Southern Regional Economic Conference

The Book of the President and the Vice President of the United States

Briefing Materials
March 29, 1995

Southern Regional Economic Conference
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The Southern Economy

Treasury Department, Office of Economic Policy
March 27, 1995

SUMMARY: In many ways, the South has led the nation in economic progress and is well positioned to take advantage of the 21st century economy. Employment growth in the South has been twice the national average over the past five years, the unemployment rate has recently been a little better than for the nation as a whole, and the recent strong job growth in many Southern states has been accompanied by an in-migration from other parts of the nation and abroad. The South is far from a homogeneous region, however. While many of the states are leaders in manufacturing, high-technology, and trade-related activity, other states are having a more difficult time meeting the challenges of the global economy. For example, nine of the twelve states in this region have poverty rates above the national average of 15.1 percent.

Economic Profile:

- The South accounts for 30 percent of the nation's population, and 28 percent of the nation's combined Gross State Product.

- With the exception of Virginia and Georgia, the Southern states have median household incomes below the national average. The cost of living, however, is also generally below the national average.

- With the exception of Virginia, the percent of the population that has graduated from high school is below the national average in each of the Southern states.

- Over 40 percent of the new jobs over the past two years have been created in the South, although it accounts for less than a third of the workforce. Job growth is projected to moderate from near 4 percent in 1994 to around 3 percent in 1995, still ahead of the national average. Many states, including Tennessee, Georgia, and North Carolina, and Virginia, are experiencing tightening job markets with the rapid employment growth.

- Much of the South has a diversified and industrial economic base. The Southeast has emerged as a center for auto production and steel manufacturing, the Charlotte area is now a major banking center, expansion of trade has made Florida a major gateway for goods, and the concentration of high technology centers around Dallas, Atlanta, Nashville, parts of Florida, and the Raleigh/Durham area are all significant achievements.

- Defense conversion remains a critical issue as ten Southern bases are included on the 1995 list of military installations under consideration for closing.

Manufacturing:

- Alabama, Arkansas, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee all have a much higher share of the workforce employed in manufacturing than the national average.

- Auto production in the Southeast, including the new Mercedes plants in Alabama, BMW in South Carolina, and other auto related activity in the surrounding region have further boosted manufacturing employment.

- Spurred by low interest rates and growing jobs and incomes, housing starts in 1994 reached their highest point in six years nationwide. When construction increases, the South benefits disproportionately because of the high concentration of industries that produce building materials and consumer durables (especially the Carolinas, Georgia, Tennessee, and parts of Florida and Alabama).

- Western Virginia has gained a foothold in manufacturing along the Interstate 81 corridor, with unemployment rates as low as 2 percent.

Improved State Government Finances:

- With stronger economic growth, Southern states have benefitted from improved government finances. Increased revenues have allowed states to consider tax cuts, to create "rainy day" funds, or to direct resources to critical needs.

- Arkansas saw revenues increase 10.3 percent in 1994. In fact, more than half of the Southern states saw an increase in revenue of 7 percent or more during 1994. Another outstanding year for state finances is projected for 1995.

Education, Innovation, and Public/Private Partnerships:

- The Research Triangle Park in the Raleigh/Durham area has taken advantage of North Carolina's long term investment in education. Ready access to universities and a favorable business environment spurred the creation of this thriving high tech corridor.

- The South has been in the forefront of the resurgence of the steel industry. Companies such as Nucor in North Carolina have revived an industry that was though to be declining in the United States through use of new technology and innovations in labor/management relations. New steel mills are spread throughout the South, including North Carolina, South Carolina, and northwest Arkansas.

- Charlotte, North Carolina is on the verge of becoming the second largest financial center in the nation after New York City.

Challenges of the Global Economy:

- Certain sectors face difficult transition periods. The apparel industry in Alabama, parts of Florida, and the Carolinas has seen large job losses since the early 1980s in the face of competition from lower-wage workers abroad.

- While textiles were also hit in the 1980s, the industry has revamped itself to concentrate on more capital intensive production, rather than labor intensive, and the employment situation has stabilized.

- Places such as Arkansas, a manufacturing based economy, are developing a competitive advantage with low cost of living, low tax burdens, and high investment in plant and equipment. As a result, export growth is soaring.

- The experience of textiles, the high tech areas, the resurgence of the steel industry, and the new automotive centers--as well as the losses in apparel--demonstrate that the United States must remain competitive to survive.

- In Texas, increasing exports to Mexico were an important source of strength in 1994. However, continued instability in Mexico and a weak Mexican economy could hurt the Texas economy.

Role of Government:

- Support for education improves literacy, job skills, and future earnings, and is absolutely essential for the nation to be successful in the 21st century economy. For example, the South's historically black colleges and universities are an invaluable resource.

- A safety net is essential for those who fall on hard times to have temporary means of support, especially in areas with high poverty. The $17 billion in proposed cuts in federal spending by the House of Representatives disproportionately affects states with higher poverty rates than the national average.

- Innovations such as the Earned Income Tax Credit help ensure that low-wage workers earn enough to stay out of poverty.

- Targeted efforts by government can help promote economic growth.

    - Empowerment Zones and Enterprise Communities will help Southern states revitalize their most distressed rural and urban areas.

    - Grants from the Department of Defense were critical to helping turn England Air Force Base in Alexandria, Louisiana into England Industrial Air Park and Community. The closure of the base was projected to be an economic disaster, but it was transformed into an economic benefit through careful planning by the local community and help from the government.

The Economics of the Southern States

	I. SIZE			II. ECONOMIC STATUS OF THE POPULATION							
	Population		Gross State Product	Median Household Income		Poverty Rate	Median Value Owner-Occupied Homes	Ratio Home Value to Income	Education		Net Migration
	(000's)	(Pct. of US)	(Pct. of US)	Dollars	(Pct. of US)				High School (Pct. of Pop. 25+)	Bachelor's (Pct. of Pop. 25+)	(000)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States	260,341	100.0	100.0	31,241	100.0	15.1	79,100	2.5	75.2	20.3	3,588
Alabama	4,219	1.6	1.3	25,082	80.3	17.4	53,700	2.1	66.9	15.7	88
Arkansas	2,453	0.9	0.7	23,039	73.7	20.0	46,300	2.0	66.3	13.3	63
Florida	13,953	5.4	4.5	28,550	91.4	17.8	77,100	2.7	74.4	18.3	747
Georgia	7,055	2.7	2.5	31,663	101.4	13.5	71,300	2.3	70.9	19.3	318
Kentucky	3,827	1.5	1.2	24,376	78.0	20.4	50,500	2.1	64.6	13.6	62
Louisiana	4,315	1.7	1.7	26,312	84.2	26.4	58,500	2.2	68.3	16.1	-36
Mississippi	2,669	1.0	0.7	22,191	71.0	24.7	45,600	2.1	64.3	14.7	23
North Carolina	7,070	2.7	2.6	28,820	92.3	14.4	65,800	2.3	70.0	17.4	253
South Carolina	3,664	1.4	1.2	26,053	83.4	18.7	61,100	2.3	68.3	16.6	73
Tennessee	5,175	2.0	1.8	25,102	80.3	19.6	58,400	2.3	67.1	16.0	184
Texas	18,378	7.1	7.0	28,727	92.0	17.4	59,600	2.1	72.1	20.3	561
Virginia	6,552	2.5	2.6	36,433	116.6	9.7	91,000	2.5	75.2	24.5	152
Total Region	79,330	30.5	27.7	28,259	90.5	17.4	65,300	2.3	70.9	18.3	2,487
Memo:											
Puerto Rico*	3,802	1.5	--	9,988	28.4	--	--	--	49.7	14.3	105

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The Economics of the Southern States

	III. THE ECONOMY									IV. GROWTH OVER LAST FIVE YEARS			V. FISCAL STATUS
			Percent in:				Avg. Hourly	Exports			Real		
	Unemploy-ment (Pct.)*	Payroll Employment (000's)*	Manu-facturing	Trade, FIRE & Services	Govern-ment	Other	Wage in Manufctg. (Dollars)	Billions of Dollars	Five-Year Growth (Pct. a.r.)	Popu-lation	Median Income	Employ-ment*	Revenue Growth
										(—Percent, annual rate—)			
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
United States	6.1	113,429	15.9	57.3	16.8	10.0	12.06	512.7	7.1	1.1	-1.2	1.0	6.8
Alabama	6.0	1,753	22.0	48.1	19.7	10.2	10.75	4.6	4.8	0.9	0.6	1.8	3.3
Arkansas	5.3	1,035	24.6	48.6	16.7	10.2	9.65	2.0	17.6	0.9	-1.3	3.0	10.3
Florida	6.6	5,797	8.3	65.7	15.6	10.4	9.97	19.3	5.0	2.0	-1.7	2.0	5.4
Georgia	5.2	3,264	17.7	54.1	17.3	10.9	10.35	9.7	9.0	1.9	-0.5	2.1	8.3
Kentucky	5.4	1,599	19.0	51.3	17.6	12.1	11.82	5.7	12.8	0.8	0.0	2.2	8.7
Louisiana	8.0	1,727	10.9	53.7	20.2	15.2	13.13	17.2	-1.5	0.3	1.0	2.3	5.4
Mississippi	6.6	1,053	24.7	45.4	20.6	9.3	9.40	2.2	3.4	0.7	0.0	2.8	9.8
North Carolina	4.4	3,361	25.6	48.5	16.1	9.8	10.19	14.0	10.4	1.5	-0.7	1.8	7.7
South Carolina	6.3	1,607	23.4	48.4	18.5	9.7	9.99	6.2	10.8	1.2	-3.5	1.4	3.6
Tennessee	4.8	2,421	22.2	52.6	15.3	9.9	10.51	8.0	16.0	1.3	-0.3	2.2	12.6
Texas	6.4	7,740	13.0	55.8	18.3	12.9	11.14	61.3	9.0	1.8	-1.2	2.5	9.2
Virginia	4.9	3,006	13.5	55.6	20.1	10.8	11.25	11.3	4.4	1.4	-1.8	1.0	4.2
Total Region	5.9	34,363	16.4	54.7	17.6	11.3	10.61	161.4	7.1	1.5	-1.0	2.1	7.6
Memo:													
Puerto Rico	14.6	890	17.0	41.9	33.2	7.9	7.22	--	--	--	--	--	--

* National figures for unemployment and payroll employment derived independently from state data.

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The Economics of the Regions

	I. SIZE			II. ECONOMIC STATUS OF THE POPULATION					Education		Net Migration
	Population		Gross State Product	Median Household Income		Poverty Rate	Median Value Owner-Occupied Homes	Ratio Home Value to Income	High School	Bachelor's	(000)
	(000's)	(Pct. of US)	(Pct. of US)	Dollars	(Pct. of US)				(Pct. of Pop. 25+)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States	260,341	100.0	100.0	31,241	100.0	15.1	79,100	2.5	75.2	20.3	3,588
South	79,330	30.5	27.7	28,259	90.5	17.4	65,300	2.3	70.9	18.3	2,487
Northeast	45,625	17.5	20.9	35,403	113.3	13.1	141,600	4.0	76.9	24.5	-557
Midwest	75,268	28.9	27.7	31,065	99.4	13.5	64,300	2.1	76.4	18.2	282
West	60,118	23.1	23.7	33,422	107.0	15.7	137,900	4.1	78.4	22.4	1,509

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The Economics of the Regions

	III. THE ECONOMY									IV. GROWTH OVER LAST FIVE YEARS			V. FISCAL STATUS
			Percent in:				Avg. Hourly	Exports			Real		
	Unemployment (Pct.)*	Payroll Employment (000's)*	Manufacturing	Trade, FIRE & Services	Government	Other	Wage In Manufctg. (Dollars)	Billions of Dollars	Five-Year Growth (Pct. a.r.)	Population	Median Income	Employment*	Revenue Growth
										(—Percent, annual rate—)			
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
United States	6.1	113,429	15.9	57.3	16.8	10.0	12.06	512.7	7.1	1.1	-1.2	1.0	6.8
South	5.9	34,363	16.4	54.7	17.6	11.3	10.61	161.4	7.1	1.5	-1.0	2.1	7.6
Northeast	6.4	20,706	13.4	60.5	17.5	8.6	11.28	75.7	4.1	0.3	-2.0	-0.9	1.4
Midwest	5.3	34,431	19.4	55.9	15.3	9.4	13.28	132.3	8.9	0.6	-1.4	1.3	11.0
West	7.2	24,595	13.1	58.1	18.1	10.7	12.39	137.9	6.3	1.8	-1.0	1.3	5.1

* National figures for unemployment and payroll employment derived independently from state data.

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The Southern States and the Regions
Key to the Data Sheets

<u>Column</u>

1 & 2	**<u>Population:</u>** Estimated as of July 1, 1994. Source: U.S. Bureau of the Census.
3	**<u>Gross State Product:</u>** Calendar year 1991 data. Source: U.S. Bureau of Economic Analysis.
4 to 6	**<u>Median Household Income</u>** and **<u>Poverty Rate:</u>** Reflects money income of households in calendar year 1993. Source: U.S. Bureau of the Census. For regions, figures are weighted averages of the median incomes for the states.
7 & 8	**<u>Median Value of Owner-Occupied Homes:</u>** As of April 1990. Source: U.S. Bureau of the Census. For regions, figures are weighted averages of the median value for the states. Ratios are of home value in 1990 to median household income in 1993.
9 & 10	**<u>Education:</u>** As of April 1990. Percent of population 25 years and older with high school education or more or bachelor's degree or more. Source: U.S. Bureau of the Census.
11	**<u>Net Migration:</u>** Estimates of net international migration and domestic migration between states from 1990 to 1994. Source: U.S. Bureau of the Census.
12 to 18	**<u>Unemployment Rate</u>**, **<u>Payroll Employment</u>**, and **<u>Average Hourly Wage in Manufacturing:</u>** 1994 annual averages. Source: U.S. Bureau of Labor Statistics. Payroll employment covers nonfarm wage and salary workers. Under the industry breakdown of employment, trade includes both retail and wholesale trade. The acronym, FIRE, stands for finance, insurance, and real estate. Other industries include mining, construction, and transportation and public utilities.
19 & 20	**<u>Merchandise Exports</u>**: Levels are calendar year 1994 totals. U.S. total reflects some exports from the territories not included in the regions. Portions have been estimated. Growth rate shown in nominal terms from 1989. Source: U.S. Bureau of the Census.
21 to 23	**<u>Growth over Last Five Years:</u>** Population and payroll employment measured from calendar years 1989 to 1994. Median income measured 1988 to 1993.
24	**<u>Fiscal Status:</u>** Revenue growth in nominal terms from calendar year fourth quarter 1993 to fourth quarter 1994. Source: Center for the Study of the States in the Nelson A. Rockefeller Institute of Government at the State University of New York.

March 27, 1995

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Divider Title: **2**

UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

TRADE

I. The Challenge

At the beginning of the Clinton Administration, small, medium and even larger-sized companies throughout the South were stymied by stagnant domestic demand for their goods, products, and services. Boosting exports to create new sources of demand and growth was essential, yet American companies faced three significant barriers to such expansion. First, while American markets were largely open to the rest of the world, many key foreign growth markets for firms in the South, and indeed, throughout the United States, remained closed because of high tariff and non-tariff barriers. Second, the cumbersome, Cold War-era export licensing system then in place prevented many high-tech firms from competing effectively internationally. Third, the Federal government had no national export strategy to work with firms to help them identify and penetrate overseas markets. The federal government had generally taken a "hands-off" approach to export advocacy.

The challenge for the incoming Clinton Administration, therefore, was to open up major new sources of job creation and economic growth by boosting exports. To do this, it had to execute a three-pronged strategy of opening markets, reducing regulatory barriers, and promoting exports.

II. Solutions/Current Status

The Administration, over the past two years, has made remarkable progress on all three fronts.

A. Market Opening

The Administration has made historic progress in six significant areas of opening foreign markets to U.S. exporters.

- **First**, NAFTA is creating a huge free trade area with Canada and Mexico, and opening the possibility of free trade throughout the hemisphere.
- **Second**, successful completion of the Uruguay Round of GATT creates the largest worldwide tax cut (tariff reduction) in history, opening up new worldwide opportunities for American firms.
- **Third**, progress in the Asia Pacific Cooperation Forum (APEC) marks an important overture to the developing markets of Asia, with a goal of free trade by 2010 for developed countries and 2020 for developing countries having been set.
- **Fourth**, the historic Summit of the Americas, which the President hosted in Miami last December has set an objective of Hemispheric free trade by 2005.
- **Fifth**, while more progress is needed, significant progress has been made in beginning to open the Japanese market, especially for certain products.
- **Finally**, a recently completed agreement on intellectual property protection and market

B. Reducing Regulatory Barriers

- o In September, 1993, the President announced a dramatic decontrol and deregulation of export licensing requirements. This decontrolled or significantly reduced requirements on over $32 billion of computers and telecommunications equipment.

- o At the same time, the Administration launched an internal effort to streamline the export licensing process for those products still requiring regulation.

- o Third, the Administration introduced legislation to further reform the export licensing process, while maintaining our strong commitment to non-proliferation and national security. While legislation in this area has not yet passed the Congress, internal administrative reform efforts continue.

C. The National Export Strategy

The Trade Promotion Coordinating Committee, 19 agencies under the leadership of Commerce Secretary Ron Brown, has fashioned and is now implementing America's first National Export Strategy, which contains 65 specific recommendations for making the federal government a more effective partner in working with U.S. firms. Highlights include:

> Export Assistance Centers - We have created a series of export assistance centers to bring together the resources of all agencies involved in export promotion in one stop shops to better assist small and medium sized companies. The pilot program of this effort opened four centers in 1994, including one in the South (Miami). This year, 11 more centers will be opened, creating a national network, including one stop shops in Atlanta, Dallas, and New Orleans.
>
> Advocacy- We are committed to stand shoulder to shoulder with American business and industry to compete and win in the international marketplace. As part of the National Export Strategy, the Commerce Department has established an advocacy center whereby high level government officials can assist with the government-to-government contacts which are so essential for most of today's overseas infrastructure projects. Over the past eighteen months, this advocacy program has helped American firms competing for over 120 contracts worth $24 billion in U.S. exports and supporting more than 360,000 American jobs. Many of these projects involved firms located in the Southern states.

III. Specific Impact on the South

A. General

As previous mentioned, exports form each of the Southern states has increased significantly over the past year, as the following chart details:

EXPORT SALES BY STATE*
(millions of $)

STATE	1994 EXPORTS	1993-1994 CHANGE (%)
U.S.	$511,759	10.3%
Alabama	2,833	15.9
Arkansas	1,428	36.6
Florida	15,601	13.6
Georgia	6,685	16.1
Kentucky	4,000	15.9
Louisiana	3,534	15.9
Mississippi	1,088	37.6
North Carolina	8,570	11.8
South Carolina	3,405	8.4
Tennessee	7,307	23.0
Texas	38,454	12.5
Virginia	9,712	23.4

*Exports of Goods by State where the exporter is located

B. NAFTA Brings Export Success to the Southern States

- o The elimination and reduction of tariffs and other barriers to trade by NAFTA helped increase exports of industrial products that are major contributors to the Southern states:

  In the first year following the implementation of NAFTA,

  - -- Steel exports to Mexico went up 56 percent;
  - -- Chemical exports were up 27 percent; and
  - -- Industrial machinery exports to Mexico went up 23 percent.

  These are all important, high-value products made in the South.

- o Agricultural exports to Mexico have also benefited from the Agreement. Before NAFTA, almost one-fourth of the value of U.S. agricultural exports to Mexico were subject to import licensing requirements. The NAFTA eliminated these trade restrictions, and consequently has increased access for many farm products grown in the South.

  In addition to removing licensing requirements, agricultural products have also benefited from tariff eliminations and reductions. Upon NAFTA's implementation last year, one-half of U.S. farm exports to Mexico became duty-free, and all the remaining products had their tariffs lowered.

- o The elimination of trade barriers by the NAFTA has also opened up many opportunities for small, first time exporters across the south. For example:

  - -- Sentinel Systems, Inc., a small company based in Hampton, Virginia, which saw sales increase by 3 percent in 1994 and expects to see sales increase by 10 percent in 1995. Even with the peso devaluation, Sentinel Systems has retained a contract worth $7.2 million in sales with Mexico

- o While Mexico has absorbed most of our attention in the last year, opportunities continue to abound in Canada as well.

  - -- Createc Forestry Systems, for instance, worked closely with the Department of Commerce to develop an export strategy to sell hand-held computers that track lumber mill inventories to Canada. Createc's Canadian accounts now make up 20 percent of their total business thanks in part to the opportunities created under NAFTA.

C. General Benefits of the Uruguay Round of GATT to the South

--Major tariff reduction/ elimination for:

1. **Paper and paper products** -- tariffs are eliminated on exports to major trading partners (eg. EU, Japan, Korea) over a ten-year period. This particularly benefits Georgia, North Carolina, Alabama, and South Carolina.

2. **Chemicals** -- Harmonization of tariff rates at zero or low levels in major markets like EU, Japan, and Singapore. This particularly benefits Louisiana, Texas and Tennessee.

3. **Pharmaceutical** - Tariffs immediately drop to zero for exports to EU, Japan, and Korea. This particularly benefits Virginia, Georgia, South Carolina and North Carolina.

--Opens foreign regulatory procedures for telecommunications equipment producers. This particularly benefits North Carolina, Georgia, and Virginia.

--Strengthens intellectual property protection for semiconductors, computers, communications, software etc. This particularly benefits Mississippi, Alabama, North Carolina, Texas, South Carolina and Virginia.

D. Benefits of GATT for textile and clothing industries in the Southern States

As the region in which most of the U.S. textile industry and a large portion of the apparel industry is located, the South is especially sensitive to GATT. In return for a gradual liberalization and eventual phase-out of the quota restrictions limiting U.S. imports of textile and apparel, the Uruguay Round (UR) provides for significant market access concessions by foreign countries in textiles and apparel, including developing countries such as India and Pakistan where markets have previously been largely closed to our manufacturers. The South will be a major beneficiary of these market openings. The industry is in a better than ever position to take advantage of opportunities opened up by the UR through increased export efforts. The UR also provides an important safeguard mechanism that would halt damage to the industry in the event of an unanticipated import surge.

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Divider Title: **3**

BASE CLOSURE AND REUSE FACT SHEET
March 27, 1995

BACKGROUND

The Department of Defense has over 400 major bases in the United States. Unless infrastructure is downsized along with force structure and budget, defense funds will be spent on buildings instead of our fighting forces. **Base realignment and closure (BRAC) is painful, but necessary to keep our fighting forces ready, modern, and strong.** Outside the U.S., we have reduced our presence dramatically, withdrawing from over half our facilities.

As a result of the three previous BRAC rounds, 70 major U.S. bases and several hundred smaller facilities are being closed. On February 27, Secretary Perry announced his 1995 BRAC recommendations, the final base closure round under current law. **The 1995 DoD list recommends closing** or realigning 146 military installations, and would close **33 major military installations.**

The 1995 BRAC list is about 80% as large as the 1993 list, but it will generate savings more quickly than BRAC 1993. Once implemented, recurring savings from the 1995 round are expected to be $1.8 billion per year. **All four rounds together, when implemented, will save about $6.0 billion per year.**

POLICY RESPONSE TO ASSIST AFFECTED COMMUNITIES

Until 1993, base closings forced communities to cope with a jarring economic upheaval without adequate tools or resources. Cleanup of polluted bases proceeded slowly, and bureaucratic hurdles frustrated local officials when they sought help. In response to the 1993 BRAC round, the Clinton Administration developed a bold program to revitalize base closure communities.

On July 2, 1993, President Clinton announced his **"Five-Part Plan to Revitalize Base Closure Communities."** The President's program is a good example of **reinventing government**, based on a philosophy that local communities know best the direction economic redevelopment should take after a base closure, but often lack the tools to pursue their economic visions. President Clinton's program contains five initiatives to get the government to respond more rapidly and spend money more wisely:

1) **Jobs-Centered Property Disposal** that puts local economic redevelopment first -- The Administration **changed the way base property is disposed to emphasize uses most likely to create new jobs** for the communities affected by base closings. Federal law has been changed to permit discounted land transfers -- **economic development conveyances** -- for viable job-creating activities.

2) **Fast-Track Cleanup** that removes needless delays while protecting human health and the environment -- The Administration's approach promotes rapid reuse by sending joint cleanup teams into action at each site, quickly identifying clean parcels for early use, leasing some parcels where cleanup is underway, and hastening cleanup.

3) **Easy Access to Transition and Redevelopment Assistance** for workers and communities -- The Administration is providing **easier access to other federal programs offering transition and redevelopment help** for workers and communities. As part of this effort, Secretary Reich sent "job swat teams" onto bases slated for closure to inform workers of opportunities available to them -- training programs; job guidance and counseling; and other assistance needed as they consider new employment after base closure.

4) **Transition Coordinators** at major closing bases -- The Administration established for the first time a **single federal coordinator** to be a champion for each community so that all the resources and opportunities that can help in redevelopment can be made available as quickly as possible.

5) **Larger Economic Adjustment Planning Grants** to base closure communities -- The Administration is providing an **average grant of a million dollars** to each community affected by a major base closing to **plan** for the reuse of facilities -- $3.5 million for the hardest hit communities.

In summary, compared to the past, the Administration is responding more quickly, cutting red tape more aggressively, and mobilizing resources more assertively to help these communities, so that when they lose their bases they do not lose their future. As the 1995 BRAC round proceeds toward presidential action in July, the Administration is reviewing implementation of the Five-Part Plan to identify additional areas for improvement.

BASE CLOSURE IN THE SOUTH
Employment Impacts by State -- 1995 BRAC Round

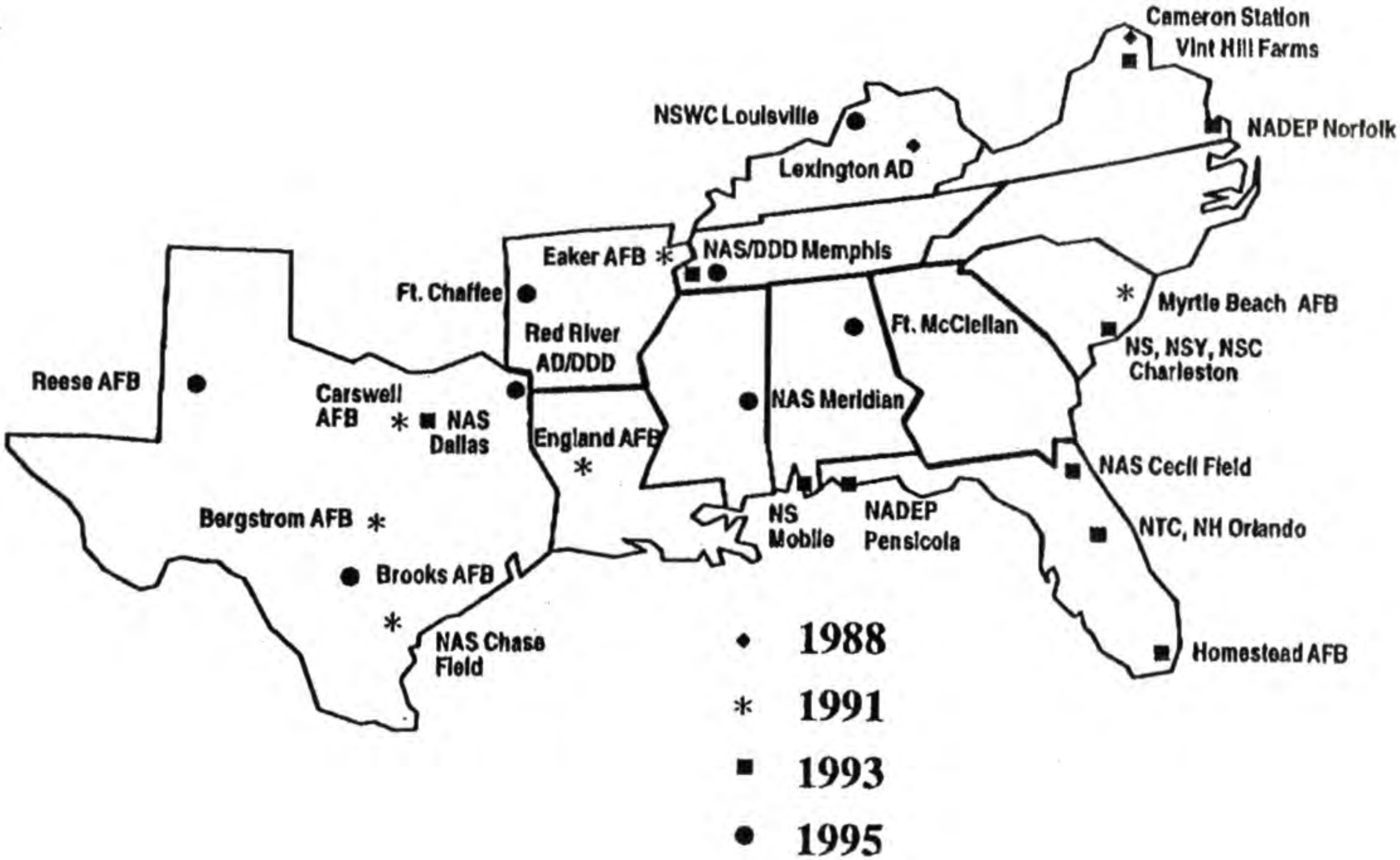
	Military	Civilian	Major Proposed Closures
Alabama			
	-5,877	+931	Fort McClellan
Arkansas			
	-40	-207	Fort Chaffee
Florida			
	+3,754	+679	no major closures proposed
Georgia			
	+791	-613	no major closures proposed
Kentucky			
	-1,401	-1,395	Naval Surface Warfare Ctr, Louisville
Louisiana			
	-39	-60	no major closures proposed

Employment Impacts by State -- 1995 BRAC Round (cont.)

	Military	Civilian	Major Proposed Closures
Mississippi			
	-1,519	-710	Naval Air Station, Meridian
North Carolina			
	+703	0	no major closures proposed
South Carolina			
	+4,569	31	no major closures proposed
Tennessee			
	+222	-996	Defense Distribution Depot, Memphis
Texas			
	-375	-6,606	Brooks AFB Reese AFB Red River Army Depot
Virginia			
	+4,354	-511	no major closures proposed
Total South			
	+5,142	-9,457	

Prepared by David Lane, NEC

MAJOR BASE CLOSURES & REALIGNMENTS IN THE SOUTHEAST



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Divider Title: 4

UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

Innovation, Manufacturing and High Technology

I. Basic Challenge

- **Innovation is Critical:** Rapid and continuous improvements in products, and the techniques to manufacture and bring them to market more efficiently, give businesses -- and nations -- a competitive edge in today's knowledge-based global economy. Innovations account for about 40 percent of long-term economic growth in the United States. Moreover, recent research confirms that firms that use advanced technologies are more productive, pay higher wages, offer more secure jobs, and increase employment more rapidly than firms that do not.

- **Manufacturing Drives Innovation:** The manufacturing sector accounts for nearly 20 percent of GDP and represents approximately 17 percent of all U.S. employment. NSF estimates that in 1992, the manufacturing sector accounted for 75 percent of industry's $84 billion R&D expenditures. Most importantly, the service sector, which accounts for nearly 70 percent of the U.S. economy, relies heavily on innovations from the manufacturing sector for the products it sells as well as the technologies it uses to market, support, track, and evaluate its inventories and sales.

- **R&D Trends Are Troubling:** Of all federal R&D, only about 4% in 1993 went to civilian industrial technology and less than one percent went to the development of early-stage, pre-competitive civilian technologies. *Science* reports that less 4 percent of industry R&D funds go to early stage, longer term, higher risk research. As a percentage of GDP, the United States lags behind Japan and Germany, and is roughly on par with France and the United Kingdom in terms of total R&D spending.

- **Technology Deployment is Lagging:** Adoption and diffusion rates of technology are a problem in the United States. NIST reports that it takes 55 years for 90 percent of U.S. manufacturers to adopt a technology, compared with 18 years in Japan. This problem is most acute among the nation's 370,000 smaller manufacturers, whose rates of technology adoption and use dramatically lag their foreign competition.

II. Solution/Status:

- **A Simple, Strategic Formula for Economic Growth:** Your Administration is following a simple, strategic formula for economic growth: Investment + Workers + Open Markets + Innovation = Economic Growth. Workers and communities in the South are harvesting the results of these State and Federal economic growth strategies which support industry-led technology partnerships, facilitate the rapid deployment and commercialization of civilian technologies, and facilitate a technology infrastructure for the 21st Century

- Technology Policy: A Key Focus: Your Administration recognizes the challenges this nation faces to innovation and its important role in economic growth. That is why you have supported an active, aggressive, and explicit technology policy in sharp contrast to the ad hoc, mission-driven, fiscal technology policies of the past. You have articulated a clear set of policies and programmatic initiatives in specifically designed to increase the share of the federal R&D devoted to competitiveness.

- **Advanced Technology Program:** To bridge the gap between the $74 billion that the federal government spends on basic and mission R&D and the $84 billion that the private sector spends on product development (mostly short-term), your Administration has aggressively expanded the *ATP* , designed to help industry develop innovative, enabling technologies that can fuel economic growth, from a successful pilot program to a full-scale national program. Even with its planned growth as outlined in your budget, the ATP will still amount to less than of one percent of the total investment in R&D (public and private) in the United States in 1997.

- **Manufacturing Extension Partnership (MEP):** You have supported the growth of MEP from 7 centers before you took office to a nation-wide network of 100 centers by 1997. (There are currently 44 operating today). Designed along the same lines as the highly successful Agricultural Extension program, the MEP is a grassroots effort that help smaller improve the competitiveness of smaller manufacturers through the use of modern manufacturing processes, technologies, and techniques. These manufacturers represent about 95% of all U.S. manufacturers.

- **NII Grants Program:** Your Administration is working to ensure that those who often are left out of the economic mainstream have the information infrastructure they need to build long-term, successful economic futures. A key initiative to help accomplish this goal is the NII grants program (TIIAP). This program awards competitive, matching grants to promote access to the information superhighway. Grants are available to state and local governments, schools and school districts, hospitals and clinics, libraries, community centers, and other public institutions.

- **Other Initiatives:** To meet the challenges of maintaining a strong defense base in an era where commercial technologies and innovations are dominant, you have supported *The Technology Reinvestment Project* which is helping to integrate the commercial and defense sectors into a single, cutting-edge technology and industrial base (See Defense Conversion Briefing Paper).

- **Rescission Status:** While your technology policy has been strongly supported and commended by the business community, Republicans on the Hill have called for the abolition of the more highly visible initiatives, including the ATP, TRP, MEP, and NII grants program. All of these programs have been targeted for significant rescissions and/or total elimination in the Congress.

III Applicability to the South

- **Overview:** Over the past decade, the South has experienced strong growth in high technology and manufacturing. Eight of the top 10 states in terms of growth in manufacturing plants since 1991, for example, are in the South. Tennessee and Georgia, respectively, now rank 3rd and 5th among U.S. states in terms of car production. Tennessee, North Carolina, and South Carolina now have a higher proportion of workers in manufacturing than most states, and North Carolina is the most industrialized state in the Country. This growth has been most pronounced along the I-85 corridor, where between 1985 and 1992, non farm employment grew 17.8 percent versus 11.8 percent for the rest of the country, while, throughout the region, per capita income rose 46.3 percent versus 40 percent for the nation, enabling the gap between the South's per capita income shrink from 19 percent in 1980 to 12 percent in 1992.

- **Strengths:** Over several decades, the South has been able to attract significant Foreign Direct Investment. In particular, the South has become the region of choice for European, Japanese, and new American automobile manufacturers. Nissan and Saturn have located in Tennessee, BMW in South Carolina, and Mecedes in Alabama. The physical infrastructure is also a strong attribute, as witnesses by the growth around Hartsfield International Airport, the growth of the I-85 corridor, and the choice of Atlanta to host the 1996 Summer Olympics. In addition, Tennessee's and North Carolina's investments in telecommunications infrastructures make them models and leaders in the nation. Lastly, South Carolina and Georgia have been among the nations leaders in developing the concept of Manufacturing Extension. Today, North Carolina, Texas, Tennessee, and Virginia have joined them in the MEP program.

- **Concerns:** The South has had trouble with developing and retaining home grown industries, instead relying on FDI and transplants. Its R&D expenditures remain below the national average and overall investment rates remain a concern. In addition, while states like Texas and North Carolina have made significant investments over the past 40 years in University-based R&D, the region has yet to produce an MIT or Stanford, and, despite the strong reputation of Research Triangle Park, business spinoffs like Route 128 or Silicon Valley. Furthermore, while many Southern states have focused on and education and training, workforce skills, especially as compared to California and New England, are still lagging, with the high school drop out rate in the South is 1 in 3, as compared to the national average of 1 in 4. Finally, economic growth and investment has been very patchy.

- **ATP and MEP Statistics for the Southern Region:** Of the 177 total awards that the ATP has made, 24 (13 percent) have gone to companies located in the South, and of the 480 total participating companies in the ATP, 92 (19 percent) are from the South. ATP participation has been most heavily concentrated in Texas (10 awards, 53 companies), North Carolina (5 awards, 6 participants), Virginia (4 awards, 19 participants) and South Carolina (2 awards, 4 participants), with little or no involvement from companies in the rest of the region. Donald Hayes, President and Founder of MicroFab Technologies Inc., of Plano Texas, winner of 2 separate ATP awards will be a member of Panel IV. In addition, Southern states have aggressively embraced the MEP concept and provided much leadership in the design and implementation of the program. Georgia and South Carolina were among the 7 original centers. Today, there are extension centers located in the 7 of the 11 Southern States (Georgia, South Carolina, Tennessee, Kentucky, Virginia, North Carolina (in process) and Texas (in process)).

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Divider Title: 5

SOUTHERN EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES .

Overview: The EZ/EC initiative includes \$2.5 billion in tax incentives and \$1.3 in flexible grants to spur local communities to address barriers to economic growth. On December 21, the President and Vice President Gore announced 105 winners -- nine urban and rural EZs, two supplemental zones, and 95 ECs, four of which received enhanced awards. **A total of 40 southern communities** received designations.

Southern EZs (4):

- **Atlanta** (urban) will receive \$100 million in flexible block grants and tax incentives for zone business.

- **Kentucky Highlands, KY; Mid-Delta MS;** and **the Rio Grande Valley, TX** (rural) will receive \$40 million in flexible block grants and tax incentives for zone businesses.

Southern Enhanced ECs (1): Houston, TX, will receive \$25 million in flexible economic development grants and tax exempt bond financing for EC businesses.

Southern ECs (35): The following communities, as ECs will receive \$3 million in flexible block grants and tax exempt bond financing for EC businesses:

Alabama (3): Chambers County; Greene and Sumter Counties; Birmingham

Arkansas (3): Mississippi County; Eastern Arkansas; Pulaski County

Florida (3): Jackson County; Dade County/Miami; Tampa

Georgia (3): Crisp & Dooly Counties; Central Savannah River; Albany

Kentucky (2): McCreary County; Louisville

Louisiana (4) Northeast Louisiana Delta; Macon Ridge; New Orleans; Ouachita Parish

Mississippi (2): North Delta; Jackson

North Carolina (3): Halifax, Edgecombe & Wilson Counties; Robeson County; Charlotte

South Carolina (2): Williamsburg County and Lake City; Charleston

Tennessee (4): Fayette & Haywood Counties; Scott County; Memphis; Nashville

Texas (4): Dallas; El Paso; San Antonio; Waco

Virginia (2): Accomack & Northamton Counties; Norfolk

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Divider Title: **6**

Briefing Materials on Agriculture in the South
March 23, 1995

Production Regions

The three U.S. farm production regions in "the South" are the Southern Plains region (Texas, Oklahoma), the Delta States region (Arkansas, Louisiana, Mississippi), and the Southeast region (Alabama, Georgia, South Carolina, Florida).

Farm Bill Issues

Commodity Programs

Producers in the South generally oppose "flexibility" in program base acres. Flexibility provisions permit producers to plant alternative crops on nonpayment acres without losing base acres. Southern producers have fewer alternative crops and feel flexibility depresses prices.

Producers in the South generally oppose payment limitations.

Producers in the South generally oppose changes in the current peanut, sugar, and tobacco programs.

Conservation

Now in its ninth year, the Conservation Reserve Program has converted a total of 36.4 million acres of cropland to conservation uses. Over twenty-three percent or 8.3 million acres of cropland enrolled in the CRP is from the three southern production regions. Texas has more acres than any other state in the country with 4.1 million acres. The first CRP contracts, covering 2 million acres, expire on September, 30, 1995. In August 1994, USDA announced that producers with contracts expiring in 1995 can extend their contracts for 1 additional year. In addition, the Department announced that all CRP participants would be given the opportunity to modify and extend their contracts upon maturity. The future of the program will most likely be determined by the 1995 Farm Bill.

Farm Labor

Farm labor is particularly important througnout the South which produces a relatively high proportion of labor intensive crops such as fruits, vegetables, horticultural specialties, and tobacco. In addition, many workers who reside in the South migrate during the summer to assist in northern harvests. Winter fruits and vegetables are produced in Florida and Texas, usually in direct competition with commodities produced in Mexico, Latin America, and the Caribbean. Despite foreign competition, farm employment levels in the South have been maintained in recent decades because of increasing demand for fruits, vegetables and horticultural specialties and some increase in the level of exports of these commodities.

Major Commodities

The major commodities in the three southern production regions are cotton, rice, peanuts, poultry, sugarcane and citrus (Florida).

Cotton

Sixty percent or $2.91 billion of U.S. cotton production comes from the three southern production regions.

U.S. cotton production for 1994/95 is projected to be a record high 19.73 million bales. Export forecasts of 10 million bales and strong domestic milluse is expected to push ending stocks down to a remarkably low 2.1 million bales.

Despite the record crop, cotton prices are historically high--over $1.00/pound.

Rice

66 percent or $550 million of U.S. rice production comes from the three southern production regions.

U.S. rice production for 1994/5 is projected to be 197.8 million/cwt. Exports are strong at 89 million/cwt. and the average farm price is projected to be between $6.50-$7.00/cwt.

Peanuts

88 percent or $781 million of U.S. peanut production comes from the three southern production regions.

U.S. peanut production for 1994/95 is projected to be 4.27 billion pounds. Exports are expected to increase to 875 million pounds but domestic food use continues flat at 2.1 billion pounds.

Citrus

65 percent or $867 million of U.S. orange production comes from Florida. A similarly high percent of grapefruit come from Florida.

Orange production for 1994/95 is forecast at 11.6 million tons and grapefruit production is forecast at 2.68 million tons.

Sugarcane

82 percent or $699 million of U.S. sugarcane production comes from Florida, Louisiana, and Texas. Sugarcane production for 1994 was 31.8 million tons.

Poultry

60 percent of U.S broiler production or $6 billion comes from the southern production regions.

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Divider Title: 7

BACKGROUND PAPER

COMMISSION ON THE FUTURE OF THE SOUTH

The Interstate Agreement creating the Southern Growth Policies Board (SGPB) directs that a set of regional objectives for the South be adopted every six years. To develop these objectives, the Board convenes a Commission on the Future of the South, a blue-ribbon panel of prominent Southerners, to assess conditions in the region and recommend strategies for improvement.

The first Commission was formed in 1974 by Governor Jimmy Carter (Georgia); the second in 1980 by Governor Dick Riley (South Carolina); the third in 1986 by Governor Bill Clinton (Arkansas); the fourth in 1992 by Governor Gaston Caperton (West Virginia). The fourth report was issued in 1993 when Governor Zell Miller (Georgia) was Chairman of the Board.

A. The Report of the 1986 Commission on the Future of the South -- "Halfway Home & A Long Way To Go"

The 1986 Commission was assembled by Governor Bill Clinton of Arkansas (Chairman of the SGPB) and Chaired by Governor William Winter of Mississippi. The goal of the 1986 Commission was to produce a "report to the people of the South to be used by governors, legislators, and other leaders to mobilize support for those public policies and public-private partnerships which will increase the per capita income, reduce poverty, and reduce unemployment for Southerners by 1992."

The 1986 Commission focused on five cross-cutting themes: equity, the internationalization of the southern economy, disparities in the economic progress of urban and rural areas, capital and infrastructure issues, and quality of life. The Commission adopted 10 regional objectives:

<u>10 Regional Objectives -- 1986 Commission:</u>

1) Provide a Nationally Competitive Education for All Southern Students.
2) Mobilize Resources to Eliminate Adult Functional Illiteracy.
3) Prepare a Flexible, Globally Competitive Work Force.
4) Strengthen Society as a Whole by Strengthening At-Risk Families.
5) Increase the Economic Development Role of Higher Education.
6) Increase the South's Capacity to Generate and Use Technology.
7) Implement New Economic Development Strategies Aimed at Home-Grown Business and Industry.
8) Enhance the South's Natural and Cultural Resources.
9) Develop Pragmatic Leaders with a Global Vision.
10) Improve the Structure and Performance of State and Local Governments.

B. The Report of the 1992 Commission on the Future of the South -- "Measure by Measure: The South Will Lead the Nation"

Governor Gaston Caperton convened the 1992 Commission and asked Gov. Ray Mabus of Mississippi to serve as Chair of the Commission. The goal of the 1992 Commission was to craft a set of regional objectives which stand at the core of a visionary but pragmatic plan for making the South globally competitive by 1) improving the quality of the region's human resources; 2) strengthening business enterprises; and 3) creating state-of-the-art public infrastructure. The report was released in 1993 when Governor Zell Miller was Chairman of the Board.

The 1992 Commission put forward 12 Regional Objectives that strive for improved Southern performance through innovation and accountability. The first five objectives cover government effectiveness and accountability; the last seven describe the expectations for the South's human and physical resources.

12 Regional Objectives -- 1992 Commission

A New Approach to Leadership

1) All Southern governments will be more creative, flexible, and accountable for results.
2) All Southern governments will empower our region's people and institutions by encouraging participation and providing meaningful choices.
3) The South will act regionally to create opportunities and leverage resources.
4) The South will have bold, visionary leaders whose concerns are for the greater good of the community.
5) Black Southerners will participate fully in all aspects of Southern life, and no racial, ethnic, or gender barriers shall be tolerated.

The South's Resources Fulfilled

6) All Southern children will arrive at school healthy and ready to learn.
7) Southern educators will become our greatest asset, helping our students and workers compete internationally.
8) All Southerners will have access to basic health care.
9) The South will develop the most positive business environment in the world.
10) The South will increase its commitment to protecting and preserving our natural environment.
11) The growing metropolitan regions of the South will become models of success.
12) The South will develop its infrastructure to the highest standards in the world.

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Divider Title: **B**

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Divider Title: 1

FAMILY AND MEDICAL LEAVE ACT

The Family and Medical Leave Act promotes "family values" in the fullest sense by enabling an estimated 43 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 (FMLA) 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 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 or 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.

The FMLA 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 for 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 Act 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 cost-beneficial.

Many employees in the South benefit from FMLA. In the Southern region alone, some 12 million workers are covered by FMLA, and it protects the jobs of the more than 730,000 workers in the southern region who are likely to use unpaid leave this year. Specifically, in Georgia, the law covers over 1.1 million workers, and guarantees the jobs of 71,000 employees who will likely take unpaid leave this year. The law covers some 1.2 million workers in North Carolina, and this year, protects the jobs of 75,000 workers who will likely take unpaid leave under FMLA. Finally, in Florida, over 2 million workers are protected by the law, and approximately 120,000 will take advantage of the job-guaranteed unpaid leave FMLA offers this year alone.

Implementation of FMLA has generally received favorable reviews, in part due to the "user-friendly" regulations, the Department of Labor's extensive efforts at public education and outreach, and prompt servicing of FMLA complaints by the Department's Wage and Hour Division. For example, during the first quarter of FY1995, 43 percent of all FMLA complaints were resolved within 30 days of receipt and 81 percent within 90 days. In Wage and Hour's Atlanta Region -- which includes Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee -- 65 percent of FMLA complaints received during the first quarter were resolved within 30 days and 90 percent within 90 days. In summary, the Act allows employees to balance the demands of the workplace with needs of their families, promotes the stability and economic security of families, and promotes national interests in preserving family integrity.

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Divider Title: 2

SUMMER JOBS

Each year thousands of poor young people across the country count on the Federal government's summer jobs program. These youth -- many born into poverty on our city streets -- need both the work experience and the income the program provides. For many young people, age 14 to 21, summer jobs are the first step toward gaining job skills and experience.

While the private sector provides many summer jobs for American students, it is unlikely that individual employers can provide enough jobs for all the young people who want and need to work. Those denied opportunities to work and learn may instead spend their summers hanging out on street corners, or in malls looking for something to do. Some will undoubtedly get into trouble with the law; others will make poor personal decisions that will affect the rest of their lives. That will mean added costs to taxpayers for the criminal justice system and welfare programs.

Summer jobs provide real work experiences for thousands of poor youth who might otherwise not have any opportunity to learn real job skills and behaviors during important formative years. Eliminating the summer jobs program nationwide would mean:

- Over 600,000 disadvantaged kids with no jobs this summer and too much time on their hands;

- Loss of over $800 million in direct funding through block grants to states and communities; and

- Loss to local economies of $600-$800 million in consumer purchasing power such as food, clothing, and recreation.

In the South, elimination of the government's summer jobs program would mean over $242 million in lost grants to the states. This would translate into 153,000 young people with no opportunities to gain work experience, learn the work ethic, or earn a much-needed paycheck. Georgia, for example, would lose $18 million and nearly 12,000 summer jobs, and Atlanta alone would lose almost $2.5 million and over 1,500 jobs this summer. South Carolina would lose nearly $13 million and 10,700 jobs. Arkansas would lose about $7.7 million and over 6,000 summer jobs. Florida would lose almost $42 million and more than 26,000 jobs. The City of Miami, alone, would face a loss of over $8 million and nearly 4,000 jobs. These effects could be devastating for young people, their families, and their communities.

1995 FUNDING FOR SUMMER YOUTH PROGRAM FOR SOUTHERN STATES AND SELECTED CITIES

	Dollars ($000)	Summer Jobs
Alabama	$14,915	10,600
Arkansas	$7,667	6,100
Little Rock	$372	180
Florida	$41,697	26,100
Miami	$8,236	3,900
Georgia	$18,193	11,700
Atlanta	$2,459	1,550
Kentucky	$11,567	9,700
Louisiana	$19,265	13,500
Mississippi	$10,279	7,900
North Carolina	$13,618	5,100
South Carolina	$12,643	10,700
Tennessee	$12,938	3,600
Texas	$66,587	43,300
Houston	$9,102	6,000
Virginia	$13,187	4,500
Southern Region TOTAL	**$242,556**	**152,800**
United States TOTAL	**$867,070**	**615,000**

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Divider Title: **3**

Percent and Number of Workers in Southern Region Affected by the President's Proposal to Increase the Minimum Wage: 1993

	Percent of Workers from $4.25 to $5.14	Number of Workers from $4.25 to $5.14
Alabama	18.2%	296,300
Arkansas	18.2%	167,900
Florida	12.8%	697,300
Georgia	13.3%	366,800
Kentucky	17.8%	252,400
Louisiana	18.4%	275,800
Mississippi	21.6%	212,700
North Carolina	12.6%	374,400
South Carolina	16.0%	239,300
Tennessee	17.4%	358,500
Texas	16.0%	1,164,400
Virginia	9.3%	265,300
Southern Region TOTAL	**16.0%**	**4,671,100**

SOURCE: Economic Policy Institute analysis of 1993 Current Population Survey.

March 27, 1995

MEMORANDUM TO THE PRESIDENT

From: Alan B. Krueger Alan Krueger
Chief Economist, Department of Labor

Subject: Minimum Wage: The United States and the South

The minimum wage was last increased to $4.25 per hour on April 1, 1991 -- almost exactly 4 years ago. The Administration's proposal to increase the minimum wage 90 cents an hour over two years can directly affect some eleven million hourly workers who in 1994 earned between $4.25 per hour and $5.15 per hour. The minimum wage has declined by 27 percent in real purchasing power since 1979. And by next year -- if it is not increased -- the minimum wage will reach its lowest real level in four decades. The following bullets may be useful:

- In 1989, Congress voted with strong bipartisan support to increase the minimum wage from $3.35 to $4.25 per hour in two steps over two years. The Administration's proposal is for an identical 90 cent increase over two years.

- Inflation has already eroded about half of the value (45 cents) of the last minimum wage increases.

- The BLS estimates that in 1994, 64 percent of minimum wage workers were adults, age 20 and over. Almost 60 percent of minimum wage workers are women.

- The Economic Policy Institute estimates that the average worker earning between $4.25 and $5.15 per hour brings home half of his or her family's earnings; 39 percent of these workers are the sole breadwinner for their family.

- A minimum wage increase of 90 cents would mean a $1,800 raise for a full-time, year round minimum-wage worker. This is not an insignificant sum for low-income families. Indeed, it is as much as the average family spends on groceries in seven months.

- Peter Kilborn of the New York Times wrote a moving article on minimum-wage workers in Jacksonville, NC in February (see attached). In spite of a 5% unemployment rate, Jacksonville has had the lowest average income of the nation's 310 urban areas for four straight years. The article quoted several business owners who said a minimum wage increase would be good for business. For example, Louis Sewell, a part-owner of the Golden Corral restaurant chain, said, "I'm not sure I agree with what I hear out of Washington -- that a guy's going to hire less workers because they raised the minimum wage." Others interviewed said that a minimum wage hike would help the economy by giving workers more money to spend.

- Over a dozen empirical studies find that a moderate increase in the minimum wage does not cost jobs. Several of these studies extend previous ones that had claimed that raising the minimum wage decreases employment. For example, a study by Professor Allison Wellington of Davidson College (in North Carolina) finds that when the conventional time-series study is updated to include data through the 1980s, the minimum wage does not have a statistically significant impact on teenage employment.

- A modest minimum wage increase may not hurt employment because it will encourage more people to work; and because employers will be able to fill vacancies more quickly and experience lower turnover.

- Since wages in the South are generally lower than the national average, some economists claim that employment loss would be larger there. However, Professor David Card of Princeton University found that the 1990-91 increases in the federal minimum wage did not adversely affect employment growth of teenagers and less-skilled workers in "low-wage" states.

- A study of the fast-food industry in Texas by Larry Katz (Harvard) and Alan Krueger (Princeton and currently DOL) found that restaurants that were required to increase their pay the most by the 1991 federal minimum wage hike did not have worse employment growth than those that paid more than $4.25 per hour and were thus unaffected by the increase. Card and Krueger reached a similar conclusion by comparing fast food employment in New Jersey and Pennsylvania after the 1992 increase in New Jersey's state minimum wage.

- According to the Economic Policy Institute, in 1993 some 4.7 million workers (16 percent of workers) in the 12 Southern states earned between $4.25 and $5.15 an hour. In Georgia alone, 366,800 workers fall in this interval; in Florida, 697,300; and in North Carolina, 374,400.

37TH STORY of Level 1 printed in FULL format.

The New York Times

February 12, 1995, Sunday, Late Edition - Final

SECTION: Section 3; Page 1; Column 2; Business/Financial Desk

LENGTH: 3517 words

HEADLINE: A City Built on $4.25 an Hour

BYLINE: By PETER T. KILBORN

DATELINE: JACKSONVILLE, N.C.

BODY:

IN Washington people talk a lot about the minimum wage these days, but few try to live with it. This is a place where people actually do.

Jacksonville is a one and two-story, asphalt-coated city of trailer parks and pawnbrokers, where the residents eat $4.89 soup to Jell-O meals at the Golden Corral restaurant and buy blue jeans for $11.84 at the Wal-Mart. It's close to the sea but remote, an hour's drive from an interstate and two-and-a-half hours from Raleigh, the closest big city -- and a world apart from North Carolina's high-tech, high-wage economy.

Other than Louis Sewell's 7,000-square-foot neocolonial palace with a .cular, red-brick drive and ornate moldings worthy of Versailles, caviar tastes go begging. When Itchy Popkin, the leading local furniture mogul, eats lunch at the retreat of the city's elite, the Jacksonville Country Club, the fare is a simple buffet of deep-fried chicken, stuffed green peppers and macaroni bathed in bright yellow cheese.

But there's no real slum, either. The poverty rate is 9 percent, well below the state's rate of 13 percent, and the unemployment rate is just 5 percent. People just don't earn very much. For four straight years, the Bureau of Labor Statistics has determined that the average annual pay in Jacksonville, population 80,000, is the lowest of the nation's 310 urban areas.

People get along, however, because this is low-cost, low-tax country, too. Mr. Sewell's house would be worth millions in the suburbs of major cities, but it is carried at $500,000 on the tax rolls here, and he says he doubts that he could sell it for that. More run-of-the-neighborhood, three-bedroom houses sell for $50,000 to $70,000.

And there's an even cheaper alternative. A quarter of the people in the county that Jacksonville dominates live in mobile homes, or trailers, according to a recent study. Used, most sell for less than $10,000.

In most American cities, not even McDonald's counter clerks start at the minimum wage. But they do here. The $4.25-an-hour minimum sets the starting standard for most jobs, and the average pay for all jobs is $7.50 an hour, about less than the national average.

This is not Every Town, but nor are most places. Like Houston with oil, roit with cars and Wichita with aircraft, the economy of this eastern North Carolina city rolls with the fortunes of something bigger -- Camp Lejeune, the home of 40,000 marines, in addition to Jacksonville's civilian population of 80,000.

The marines, with take-home pay that starts at about $1,400 a month, support this city's service economy. And when they went off to the Persian Gulf war in 1990 and 1991, the fortunes of many local businesses sank. But wars aside, Camp Lejeune keeps this economy rolling.

All this makes Jacksonville a place to test the influence of the minimum wage against the theological thunder in Washington over President Clinton's proposal last month to raise the floor from $4.25, to $5.15.

To liberals, lifting the wages of those at the lower rungs of the labor force is a matter of social justice, helping the plight of struggling workers. To conservatives, the notion of setting wages is anathema, a violation of free-market principles that threatens to fan inflation and force businesses to lay off workers. Here, the moralizing over the minimum wage seems overwrought, and the warnings that raising it will damage the economy seem overdrawn.

At the start of the decade, the last time the Government raised the wage, employment went up, not down, and prices barely budged. No one speaks of cutting staff if the wage goes up again, and any inflation would likely be confined to minuscule price increases at restaurants, the principal payers of the minimum e.

"I'm not sure I agree with what I hear out of Washington -- that a guy's going to hire less workers because they raised the minimum wage," said Mr. Sewell. Girthy, 60, a bear and deer hunter, Mr. Sewell is part-owner of the Golden Corral restaurant chain, which was built on the minimum wage and operates more than 400 outlets nationwide. "But I'd prefer it to be raised over a three-year period of time and let merchants work their way into it."

A Boost for the Local Economy

Itchy Popkin, 59, an unlighted cigar permanently fixed in his mouth, surveys the three acres of bedroom suites, loungers and television sets under the roof of one of his four Furniture Fair stores -- two in Jacksonville, two in nearby communities. He says he sells 80 percent of his furniture on credit. Many of his customers are members of the low-wage economy, and Mr. Popkin would like to see a bit more money in their pockets. "It would help us, going to $5.15," he said. "Even that's not enough." And whatever an increase might mean for business, he said, "I don't see how people can live on that."

Even people who in their guts just don't like the Government meddling with wages equivocate. "The problem today is not the minimum wage," said John O. Stevenson, an automobile dealer who sells Jeeps, Hyundais, Suzukis and a Mercedes or two a month, including Mr. Sewell's new convertible. "People who are willing to work will be paid more than the minimum wage."

'ausing, he adds, "But those statistics about Jacksonville's low income," he 1. "I'd like to see my area prosper and do well. I realize I'm talking out of both sides of my mouth."

Jacksonville also shows how, as in much of the nation, a decline in .ufacturing employment depresses wages in general as the low-wage side of the service economy tends to become the standard-setter. Nationally, manufacturing jobs pay an average of $12 an hour, while jobs in retailing pay $7.60 an hour.

Jacksonville and the rest of Onslow County have lost four or five factories since the start of the 1990's that employed more than 800 workers. Those that remain employ just 6 percent of the work force, compared with 21 percent nationally. As Jacksonville loses factories, it loses a lever that props wages up, so all wages drift toward the restaurants' floor.

At the Jasper Textiles plant here, 140 women sew Outer Banks men's casual shirts. The starting wage is $6 an hour, raised from $5.50 at the start of the year, and the average is $7.

This is no stereotypical garment industry sweatshop. Inside, the plant is as bright as a beach, and management has switched most of its repetitive-motion assembly lines to five-worker cells where each woman can make an entire shirt and the team sets its starting and break times.

That's one way to shave labor costs. The 16 cells of 80 women have only one supervisor. On the assembly line, there's one supervisor for 40 women. At their current level, says the president, Gene Raplye, the wages are low enough for him to absorb an increase provoked by a higher Federal minimum. "I have no problem with the minimum wage," he said.

But the exodus of other manufacturers and the scarcity of new high-wage inesses seem to drag all wages down. Walter Timm, executive vice president of Coastal Carolina Community College, the one place in town where people can go for training in higher-paid skills, reports that graduates are beginning work for an average of $8.20 an hour, 5 percent less than five years ago.

At the extremes, electronic engineering technicians start at $13.33 an hour, 33 percent more than in 1990, and computer programmers start at $5.77, or 72 percent less. "Here you have 10 applicants for three high-wage jobs," said John Nardo, head of the college's placement service. In Raleigh, he said, "you'll have 20 applicants for 30 of those jobs."

SOME people here, those with only themselves to support and indifferent to the ornaments of the middle-class, say they can actually manage on a full-time, minimum wage job that works out to only $737 a month or $8,840 a year. "Easy," said Ronald Salsman, 40, a divorced, childless construction laborer whose jobs pay between the minimum wage and $5.50.

"You learn to manage your money," Mr. Salsman explained. "Get a trailer, $150, $190 a month. Don't go out to eat. Don't use credit cards." He pays bills with 59-cent money orders. His last car broke down and a friend drives him to work, but he is saving for another. "Me being mechanically inclined," he said, "I can buy a car for $300, $400 and fix it up."

No one here calculates the numbers of workers like Mr. Salsman who are wholly or largely dependent on $4.25 or for that matter the numbers who earn the wage. ionwide, the Bureau of Labor Statistics says that 2.5 million were paid the .imum wage in 1993, the most recent year for which figures are available. When workers who make even less are included, 4.2 million people, or 6.6 percent of

' those paid hourly wages, earned the minimum wage or less. Of those low-wage кers, nearly 40 percent -- 1.6 million -- were employed in restaurants.

Jacksonville is the big city in Onslow County, where 13 percent of the work force of 32,000 is employed in restaurants, more than double the national average of 6 percent. All but the most experienced start at $4.25, or at $2.13, the Federal minimum for people who collect tips. Many other workers here, in shops, gasoline stations, delivery services and motels, also start at the minimum.

In Jacksonville, such low wages foster not only Mr. Salsman's thrift but also a new, enterprising class of hustlers who build modest, $15,000-to-$20,000-a-year living-wage lives out of minimum-wage jobs. Commission workers in stores and tipped workers in restaurants, most in their 20's and 30's, these people puncture the stereotype of minimum-wage workers who are teen-agers for whom McDonald's is a source of pocket change and work-ethic grooming.

CHERYL WILSON, 27, waits on tables at Golden Corral. It's the ideal job, she says. "When I need time off they give it to me. They work with me so I can be a mother." Divorced, mother of a daughter who is 9, she receives $150 a month in child support and, thanks to tips, earns $50 each of the four days, for a total of 26 hours, that she works each week.

Ms. Wilson's tips have begun to lift her above the Jacksonville economy's floor. Soon, she said, she will buy a new $20,000 mobile home, replacing a used one she bought for $2,500. She will have to borrow to pay for it, but shuns all er debt. Her car is a 1984 Buick that she bought three years ago for $1,800 cash.

The most resourceful workers do even better. With little demand here for skills that pay high wages, those who want to stay in town fashion jobs waiting on tables into something akin to a profession. They start young, at McDonald's, Burger King and Dunkin' Donuts, then move up the ladder to employers who prize experience, like Golden Corral and Applebee's. They bound from one to another, always in search of fatter tips and optimum hours.

Herbert Jackson Mitchell 3d, who is 28, dropped out of college after a year, when his father died. Assertive and affable, he leapfrogged the stop at McDonald's for a waiter's job at Applebee's here. He then moved on, to Ragazzi's, to a Mexican restaurant that closed, to a Shoney's, to Golden Corral, and back to Applebee's.

ON military paydays, the 1st and 15th of the month, Mr. Mitchell said he makes at least $100 in tips, and $65 to $70 most other days. That, with his $2.13 an hour, lets him pay his half of the $500 a month rent on the three-bedroom house he shares with his mother, a factory worker. He also pays $45 a month for cable TV, $20 for water and $50 on the loan he took to go to college. Once, Applebee's put Mr. Mitchell into its management training program, and he dropped out. He said he had to work twice his usual 30 to 32 hours a week. It was stressful, and the salary, which he forgets, came to less than he earned as a waiter. "Waiting table is my income, my job," he said. "Unless I decide to go back to school, this is my career."

ıow Mr. Mitchell is moving on again. On Monday, Jan. 30, the Red Lobster chain stretched a giant red and white "Now Hiring" sign across the front of new, 196-seat outlet on Western Boulevard that opens tomorrow. Word swept ough Mr. Mitchell's network that at Red Lobster, waiters and waitresses would not have to share tips with hosts and bartenders, the rule at Applebee's. Eleven-hundred people applied through the week for 106 jobs, and Mr. Mitchell landed one.

For other people, however, those who learn skills that they expect to propel them into the middle class, Jacksonville delivers a colossal jolt. Mark and Tracy Pryor moved here two years ago from Newark.

Mr. Pryor, 31, has a two-year associates degree in business administration from Kean College in Union, N.J., and became an industrial mechanic earning $30,000 a year, or about $14 an hour. His wife, who is 26, has a bachelor's degree in psychology from Kean. She said she earned $22,000 as a teacher and counselor in an after-school program.

Three years ago they had a child, a daughter, and a year later, fearful for her safety in New Jersey's largest city, they moved to a $225-a-month trailer near Jacksonville, where Mr. Pryor had been a marine.

The Pryors promptly tumbled into the maw of the minimum wage economy. Mr. Pryor found a skilled job as a maintenance mechanic for a food company. "I started at $4.25," he said, "and I stayed a year and a half." He took a similar job at another food company that paid $8 and stayed six months, until Friday, Jan. 13, when he was laid off. He'll take anything now, he said. "I've got to feed 'em. I've been looking like a crazed animal. I can't find anything above minimum wage."

Recently, Mrs. Pryor, who has been caring for their daughter, began looking for a counseling job. She has found nothing, at any wage. The rub, she suspects, is their education. Only 13 percent of Onslow County's population of 150,000 have two years of college or more.

She said, "Different places I've applied, they say I'm overqualified. They get leery. They think we're going to try to get their job." So, she said, she's going to strike her degree from her resume and stick it out here. What they lack in wages, they have in faith. "We've got a great deal of belief in Christ," Mr. Pryor said. "We're sitting where he wants us to sit."

Justine Talbot, by contrast, yearns to get out. Twenty-nine, with a son two and a half, she has left the marine she met here and married. For a year, she earned $160 a week as a member of a crew that cleaned rich people's beach houses on Emerald Isle. She doesn't have a car, and the company would pick her up and bring her home. "And I didn't have the money for halfway decent clothes," she said. "Cleaning houses, you don't have to look like a beauty queen."

Last fall Ms. Talbot enrolled at Coastal Carolina Community College to learn to be a medical office secretary, her tuition paid by Government grants. She lives on $50 in child support and about $350 a month in Food Stamps and Aid to Families with Dependent Children. "I'm very dependent on people," she said, "and I hate it. I hate it."

'AGES for medical secretaries in Jacksonville, when there's a job available, :t at about $6.50 an hour -- not enough, Ms. Talbot thinks, to put her on her feet. So she has begun looking for work as a medical secretary outside the a, because starting wages can reach $11 an hour or more.

Restaurant and small-business lobbies in Washington insist that an increase in the minimum wage will play havoc with the economy -- as well as their own profits -- by driving up unemployment and prices. But it is hard to find anyone who believes that here.

In 1990 and 1991, Washington raised the minimum in two steps, by the same 90 cents that President Clinton proposes raising it again. From three months before each increase to three months afterward, the state Employment Security Commission's monthly reports for Onslow County show that unemployment declined, from 5 percent to 4.4 percent after the first increase and from 6.5 percent to 5 percent after the second.

Restaurant prices edged up a bit, people here recall, but not enough to pinch pockets. Employment in the county's restaurants grew, from 3,180 the year before the first increase to 3,778 the year after the second, and the number of restaurants grew, too, from 204, to 225.

Yet the wage increase did hit its intended target. Locally, restaurant workers' annual incomes climbed right in line with the 26-percent increase in the wage, from $6,149 to $7,420. Washington lobbyists warn that raises in these workers' wages stir increases far up the pay scale, but there was little of that. Over the four years, the average annual earnings of all Onslow County workers climbed by 10 percent -- not enough to keep pace with inflation.

"The minimum wage increase did very little that I could see," said Ralph E. ds, manager of the employment commission office here. "There may have been a decrease in hiring for a little while."

Mr. Leeds's office disburses unemployment benefit checks and is Onslow County's main employment agency. As of the start of this year, it was placing workers at an average wage of $5.75. Job openings tacked on bulletin boards there a few days ago ranged from $9 for an asbestos remover and $8 for a carpenter to a much larger number at $4.25.

"We also see a lot of employers advertising $4.25 and $4.50 and up, depending on experience," Mr. Leeds said. But he said job seekers with experience return from interviews with the employers and tell him that they are saying $4.25, and that's it.

With labor so cheap, Mr. Leeds says, the hazard facing this economy is underemployment, not unemployment. Spouses of Camp Lejeune marines, many with college degrees, stay home rather than go to work. Mr. Leeds says that even with their degrees, they would earn little more than they would have to pay for child care. People with more than 12 years of school whom the employment service has placed in recent months started at an average of $5.91 an hour. "Imagine the talent that's lost in this town," he said.

HIGHER wages would also help the Government squeeze its welfare bill without any of the changes Congress and the White House propose. William D. McDonnell, director of the Onslow County Department of Social Services, says 20 percent of county's 2,350 families receiving A.F.D.C. have jobs, as do 32 percent of 4,143 on food stamps.

A case worker, Beverly Black, takes the example of a new client, a single .her with two children whose rent is $200 a month and who works 20 hours a week for the minimum wage.

That still leaves her far below the poverty line of $12,320, or $1,267 a month. Under the formulas that determine her benefits, she would receive $466 a month in A.F.D.C. and food stamps. With her earnings of $340 from work, her monthly income would be $806.

Then, if her wage rose to $5, everyone would come out a little bit ahead. Her income would be $834 -- $400 from work and $434 in benefits, and the Government would spend $32 less.

At the 475-seat Golden Corral restaurant where Cheryl Wilson works, near Jacksonville's busiest intersection of Western Boulevard and the Marine Highway, lines of customers, 20 and 30 long, begin winding by the cash registers each evening at six to buy the $5.89 all-you-can-eat Golden Choice Buffet.

The chain was sown in the sandy soil of Eastern North Carolina. In 1972, Louis Sewell, was a junior high school principal here in Jacksonville. He said his roommate at Eastern Carolina State University, James Maynard, asked him for money.

"Maynard had an idea," Mr. Sewell said. "We would provide affordable dining -- fill a guy's stomach as well as his heart." Mr. Sewell, son of a bakery delivery man and a department store saleswoman, refinanced his house to raise 000. He was an officer of the company until 10 years ago when he left for .er ventures. He owns six of the restaurants, including the one here, which he leases back to the company.

Curtis Cunningham, the general manager here, has an tiny, windowless office off the kitchen. He clicks through the numbers to show the impact of a 75-cent rise in the minimum wage. Because he doesn't have to pay the half of the 140-member staff that receives tips as much as others, he said he would have to pay an average of 50 cents more per worker.

Had the higher minimum been in effect during the first five weeks of this year, Mr. Cunningham said his total wage bill would have climbed by $6,947, to $74,870, and from 18 percent of total business costs to 20 percent. Looking at it another way, he said the workers' share of the average $6.10 meal bill would rise from $1.09, to $1.20.

Thus, a 17.6 percent increase in the minimum wage -- 75 cents -- would add 11 cents or just 1.8 percent to the customer's bill. Mr. Cunningham said he expects the company to pass any increase on.

But so small an increase could be tough. The Golden Corral faces new competition from Red Lobster. Despite a possible increase in the minimum wage, that chain has introduced a new menu with lower prices, not higher.

GRAPHIC: Photos: Cheryl Wilson, a waitress and a single mother, is a low-wage worker who lives in a $2,500 mobile home. But she plans to move up. (Duane Hall The New York Times)(pg. 1); Itchy Popkin, a local entrepreneur, wants wages sed. Justine Talbot attends a local community college and seeks higher-paid work elsewhere. Curtis Cunningham expects a modest impact if wages rise.

otographs by Duane Hall for The New York Times)(pg. 5)

Graph: "Minimum Wage Workers" shows profile of the 2.5 million workers who earned \$4.25 an hour in 1993. (Source: Bureau of Labor Statistics)(pg. 5)

Map of North Carolina showing location of Jacksonville. (pg. 4)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 12, 1995

Clinton Presidential Records
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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

Percentage of Families Receiving EITC in the Southern States[1] (when fully phased-in)

State	Percent of Families Receiving EITC[2]
United States	23.1
Alabama	33.7
Arkansas	30.9
Florida	25.3
Georgia	31.1
Kentucky	23.2
Louisiana	35.6
Mississippi	45.1
North Carolina	28.8
South Carolina	32.8
Tennessee	28.3
Texas	32.9
Virginia	20.2

[1]Source: Estimates of the Earned Income Tax Credit by Congressional Districts: July 29, 1993, Office of Economic Policy, U.S. Department of the Treasury

[2] Approximate estimate of how many families with children in each state will receive the EITC when it is fully phased-in.

Earned Income Tax Credit and the South

The Earned Income Tax Credit (EITC) is a program to boost the incomes of low-income working Americans by providing them with a tax credit to supplement their incomes. The bulk of EITC credits go to low-income working families with children. For a low-income two-child family with one earner, the EITC turns a $4.25 an hour minimum wage job into a $6.00 an hour job. In 1993, the Clinton Administration expanded this program so that it now covers about 20 million Americans.

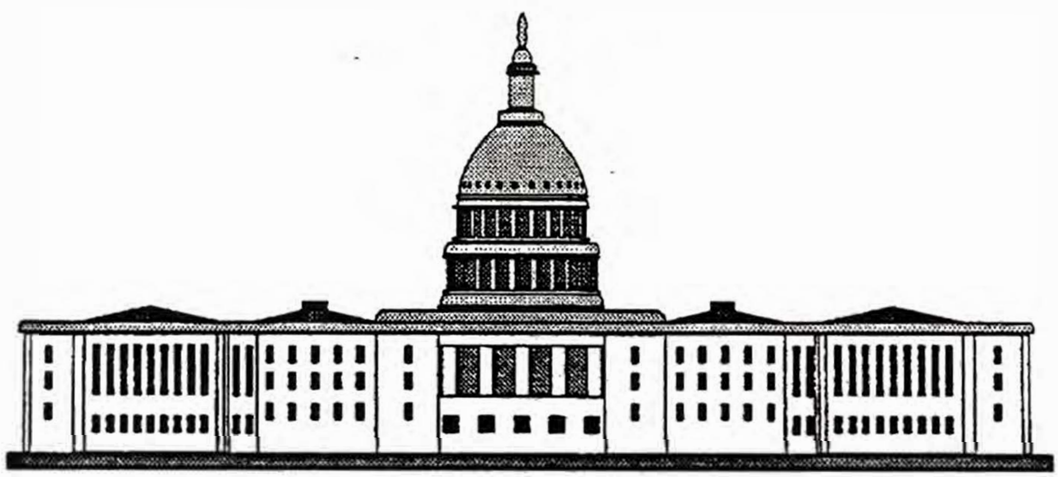
Most "welfare" programs discourage work: the more you work, the more your benefits are reduced. The EITC is unique in that it encourages work. For a full-time worker making the minimum wage, the more hours he or she works, the larger is his or her EITC credit. We cannot expect to preserve and enhance the work ethic unless we can make work pay so that those who work hard and play by the rules do not wind up still in poverty. The EITC is a very important piece of President Clinton's strategy to make work pay.

The South has particularly benefitted from the Clinton Administration's expansion of the EITC. While some 27 percent of income tax revenues are raised from the South, some 40 percent of EITC credits go to Southern taxpayers. A Southern taxpayer has a sixty percent greater chance than a non-Southern taxpayer of receiving the EITC. The Internal Revenue Service estimates that approximately eight million filers in the South are eligible for the credit. In addition, as President Clinton's expansion of the EITC becomes phased in, the EITC will boost Southern incomes by approximately $9 billion a year or more.

Office of Economic Policy
March 25, 1995

Estimates of the Earned Income Tax Credit By Congressional Districts

July 29, 1993



Office of Economic Policy
Department of the Treasury

Estimation Procedures

Estimated Distribution Across Congressional Districts of Earned Income Tax Credit Recipients and Amounts

The following district-by-district analysis provides an approximate estimate of how many families with children in each Congressional district will receive the Earned Income Tax Credit (EITC) once the President's proposal is fully phased-in. The estimate does not include the seven million American workers without dependent children who would be eligible under the President's proposal.

The distribution across Congressional districts of EITC recipients and amounts was estimated with the following steps:

1. The Office of Tax Analysis, Department of the Treasury, has estimated the following national totals for 1994 for the current-law EITC and the President's proposal (fully phased in 1994 levels):

	Families	Childless Workers	Total
		Current Law	
Recipients	14 million	NA	14 million
Amounts	$19.1 billion	NA	$19.1 billion
		President's Proposal	
Recipients	15 million	7 million	22 million
Amounts	$25.4 billion	$1.3 billion	$26.7 billion

2. We allocated the totals for families by state, using the distribution across states of recipients and amounts in tax year 1991 from *SOI Bulletin*, Spring 1993.

3. We distributed the state estimates (for both families and amounts) across Congressional districts according to the proportion of the state's nonelderly (householder under 65) households with incomes under $25 thousand residing in that district (as of the 1990 Census).

Caveats: The Congressional district estimates do not include the number of low-income workers without children that would receive the credit or the amounts they would receive. Since the proposed credit for childless workers is new, there are no historical data on which to base district-by-district estimates for these workers.

All state totals are assumed to grow at the same rate as the national total between 1991 and 1994. Consequently, variations across states are rooted in the 1991 distribution.

These data on the number of EITC families and payment amounts by Congressional district somewhat overstate the number of recipients in metropolitan districts. This is because the proportion of poor households with earnings is higher than average in rural areas and somewhat lower than average in cities.

Office of Economic Policy, Department of the Treasury

Alabama

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Sonny Callahan	53.9	99.2	34.3
2	Terry Everett	51.8	95.4	32.7
3	Glen Browder	57.7	106.3	37.1
4	Tom Bevill	61.0	112.2	36.1
5	Bud Cramer	45.4	83.5	27.7
6	Spencer Bachus	38.3	70.5	24.0
7	Earl F. Hilliard	66.6	122.6	45.1
Total		*374.7*	*689.7*	33.7

Arkansas

		Expanded EITC (fully phased in)		
District	Representative	Families ('000's)	Amount (millions)	Percent of Families
1	Blanche M. Lambert	57.0	100.6	34.4
2	Ray Thornton	44.0	77.6	27.4
3	Tim Hutchinson	50.4	88.8	29.8
4	Jay Dickey	51.3	90.5	31.9
Total		*202.8*	*357.6*	*30.9*

Florida

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Earl Hutto	45.1	78.7	29.0
2	Pete Peterson	50.6	88.2	34.8
3	Corrine Brown	55.2	96.3	39.8
4	Tillie Fowler	33.0	57.6	21.4
5	Karen L. Thurman	51.1	89.1	31.3
6	Cliff Stearns	38.5	67.1	23.6
7	John L. Mica	32.0	55.7	20.2
8	Bill McCollum	34.9	60.9	24.0
9	Michael Bilirakis	33.7	58.8	20.5
10	C.W. Bill Young	47.5	82.9	30.7
11	Sam Gibbons	49.2	85.7	34.1
12	Charles T. Canady	41.0	71.5	25.9
13	Dan Miller	32.0	55.8	18.9
14	Porter J. Goss	26.7	46.6	15.8
15	Jim Bacchus	31.8	55.4	19.6
16	Tom Lewis	27.7	48.3	16.6
17	Carrie Meek	48.3	84.2	36.8
18	Ileana Ros-Lehtinen	44.0	76.8	31.1
19	Harry A. Johnston	21.2	36.9	12.6
20	Peter Deutsch	26.0	45.3	16.7
21	Lincoln Diaz-Balart	31.2	54.4	21.3
22	E. Clay Shaw, Jr.	44.7	77.9	29.6
23	Alcee L. Hastings	50.0	87.2	37.4
Total		*895.4*	*1,561.4*	25.3

Georgia

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Jack Kingston	54.3	95.8	34.8
2	Sanford Bishop	70.9	125.1	47.6
3	Mac Collins	39.3	69.4	23.8
4	John Linder	29.5	52.1	19.0
5	John Lewis	62.3	109.9	44.9
6	Newt Gingrich	21.5	37.9	13.4
7	George Darden	47.1	83.2	28.8
8	J. Roy Rowland	54.0	95.2	33.2
9	Nathan Deal	51.7	91.3	30.6
10	Don Johnson	50.9	89.8	32.4
11	Cynthia McKinney	55.6	98.2	37.3
Total		*537.1*	*947.9*	*31.1*

Kentucky

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Tom Barlow	42.8	72.1	24.6
2	William H. Natcher	38.2	64.3	22.2
3	Romano L. Mazzoli	34.5	58.1	20.8
4	Jim Bunning	32.4	54.6	19.2
5	Harold Rogers	52.0	87.5	29.6
6	Scotty Baesler	36.7	61.8	22.1
Total		*236.6*	*398.4*	23.2

Louisiana

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Bob Livingston	45.0	80.1	27.5
2	William J. Jefferson	65.3	116.2	44.8
3	W.J. Tauzin	49.8	88.6	31.0
4	Cleo Fields	67.9	120.9	47.0
5	Jim McCrery	54.7	97.4	33.6
6	Richard H. Baker	49.8	88.7	31.0
7	James A. Hayes	57.9	103.1	36.1
Total		*390.5*	*695.1*	*35.6*

Mississippi

District	Representative	Expanded EITC (fully phased in): Families ('000's)	Amount (millions)	Percent of Families
1	Jamie L. Whitten	61.4	113.6	43.0
2	Bennie Thompson	65.3	120.8	51.8
3	G.V. Montgomery	58.7	108.6	42.6
4	Mike Parker	62.1	115.0	46.0
5	Gene Taylor	59.1	109.4	42.9
Total		*306.6*	*567.4*	*45.1*

North Carolina

District	Representative	Expanded EITC (fully phased in): Families ('000's)	Amount (millions)	Percent of Families
1	Eva Clayton	59.2	104.1	40.2
2	Tim Valentine	41.8	73.5	27.2
3	H. Martin Lancaster	47.6	83.6	31.2
4	David E. Price	34.9	61.3	24.5
5	Stephen L. Neal	47.2	83.0	30.5
6	Howard Coble	36.2	63.6	22.8
7	Charlie Rose	44.2	77.7	31.6
8	W. G. Hefner	42.6	74.9	27.6
9	J. Alex McMillan	29.7	52.2	19.3
10	Cass Ballenger	39.3	69.1	24.1
11	Charles H. Taylor	49.0	86.0	30.4
12	Melvin Watt	53.0	93.1	37.4
Total		*524.8*	*922.3*	*28.8*

South Carolina

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Arthur Ravenel, Jr.	46.9	84.4	30.1
2	Floyd Spence	42.6	76.7	27.8
3	Butler Derrick	52.6	94.6	32.6
4	Bob Inglis	49.7	89.3	30.8
5	John M. Spratt, Jr.	51.8	93.1	32.8
6	James E. Clyburn	63.3	113.9	43.5
Total		*306.9*	*551.9*	*32.8*

Tennessee

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	James H. Quillen	48.1	83.0	30.4
2	John J. Duncan, Jr.	42.7	73.7	28.0
3	Marilyn Lloyd	42.3	73.0	27.6
4	Jim Cooper	49.7	85.7	31.3
5	Bob Clement	40.1	69.2	28.4
6	Bart Gordon	34.3	59.2	22.3
7	Don Sundquist	35.2	60.8	23.2
8	John S. Tanner	44.6	77.0	29.4
9	Harold E. Ford	47.0	81.0	34.6
Total		*384.1*	*662.6*	28.3

Texas

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Jim Chapman	57.5	100.8	37.0
2	Charles Wilson	56.4	99.0	37.1
3	Sam Johnson	20.0	35.1	12.9
4	Ralph M. Hall	46.5	81.5	29.3
5	John Bryant	54.7	95.9	38.5
6	Joe Barton	25.7	45.2	16.3
7	Bill Archer	28.7	50.4	19.1
8	Jack Fields	36.7	64.4	24.6
9	Jack Brooks	44.0	77.1	28.8
10	J. J. Pickle	59.6	104.6	44.9
11	Chet Edwards	57.1	100.1	38.9
12	Pete Geren	46.0	80.7	31.1
13	Bill Sarpalius	62.2	109.1	41.9
14	Greg Laughlin	51.3	89.9	34.4
15	E. de la Garza	55.2	96.8	40.6
16	Ronald D. Coleman	49.0	86.0	35.6

Texas

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
17	Charles W. Stenholm	57.9	101.6	37.7
18	Craig A. Washington	60.9	106.9	46.0
19	Larry Combest	48.4	84.8	31.7
20	Henry B. Gonzalez	56.4	99.0	41.6
21	Lamar S. Smith	36.9	64.8	23.2
22	Tom DeLay	27.7	48.5	18.5
23	Henry Bonilla	51.6	90.5	36.6
24	Martin Frost	45.8	80.3	31.9
25	Michael A. Andrews	46.1	80.9	31.6
26	Dick Armey	31.1	54.5	20.5
27	Solomon P. Ortiz	51.0	89.5	36.7
28	Frank Tejeda	55.3	97.0	38.5
29	Gene Green	58.2	102.1	44.6
30	Eddie Bernice Johnson	63.0	110.6	47.0
Total		*1,441.1*	*2,527.6*	32.9

Virginia

District	Representative	Expanded EITC (fully phased in) Families ('000's)	Amount (millions)	Percent of Families
1	Herbert H. Bateman	28.0	48.0	18.2
2	Owen B. Pickett	29.0	49.7	20.8
3	Robert C. Scott	48.8	83.5	34.4
4	Norman Sisisky	31.3	53.7	20.3
5	Lewis F. Payne, Jr.	43.1	73.9	27.9
6	Robert W. Goodlatte	38.8	66.4	25.6
7	Thomas J. Bliley, Jr.	21.8	37.4	14.2
8	James P. Moran	14.1	24.2	10.3
9	Rick Boucher	53.6	91.8	34.1
10	Frank R. Wolf	16.0	27.4	10.4
11	Leslie L. Byrne	7.8	13.3	5.3
Total		*332.3*	*569.4*	*20.2*

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Divider Title: **5**

March 27, 1995

MEMORANDUM TO THE PRESIDENT

From: Alan B. Krueger Alan Krueger
Chief Economist, Department of Labor

Subject: Income Growth and Inequality

The economy is stronger today than it has been in several years: well over 6 million net jobs have been added to the economy since January 1993; inflation is low; productivity has been growing. Unfortunately, the news on the income growth is not as encouraging. From World War II to the 1970's, real income increased for most groups of Americans, and income inequality decreased. In the past 15 years, however, real income for the median family has grown very slowly and income inequality has risen.

INCOME GROWTH AND INEQUALITY IN THE NATION:

- The median worker suffered a 2.3 percent decline in hourly pay between 1979 and 1993. This masks gender disparity: The median male worker lost 12 percent, while the median female worker gained 8 percent.

- The median weekly earnings of full-time workers was virtually stagnant between 1980 and 1985, rose in 1986 and 1987, and has declined or stagnated since. See chart.

- The median weekly earnings of full-time male workers dropped continuously since the mid 1980s, while the median weekly earnings of female workers grew from 1986 to 1993.

- The hourly wage rate of the worker occupying the 10th percentile of the male wage distribution declined by 11 percent between 1979 and 1989, and by another 5 percent between 1989 and 1993.

- Between 1979 and 1993, average family real income grew by 29 percent for the top 5 percent of families and by 18 percent for the top 20 percent. Average family real income fell by 15 percent for the bottom 20 percent of families over the same period.

- The average real income of the least-well-off 60 percent of American families was lower in 1993 than in the late 1970's.

- o The share of national income collected by the top 5 percent of households increased from 18.3 percent in 1988 to 20 percent in 1993. Meanwhile, the share going to the bottom 20 percent fell from 3.8 percent to 3.6 percent.

- o Fully 97 percent of the increase in average household incomes between 1979 and 1992 went to the top 20 percent. The remaining 80 percent of households shared less than 3 percent of the income gains.

- o Income inequality is strongly linked to education levels, and the education premium has widened. In 1979, the average college-educated male earned 39 percent more than his high-school-educated counterpart. In 1993, the gap was 80 percent. Part of this gap reflects improving prospects for educated workers, but much of it reflects real declines for less-educated workers. The average male high-school graduate earned 20 percent less in 1993 than average male high-school graduate earned in 1979.

- o Less than one third of prime-age workers have a college degree or higher, whereas nearly half have a high school degree. Therefore, the earnings of the median worker more closely resembles that of the typical high school graduate.

INCOME GROWTH AND INEQUALITY IN THE SOUTH

- o Between 1986 and 1993, real median household income fell in 10 of the 12 Southern states (SC -10%; TX -10%; VA -7%; KY -7%; Arkansas -7%; FL -5%). See table.

- o A 1994 study by Professor Robert Topel (Univ. of Chicago) concluded that wage inequality rose in every region of the U.S., but the increase was lowest in the South. The Southeast and South Central states had the smallest increase in wage inequality for men between 1972 and 1990.

- o Professor Topel argues that an increase in demand for skilled workers in all regions of the country has caused wage inequality to rise. He attributes the lower increase in wage inequality in the South in large part to a faster rate of increase of skilled workers in the South.

WHY IS INEQUALITY RISING?

There has been an increase in employment for skilled workers despite their rising wages, and a decrease in employment for less skilled workers despite their falling wages. These trends suggest that a major shift in demand in favor of skilled labor has caused the growing income inequality. Economists are divided on the causes of this major demand shift, and it is likely that many factors have contributed to this phenomenon.

- o Capital income is a minor factor, however; widening inequality mainly reflects divergence in earning power.

- o Many economists believe that the major factor behind the demand shift towards more-skilled labor is technological change, such as the growth in computers. Technological change has increased the demand for skilled workers, and made unskilled workers less important for production.

- Estimates suggest that the decline in union membership accounts for 20 percent of the rise in income inequality for men, and less for women. Historically, unions have tended to help workers in the middle or lower-middle part of the income distribution.

- Studies find that the erosion of the real value of the minimum wage accounts for about 20 percent of rising income inequality.

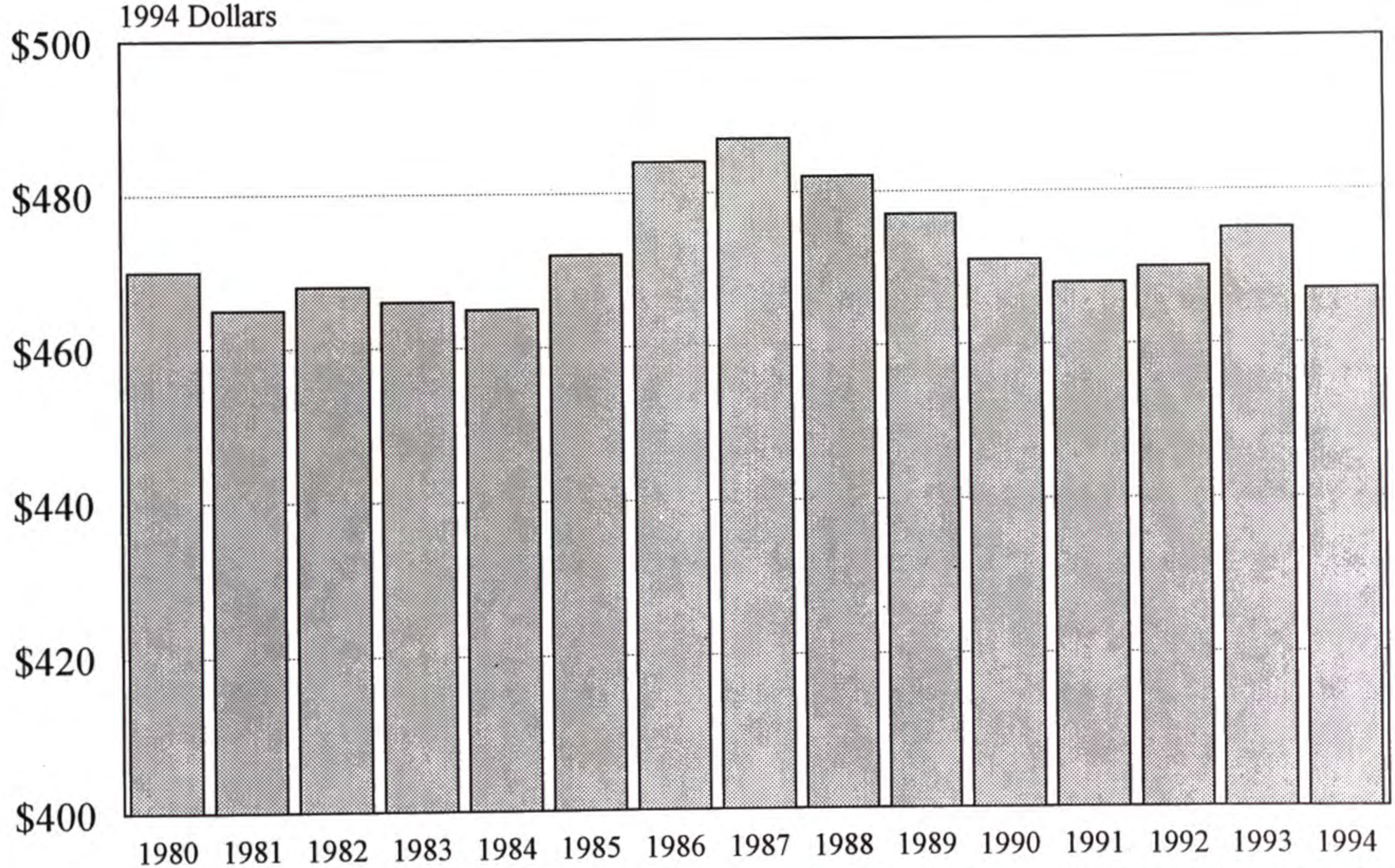
- Opinions differ on the impact of the growth in international trade over the past 15 years on income inequality. Growing trade clearly benefits Americans on average. But it creates winners and losers. Economic theory predicts the biggest losses for those exposed to the most new competition through trade -- less-skilled workers. Indeed, net imports tend to be concentrated in industries that employ less-skilled workers. Any policy that liberalizes trade -- regardless of whether it lowers foreign trade barriers by more than it lowers U.S. trade barriers -- will tend to increase the demand for skilled workers relative to less-skilled workers. Standard analytic approaches attribute to growing trade between 10 and 20 percent of the losses less-skilled workers have suffered since the 1970's.

Median Household Income for the Southern Region and the United States: 1986-1993

	1986	1993	% Change
United States	**$32,825**	**$31,241**	-4.8%
Alabama	$25,224	$25,082	-0.6%
Arkansas	$24,694	$23,039	-6.7%
Florida	$30,125	$28,550	-5.2%
Georgia	$32,130	$31,663	-1.5%
Kentucky	$26,202	$24,376	-7.0%
Louisiana	$27,542	$26,312	-4.5%
Mississippi	$21,771	$22,191	1.9%
North Carolina	$28,822	$28,820	-0.0%
South Carolina	$28,963	$26,053	-10.0%
Tennessee	$24,069	$25,102	4.3%
Texas	$31,856	$28,727	-9.8%
Virginia	$39,177	$36,433	-7.0%

Source: Bureau of the Census, Current Population Survey. All data converted to 1993 Dollars.

Real Median Weekly Earnings of Full-time Wage and Salary Workers 1980-1994



Source: Bureau of Labor Statistics. Due to a redesign of the Current Population Survey in 1994, the 1994 data are not directly comparable to earlier years; initial BLS research suggests that the redesigned survey yields somewhat higher median weekly earnings than would be the case with the older survey.

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Divider Title: **6**

DISLOCATED WORKER PROGRAM

Rapid technologic advancement, defense down-sizing, corporate restructuring, and intensifying global competition result in structural adjustments to our economy which are necessary for long-run growth. As a result of these adjustments, the Department of Labor projects that 2.5 million workers will be permanently laid-off in 1995. Of these workers, experience shows that 60 to 65 percent will face difficult transitions and will need some assistance to help them find new jobs and to get through tough times. In this year alone, the Department of Labor estimates that it will serve 679,000 dislocated workers with the FY1995 appropriations. In other words, this level of funding will serve less than one-third of the dislocated workers.

Title III of the Job Training Partnership Act (JTPA) provides funds to states and local substate grantees to help dislocated workers find and qualify for new jobs. Workers who have lost their jobs and are unlikely to return to their previous industries or occupations are eligible for services. This includes workers who lose their jobs because of plant closures or mass layoffs; individuals dislocated as a result of defense down-sizing; long-term unemployed persons with limited job opportunities in their fields; and farmers, ranchers and other self-employed persons who become unemployed due to general economic conditions.

Eighty percent of the annual Title III appropriations are distributed in the form of block grants to states for services such as on-site assistance to workers and employers when major layoffs are announced; reemployment services such as career exploration and job search assistance; retraining in demand occupations; and supportive services such as child care so workers can participate in training. The remaining 20 percent of the Title III funding can be used at the Secretary of Labor's discretion to respond to plant closures and mass layoffs in areas where block grant funding is inadequate to meet the unanticipated need; to provide technical assistance to improve the quality of the services; to develop innovative and more effective responses to layoffs such as those needed to serve workers impacted by defense-downsizing; and the unique massive dislocations caused by natural disasters.

In Program Year 1995, nearly $1.3 billion was appropriated to the dislocated worker program in order to serve an estimated 679,000 workers. Specifically, Texas will receive $73 million in Title III Formula Funds; Georgia, $22.6 million; Arkansas, $6.5 million; and Louisiana $19.5 million. In total, the Southern region will receive $262 million and serve approximately 135,000 dislocated workers. In conclusion, Title III funding is a critical component that allows ordinary American workers in transition to maintain or acquire high-skill, high-wage jobs. Moreover, program data and reviews indicate solid achievements in that regard, helping laid-off workers find new jobs that substantially replace their former wages.

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Divider Title: 7

Alabama

Legislative Activity: (Blue Cross, Blue Shield, 1994)

1994 Governor's Health Care Reform Task Fore deferred decisions on state initiatives until end of national debate.

Medicaid:

Notified in December 1994 of violation of Medicaid Voluntary Contribution and Provider Specific Tax Amendment of 1991

High Disproportionate Share Program state

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	54%	57%
Medicare	12%	9%
Medicaid	8%	9%
Other	9%	10%
Uninsured	17%	15%
Enrollment in HMOs (% population) (AARP, 1994)	6.4%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$2,976	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	12.7%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$3,527	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.5% 13.0%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	17.0	37
Hospital admissions per 1,000, 1992	156.2	131.5
Emergency unit visits per 1,000, 1992	486.0	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Arkansas

Legislative Activity: (Blue Cross. Blue Shield. 1994)

Legislative commission: Arkansas Health Resources Commission (final report in January 1995)

Governor commission: Task Force on Health Care Reform 1994 recommendations for 9 "building blocks" for comprehensive reform

Small group market reform: Limits on rate variations for experience, health status and duration to a range of 2:1; guaranteed renewal

Mediciad:

Notified in December 1994 of violation of Medicaid Voluntary Contribution and Provider Specific Tax Amendment of 1991 ($11.1 million disallowance)

Insurance Coverage, 1993 (March 1994 CPS)**	**State**	**US**
Employer-Sponsored Insurance	49%	57%
Medicare	12%	9%
Medicaid	10%	9%
Other	10%	10%
Uninsured	20%	15%
Enrollment in HMOs (% population) (AARP, 1994)	2.8%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$2,833	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	12.6%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$3,732	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.5% 13.8%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	17.5	37
Hospital admissions per 1,000, 1992	155.8	131.5
Emergency unit visits per 1,000, 1992	447.5	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Florida

Legislative Activity: (Blue Cross, Blue Shield, 1994)

"MedAccess Program" for families with income < 250% poverty not eligible for Medicare or Medicaid.

Community Health Purchasing Alliances (CHPAs): 11 voluntary purchasing pools

"Health Kids" program: school-based insurance program for kids 5 - 19 plus younger siblings if not in Medicaid

Medical high-risk pool for individuals who are otherwise uninsurable.

Small group market reform: guaranteed issue to small employers (1-50 employees); voluntary reinsurance; community rating with limited demographic adjustments; guaranteed renewal; limits on pre-existing condition waiting periods.

Individual market reform: prohibits durational rating.

Managed care reform: limit the size of the price differential between PPO in-network and out-of-network providers to no more than 50%.

Medicaid:

1115 Medicaid Waiver Approved

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	49%	57%
Medicare	12%	9%
Medicaid	9%	9%
Other	10%	10%
Uninsured	20%	15%
Enrollment in HMOs (% population) (AARP, 1994)	17.6%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$3,092	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	11.7%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$2,895	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	5.9% 12.4%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	70.6	37
Hospital admissions per 1,000, 1992	131.4	131.5
Emergency unit visits per 1,000, 1992	366.5	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Georgia

Legislative Activity: (Blue Cross, Blue Shield, 1994)

Governor's Commission on Health Reform to release recommendations in 1995

Medical high-risk pool for individuals who are otherwise uninsurable. Although established in 1989, it is not operational due to lack of funds.

Managed care reform: limit the size of the price differential between PPO in-network and out-of-network providers to no more than 40%.

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	53%	57%
Medicare	9%	9%
Medicaid	7%	9%
Other	12%	10%
Uninsured	18%	15%
Enrollment in HMOs (% population) (AARP, 1994)	7.1%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	\$3,124	\$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	10.7%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	\$3,290	\$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.1% 12.8%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	38.4	37
Hospital admissions per 1,000, 1992	142.7	131.5
Emergency unit visits per 1,000, 1992	460.0	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Kentucky

Legislative Activity: (Blue Cross, Blue Shield, 1994)

Kentucky Health Policy Board: independent state agency to develop up to five standard benefit plans for approval by April 1, 1995, for all issued or renewed plans after July 1995; must submit implementation plan for universal coverage by 1996.

Kentucky Health Purchasing Alliance: negotiates with health plans, collects and distributes premiums, ensures alliance members are offered a fee-for-service option. Mandatory for state and local government employees and Medicaid recipients after July 1995; voluntary for individuals & groups 1- 100 employees.

"Commonhealth": persons with at least one year of residency can buy into the state employee health plan

Insurance reforms: guaranteed issue for individual and group markets, guaranteed renewal, limits on pre-existing condition waiting periods. Modified community rating with groups with 100 or fewer employees after July 1995. Premiums may vary based on age (no more than 300%), geography, family composition, and benefit plan design.

Any willing provider legislation that prohibits insurers from refusing to contract with any licensed provider willing to meet the terms and conditions of participation.

Private health purchasing alliance: Associated Industries of KY and KY State AFL-CIO (250,000 workers, 7,000 companies) effective June 1995.

Medicaid:

1115 Medicaid Waiver Approved
High Disproportionate Share Program state

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	55%	57%
Medicare	11%	9%
Medicaid	13%	9%
Other	9%	10%
Uninsured	12%	15%
Enrollment in HMOs (% population) (AARP, 1994)	6.6%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$2,865	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	11.2%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$3,428	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.6% 12.3%	5.8% 13.6%

AIDS cases per 100,000, FFY 1993	8.4	37
Hospital admissions per 1,000, 1992	154	131.5
Emergency unit visits per 1,000, 1992	469.4	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Louisiana

Legislative Activity: (Blue Cross. Blue Shield. 1994)

Louisiana Health Care Commission will recommend ways to improve access and contain costs in 1995

Medicaid:

Has applied for an 1115 Medicaid waiver

Notified in December 1994 of violation of Medicaid Voluntary Contribution and Provider Specific Tax Amendment of 1991 ($750 million state shortfall as a result)

High Disproportionate Share Program state

Insurance Coverage, 1993 (March 1994 CPS)	State	US
Employer-Sponsored Insurance	44%	57%
Medicare	11%	9%
Medicaid	14%	9%
Other	7%	10%
Uninsured	24%	15%
Enrollment in HMOs (% population) (AARP, 1994)	7.1%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$3,136	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	12.3%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$6,317	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.1% 13.8%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	27.4	37
Hospital admissions per 1,000, 1992	153.9	131.5
Emergency unit visits per 1,000, 1992	459.9	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Mississippi

Legislative Activity: (Blue Cross. Blue Shield. 1994)

Insurance reform: small group market carriers (2 - 35 employees) can only vary premium rates by experience. health status and duration in a range of 2:1: guarantee renewal: limits on pre-existing conditions waiting periods.

Mississippi Health Finance Authority: to develop a proposal to consolidate insurance purchasing for public employees, Medicaid recipients and uninsured residents. effective July 1995. Not yet funded.

Managed care reform: pharmacy may be a contract provider if it agrees to insurer of HMO rules; allows subscribers to chose any pharmacy if it agrees to terms of participation; prohibits insurers from using financial incentives to subscribers to encourage them to use participating providers.

Medical Savings Accounts: employees or resident individuals may contribute up to $3,500 annually to a tax-exempt account to supplement a high deductible health plan.

Medical high-risk pool for individuals who are otherwise uninsurable.

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	48%	57%
Medicare	12%	9%
Medicaid	13%	9%
Other	10%	10%
Uninsured	18%	15%
Enrollment in HMOs (% population) (AARP, 1994)	0.1%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$2,448	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	13.3%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$2,580	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.5% 13.1%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	17.9	37
Hospital admissions per 1,000, 1992	154.5	131.5
Emergency unit visits per 1,000, 1992	467.1	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

North Carolina

Legislative Activity: (Blue Cross. Blue Shield. 1994)

North Carolina Health Planning Commission will recommend reform in 1995

Health Plan Purchasing Alliance Board designated one voluntary regional purchasing alliance; will have four by mid-1995.

Small group market reform: guaranteed issue to small employers (2-49 employees); voluntary reinsurance; community rating with demographic adjustments by 1995; guaranteed renewal; limits on pre-existing condition waiting periods.

Managed care reform: limit the size of the price differential between PPO in-network and out-of-network providers to no more than 20%.

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	57%	57%
Medicare	11%	9%
Medicaid	7%	9%
Other	10%	10%
Uninsured	14%	15%
Enrollment in HMOs (% population) (AARP, 1994)	6.6%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$2,511	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	11.3%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$3,767	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.4% 13.1%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	15.5	37
Hospital admissions per 1,000, 1992	127.6	131.5
Emergency unit visits per 1,000, 1992	418.8	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

South Carolina

Legislative Activity: (Blue Cross, Blue Shield, 1994)

Individual market reform: limits on rate variations for experience or health status to a range of 1:4:1; minimum loss ratio at last equal to the most recent NAIC-recommended loss ratio; insurers must cover all employees who change employers

Small group market reform (2 to 50 employees): required to guarantee issue a standard and a basic benefit plan; voluntary reinsurance program; allows small employers to form purchasing alliances.

Governor's Committee on Health Reform: charged with submitting recommendations by January 1995.

Medical high-risk pool for individuals who are otherwise uninsurable.

Medicaid:

Medicaid 1115 planning stage approved
High Disproportionate Share Program state

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	55%	57%
Medicare	9%	9%
Medicaid	10%	9%
Other	10%	10%
Uninsured	17%	15%
Enrollment in HMOs (% population) (AARP, 1994)	3.3%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$2,590	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	11.4%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$4,243	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.3% 13.6%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	38.4	37
Hospital admissions per 1,000, 1992	123.4	131.5
Emergency unit visits per 1,000, 1992	420.1	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Tennessee

Legislative Activity: (Blue Cross. Blue Shield. 1994)

Small group market reform: Guaranteed issue to small employers (3-25 employees); voluntary reinsurance; limits on variations for experience. health status and duration to a range of 2.6:1; guaranteed renewal; limits on pre-existing condition waiting periods.

Medicaid:

1115 Medicaid Waiver Approved

Notified in December 1994 of violation of Medicaid Voluntary Contribution and Provider Specific Tax Amendment of 1991

High Disproportionate Share Program state

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	56%	57%
Medicare	9%	9%
Medicaid	12%	9%
Other	10%	10%
Uninsured	13%	15%
Enrollment in HMOs (% population) (AARP, 1994)	5.7%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$3,019	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	12%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$2,875	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.9% 14.8%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	19.2	37
Hospital admissions per 1,000, 1992	163.5	131.5
Emergency unit visits per 1,000, 1992	482.7	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Texas

Legislative Activity: (Blue Cross, Blue Shield, 1994)

Small group market reform: law encouraged the establishment of both private and public voluntary purchasing cooperatives; guaranteed renewal; guaranteed issue to small employers (3-50 employees); voluntary reinsurance; limits on rate variation for experience, health status, and duration to a range of 2:1; limits on pre-existing condition waiting periods.

Medical high-risk pool for individuals who are otherwise uninsurable.

Managed care reform: limit the size of the price differential between in-network and out-of-network providers to mo more than 30%.

Medicaid:

High Disproportionate Share Program state

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	52%	57%
Medicare	8%	9%
Medicaid	9%	9%
Other	9%	10%
Uninsured	22%	15%
Enrollment in HMOs (% population) (AARP, 1994)	9.7%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	\$2,825	\$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	10.6%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	\$3,560	\$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	6.0% 13.3%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	40.4	37
Hospital admissions per 1,000, 1992	124.4	131.5
Emergency unit visits per 1,000, 1992	335.4	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

Virginia

Legislative Activity: (Blue Cross, Blue Shield, 1994)

Joint Commission on Health Care will make recommendations in 1995 on any willing provider laws and health purchasing cooperatives.

Virginia Health Care Foundation, public and privately endowed organization funds community-based primary care access projects.

Small group market reform: guaranteed issue to small employers (2-25 employees); limits on rate variations for experience, health status, duration to a range of 1.5:1; limits on pre-existing condition waiting periods.

Managed care reform: any willing provider who accepts terms of PPO network can participate.

Insurance Coverage, 1993 (March 1994 CPS)	**State**	**US**
Employer-Sponsored Insurance	62%	57%
Medicare	7%	9%
Medicaid	5%	9%
Other	13%	10%
Uninsured	13%	15%
Enrollment in HMOs (% population) (AARP, 1994)	7.2%	17.4%
Health Expenditures		
Health Spending Per Person, 1994 (AARP, 1994)	$3,153	$3,068
Percent Population with High Out-of-Pocket Costs, 1992 (AARP, 1994)	9.4%	9.9%
Medicaid Costs per Recipient, FY 1993 (HCFA)	$3,485	$4,123
Health Status and Utilization (AARP, 1994)		
Low birth weight babies (%): White rate Black rate	5.6% 12.3%	5.8% 13.6%
AIDS cases per 100,000, FFY 1993	24.9	37
Hospital admissions per 1,000, 1992	125	131.5
Emergency unit visits per 1,000, 1992	371.1	375.6

** Note: These categories are mutually exclusive. If a person has both employer-sponsored insurance and Medicare or Medicaid, then that person is considered covered by employer-sponsored insurance. If a person has both Medicare and Medicaid, then that person is considered covered by Medicare. Thus, the Medicare and Medicaid counts do not match program data. Percents may not sum to 100% due to rounding.

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Divider Title: **8**

INFORMATION ON MEDICAID AND WELFARE WAIVERS

ARKANSAS:

Welfare Waiver

Under Arkansas' demonstration, AFDC parents age 16 or younger will be required to attend school regularly or face reductions in benefits if they fail to do so. If appropriate, teen-age parents can meet the requirement by attending an alternative educational program.

In addition, Arkansas will implement a policy of not increasing AFDC benefits when additional children are born into a family receiving welfare. Family planning and group counseling services focusing on the responsibilities of parenthood will be included in the demonstration.

Arkansas' application was received on Jan. 14, 1993, and approved on March 5, 1994.

FLORIDA:

Medicaid Waiver

The Florida Health Security Program is a voluntary, employer-based, discounted premium program designed to provide access to private health insurance for employed but uninsured Floridians. The program will use a managed competition model and will provide health insurance for 1.1 million uninsured Floridians with incomes at or below 250 percent of the federal poverty level. Health plans (indemnity and HMO) will be offered by Accountable Health Partnerships and administered by Community Health Purchasing Alliances. HCFA is working with the state on required state legislation.

Submitted: February 10, 1994
Approved: September 15, 1994

Florida's "Family Transition Program" eliminates the quarterly income report requirement during the twelve months the Medicaid transition benefit is given to recipients who lose AFDC eligibility due to earnings. However, recipients are required to report income increases, and lose the remainder of the transition benefit when income exceeds 185 percent of the Federal Poverty Level.

Submitted: September 21, 1993.
Approved: January 27, 1994.

Welfare Waiver

Florida is implementing a "Family Transition Program" for AFDC recipients in two counties. Under the plan, most AFDC families will be limited to collecting benefits for a maximum of 24 months in any five-year period.

Individuals who exhaust their transitional AFDC benefits but are unable to find employment will be guaranteed the opportunity to work at a job paying more than their AFDC grant. The demonstration also provides a longer period of eligibility -- 36 months in any six-year period -- for families at a high-risk of becoming welfare dependent.

Medicaid and child care benefits will be available in the demonstration. Local community boards will play a large role in overseeing the program.

Other elements of the demonstration include an increase in the earnings disregard formula and asset ceilings, as well as a statewide requirement that AFDC parents must ensure that their children have been immunized.

Florida's waiver request was received on Sept. 21, 1993, and granted on Jan. 27, 1994.

GEORGIA:

Welfare Waiver

Georgia is initiating the "Personal Accountability and Responsibility Project" (PAR) which strengthens federal work requirements that must be met in order to receive cash benefits. Georgia's welfare agency will now be able to exclude from an AFDC grant any able-bodied recipient between the age of 18 to 60 who has no children under the age of 14 and who willfully refuses to work or who leaves employment without good cause. The rest of the family will continue to be eligible for AFDC benefits.

The plan will also allow the state to deny additional cash benefits for additional children born after a family has been on welfare for at least two years if the child was conceived while the family was on welfare. However, PAR would allow recipients to "learn back" the denied benefits through the receipt of child support payments or earnings.

Medicaid and Food Stamps eligibility will continue for all family members. In addition, Georgia will offer family planning services and instruction in parental skills to AFDC recipients.

Georgia's waiver request was received on May 18, 1993, and granted on Nov. 2, 1993.

KENTUCKY

Medicaid Waiver

The Kentucky Medicaid Access and Cost Containment Demonstration is a statewide program to expand Medicaid eligibility to 100 percent of the federal poverty level, regardless of categorical eligibility or assets. All those eligible will be enrolled in managed care plans similar to the state's current primary care case management program (KenPAC), or through alternative managed care plans. Future managed care options may include Health Maintenance Organizations, Preferred Provider Organizations, and specialized case management. The benefit package is the same as Kentucky's current Medicaid benefit package. Kentucky's waiver request was approved in December 1993; however recent action by the Kentucky legislature makes the implementation date uncertain at this time.

Submitted:	*March 30, 1993*
Approved:	*November 8, 1993*

LOUISIANA

Medicaid Waiver

Louisiana has submitted a proposal that is currently being evaluated by HHS. Louisiana Health Access, a statewide section 1115 demonstration proposal, submitted on January 3, 1995, has goals of emphasizing primary and preventive care, increasing access to quality care, and controlling the State's spiraling costs.

MISSISSIPPI

Welfare Waivers

Mississippi's reform plan promotes health and education for children receiving welfare assistance and supports work efforts by their parents. The demonstration includes a wide component and two projects, "Work First" in six counties, and "Work Encouragement" in two counties.

The wide component requires all children aged six through 17 to attend school and all children under age six to be immunized and receive regular health checkups. It also extends AFDC eligibility for two-parent families by allowing mothers or fathers to work more than 100 hours a month.

The "Work First" component provides subsidized, private-sector employment for job-ready participants. A special fund created from participants' AFDC and food stamp benefits will reimburse employers' wages. The State will provide supplemental payments to recipients when their total income is less than the combined AFDC and Food Stamp benefits they would otherwise receive. In addition, each "Work First" participant will have an "individual development account" for family savings, to which employers will contribute one dollar per hour of work. The State will also pass on to the family all the child support payments it collects on its behalf.

The "Work Encouragement" component allows recipients to keep more of their earnings and still receive AFDC, by raising the earned income limit from 60 to 100 percent of state-established need levels. Time limits on income disregards will also be waived.

The "Work First" component will be implemented in Adams, Harrison, Jones, Lee, Hinds and Washington Counties. The "Work Encouragement" component will be implemented in Leflore and Oktibbeha counties. Under both the "Work First" and "Work Encouragement" components, courts may require unemployed, non-custodial fathers to participate in the JOBS program to meet child support obligations.

The demonstration will be in effect for five years. The request was received Dec. 10, 1993, and granted Dec. 22, 1994.

SOUTH CAROLINA

Medicaid Waiver

South Carolina's Palmetto Health Initiative (PHI) seeks to expand Medicaid eligibility to individuals with income up to 100 percent of the Federal poverty level (FPL), and children up to age 18 in families with income up to 133 percent FPL. Each enrollee would select either a fully capitated health plan, or a partially capitated primary physician plan, thereby giving each enrollee direct access to a primary care provider. PHI also seeks to streamline the eligibility process and reduce administrative overhead. South Carolina anticipates an additional 280,000 individuals could be provided health care under the waiver. South Carolina also proposes to implement a managed care program, with a focus on home and community-based services, for persons requiring, or at risk of requiring, placement in a nursing facility.

The Health Care Financing Administration will be working with South Carolina over the next year to develop the infrastructure necessary for the proposed demonstration. HCFA will consider the state's request for waivers once the state has successfully completed a set of agreed upon milestones.

Submitted: March 1, 1994
Concept Approved: November 18, 1994

Welfare Waiver

South Carolina's Self-Sufficiency and Personal Responsibility Program sets work requirements and provides transitional assistance for program participants. After completing Individual Self-Sufficiency Plans (ISSP's) to help prepare them to become self-sufficient, AFDC recipients have 30 days to find a job in a designated vocational area. If they fail to secure such employment, recipients receive an additional 30 days on AFDC to find any private sector job, after which time they must participate in a community work experience program in order to continue to receive AFDC benefits. Progressive sanctions for non-compliance, up to and including removal of the entire family from assistance, are components of this program.

To aid in the transition to work, recipients who would otherwise no longer be eligible for AFDC because of employment can receive reduced benefits for up to 12 months. Families remain eligible for Medicaid and child care during this phase-down period, and regular transitional Medicaid and child care benefits begin at the end of this period.

The program also raises resource limits to $3,000 and exempts the cash value of life insurance policies, one vehicle and interest and dividend payments. Children of recipients are required to attend school regularly and obtain appropriate immunizations.

The demonstration will operate in Berkeley, Dorchester, Charleston, and Barnwell Counties for a period of five years. South Carolina's request was received on June 13, 1994, and approved on Jan. 9, 1995.

TENNESSEE

Medicaid Waiver

TennCare is a statewide program to provide health care benefits to Medicaid beneficiaries, uninsured state residents, and those whose medical conditions make them uninsurable. All TennCare enrollees receive services through capitated managed care plans that are either health maintenance organizations or preferred provider organizations. Enrollment will be capped at 1,500,000, including approximately 310,000 previously uninsured. If the cap is reached, those in mandatory Medicaid coverage groups and the uninsurables will continue to be enrolled. TennCare's benefits are more generous than those offered under current Medicaid for acute care, and the plan emphasizes preventive care. The Health Care Financing Administration will monitor implementation of the program throughout the 5-year period.

Submitted: *June 17, 1993*
Approved: *November 18, 1993*

VIRGINIA:

Medicaid Waiver

Virginia's welfare reform demonstration gives cases who lose AFDC eligibility due to earnings a 3-year Medicaid transition benefit in four localities and a 2-year transition benefit in the rest of the state. Cases are required to report income quarterly and lose the remainder of the transition benefit if income exceeds 185 percent of the federal poverty level in the first year or 150 percent of the federal poverty level in the second or third year.

Submitted: *July 13, 1993.*
Approved: *November 23, 1993.*

Welfare Waiver

Virginia's "Welfare Reform Project" will encourage employment by identifying employers who commit to hire AFDC recipients for jobs that pay between $15,000 and $18,000 a year and by providing additional months of transitional child care and health care benefits. A second statewide project will: enable AFDC families to save for education or home purchases by allowing the accumulation of up to $5,000 for such purposes; encourage family formation by changing the way a stepparent 's income is counted; and allow fulltime high school students to continue to receive AFDC benefits until age 21. Further, in up to four counties,

AFDC recipients who successfully leave welfare for work may be eligible to receive transitional benefits for child and health care for an additional 24 months, for a total of 36 months. In one location, Virginia will offer a guaranteed child support "insurance" payment to DC families who leave welfare because of employment to assist the family in maintaining economic self-sufficiency.

Virginia's request was received July 13, 1993, and granted Nov. 23, 1993.

At-Risk Child Care (ARCC): Provides child care to families who are not receiving AFDC, need child care in order to work, and would otherwise be at risk of becoming eligible for AFDC.

AFDC Child Care: Provides funds for AFDC applicants and recipients through the AFDC and JOBS programs. This financial support allows them to pursue employment or work training and approved education which will help them to become economically self-sufficient.

Transitional Child Care (TCC): Continues child care assistance for up to 12 months after a recipient leaves AFDC as a result of increased work hours, higher wages, or the loss of income disregards due to time limitations.

Child Care and Development Block Grant (CCDBG): Provides low-income families with the financial resources to find and afford quality child care for their children; increases the availability of early childhood development and before- and after-school care services. Funds are available to states, Indian tribes, and territories to provide grants, contracts, and certificates for child care services for low-income families. To be eligible, a family must need child care either because a parent is working, attending a training or educational program, or because the family receives or needs to receive protective services.

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Divider Title: **9**

WELFARE REFORM

"I believe we must end welfare as we know it, because the current welfare system is a bad deal for taxpayers who pay the bills and for the families who are trapped on it. The American people deserve a government that honors their values and spends their money judiciously, and a country that rewards people who work hard and play by the rules."

President Clinton, 12/8/94

The President wants welfare reform that reinforces basic American values -- work, responsibility, and family -- not punishes children for their parents' mistakes.

The President is optimistic that Democrats and Republicans working together can produce meaningful welfare reform. Now that the House has completed its work, the President hopes to work with the Senate to develop a proposal that truly ends welfare by requiring and promoting work and parental responsibility, while helping not hurting children.

WORK

- Welfare reform should be about work. Welfare should provide people the *opportunity* to move from welfare to work as quickly as possible.
- In return, people must take *responsibility* for supporting themselves and their families. All those who can work must go to work to support their families.
- Welfare should be a second chance, not a way of life. No one who can work should be able to stay on welfare forever.
- We must reward work over welfare. No one who works full time should have to raise a child in poverty. That's why we increased the Earned Income Tax Credit for 15 million working Americans, why our welfare plan included an increase in child care, and why we proposed expanding health care coverage.

RESPONSIBILITY

- We must hold BOTH parents responsible for their children.
- That's why we proposed the toughest child support enforcement measures ever – suspending drivers' licenses, tracking delinquent parents across state lines, and letting states make them work off what they owe.
- We also want to reduce teen pregnancy – young people must understand the responsibilities involved before they get pregnant or father a child. That's why the President has called for a National Campaign Against Teen Pregnancy.

FLEXIBILITY

- The President is firmly committed to giving states the flexibility to fix the welfare system at the local level.
- That's why this administration has granted half the states waivers to proceed with welfare reform.
- And that's why the administration supports eliminating the need for waivers, letting states work within broad federal rules to decide how best to meet the needs of their own citizens.

THE PROPOSALS HOUSE REPUBLICANS HAVE PURSUED ARE WEAK ON WORK AND CRUEL TO KIDS

- House Republicans have used welfare reform as a cover for their real priority -- finding ways to pay for tax breaks for the wealthy.

- These proposals include block granting successful nutrition programs such as school lunch and WIC and reducing food stamp benefits by $16 billion over five years.

- The Republicans propose cutting off benefits to mothers and their children until the mothers are 18. We propose requiring these young mothers to live at home, stay in school, and take the steps necessary to get their lives on track.

The administration is pushing for (1) Tougher work requirements that give states the means to move people from welfare to work; (2) The toughest possible child support enforcement, including tough penalties that threaten delinquent parents with losing drivers and professional licenses if they refuse to pay their child support; (3) tougher, smarter ways to demand responsible behavior and reduce teen pregnancy, not just punish people because they're poor, young and unmarried; and (4) real flexibility for the states, not new mandates and less money.

THE PRESIDENT HAS A LENGTHY HISTORY OF COMMITMENT TO WELFARE REFORM

- As Chairman of the National Governors Association, the President helped guide the 1988 Family Support Act to passage, working with a Democratic Congress and a Republican President.
- As Governor of Arkansas, Clinton made the state a leader in both welfare reform and child support enforcement.
- The President has given 25 states the flexibility to reform welfare at the local level and has signed an executive order making it easier to force federal employees to sign the child support they owe.

UPDATE

The administration introduced the Work and Responsibility Act (WRA) last year – the most comprehensive welfare reform legislation a President has ever proposed. President Clinton hosted a bipartisan working session at the White House in January with leaders from all levels of government, and the administration will continue to pursue a bipartisan approach.

The House passed welfare reform legislation on March 24th, on a vote that was almost strictly along party lines. The President commended the House for moving forward on the issue and for including all of the child support provisions from the WRA last year, but he was critical of other aspects of the bill, and the Administration's line on the bill generally was: not tough enough on work, too harsh on children. The Senate has just held its first hearings, but no action on specific legislation is expected until April at the earliest.

(3/27/95)

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Divider Title: **10**

ALABAMA
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$16.7	$18.4	$19.1	$18.9
ARCC	$2.0	$6.5	$4.7	$4.2
TCC	$0.9	$1.2	$2.4	$3.4
AFDC	$2.6	$4.2	$.4	$8.4

(Millions, rounded)

Children Served in Alabama[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 82,842

ARCC: 2,513

TCC: 1,767

AFDC: Not available

Quality Services for Families in Alabama

1. Alabama has established five resource and referral agencies to assist low income families with referrals, consumer education, and to assist during eligibility determination, redetermination, or when a change in placement is needed.

2. Several training projects have been funded with CCDBG funds:

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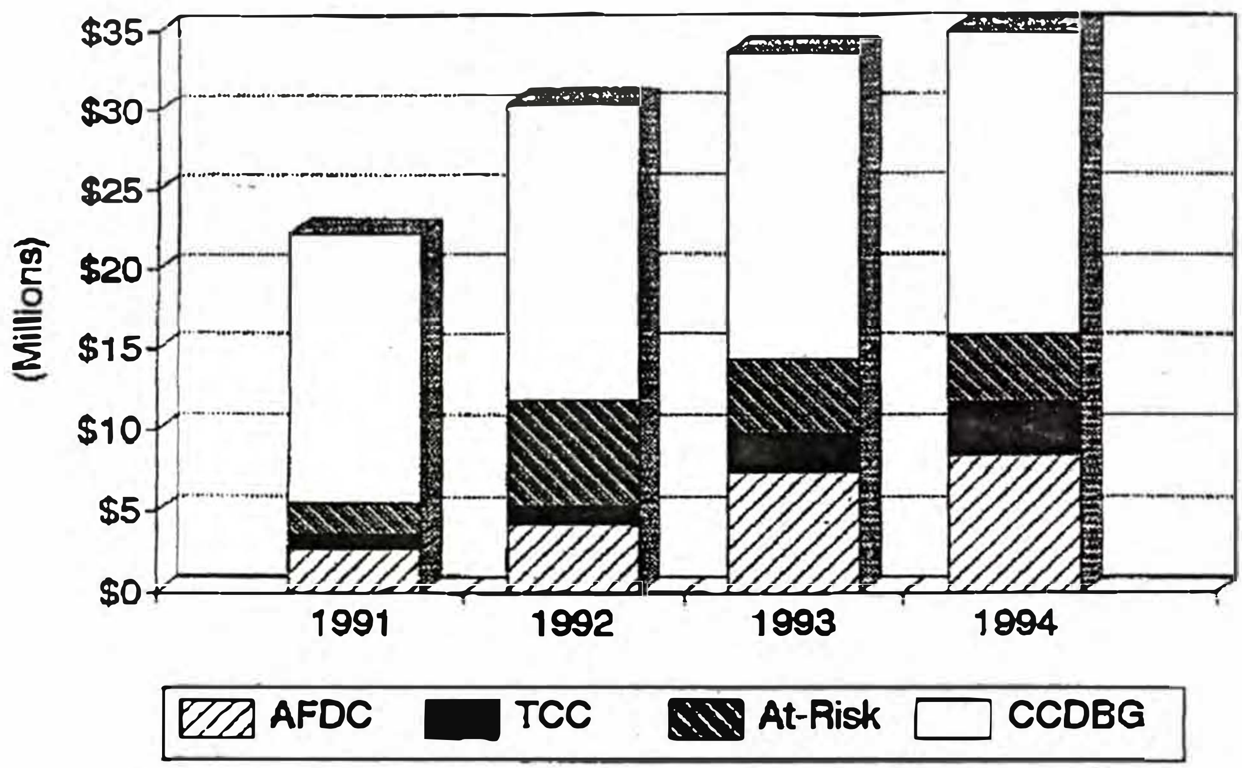
1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

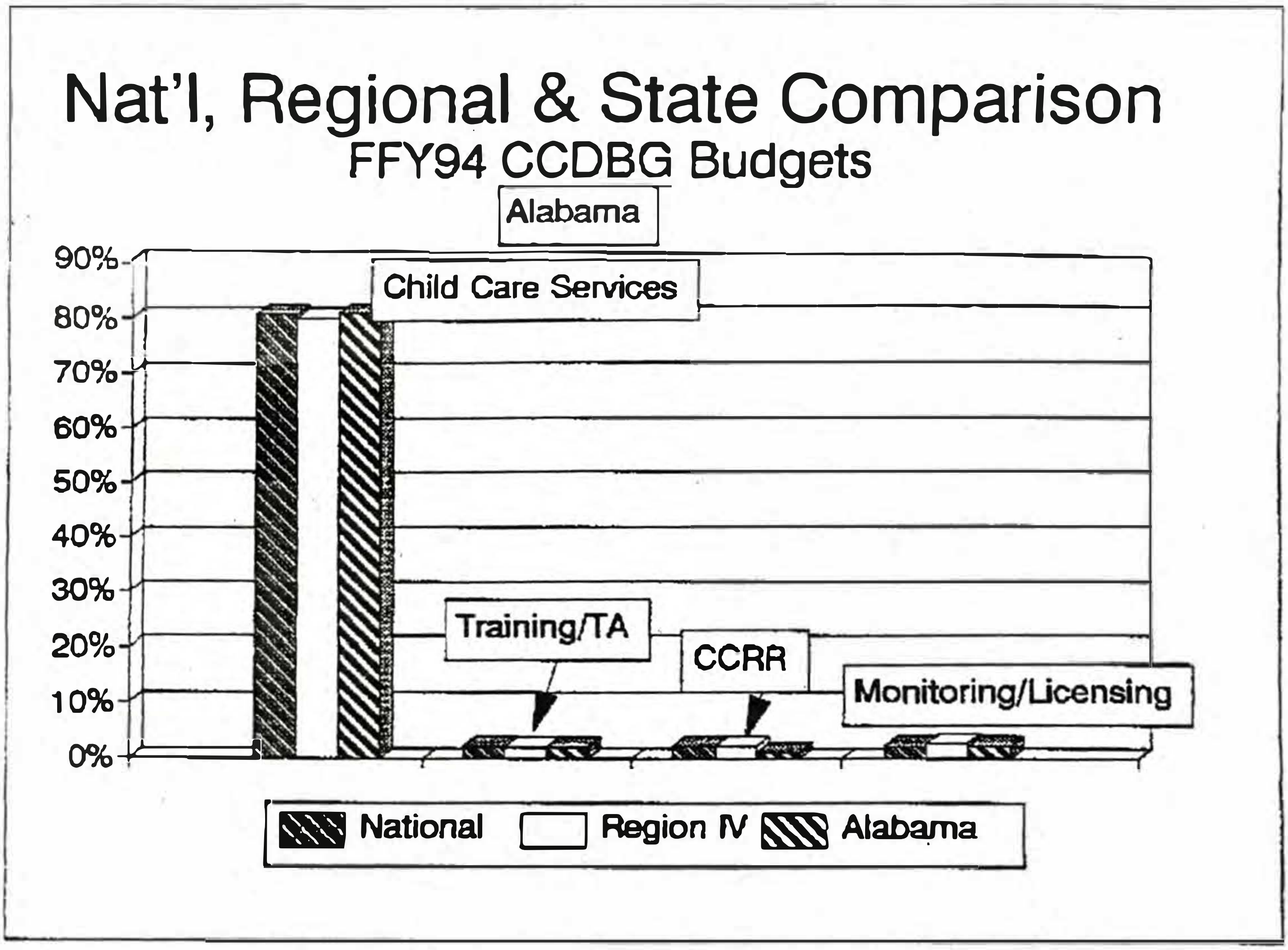
Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.

- Resource Centers (includes lending materials and equipment
- Model Classrooms
- Workshop on Wheels (reaches out to rural areas)
- Train the Trainer Workshops
- Family Day Care Home Project
- Child Care Provider Professional Development Plan
- Collaborative Efforts (regional provision of CDA training opportunities)
- CDA Assistance
- Conference Attendance Assistance
- Weekend Workshop Sessions
- Training Survey

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.

Child Care Services Funding
Alabama




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Alabama
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
National
Region IV
Alabama

ARKANSAS
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$9.0	$10.0	$10.5	$10.5
ARCC	$0	$0.5	$1.8	$2.3
TCC	$0.3	$0.5	$0	$0.4
AFDC	$3.4	$1.0	$1.8	$1.2

(Millions, rounded)

Children Served in Arkansas[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 5,516

ARCC: 215

TCC: 308

AFDC: 1,188 (JOBS children not reported)

Quality Services for Families in Arkansas

1. Start-up grants were provided for infant/toddler care, child care for teen parents, school-age child care, and Head Start wrap-around services.

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

2. Arkansas developed a Child Care Resource Center to serve as a lending library of training curriculum and management materials.

3. Educational cooperatives in the state will provide access to their Teacher Resource Centers and provide bulk purchasing of materials.

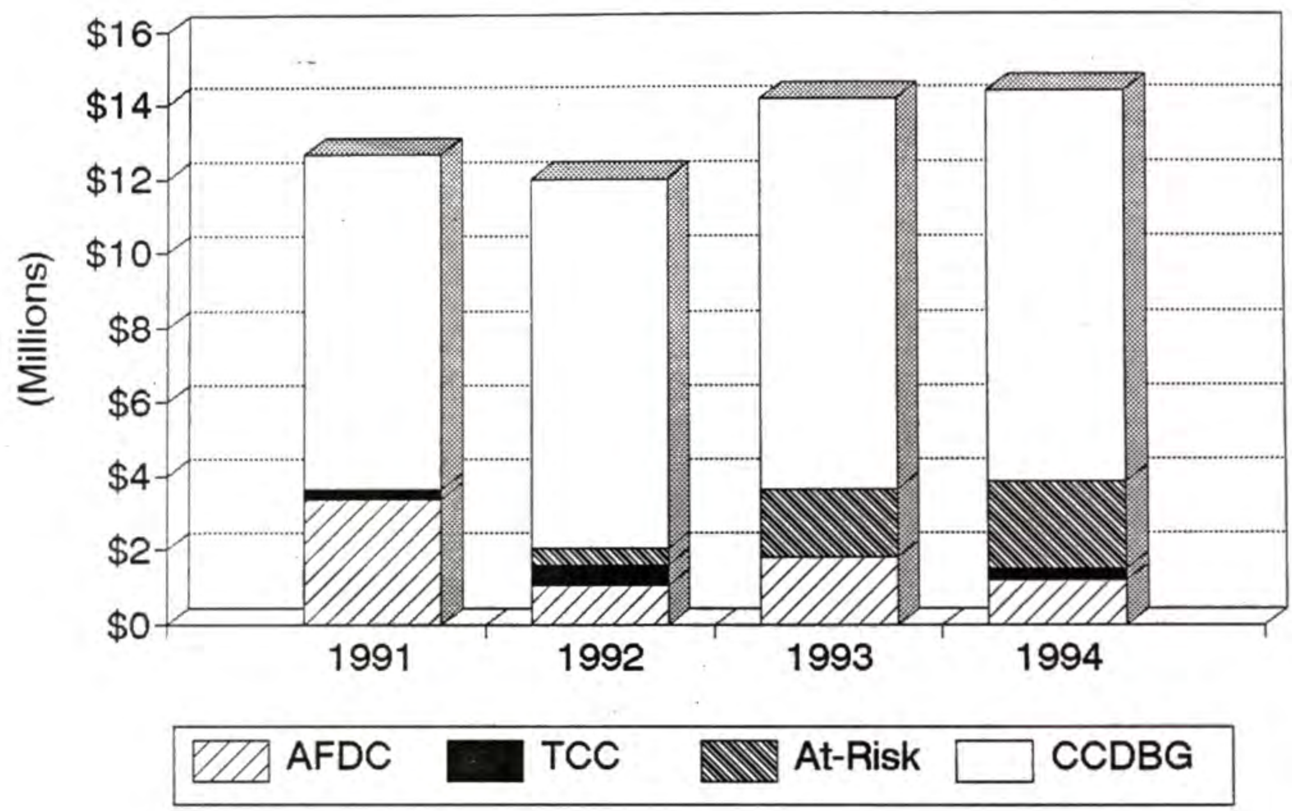
4. Enhancement Grants are made to providers to purchase equipment, enhance facilities, and maintain licensing standards.

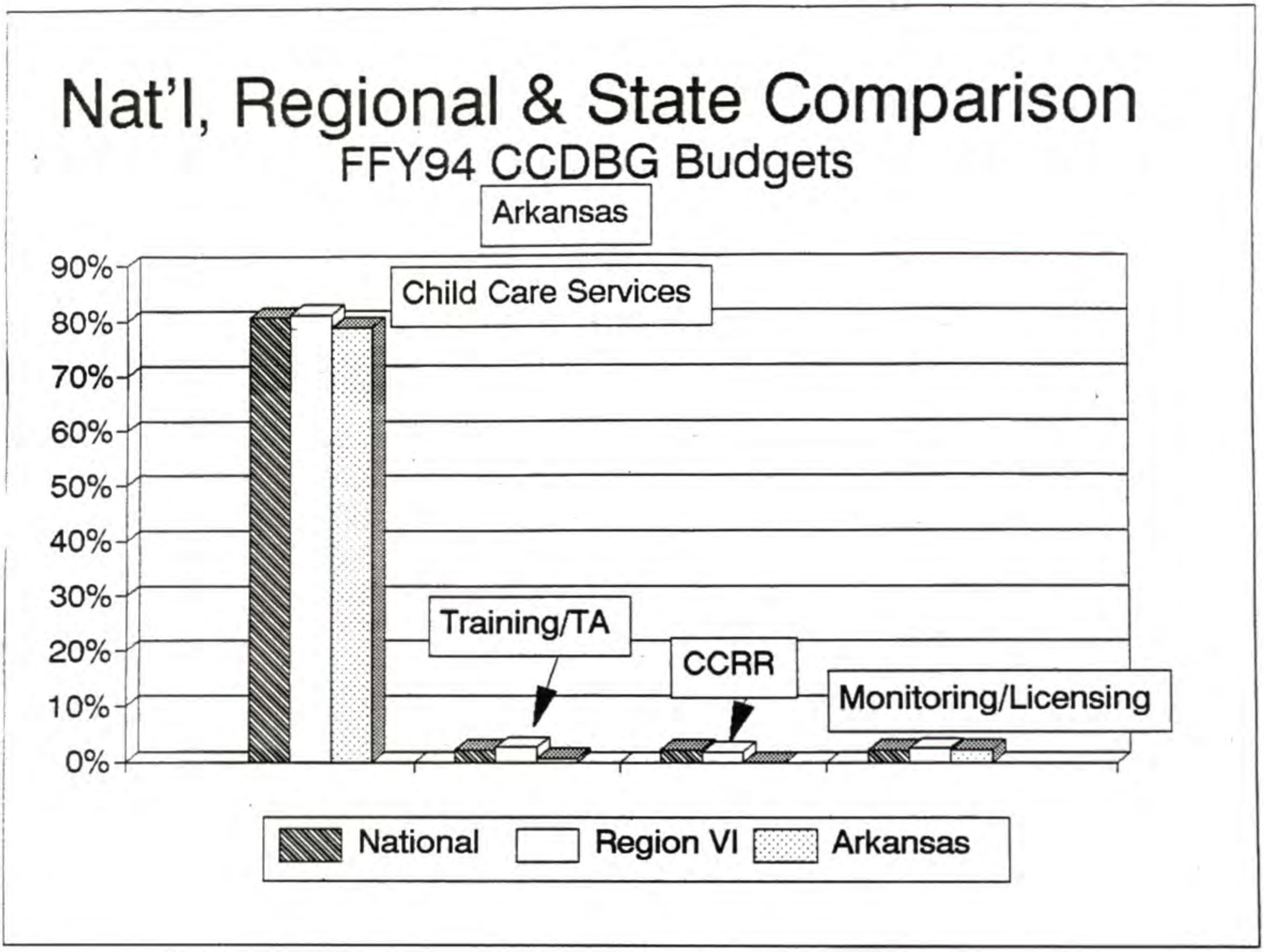
5. Arkansas offers five training efforts for providers including:
   * Basic Orientation Course
   * Distance (satellite) Education
   * Scholarships
   * Business management
   * Technical assistance

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.

Child Care Services Funding

Arkansas




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Arkansas
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
National
Region VI
Arkansas

FLORIDA

Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$32.8	$38.4	$43.2	$43.8
ARCC	$4.2	$19.8	$13.6	$13.9
TCC	$3.2	$4.0	$6.3	$9.1
AFDC	$16.3	$12.6	$13.7	$12.9

(Millions, rounded)

Children Served in Florida[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 47,752

ARCC: 16,086

TCC: 6,124

AFDC: 13,985

Quality Services for Families in Florida

1. Florida makes available one year grants to programs that use innovative strategies such as employer-supported initiatives, family involvement programs to:

   a. establish, expand, and/or improve model early childhood care and education programs, using national standards/criteria for

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

quality in targeted communities with very high or low population densities or high concentrations of poverty; and/or

b. develop model mentoring/coaching programs to assist in inclusion of identified children with disabilities in integrated early childhood care and education programs.

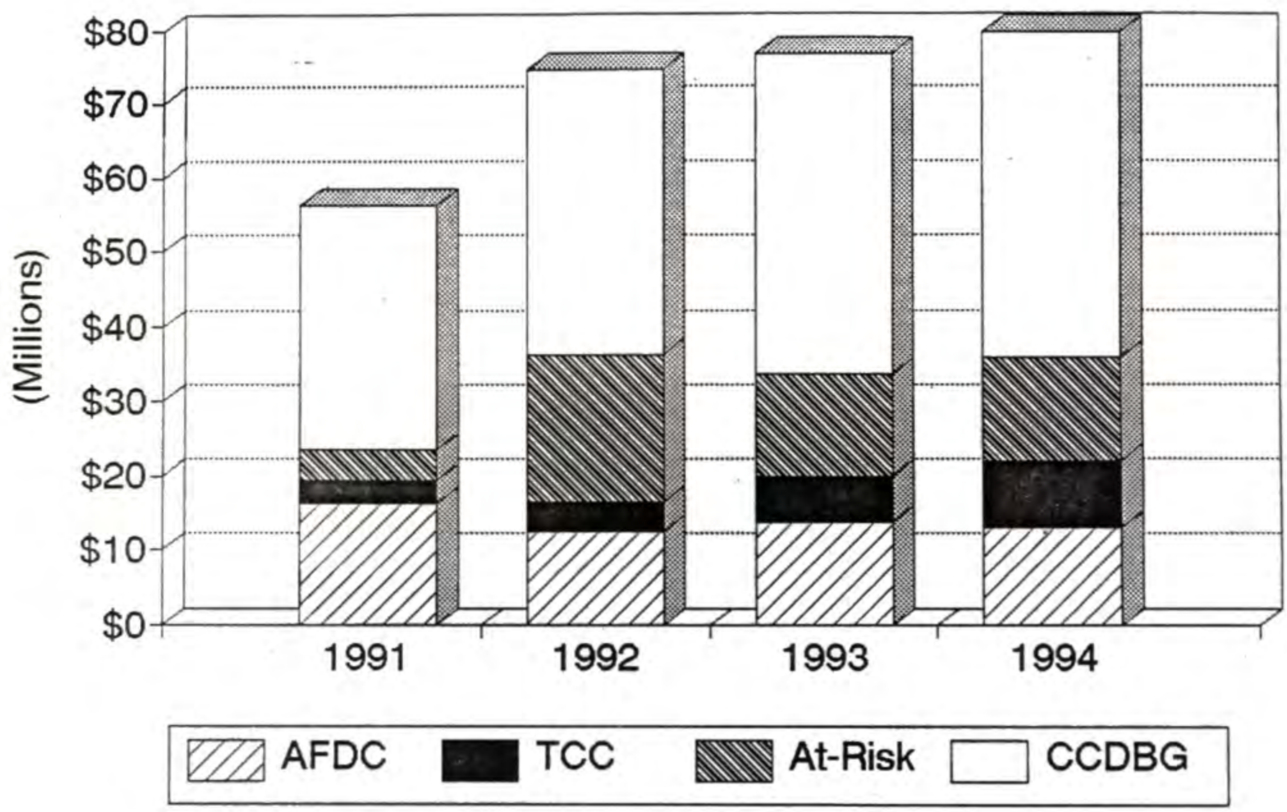
2. Florida has developed a statewide Child Care Resource and Referral (CCRR) Network of 25 local agencies and nine satellite offices. Linked by a central office which provides technical assistance and training to all CCRR staff, the local agencies assist parents in selection of appropriate child care and early childhood programs, accessing subsidies and other public programs, and providing information about quality.

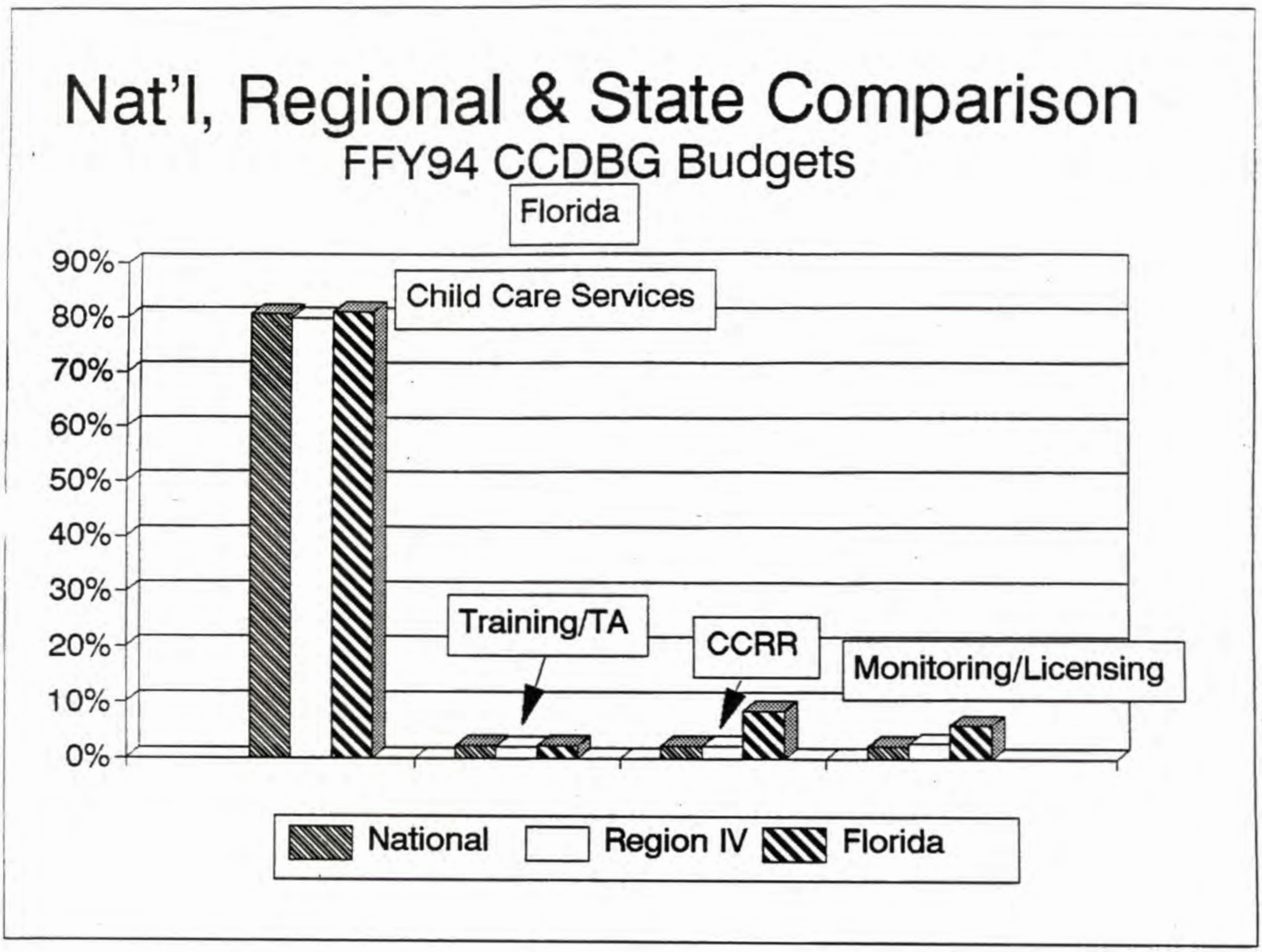
3. Grants have been awarded by the State of Florida to develop and coordinate training programs for child care personnel in CDA or equivalency programs. (State law requires child care facilities to maintain one staff with a Child Development Associate credential or its equivalent for every 20 children under age 5.)

4. A statewide family child care association was developed to increase the availability of family child care homes in the state.

Sources: **Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.**

Child Care Services Funding
Florida




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Florida
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
National
Region IV
Florida

GEORGIA
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$22.0	$25.0	$27.4	$28.0
ARCC	$7.0	$8.1	$5.0	$0.9
TCC	$0.7	$1.4	$2.6	$4.1
AFDC	$11.5	$15.4	$22.6	$29.8

(Millions, rounded)

Children Served in Georgia[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 10,872

ARCC: 4,568

TCC: 2,460

AFDC: 16,217

Quality Services for Families in Georgia

1. Community projects funded in Georgia included:

   * programs for children with disabilities
   * respite care
   * expansion of school-age, infant, and intergenerational care, and care for homeless children
   * recruitment of family child care providers to serve children who are HIV-positive

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

* development of a statewide Child Care Resource and Referral Database
* start-up technical assistance to religiously sponsored child care programs
* family support services and parenting education
* playground and other developmentally appropriate equip ment and materials
* safety improvements
* training for family child care providers
* toy lending libraries
* curriculum development

2. Twelve Child Care Resource and Referral sites were funded to assist parents in selecting a caregiver and to provide assistance to new and existing child care providers.

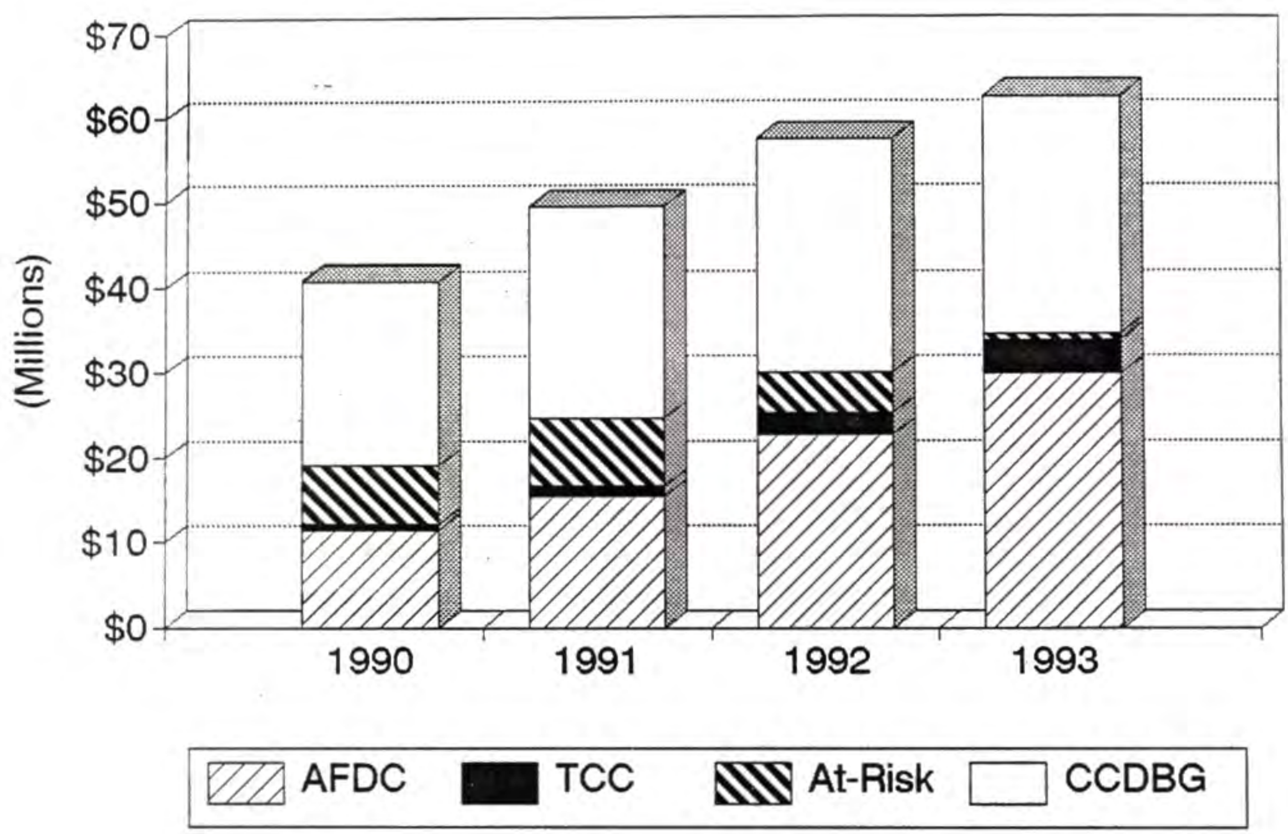
3. The Neighborhood Child Care Network was established to identify unregulated providers and assist them in becoming licensed.

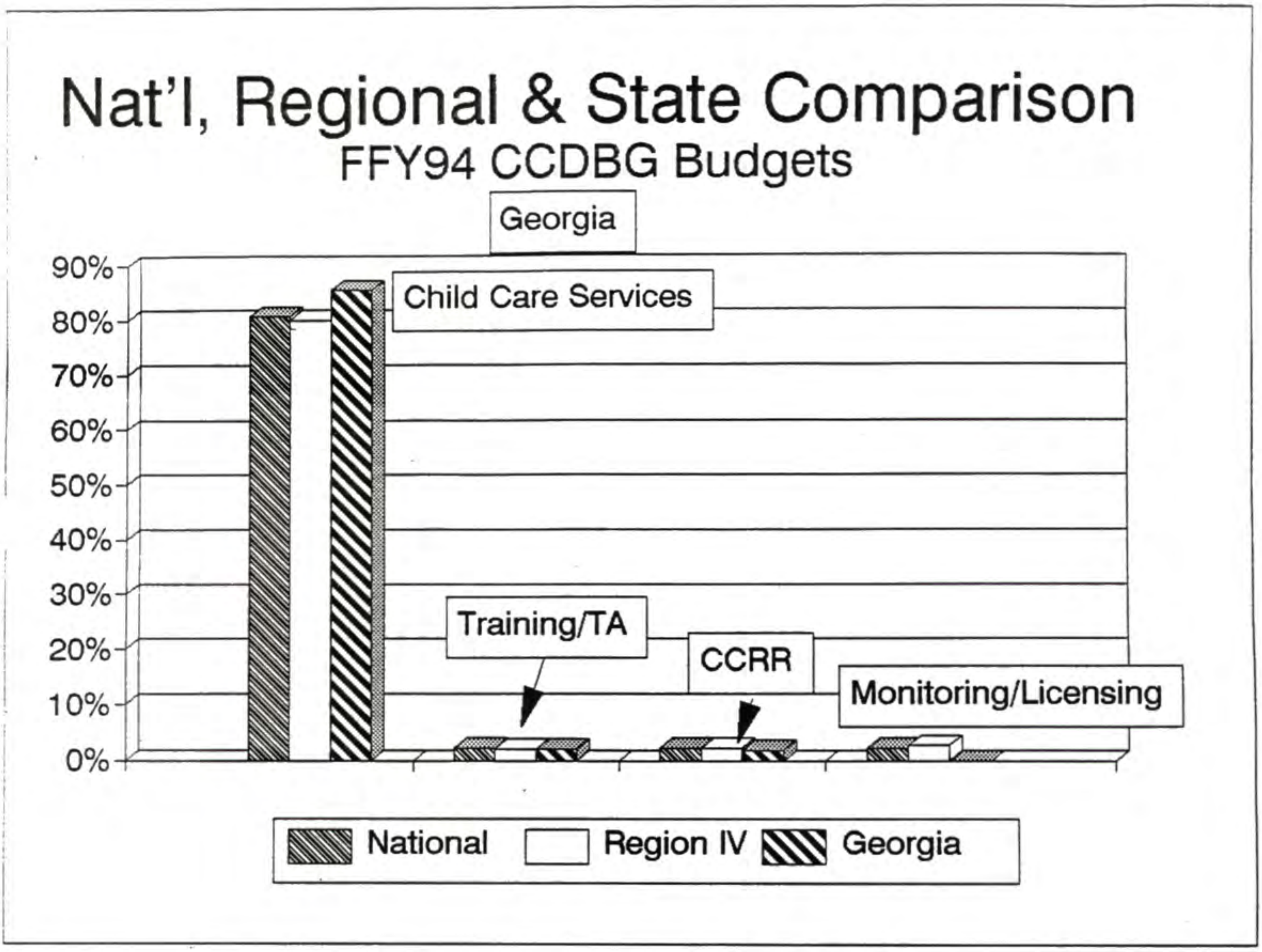
4. Special training is provided to small centers with licensing deficiencies.

5. More than 25 special training provider projects have been developed to serve various regions of the state.

Sources: **Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.**

Child Care Services Funding
Georgia





Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Georgia
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
National
Region IV
Georgia

KENTUCKY
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$13.6	$15.3	$16.3	$16.2
ARCC	$0	$3.9	$4.6	$4.1
TCC	$0.6	$1.2	$1.6	$2.2
AFDC	$4.4	$7.5	$9.4	$10.4

(Millions, rounded)

Children Served in Kentucky[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 7,401

ARCC: 3,336

TCC: 1,041

AFDC: 2,935

Quality Services for Families in Kentucky

1. Early childhood development grants provided 19 wrap-around child care programs for preschoolers and 49 programs for school-age children.

2. Kentucky added 14 sites to its network of Child Care Resource and Referral (CCRR) Agencies.

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.

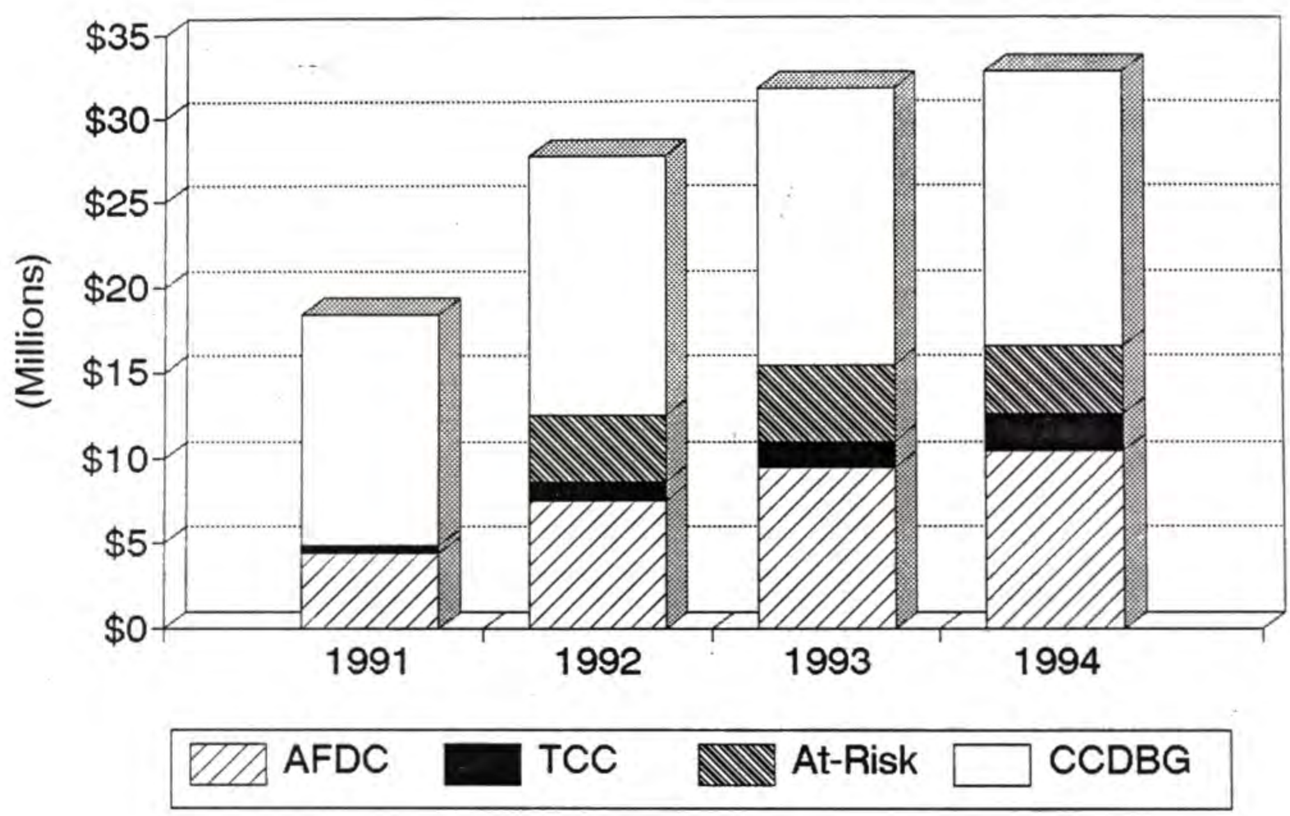
3. Mini-grants were made to 285 providers to start up family child care homes and improve quality.

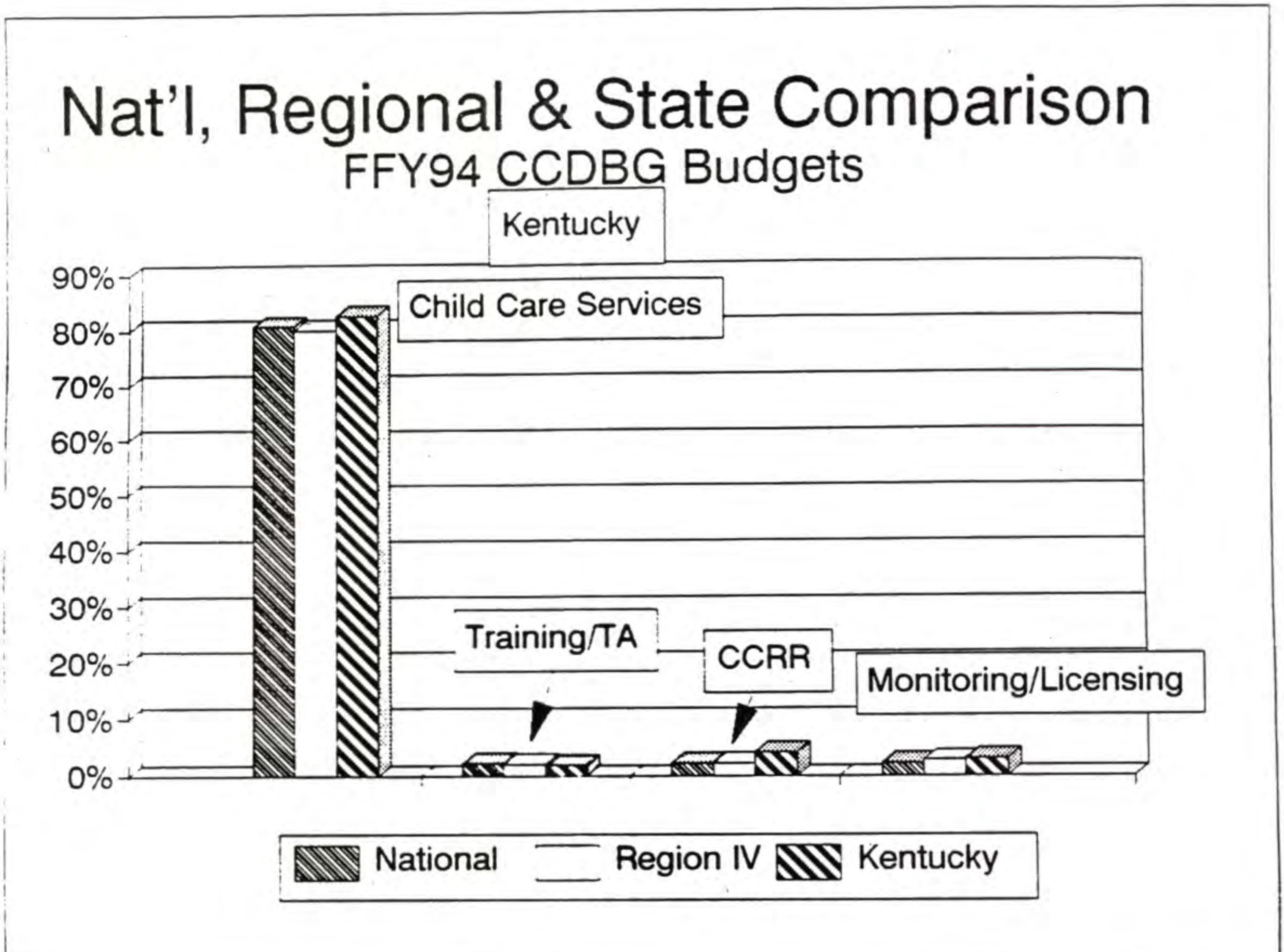
4. Training funds were utilized to develop, organize, administer, and deliver a series of 6 hour sessions on caring for preschoolers. Additionally, specialized training was developed for Child Care Resource and Referral staff, licensing surveyors, certified home staff, and other related professionals.

5. A series of Infant/Toddler Workshops and a statewide infant/toddler conference were offered to licensed and certified programs. Resource Libraries were developed and distributed to the CCRR agencies.

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

Child Care Services Funding
Kentucky




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Kentucky
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
National
Region IV
Kentucky

LOUISIANA
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$21.7	$23.6	$24.2	$24.4
ARCC	$0	$0	$0	$0
TCC	$0.7	$1.2	$2.0	$2.4
AFDC	$0	$5.4	$7.0	$8.3

(Millions, rounded)

Children Served in Louisiana[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 23,917

ARCC: N/A

TCC: 2,695

AFDC: 3,907

Quality Services for Families in Louisiana

1. Louisiana supports three Child Care Resource and Referral agencies which provide services statewide.

2. Small grants assist providers in meeting licensing or registration requirements.

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

3. Louisiana strengthened its licensing program with additional staff.

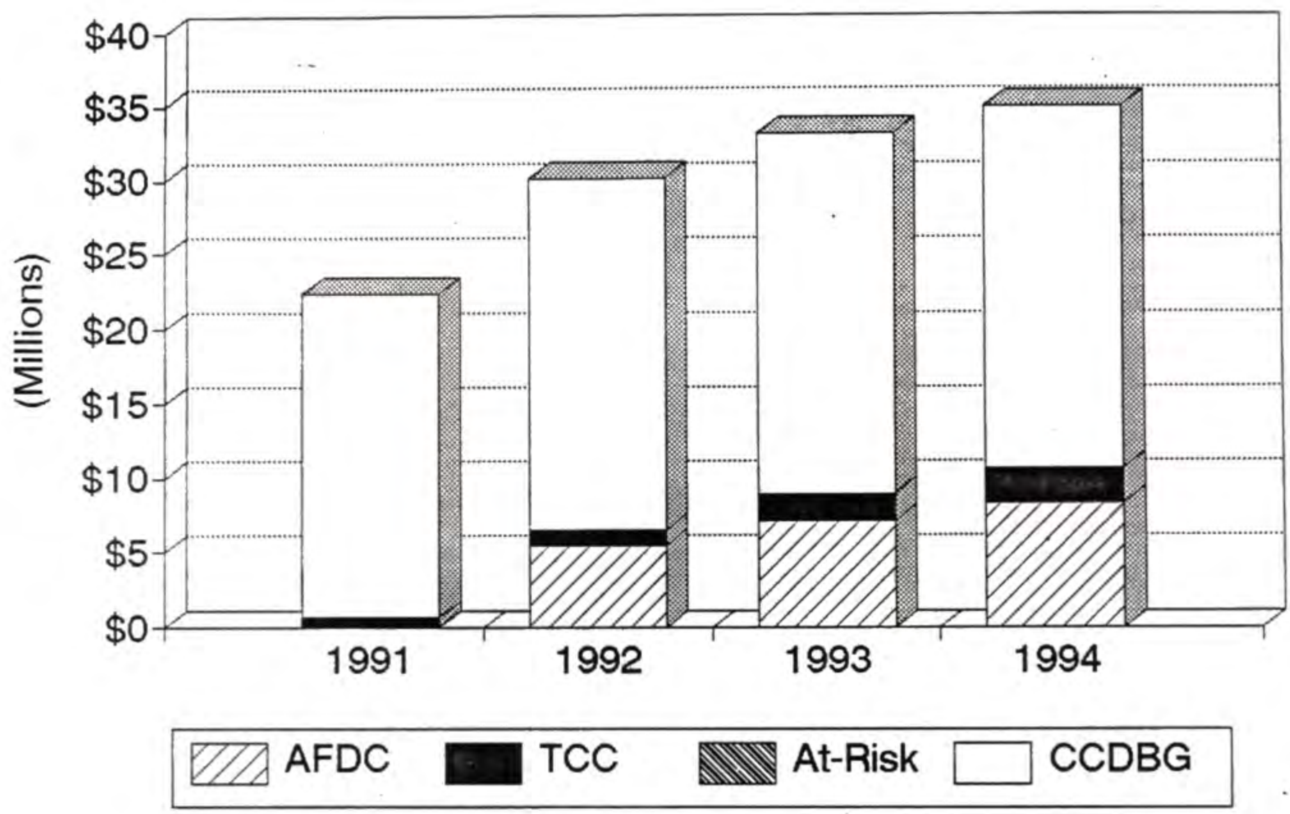
4. Several training projects have been implemented to improve the quality of care in the state:

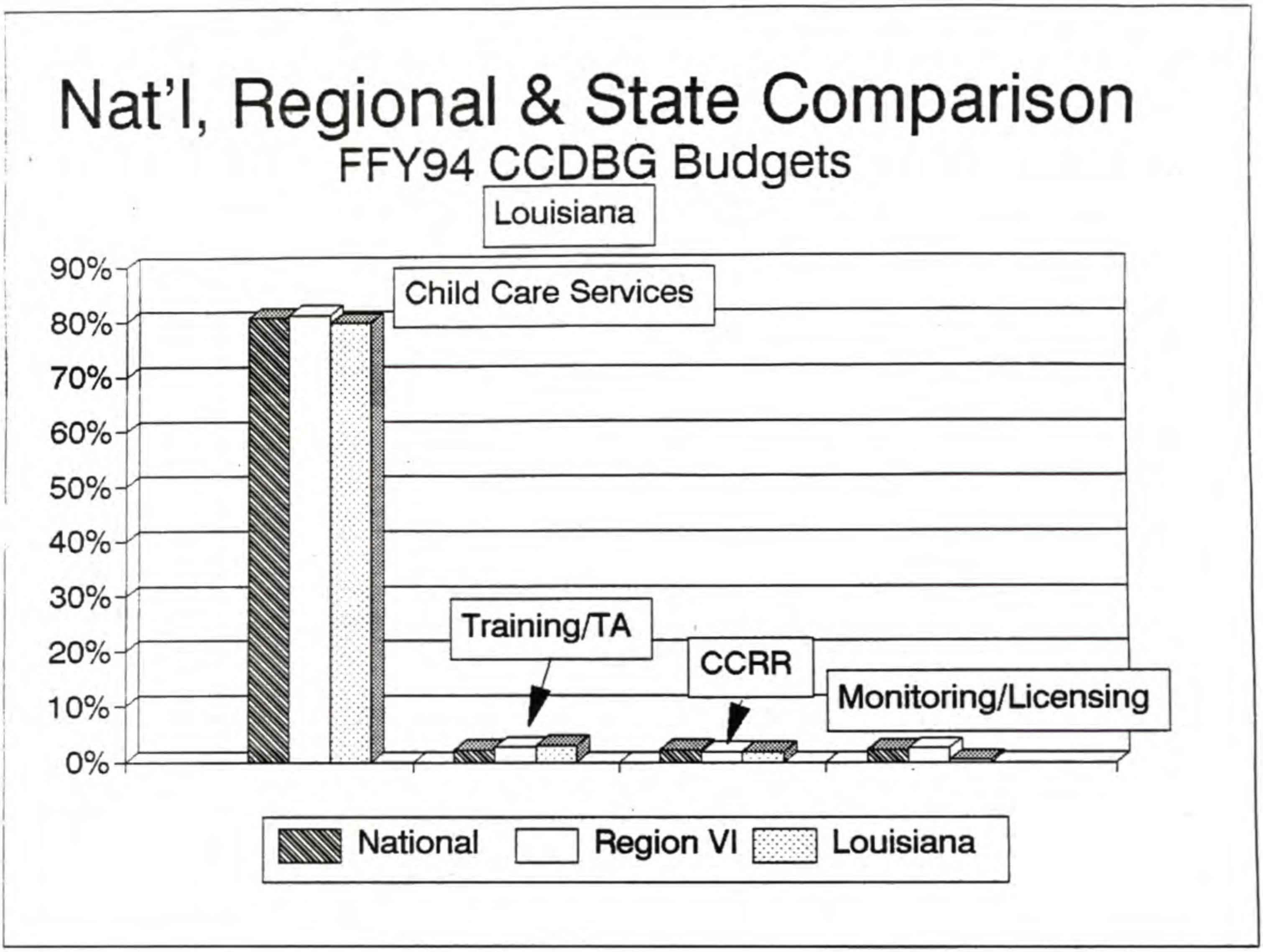
* Regional trainings
* Technical assistance/small group training
* Statewide training conference
* Infant/child CPR training
* State and National Conference Attendance Stipends
* Long Range Training Plan

5. A ten percent quality incentive is provided to nationally accredited child care providers serving subsidized low income families.

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

Child Care Services Funding
Louisiana




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Louisiana
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
National
Region VI
Louisiana

MISSISSIPPI
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$14.6	$15.8	$16.4	$16.2
ARCC	$0.0	$0.0	$0.0	$0.1
TCC	$0.3	$0.4	$0.4	$0.5
AFDC	$0.5	$2.0	$3.0	$3.5

(Millions, rounded)

Children Served in Mississippi[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 11,694

ARCC: NA

TCC: 246

AFDC: 1,535

Quality Services for Families in Mississippi

1. The Business-Sponsored Child Care Program is available to reduce worker absences and increase services for children. CCDBG funds are matched by private sector sources.

2. The Rural Disadvantaged Program assists with the establishment of rural early childhood programs with a parent education component.

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

3. Mississippi has established the Special Needs Therapeutic Program to establish and expand inclusive child care services for children with disabilities.

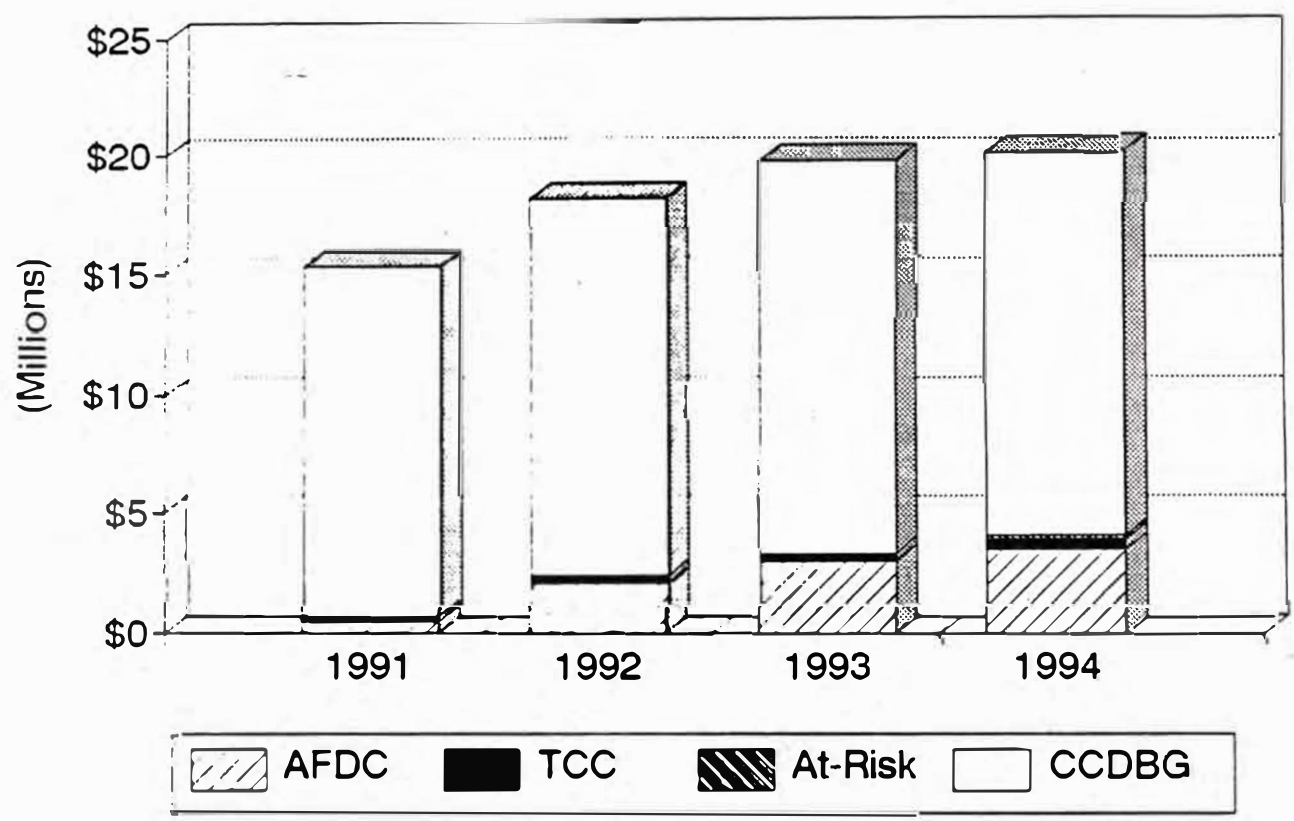
4. A Teen Pregnancy Program targets rural and poor school districts with high incidence of teen preganancies, fostering good health practices and promoting continuation of schooling.

5. Through electronic media, Mississippi provides training on health and safety issues, child abuse and neglect, serving children with disabilities, and developmentally appropriate child care practices.

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

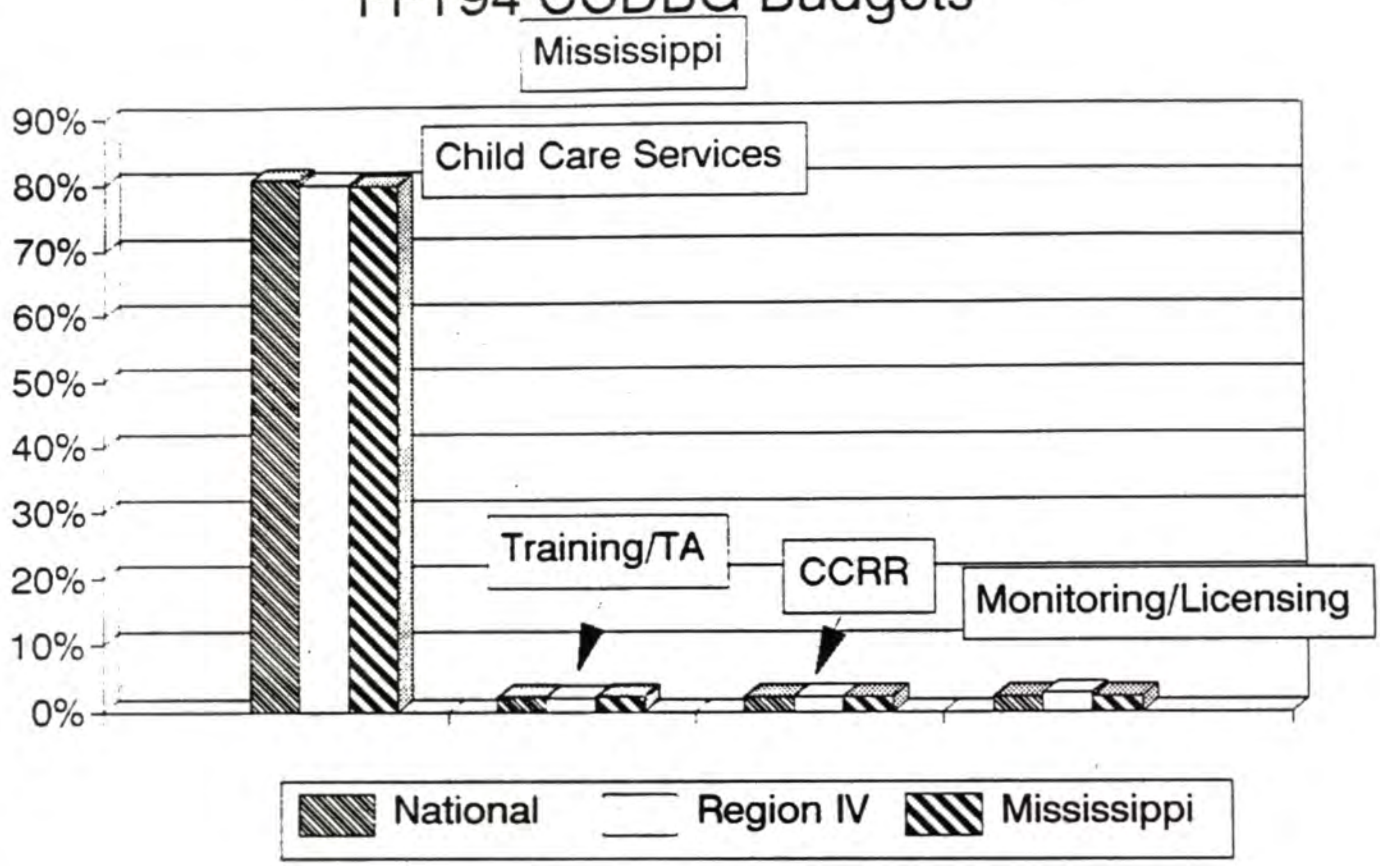
Child Care Services Funding

Mississippi



Nat'l, Regional & State Comparison

FFY94 CCDBG Budgets



NORTH CAROLINA
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$20.6	$23.4	$24.9	$25.0
ARCC	$5.5	$5.0	$9.7	$7.3
TCC	$0.9	$2.8	$5.1	$8.8
AFDC	$7.5	$20.8	$32.9	$44.6

(Millions, rounded)

Children Served in North Carolina[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 32,657

ARCC: 6,236

TCC: 4,285

AFDC: 20,873

Quality Services for Families in North Carolina

1. A Partnerships in Mainstreaming and a Mainstreaming Demonstration Project have been initiated to facilitate the inclusion of children with disabilities in child care.

2. The Expanded Child Care Options program has been established to provide education, skill development, and resource and referral

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

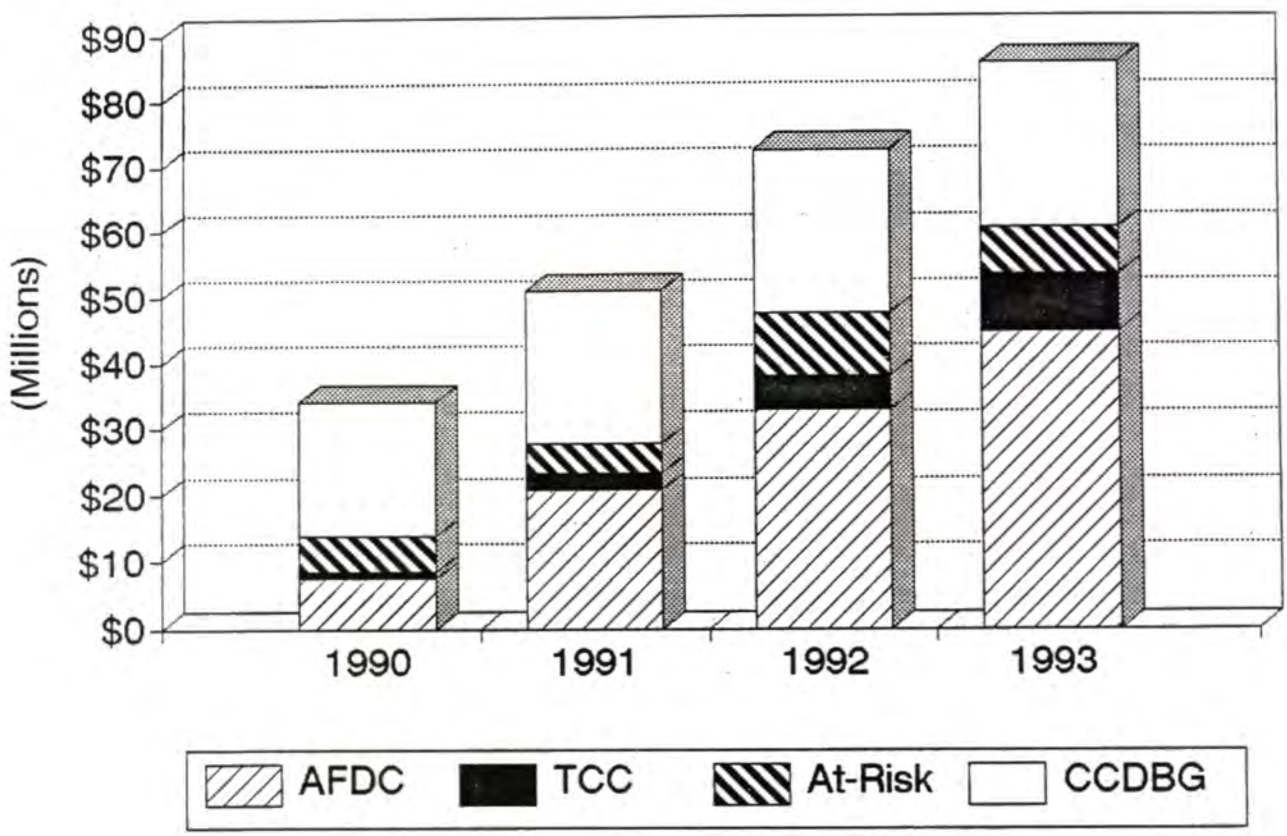
Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.

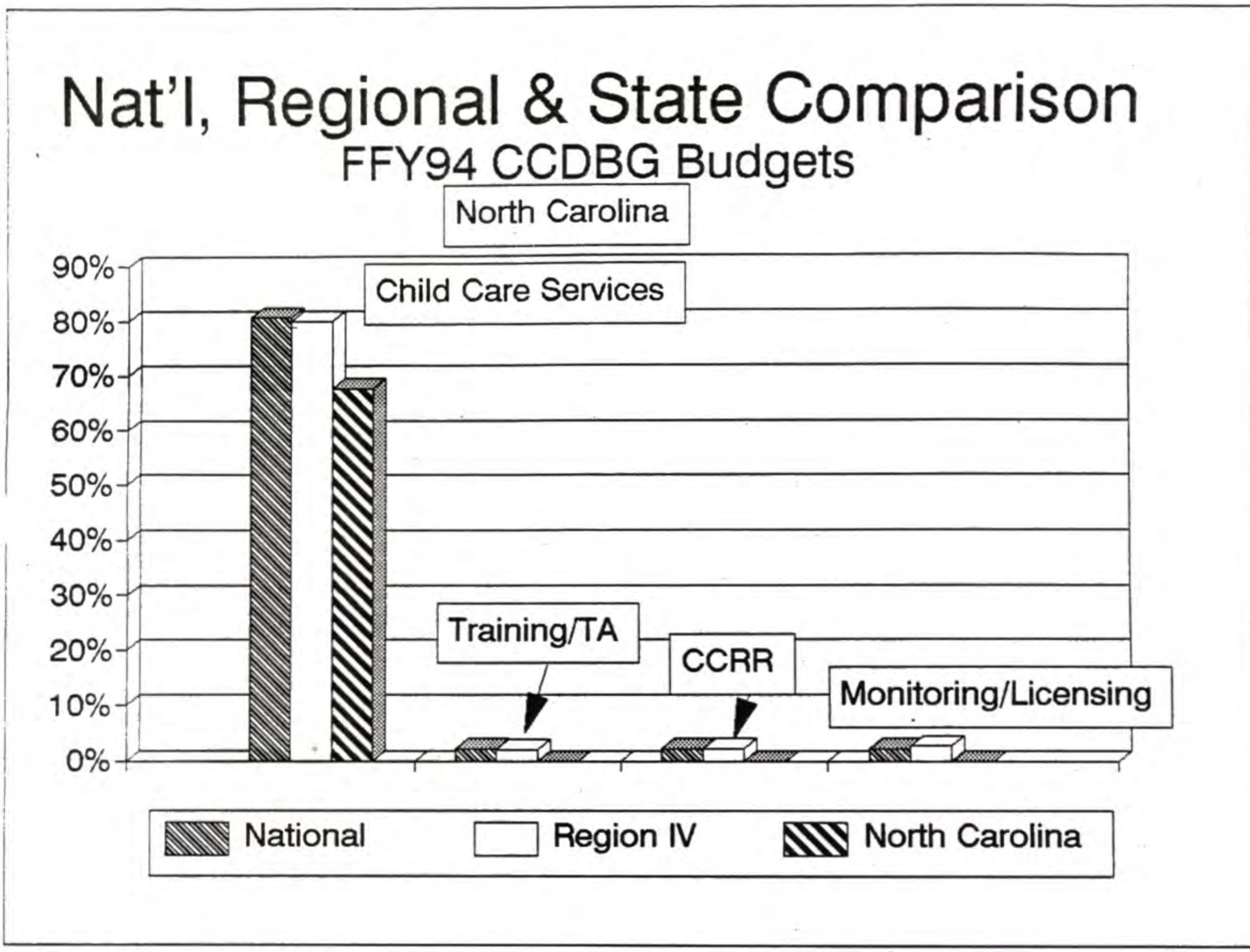
services to develop providers' capacity to serve children prenatally exposed to drugs and alcohol.

3. The T.E.A.C.H. Early Childhood Project funded by CCDBG is a comprehensive structure for training scholarships and compensation initiatives.

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

Child Care Subsidy Funding
North Carolina




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
North Carolina
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
National
Region IV
North Carolina

SOUTH CAROLINA
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$13.6	$15.4	$16.4	$16.5
ARCC	$0	$4.2	$4.2	$2.2
TCC	$0.1	$0.3	$0.6	$0.9
AFDC	$0.4	$1.9	$3.3	$2.4

(Millions, rounded)

Children Served in South Carolina[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 6,077

ARCC: 1,765

TCC: 335

AFDC: 1,996 (Jobs children not reported)

Quality Services for Families in South Carolina

1. Funding was provided to the Department of Education to provide wrap-around services to part day prekindergarten and school-age children, and children with disabilities.

2. South Carolina developed an award winning child care documentary to provide training for providers.

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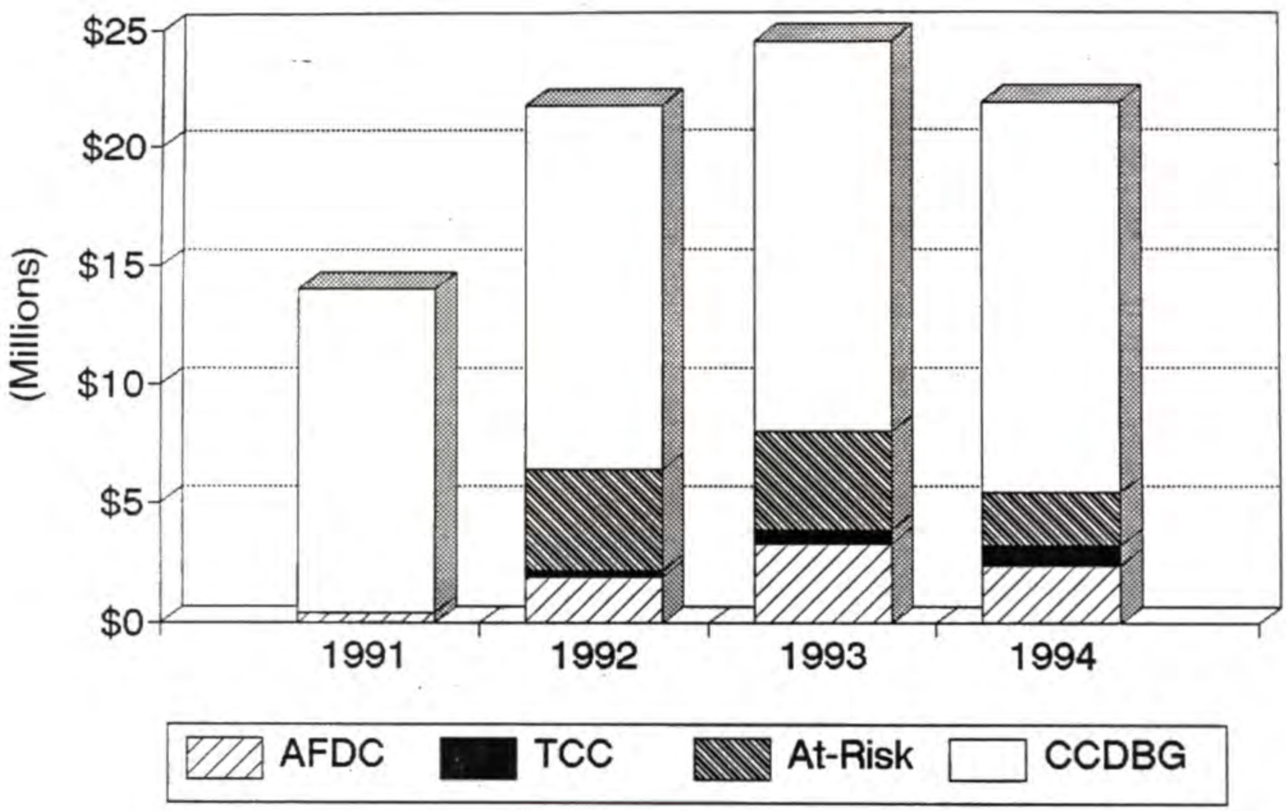
1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

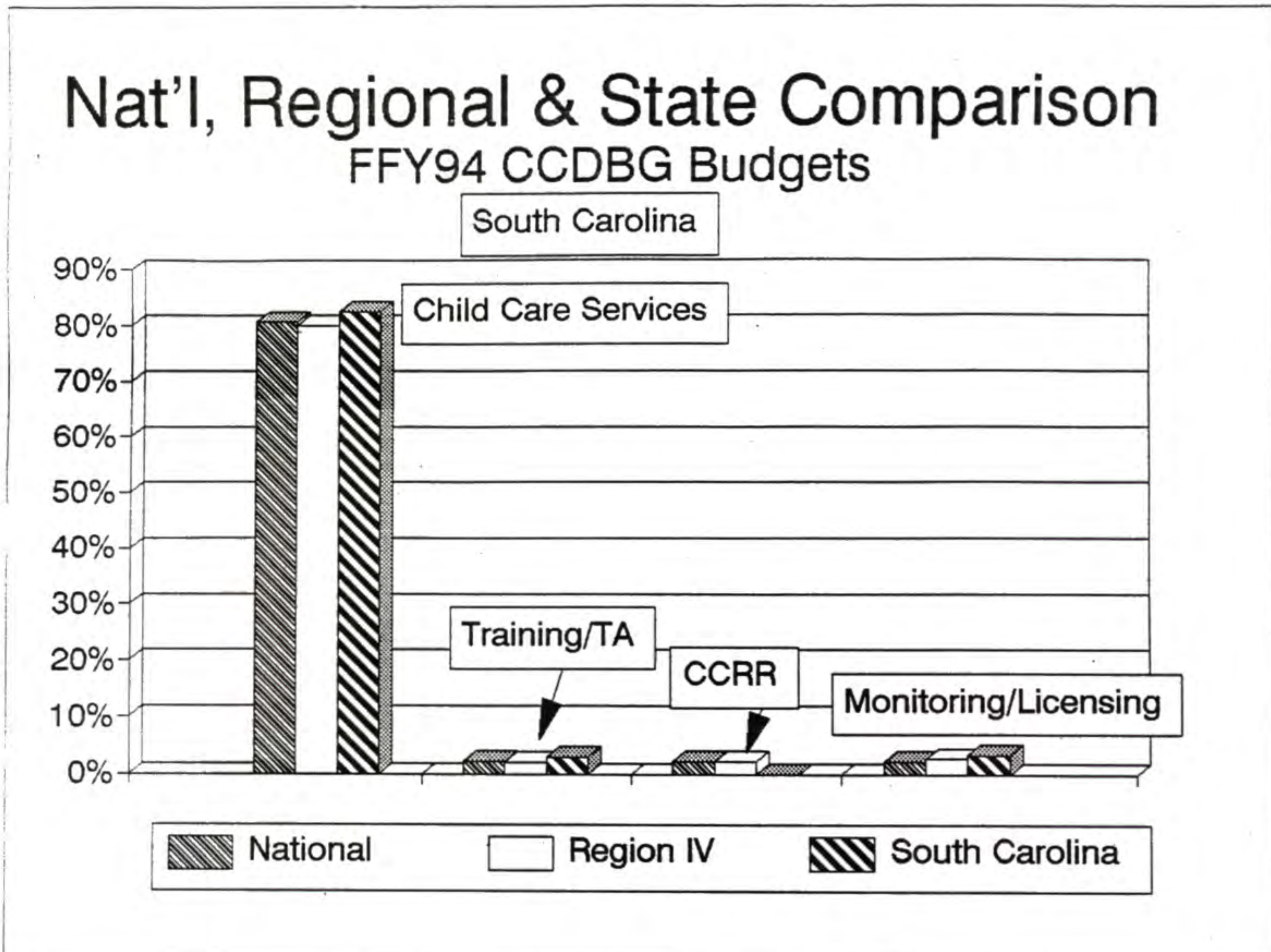
Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.

3. A statewide consumer education program was developed and conducted.

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

Child Care Services Funding
South Carolina





Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
South Carolina
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
National
Region IV
South Carolina

TENNESSEE
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$15.8	$17.5	$18.6	$18.8
ARCC	$0	$0	$.04	$2.2
TCC	$1.7	$3.4	$4.0	$7.2
AFDC	$1.8	$9.8	$16.0	$23.0

(Millions, rounded)

Children Served in Tennessee[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 8,440

ARCC: 332

TCC: 3,482

AFDC: 11,268

Quality Services for Families in Tennessee

1. Five early childhood development grant programs have been initiated in Tennessee. Start-up, expansion, and operating funds are available to develop infant/toddler child care, care for children with disabilties, wrap around programs for part day programs, family child care, and school-age care.

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1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

2. Small grants have been awarded to regulated child care providers to assist them in complying with fire safety or environmental standards.

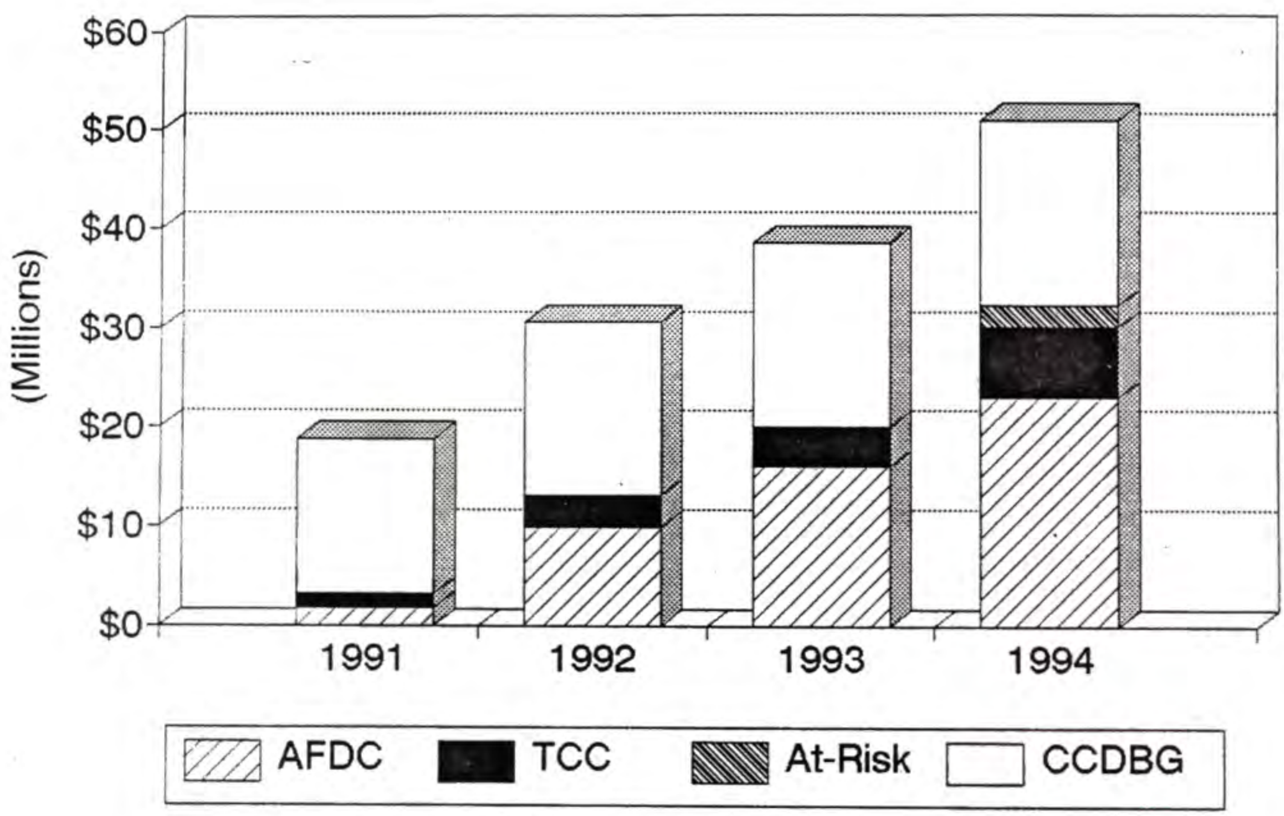
3. Additional licensing staff have been added to strengthen the child care licensing program.

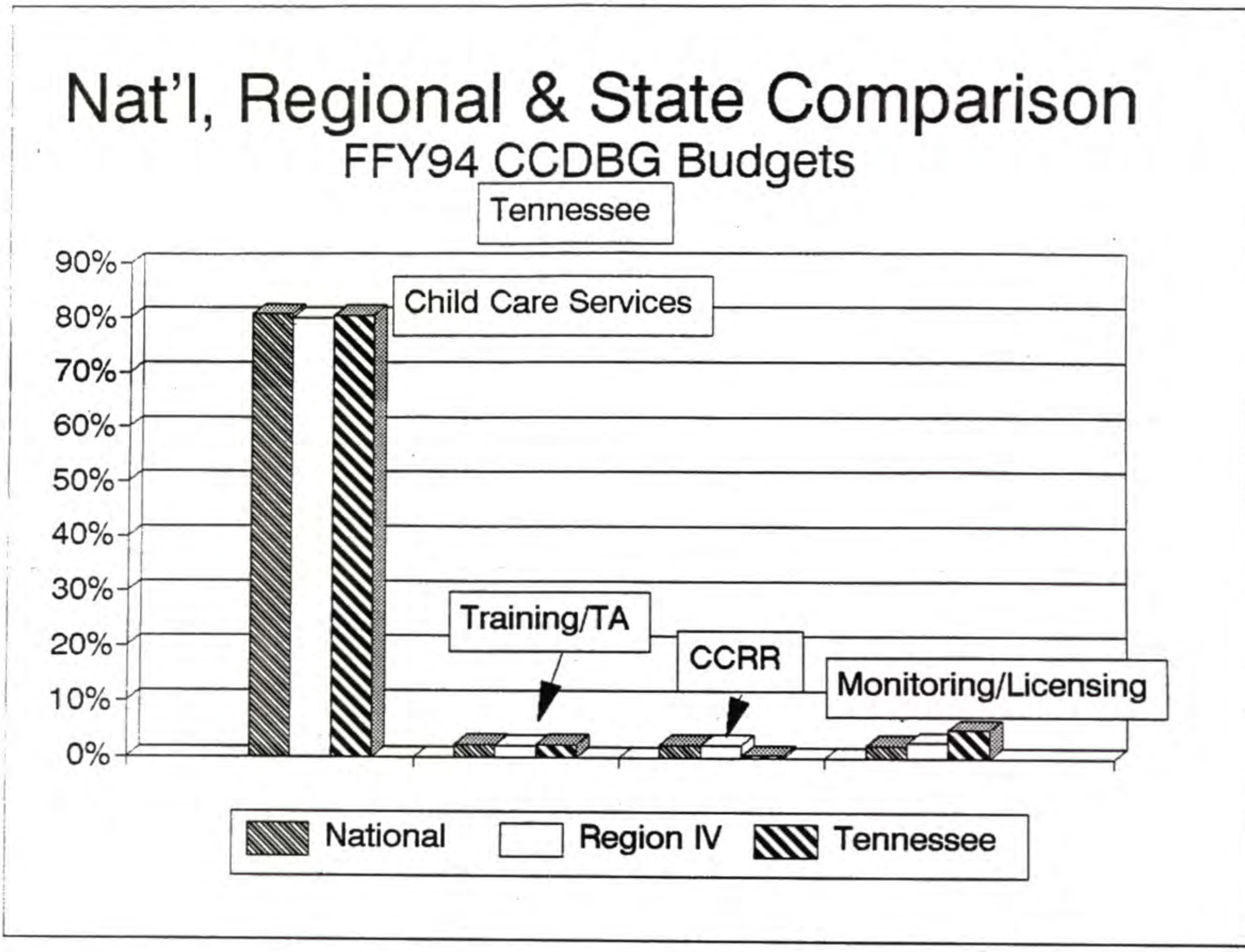
4. A comprehensive training system for caregivers, teachers, directors, administrators and family child care providers has been instituted in Tennessee.

Sources: **Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.**

Child Care Services Funding

Tennessee




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Tennessee
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
National
Region IV
Tennessee

TEXAS
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$66.6	$75.0	$80.7	$77.7
ARCC	$5.8	$15.4	$25.3	$14.6
TCC	$4.6	$8.9	$12.5	$15.7
AFDC	$7.6	$22.3	$21.0	$24.4

(Millions, rounded)

Children Served in Texas[1]
(between October 1, 1992 - September 30, 1993)

CCDBG: 57,919

ARCC: 16,059

TCC: 8,879

AFDC: 4,280

Quality Services for Families in Texas

1. Thirteen Comprehensive Early Childhood Development projects were funded in the State. Among them were projects which:
   * developed rural child care services;

1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

*   established home/community partnerships to develop parenting skills;
*   provided training for special populations of children;
*   provided on-site social worker and in-home parent education; and
*   developed wrap-around programs for Head Start.

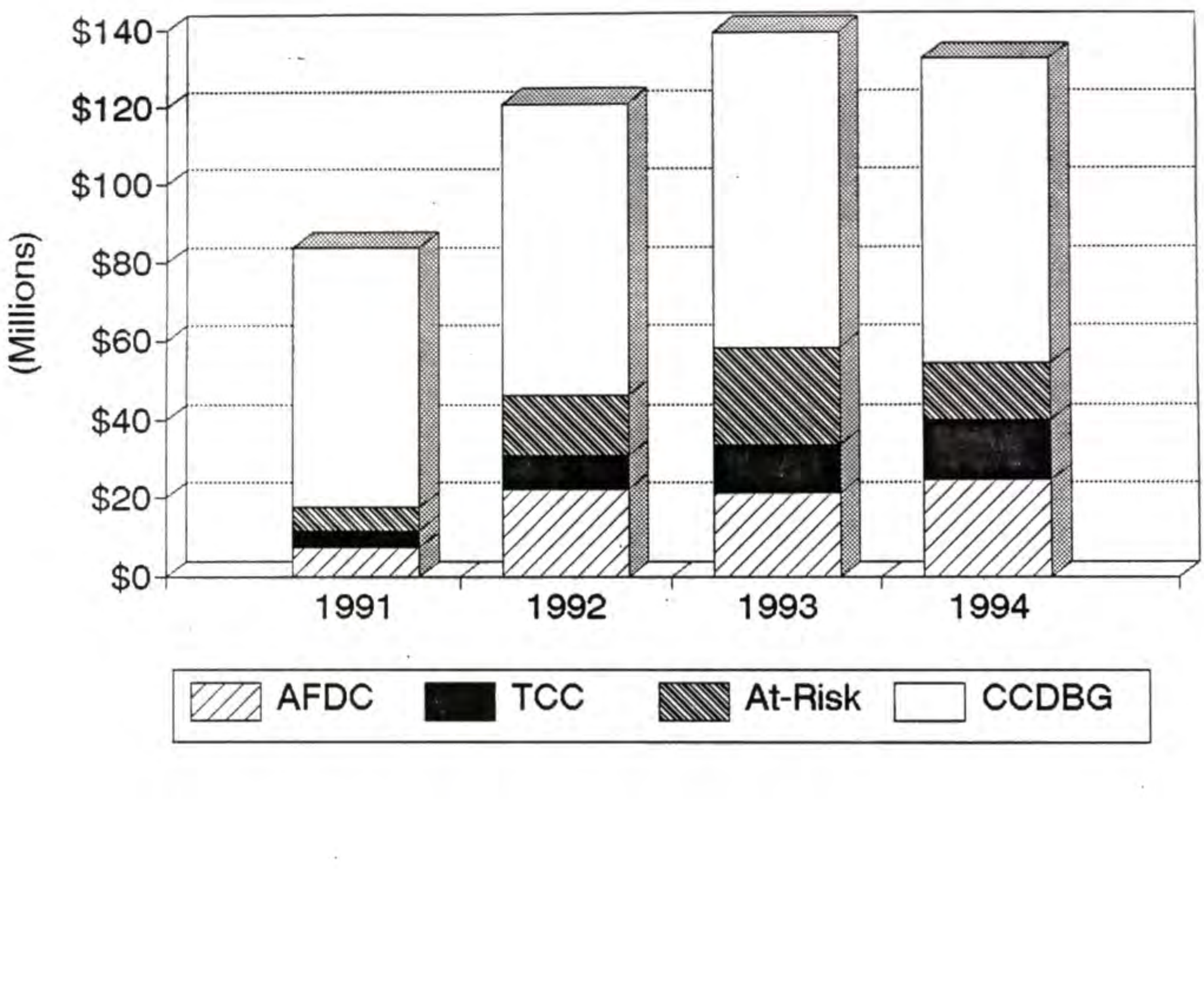
2. A Collaboration Conference was convened by the governor's office to develop a statewide training plan. An interagency agreement with the Texas Education Agency established projects for planning and start-up of school-age child care.

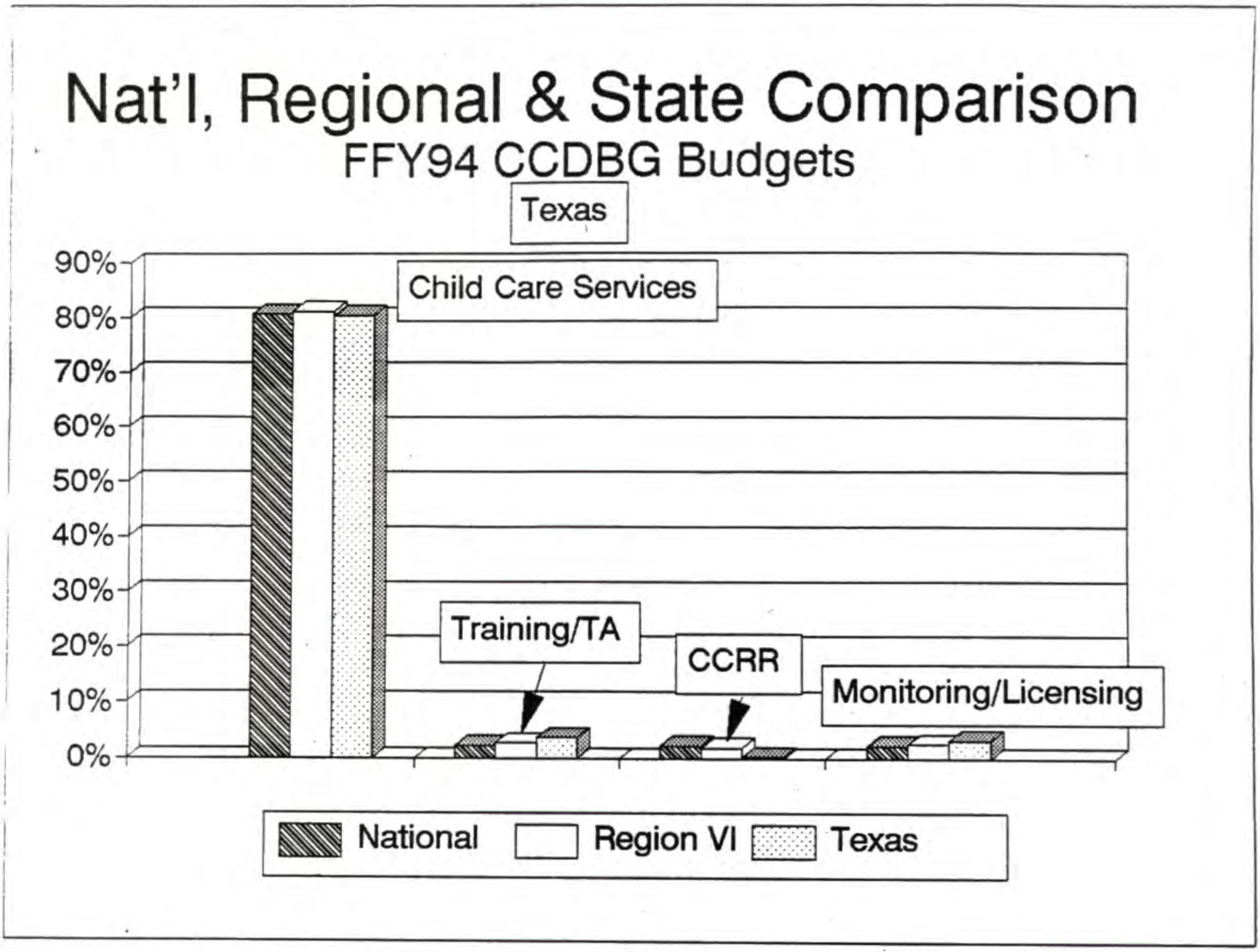
3. Four Child Care Resource and Referral agencies received funds to conduct a resource and referral needs assessment, survey low-income parents, conduct a feasibility study of child care insurance, and conduct the market rate survey.

4. Several training projects were conducted by Texas:
    * Caregiver Training Project for all providers
    * Curriculum for Caregivers Employed in Intergenerational Programs
    * Identification of Caregiver Training Available Nationwide
    * Development of Training for Vietnamese Registered Family Home Caregivers
    * Train the Trainers Conference
    * Sesame Street Preschool Education Program Training
    * **Texas Child Care Quarterly**

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

Child Care Services Funding
Texas





Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Texas
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
National
Region VI
Texas

VIRGINIA
Child Care Facts

Funding:

	FY 91	FY 92	FY 93	FY 94
CCDBG	$12.8	$14.8	$16.4	$16.6
ARCC	$4.2	$7.6	$6.8	$5.4
TCC	$1.2	$2.0	$3.1	$4.2
AFDC	$5.9	$6.4	$7.4	$7.3

(Millions, rounded)

Children Served in Virginia[1]

(between October 1, 1992 - September 30, 1993)

CCDBG: 9,236

ARCC: 3,836

TCC: 2,291

AFDC: 1,985 (JOBS children not reported)

Quality Services for Families in Virginia

1. Virginia has established five models of comprehensive services for young children. Model programs serve as mentors for replication of model practices in child care and Head Start programs statewide.

2. A technical assistance program has been developed to assist public school administrators and teachers concerning quality early childhood development services.

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1. CCDBG "Children Served" = annually; ARCC, TCC, AFDC "Children Served" = average monthly

Sources: Reports from Forms ACF 700, ACF 108, ACF 115; and **Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds**, October 1994.

3. Expansion of Head Start programs into unserved localities has been facilitated through a "turnkey" cost-sharing arrangement between Head Start and the State. As Federal expansion funds become available, Head Start "buys out" the State's investment.

4. Virginia supports the expansion of Child Care Resource and Referral services through the state-funded Centers for Families That Work.

5. CCDBG funds have been contracted to the Virginia Small Business Financing Authority to provide loans for expansion and improvement of child care services in the State.

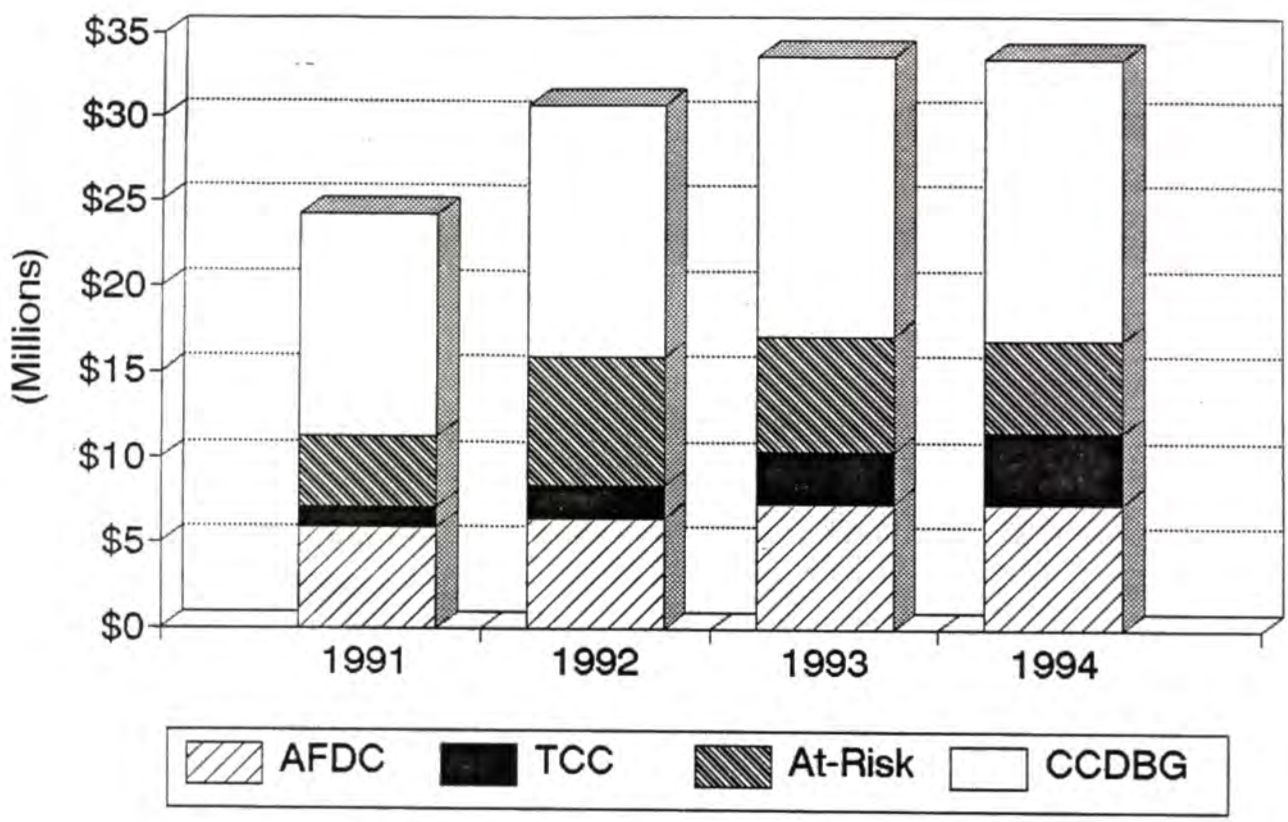
6. State and CCDBG funds have been combined to allow regulatory staff to develop standards and to administer the Voluntary Registration Program for small family child care homes. Additionally, a complaint hotline is now available for parents and other consumers of child care services.

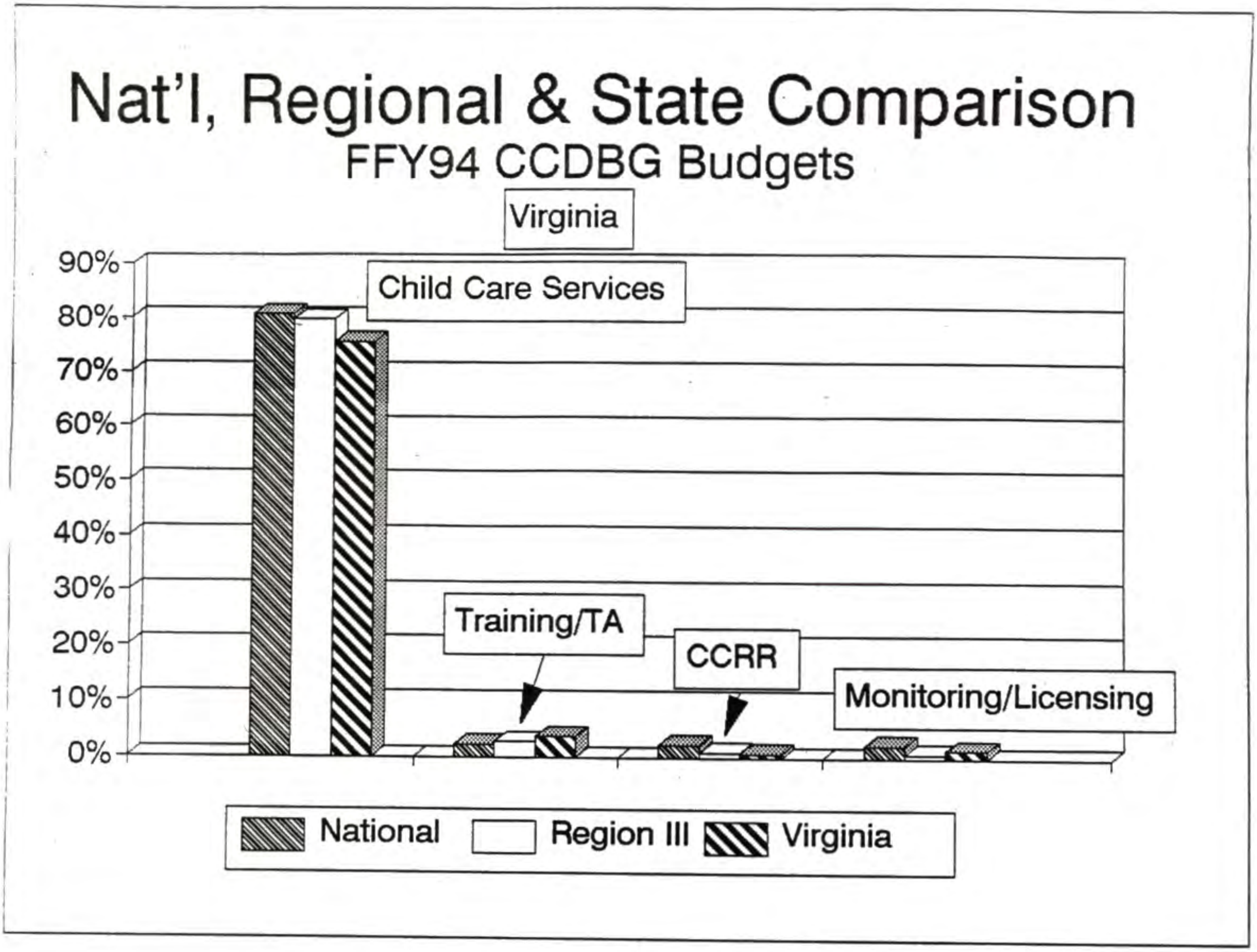
7. Educational materials on purchasing quality care and a parent education video has been developed.

8. Three provider training efforts have been coordinated in the State. The Virginia Plan for Professional Development in Early Childhood Education has set out the state's plan for a comprehensive career path for child care professionals. Scholarships have been made available for basic courses through community colleges with funding from CCDBG, CDA, and the Family Support Act. Incentive grants are awarded to small family child care providers to enable them to complete the voluntary registration process.

Sources: **Reports from Forms ACF 700, ACF 108, ACF 115; and Child Care and Development Block Grant: A Report on State Use of Quality and Availability Funds, October 1994.**

Child Care Services Funding
Virginia




Nat'l, Regional & State Comparison
FFY94 CCDBG Budgets
Virginia
Child Care Services
Training/TA
CCRR
Monitoring/Licensing
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
National
Region III
Virginia

Clinton Presidential Records
Digital Records Marker

Divider Title: C