions to Date

President Clinton fought for and won passage of the Violent Crime Control and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. Included as part of the Crime Bill, the Violence Against Women Act includes four key components:

- Safe Streets for Women -- Funding more prosecutions and police patrols to combat sexual assaults against women -- and increasing penalties for such crimes;

- Safe Homes for Women -- Launching programs to combat domestic violence, and to give battered women a safe place to go;

- Civil Rights for Women -- Giving women who are the victims of gender-based attacks the right to sue their attackers;

- Safe Schools for Women -- Promoting sex assault prevention on college campuses, and making campuses safer with common-sense answers like more and better lighting.

Background

Since 1970, an unheralded but dramatic trend in American society has been a sharp increase in violent crimes against women. Violent crimes against women have risen at <u>four times</u> the rate of increase of such crimes against men -- an increase fueled by growing rates of sexual assault and domestic violence.

During the 1980s, an increasing number of women said "enough is enough." On college campuses around the country, "Take Back the Night" rallies were held to demand an end to the violence against women, and to demand action. Local governments formed special sex crimes prosecution units; others tackled the problem of domestic violence with special training for police and pro-arrest policies in such cases.

Still, the toll of these crimes continued to mount. Highly publicized instances of stalking of women, assaults against women, and even misogynistic slayings of women spurred some action -- but no comprehensive response.

Domestic violence, too, was escalating. Many women found that they were stuck in abusive homes because they had nowhere to go -- America had three animal shelters for each one battered women's shelter. Fewer than 10 cities had specialized domestic violence prosecution units.

On college campuses, a 1988 study found that rape was the number one reason that freshmen women dropped out of college not to return. And in the workplace, a 1990 study found that homicide was the number one cause of death among women on the job.

As usual, Washington was sluggish to respond. The Reagan and Bush Justice Departments offered little or nothing in the way of reaction to these developments.

In 1990, Senator Joseph Biden and then-Representative Barbara Boxer proposed the first "Violence Against Women" Act. Despite broad, bi-partisan support for the legislation, President Bush refused to endorse the bill. As a result, the bill languished for more than two years.

By contrast, President Clinton endorsed the Violence Against Women Act, and pledged to sign it as President. In August of 1993, President Clinton called on Congress to include the Act in any Crime Bill it passed -- and continued to speak out for this important law.

The Initiative

Finally in August of 1994, Congress passed an administration backed proposal that contained elements drafted by Senator Biden, Senator Dole, and the Justice Department. The President signed the legislation as part of the Violent Crime Control and Law Enforcement Act in September 1994.

The Violence Against Women Act includes four key components originally included in the Biden-Boxer proposal:

- Safe Streets for Women -- Funding more prosecutions and police patrols to combat sexual assaults against women -- and increasing penalties for such crimes;

- Safe Homes for Women -- Launching programs to combat domestic violence, and to give battered women a safe place to go;

- Civil Rights for Women -- Giving women who are the victims of gender-based attacks the right to sue their attackers;

- Safe Schools for Women -- Promoting sex assault prevention on college campuses, and making campuses safer with common-sense answers like more and better lighting.

In addition, the Act includes provisions that will insure HIV-testing of accused rapists and permit expanded use of prior crimes evidence against sex criminals.

On March 21, 1995, the Justice Department awarded \$26 million -- or up to \$426,000 for each state -- to bolster law enforcement, prosecution, and victims' services related to violence against women.

6F. NATIONAL POLICE CORPS

"In our toughest neighborhoods, on our meanest streets, in our poorest rural areas, we have seen a stunning and simultaneous breakdown of community, family, and work, the heart and soul of civilized society. This has created a vast vacuum which has been filled by violence and drugs and gangs. So I ask you to remember that even as we say 'no' to crime, we must give people, especially our young people, something to say 'yes' to."

President Clinton
State of the Union Address, 1/25/94

Actions to Date

President Clinton fought for and won passage of the Violent Crime and Law Enforcement Act, the "Crime Bill," which he signed on September 13, 1994. Included in the Crime Bill, the Police Corps Act:

- offers a maximum grant of $30,000 to each student in the Police Corps Program, for an average of $7,500 per year;
- grants each state or locality that employs members of the Police Corps $10,000 each year per hire for the life of the grant to help defray the cost of the new officers; and
- includes $20 million per year in funding due to begin in FY 1996 and to continue for the following five years.

Background

The idea for a National Police Corps existed for many years and enjoyed broad bipartisan support, but it was not until President Clinton pushed the proposal to the front of the national agenda that its legislative fate resulted in law. Over ten years ago, a former aide to Robert Kennedy first proposed the idea for a Police Corps, drawing upon the same motivations that created the Reserve Officers Training Corps (ROTC). There was and is a burning desire among young Americans to contribute to their country while, at the same time, improving their lives through higher education.

The need for an increasing number of smart, tough law enforcement officers has never been greater.

President Clinton embraced this proposal when he was still Governor of Arkansas. The idea was first expressed by him in his bid for reelection in 1990, and, in 1992, Arkansas awarded the first scholarships under its newly created State Police Corps.

The President has said many times that the American people do not only expect our police officers to shoot straight, but to think straight, too. This philosophy is also in keeping with President Clinton's long held belief that the key to America's future lies in the education and well-being of young Americans. It was in that spirit that he proposed the revamping of the student loan program and the establishment of AmeriCorps, in which young Americans serve their country in return for a college education.

This same commitment to encouraging public service and creating a highly educated and highly motivated generation of Americans is what prompted the President to identify the National Police Corps as a means of offering college scholarships if students serve as police officers in their communities. In addition to the obvious benefit of education, this program helps to facilitate the promise of 100,000 police officers on the streets of America, and communities benefit from the increased police presence in their neighborhoods.

The Initiative

On August 11, 1993, the President announced the parameters of a comprehensive anti-crime package that included the Police Corps Program. The Police Corps Act offers a maximum of $30,000 to each student, with an average of $7,500 per year. Those states and localities that employ members of the Police Corps will receive, for the life of the grant, $10,000 each year per hire to help defray the cost of the new officers.

Just over a year later, Congress passed -- and President Clinton signed -- the Police Corps Act (as part of the Omnibus Violent Crime and Control Act). Funding is due to begin in FY 1996, with $20 million designated for each of the next five years.

In return for the scholarship money, the Police Corp student must complete, in good standing, an undergraduate course or receive credit for one or more graduate courses. The student must also complete 16 weeks of a rigorous Federal law enforcement training program. And, upon receipt of an undergraduate degree, the student must commit to four years of service on his state or local police force. The Police Corps will develop a new group of well-educated police officers annually available for recruitment by police departments across the country.