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PRESIDENT WILLIAM JEFFERSON CLINTON
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THE PRESIDENT: Mr. Speaker, Mr. Vice President, members of Congress, honored guests, my fellow Americans: Tonight, I have the honor of reporting to you on the State of the Union.

Let me begin by saluting the new Speaker of the House, and thanking him, especially tonight, for extending an invitation to two special guests sitting in the gallery with Mrs. Hastert: Lyn Gibson and Wei Ling Chestnut are the widows of the two brave Capitol Hill police officers who gave their lives to defend freedom's house. (Applause.)

Mr. Speaker, at your swearing-in, you asked us all to work together in a spirit of civility and bipartisanship. Mr. Speaker, let's do exactly that. (Applause.)

Tonight, I stand before you to report that America has created the longest peacetime economic expansion in our history -- (applause) -- with nearly 18 million new jobs, wages rising at more than twice the rate of inflation, the highest home ownership in history, the smallest welfare rolls in 30 years, and the lowest peacetime unemployment since 1957. (Applause.)

For the first time in three decades, the budget is balanced. (Applause.) From a deficit of $290 billion in 1992, we had a surplus of $70 billion last year. And now we are on course for budget surpluses for the next 25 years. (Applause.)

Thanks to the pioneering leadership of all of you, we have the lowest violent crime rate in a quarter century and the cleanest environment in a quarter century. America is a strong force for peace from Northern Ireland to Bosnia to the Middle East.

Thanks to the leadership of Vice President Gore, we have a government for the Information Age. Once again, a government that is a progressive instrument of the common good, rooted in our oldest values of opportunity, responsibility and community; devoted to fiscal responsibility; determined to give our people the tools they need to make the most of their own lives in the 21st century -- a 21st century government for 21st century America.

My fellow Americans, I stand before you tonight to report that the state of our union is strong. (Applause.)

America is working again. The promise of our future is limitless. But we cannot realize that promise if we allow the hum of our prosperity to lull us into complacency. How we fare as a nation far into the 21st century depends upon what we do as a nation today.

So with our budget surplus growing, our economy expanding, our confidence rising, now is the moment for this generation to meet our historic responsibility to the 21st century.

Our fiscal discipline gives us an unsurpassed opportunity to address a remarkable new challenge -- the aging of America. With the number of elderly Americans set to double by 2030, the baby boom will become a senior boom. So first, and above all, we must save Social Security for the 21st century. (Applause.)

Early in this century, being old meant being poor. When President Roosevelt created Social Security, thousands wrote to thank him for eliminating what one woman called the "stark terror of penniless, helpless old age." Even today, without Social Security, half our nation's elderly would be forced into poverty.

Today, Social Security is strong. But by 2013, payroll taxes will no longer be sufficient to cover monthly payments. By

2032, the trust fund will be exhausted and Social Security will be unable to pay the full benefits older Americans have been promised.

The best way to keep Social Security a rock-solid guarantee is not to make drastic cuts in benefits, not to raise payroll tax rates, not to drain resources from Social Security in the name of saving it. Instead, I propose that we make an historic decision to invest the surplus to save Social Security. (Applause.)

Specifically, I propose that we commit 60 percent of the budget surplus for the next 15 years to Social Security, investing a small portion in the private sector, just as any private or state government pension would do. This will earn a higher return and keep Social Security sound for 55 years.

But we must aim higher. We should put Social Security on a sound footing for the next 75 years. We should reduce poverty among elderly women, who are nearly twice as likely to be poor as our other seniors. (Applause.) And we should eliminate the limits on what seniors on Social Security can earn. (Applause.)

Now, these changes will require difficult but fully achievable choices over and above the dedication of the surplus. They must be made on a bipartisan basis. They should be made this year. So let me say to you tonight, I reach out my hand to all of you in both Houses, in both parties, and ask that we join together in saying to the American people: We will save Social Security now. (Applause.)

Now, last year we wisely reserved all of the surplus until we knew what it would take to save Social Security. Again, I say, we shouldn't spend any of it -- not any of it -- until after Social Security is truly saved. First things first. (Applause.)

Second, once we have saved Social Security, we must fulfill our obligation to save and improve Medicare. Already, we have extended the life of the Medicare trust fund by 10 years -- but we should extend it for at least another decade. Tonight, I propose that we use one out of every $6 in the surplus for the next 15 years to guarantee the soundness of Medicare until the year 2020. (Applause.)

But, again, we should aim higher. We must be willing to work in a bipartisan way and look at new ideas, including the upcoming report of the bipartisan Medicare Commission. If we work together, we can secure Medicare for the next two decades and cover the greatest growing need of seniors -- affordable prescription drugs. (Applause.)

Third, we must help all Americans, from their first day on the job -- to save, to invest, to create wealth. From its beginning, Americans have supplemented Social Security with private pensions and savings. Yet, today, millions of people retire with little to live on other than Social Security. Americans living longer than ever simply must save more than ever.

Therefore, in addition to saving Social Security and Medicare, I propose a new pension initiative for retirement security in the 21st century. I propose that we use a little over 11 percent of the surplus to establish universal savings accounts -- USA accounts -- to give all Americans the means to save. With these new accounts Americans can invest as they choose and receive funds to match a portion of their savings, with extra help for those least able to save. USA accounts will help all Americans to share in our nation's wealth and to enjoy a more secure retirement. I ask you to support them. (Applause.)

Fourth, we must invest in long-term care. (Applause.) I propose a tax credit of $1,000 for the aged, ailing or disabled, and the families who care for them. Long-term care will become a bigger and bigger challenge with the aging of America, and we must do more to help our families deal with it. (Applause.)

I was born in 1946, the first year of the baby boom. I can tell you that one of the greatest concerns of our generation is our absolute determination not to let our growing old place an intolerable burden on our children and their ability to raise our grandchildren. Our economic success and our fiscal discipline now give us an opportunity to lift that burden from their shoulders, and we should take it. (Applause.)

Saving Social Security, Medicare, creating USA accounts -- this is the right way to use the surplus. If we do so -- if we do so -- we will still have resources to meet critical needs in education and defense. And I want to point out that this proposal is fiscally sound. Listen to this: If we set aside 60 percent of the surplus for Social Security and 16 percent for Medicare, over the next 15 years, that saving will achieve the lowest level of publicly-held debt since right before World War I, in 1917. (Applause.)

So with these four measures -- saving Social Security, strengthening Medicare, establishing the USA accounts, supporting long-term care -- we can begin to meet our generation's historic responsibility to establish true security for 21st century seniors.

Now, there are more children from more diverse backgrounds in our public schools than at any time in our history. Their education must provide the knowledge and nurture the creativity that will allow our entire nation to thrive in the new economy.

Today we can say something we couldn't say six years ago: With tax credits and more affordable student loans, with more work-study grants and more Pell grants, with education IRAs and the new HOPE Scholarship tax cut that more than five million Americans will receive this year, we have finally opened the doors of college to all Americans. (Applause.)

With our support, nearly every state has set higher academic standards for public schools, and a voluntary national test is being developed to measure the progress of our students. With over $1 billion in discounts available this year, we are well on our way to our goal of connecting every classroom and library to the Internet.

Last fall, you passed our proposal to start hiring 100,000 new teachers to reduce class size in the early grades. Now I ask you to finish the job. (Applause.)

You know, our children are doing better. SAT scores are up; math scores have risen in nearly all grades. But there's a problem. While our 4th graders outperform their peers in other countries in math and science, our 8th graders are around average, and our 12th graders rank near the bottom. We must do better. Now, each year the national government invests more than $15 billion in our public schools. I believe we must change the way we invest that money, to support what works and to stop supporting what does not work. (Applause.)

First, later this year, I will send to Congress a plan that, for the first time, holds states and school districts accountable for progress and rewards them for results. My Education Accountability Act will require every school district receiving federal help to take the following five steps.

First, all schools must end social promotion. (Applause.) No child should graduate from high school with a diploma he or she can't read. We do our children no favors when we allow them to pass from grade to grade without mastering the material.

But we can't just hold students back because the system fails them. So my balanced budget triples the funding for summer school and after-school programs, to keep a million children learning. (Applause.)

Now, if you doubt this will work, just look at Chicago, which ended social promotion and made summer school mandatory for those who don't master the basics. Math and reading scores are up three years running -- with some of the biggest gains in some of the poorest neighborhoods. It will work, and we should do it. (Applause.)

Second, all states and school districts must turn around their worst-performing schools -- or shut them down. (Applause.) That's the policy established in North Carolina by Governor Jim Hunt. North Carolina made the biggest gains in test scores in the nation last year. Our budget includes $200 million to help states turn around their own failing schools.

Third, all states and school districts must be held responsible for the quality of their teachers. The great majority of our teachers do a fine job. But in too many schools, teachers don't have college majors -- or even minors -- in the subjects they teach. New teachers should be required to pass performance exams, and all teachers should know the subjects they're teaching. (Applause.) This year's balanced budget contains resources to help them reach higher standards.

And to attract talented young teachers to the toughest assignments, I recommend a sixfold increase in our program for college scholarships for students who commit to teach in the inner cities and isolated rural areas and Indian communities. Let us bring excellence in every part of America. (Applause.)

Fourth, we must empower parents, with more information and more choices. In too many communities, it's easier to get information on the quality of the local restaurants than on the quality of the local schools. Every school district should issue report cards on every school. And parents should be given more choices in selecting their public schools. (Applause.)

When I became President, there was just one independent public charter school in all America. With our support, on a bipartisan basis, today there are 1,100. My budget assures that early in the next century, there will be 3,000. (Applause.)

Fifth, to assure that our classrooms are truly places of learning, and to respond to what teachers have been asking us to do for years, we should say that all states and school districts must both adopt and implement sensible discipline policies. (Applause.)

Now, let's do one more thing for our children. Today, too many of our schools are so old they're falling apart, or so over-crowded students are learning in trailers. Last fall, Congress missed the opportunity to change that. This year, with 53 million children in our schools, Congress must not miss that opportunity again. I ask you to help our communities build or modernize 5,000 schools. (Applause.)

If we do these things -- end social promotion; turn around failing schools; build modern ones; support qualified teachers; promote innovation, competition and discipline -- then we will begin to meet our generation's historic responsibility to create 21st century schools. (Applause.)

Now, we also have to do more to support the millions of parents who give their all every day at home and at work. The most basic tool of all is a decent income. So let's raise the minimum wage by a dollar an hour over the next two years. (Applause.) And let's make sure that women and men get equal pay for equal work by strengthening enforcement of equal pay laws. (Applause.)

That was encouraging, you know. (Laughter.) There was more balance on the seats. I like that. Let's give them a hand. That's great. (Applause.)

Working parents also need quality child care. (Applause.) So, again this year, I ask Congress to support our plan for tax credits and subsidies for working families, for improved safety and quality, for expanded after-school programs. And our plan also includes a new tax credit for stay-at-home parents, too. They need support, as well. (Applause.)

Parents should never have to worry about choosing between their children and their work. Now, the Family and Medical Leave Act -- the very first bill I signed into law -- has now, since 1993, helped millions and millions of Americans to care for a newborn baby or an ailing relative without risking their jobs. I think it's time, with all the evidence that it has been so little burdensome to employers, to extend Family Leave to 10 million more Americans working for smaller companies. And I hope you will support it. (Applause.)

Finally on the matter of work, parents should never have to face discrimination in the workplace. So I want to ask Congress to prohibit companies from refusing to hire or promote workers simply because they have children. That is not right. (Applause.)

America's families deserve the world's best medical care. Thanks to bipartisan federal support for medical research, we are now on the verge of new treatments to prevent or delay diseases from Parkinson's to Alzheimer's, to arthritis to cancer. But as we continue our advances in medical science, we can't let our medical system lag behind. Managed care has literally transformed medicine in America -- driving down costs, but threatening to drive down quality as well.

I think we ought to say to every American: You should have the right to know all your medical options -- not just the cheapest. If you need a specialist, you should have the right to see one. You have a right to the nearest emergency care if you're in an accident. These are things that we ought to say. And I think we ought to say, you should have a right to keep your doctor during a period of treatment, whether it's a pregnancy or a chemotherapy treatment, or anything else. I believe this.

Now, I've ordered these rights to be extended to the 85 millon Americans served by Medicare, Medicaid, and other federal health programs. But only Congress can pass a patients' bill of rights for all Americans. (Applause.) Now, last year, Congress missed that opportunity and we must not miss that opportunity again. For the sake of our families, I ask us to join together across party lines and pass a strong, enforceable patients' bill of rights. (Applause.)

As more of our medical records are stored electronically, the threats to all our privacy increase. Because Congress has given me the authority to act if it does not do so by

August, one way or another, we can all say to the American people, we will protect the privacy of medical records and we will do it this year. (Applause.)

Now, two years ago, the Congress extended health coverage to up to five million children. Now, we should go beyond that. We should make it easier for small businesses to offer health insurance. We should give people between the ages of 55 and 65 who lose their health insurance the chance to buy into Medicare. And we should continue to ensure access to family planning.

No one should have to choose between keeping health care and taking a job. And, therefore, I especially ask you tonight to join hands to pass the landmark bipartisan legislation -- proposed by Senators Kennedy and Jeffords, Roth and Moynihan -- to allow people with disabilities to keep their health insurance when they go to work. (Applause.)

We need to enable our public hospitals, our community, our university health centers to provide basic, affordable care for all the millions of working families who don't have any insurance. They do a lot of that today, but much more can be done. And my balanced budget makes a good down payment toward that goal. I hope you will think about them and support that provision.

Let me say we must step up our efforts to treat and prevent mental illness. No American should ever be afraid -- ever -- to address this disease. This year, we will host a White House Conference on Mental Health. With sensitivity, commitment and passion, Tipper Gore is leading our efforts here, and I'd like to thank her for what she's done. Thank you. Thank you. (Applause.)

As everyone knows, our children are targets of a massive media campaign to hook them on cigarettes. Now, I ask this Congress to resist the tobacco lobby, to reaffirm the FDA's authority to protect our children from tobacco, and to hold tobacco companies accountable while protecting tobacco farmers.

Smoking has cost taxpayers hundreds of billions of dollars under Medicare and other programs. You know, the states have been right about this -- taxpayers shouldn't pay for the cost of lung cancer, emphysema and other smoking-related illnesses -- the tobacco companies should. So tonight I announce that the Justice Department is preparing a litigation plan to take the tobacco companies to court -- and with the funds we recover, to strengthen Medicare.

(Applause.)

Now, if we act in these areas -- minimum wage, family leave, child care, health care, the safety of our children -- then we will begin to meet our generation's historic responsibility to strengthen our families for the 21st century.

Today, America is the most dynamic, competitive, job-creating economy in history. But we can do even better -- in building a 21st century economy that embraces all Americans.

Today's income gap is largely a skills gap. Last year, the Congress passed a law enabling workers to get a skills grant to choose the training they need. And I applaud all of you here who were part of that. This year, I recommend a five-year commitment in the new system so that we can provide, over the next five years, appropriate training opportunities for all Americans who lose their jobs, and expand rapid response teams to help all towns which have been really hurt when businesses close. I hope you will support this. (Applause.)

Also, I ask your support for a dramatic increase in federal support for adult literacy, to mount a national campaign aimed at helping the millions and millions of working people who still read at less than a 5th grade level. We need to do this. (Applause.)

Here's some good news: In the past six years, we have cut the welfare rolls nearly in half. (Applause.) Two years ago, from this podium, I asked five companies to lead a national effort to hire people off welfare. Tonight, our Welfare to Work Partnership includes 10,000 companies who have hired hundreds of thousands of people. And our balanced budget will help another 200,000 people move to the dignity and pride of work. I hope you will support it. (Applause.)

We must do more to bring the spark of private enterprise to every corner of America -- to build a bridge from Wall Street to Appalachia to the Mississippi Delta, to our Native American communities -- with more support for community development banks, for empowerment zones, for 100,000 more vouchers for affordable housing. And I ask Congress to support our bold new plan to help businesses raise up to $15 billion in private sector capital to bring jobs and opportunities to our inner cities and rural areas -- with tax credits, loan guarantees, including the new American Private

Investment Company, modeled on the Overseas Private Investment Company. (Applause.)

For years and years and years, we've had this OPIC, this Overseas Private Investment Corporation, because we knew we had untapped markets overseas. But our greatest untapped markets are not overseas -- they are right here at home. And we should go after them. (Applause.)

We must work hard to help bring prosperity back to the family farm. (Applause.) As this Congress knows very well, dropping prices and the loss of foreign markets have devastated too many family farms. Last year, the Congress provided substantial assistance to help stave off a disaster in American agriculture. And I am ready to work with lawmakers of both parties to create a farm safety net that will include crop insurance reform and farm income assistance. I ask you to join with me and do this. This should not be a political issue. Everyone knows what an economic problem is going on out there in rural America today, and we need an appropriate means to address it. (Applause.)

We must strengthen our lead in technology. It was government investment that led to the creation of the Internet. I propose a 28-percent increase in long-term computing research.

We also must be ready for the 21st century from its very first moment, by solving the so-called Y2K computer problem. (Applause.)

We had one member of Congress stand up and applaud. (Laughter.) And we may have about that ratio out there applauding at home, in front of their television sets. But remember, this is a big, big problem. And we've been working hard on it. Already, we've made sure that the Social Security checks will come on time. (Applause.) But I want all the folks at home listening to this to know that we need every state and local government, every business, large and small, to work with us to make sure that this Y2K computer bug will be remembered as the last headache of the 20th century, not the first crisis of the 21st. (Applause.)

For our own prosperity, we must support economic growth abroad. You know, until recently, a third of our economic growth came from exports. But over the past year and a half, financial turmoil overseas has put that growth at risk. Today, much of the world is in recession, with Asia hit especially hard. This is the most serious financial crisis in half a century. To meet it, the United States and other nations have reduced interest rates and strengthened the International Monetary Fund. And while the turmoil is not over, we have worked very hard with other nations to contain it.

At the same time, we have to continue to work on the long-term project, building a global financial system for the 21st century that promotes prosperity and tames the cycle of boom and bust that has engulfed so much of Asia. This June I will meet with other world leaders to advance this historic purpose. And I ask all of you to support our endeavors.

I also ask you to support creating a freer and fairer trading system for 21st century America. (Applause.)

I'd like to say something really serious to everyone in this chamber in both parties. I think trade has divided us, and divided Americans outside this chamber, for too long. Somehow we have to find a common ground on which business and workers and environmentalists and farmers and government can stand together. I believe these are the things we ought to all agree on. So let me try.

First, we ought to tear down barriers, open markets, and expand trade. But at the same time, we must ensure that ordinary citizens in all countries actually benefit from trade -- (applause) -- a trade that promotes the dignity of work, and the rights of workers, and protects the environment. We must insist that international trade organizations be more open to public scrutiny, instead of mysterious, secret things subject to wild criticism.

When you come right down to it, now that the world economy is becoming more and more integrated, we have to do in the world what we spent the better part of this century doing here at home. We have got to put a human face on the global economy. (Applause.)

We must enforce our trade laws when imports unlawfully flood our nation. (Applause.) I have already informed the government of Japan that if that nation's sudden surge of steel imports into our country is not reversed, America will respond. (Applause.)

We must help all manufacturers hit hard by the present crisis with loan guarantees and other incentives to increase American exports by nearly $2 billion. I'd like to believe we can achieve a new consensus on trade, based on these principles. And I ask the Congress again to join me in this common approach and to give the President the trade authority long used -- and now overdue and necessary -- to advance our prosperity in the 21st century. (Applause.)

Tonight, I issue a call to the nations of the world to join the United States in a new round of global trade negotiations to expand exports of services, manufacturers and farm products. Tonight I say we will work with the International Labor Organization on a new initiative to raise labor standards around the world. And this year, we will lead the international community to conclude a treaty to ban abusive child labor everywhere in the world. (Applause.)

If we do these things -- invest in our people, our communities, our technology, and lead in the global economy -- then we will begin to meet our historic responsibility to build a 21st century prosperity for America.

You know, no nation in history has had the opportunity and the responsibility we now have to shape a world that is more peaceful, more secure, more free. All Americans can be proud that our leadership helped to bring peace in Northern Ireland. All Americans can be proud that our leadership has put Bosnia on the path to peace. And with our NATO allies, we are pressing the Serbian government to stop its brutal repression in Kosovo -- (applause) -- to bring those responsible to justice, and to give the people of Kosovo the self-government they deserve.

All Americans can be proud that our leadership renewed hope for lasting peace in the Middle East. Some of you were with me last December as we watched the Palestinian National Council completely renounce its call for the destruction of Israel. Now I ask Congress to provide resources so that all parties can implement the Wye Agreement -- to protect Israel's security, to stimulate the Palestinian economy, to support our friends in Jordan. We must not, we dare not, let them down. I hope you will help. (Applause.)

As we work for peace, we must also meet threats to our nation's security -- including increased dangers from outlaw nations and terrorism. We will defend our security wherever we are threatened, as we did this summer when we struck at Osama bin Laden's network of terror. The bombing of our embassies in Kenya and Tanzania reminds us again of the risks faced every day by those who represent America to the world. So let's give them the support they need, the safest possible workplaces, and the resources they must have so America can continue to lead. (Applause.)

We must work to keep terrorists from disrupting computer networks. We must work to prepare local communities for biological and chemical emergencies, to support research into vaccines and treatments.

We must increase our efforts to restrain the spread of nuclear weapons and missiles, from Korea to India and Pakistan. We must expand our work with Russia, Ukraine, and the other former Soviet nations to safeguard nuclear materials and technology so they never fall into the wrong hands. Our balanced budget will increase funding for these critical efforts by almost two-thirds over the next five years.

With Russia, we must continue to reduce our nuclear arsenals. The START II treaty and the framework we have already agreed to for START III could cut them by 80 percent from their Cold War height.

It's been two years since I signed the Comprehensive Test Ban Treaty. If we don't do the right thing, other nations won't either. I ask the Senate to take this vital step: Approve the treaty now, to make it harder for other nations to develop nuclear arms, and to make sure we can end nuclear testing forever. (Applause.)

For nearly a decade, Iraq has defied its obligations to destroy its weapons of terror and the missiles to deliver them. America will continue to contain Saddam -- and we will work for the day when Iraq has a government worthy of its people. (Applause.)

Now, last month, in our action over Iraq, our troops were superb. Their mission was so flawlessly executed that we risk taking for granted the bravery and the skill it required. Captain Jeff Taliaferro, a 10-year veteran of the Air Force, flew a B-1B bomber over Iraq as we attacked Saddam's war machine. He's here with us tonight. I'd like to ask you to honor him and all the 33,000 men and women of Operation Desert Fox.

Captain Taliaferro. (Applause.)

It is time to reverse the decline in defense spending that began in 1985. (Applause.) Since April, together we have added nearly $6 billion to maintain our military readiness. My balanced budget calls for a sustained increase over the next six years for readiness, for modernization, and for pay and benefits for our troops and their families. (Applause.)

We are the heirs of a legacy of bravery represented in every community in America by millions of our veterans. America's defenders today still stand ready at a moment's notice to go where comforts are few and dangers are many, to do what needs to be done as no one else can. They always come through for America. We must come through for them. (Applause.)

The new century demands new partnerships for peace and security. The United Nations plays a crucial role, with allies sharing burdens America might otherwise bear alone. America needs a strong and effective U.N. I want to work with this new Congress to pay our dues and our debts. (Applause.)

We must continue to support security and stability in Europe and Asia -- expanding NATO and defining its new missions; maintaining our alliance with Japan, with Korea, without our other Asian allies; and engaging China.

In China, last year, I said to the leaders and the people what I'd like to say again tonight: Stability can no longer be bought at the expense of liberty. (Applause.) But I'd also like to say again to the American people: It's important not to isolate China. The more we bring China into the world, the more the world will bring change and freedom to China. (Applause.)

Last spring, with some of you, I traveled to Africa, where I saw democracy and reform rising, but still held back by violence and disease. We must fortify African democracy and peace by launching Radio Democracy for Africa, supporting the transition to democracy now beginning to take place in Nigeria, and passing the African Trade and Development Act. (Applause.)

We must continue to deepen our ties to the Americas and the Caribbean; our common work to educate children, fight drugs, strengthen democracy and increase trade. In this hemisphere, every government but one is freely chosen by its people. We are determined that Cuba, too, will know the blessings of liberty. (Applause.)

The American people have opened their hearts and their arms to our Central American and Caribbean neighbors who have been so devastated by the recent hurricanes. Working with Congress, I am committed to help them rebuild. When the First Lady and Tipper Gore visited the region, they saw thousands of our troops and thousands of American volunteers. In the Dominican Republic, Hillary helped to rededicate a hospital that had been rebuilt by Dominicans and Americans, working side-by-side. With her was someone else who has been very important to the relief efforts.

You know, sports records are made and, sooner or later, they're broken. But making other people's lives better, and showing our children the true meaning of brotherhood -- that lasts forever. So, for far more than baseball, Sammy Sosa, you're a hero in two countries tonight. Thank you. (Applause.)

So I say to all of you, if we do these things -- if we pursue peace, fight terrorism, increase our strength, renew our alliances -- we will begin to meet our generation's historic responsibility to build a stronger 21st century America in a freer, more peaceful world.

As the world has changed, so have our own communities. We must make them safer, more livable and more united. This year, we will reach our goal of 100,000 community police officers -- ahead of schedule and under budget. (Applause.) The Brady Bill has stopped a quarter million felons, fugitives and stalkers from buying handguns. And, now, the murder rate is the lowest in 30 years and the crime rate has dropped for six straight years. (Applause.)

Tonight, I propose a 21st century crime bill to deploy the latest technologies and tactics to make our communities even safer. Our balanced budget will help put up to 50,000 more police on the street, in the areas hardest hit by crime -- and then to equip them with new tools, from crime-mapping computers to digital mug shots.

We must break the deadly cycle of drugs and crime. Our budget expands support for drug testing and treatment, saying to prisoners: If you stay on drugs, you have to stay behind bars. And to those on parole: If you want to keep your freedom, you must stay free of drugs. (Applause.)

I ask Congress to restore the five-day waiting period for buying a handgun -- (applause) -- and extend the Brady Bill to prevent juveniles who commit violent crimes from buying a gun. (Applause.)

We must do more to keep our schools the safest places in our communities. Last year, every American was horrified and heartbroken by the tragic killings in Jonesboro, Paducah, Pearl, Edinboro, Springfield. We were deeply moved by the courageous parents now working to keep guns out of the hands of children and to make other efforts so that other parents don't have to live through their loss.

After she lost her daughter, Suzann Wilson of Jonesboro, Arkansas, came here to the White House with a powerful plea. She said, "Please, please, for the sake of your children, lock up your gun. Don't let what happened in Jonesboro happen in your town." It's a message she is passionately advocating every day.

Suzann is here with us tonight, with the First Lady. I'd like to thank her for her courage and her commitment. Thank you. (Applause.)

In memory of all the children who lost their lives to school violence, I ask you to strengthen the Safe and Drug-Free School Act, to pass legislation to require child trigger locks, to do everything possible to keep our children safe. (Applause.)

A century ago, President Theodore Roosevelt defined our "great, central task" as "leaving this land even a better land for our descendants than it is for us." Today, we're restoring the Florida Everglades, Yellowstone, preserving the red rock canyons of Utah, protecting California's redwoods and our precious coasts. But our most fateful new challenge is the threat of global warming. 1998 was the warmest year ever recorded. Last year's heat waves, floods and storms are but a hint of what future generations may endure if we do not act now.

Tonight I propose a new clean air fund to help communities reduce greenhouse and other pollution, and tax incentives and investments to spur clean energy technology. And I want to work with members of Congress in both parties to reward companies that take early, voluntary action to reduce greenhouse gases. (Applause.)

All our communities face a preservation challenge, as they grow and green space shrinks. Seven thousand acres of farmland and open space are lost every day. In response, I propose two major initiatives: First, a $1-billion Livability Agenda to help communities save open space, ease traffic congestion, and grow in ways that enhance every citizen's quality of life. (Applause.) And second, a $1-billion Lands Legacy Initiative to preserve places of natural beauty all across America -- from the most remote wilderness to the nearest city park. (Applause.)

These are truly landmark initiatives, which could not have been developed without the visionary leadership of the Vice President, and I want to thank him very much for his commitment here. (Applause.)

Now, to get the most out of your community, you have to give something back. That's why we created AmeriCorps -- our national service program that gives today's generation a chance to serve their communities and earn money for college.

So far, in just four years, 100,000 young Americans have built low-income homes with Habitat for Humanity, helped to tutor children with churches, worked with FEMA to ease the burden of natural disasters, and performed countless other acts of service that have made America better. I ask Congress to give more young Americans the chance to follow their lead and serve America in AmeriCorps. (Applause.)

Now, we must work to renew our national community as well for the 21st century. Last year the House passed the bipartisan campaign finance reform legislation sponsored by Representatives Shays and Meehan and Senators McCain and Feingold. But a partisan minority in the Senate blocked reform. So I'd like to say to the House: Pass it again, quickly. (Applause.) And I'd like to say to the Senate: I hope you will say yes to a stronger American democracy in the year 2000. (Applause.)

Since 1997, our Initiative on Race has sought to bridge the divides between and among our people. In its report last fall, the Initiative's Advisory Board found that Americans really do want to bring our people together across racial lines.

We know it's been a long journey. For some, it goes back to before the beginning of our Republic; for others, back since the Civil War; for others, throughout the 20th century. But for most of us alive today, in a very real sense, this journey began 43 years ago, when a woman named Rosa Parks sat down on a bus in Alabama, and wouldn't get up. She's sitting down with the First Lady tonight, and she may get up or not, as she chooses. We thank her. (Applause.) Thank you, Rosa. (Applause.)

We know that our continuing racial problems are aggravated, as the Presidential Initiative said, by opportunity gaps. The initiative I've outlined tonight will help to close them. But we know that the discrimination gap has not been fully closed either. Discrimination or violence because of race or religion, ancestry or gender, disability or sexual orientation, is wrong, and it ought to be illegal. Therefore, I ask Congress to make the Employment Non-Discrimination Act and the Hate Crimes Prevention Act the law of the land. (Applause.)

Now, since every person in America counts, every American ought to be counted. We need a census that uses modern scientific methods to do that. (Applause.)

Our new immigrants must be part of our One America. After all, they're revitalizing our cities, they're energizing our culture, they're building up our economy. We have a responsibility to make them welcome here; and they have a responsibility to enter the mainstream of American life. That means learning English and learning about our democratic system of government. There are now long waiting lines of immigrants that are trying to do just that. Therefore, our budget significantly expands our efforts to help them meet their responsibility. I hope you will support it. (Applause.)

Whether our ancestors came here on the Mayflower, on slave ships, whether they came to Ellis Island or LAX in Los Angeles, whether they came yesterday or walked this land a thousand years ago -- our great challenge for the 21st century is to find a way to be One America. We can meet all the other challenges if we can go forward as One America.

You know, barely more than 300 days from now, we will cross that bridge into the new millennium. This is a moment, as the First Lady has said, "to honor the past and imagine the future."

I'd like to take just a minute to honor her. For leading our Millennium Project, for all she's done for our children, for all she has done in her historic role to serve our nation and our best ideals at home and abroad, I honor her. (Applause.)

Last year, I called on Congress and every citizen to mark the millennium by saving America's treasures. Hillary has traveled all across the country to inspire recognition and support for saving places like Thomas Edison's Invention Factory or Harriet Tubman's home. Now we have to preserve our treasures in every community. And tonight, before I close, I want to invite every town, every city, every community to become nationally recognized "millennium community," by launching projects that save our history, promote our arts and humanities, prepare our children for the 21st century.

Already, the response has been remarkable. And I want to say a special word of thanks to our private sector partners and to members in Congress of both parties for their support. Just one example: Because of you, the Star-Spangled Banner will be preserved for the ages. In ways large and small, as we look to the millennium we are keeping alive what George Washington called "the sacred fire of liberty."

Six years ago, I came to office in a time of doubt for America, with our economy troubled, our deficit high, our people divided. Some even wondered whether our best days were behind us. But across this country, in a thousand neighborhoods, I have seen -- even amidst the pain and uncertainty of recession -- the real heart and character of America. I knew then that we Americans could renew this country.

Tonight, as I deliver the last State of the Union address of the 20th century, no one anywhere in the world can doubt the enduring resolve and boundless capacity of the American people to work toward that "more perfect union" of our founders' dream.

We're now at the end of a century when generation after generation of Americans answered the call to greatness, overcoming Depression, lifting up the dispossessed, bringing down barriers to racial prejudice, building the largest middle class in history, winning two world wars and the "long twilight struggle" of the Cold War. We must all be profoundly grateful for the magnificent achievement of our forbearers in this century.

Yet, perhaps, in the daily press of events, in the clash of controversy, we don't see our own time for what it truly is -- a new dawn for America.

A hundred years from tonight, another American President will stand in this place and report on the State of the Union. He -- or she -- (applause) -- he or she will look back on a 21st century shaped in so many ways by the decisions we make here and now. So let it be said of us then that we were thinking not only of our time, but of their time; that we reached as high as our ideals; that we put aside our divisions and found a new hour of healing and hopefulness; that we joined together to serve and strengthen the land we love.

My fellow Americans, this is our moment. Let us lift our eyes as one nation, and from the mountaintop of this American Century, look ahead to the next one -- asking God's blessing on our endeavors and on our beloved country.

Thank you and good evening.

END 10:27 P.M. EST

STATE OF THE UNION MEMORANDA TO THE PRESIDENT

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THE WHITE HOUSE

WASHINGTON

'98 NOV 11 AM 10:15

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan
Sally Katzen

SUBJECT: State of the Union/Budget Ideas

This memorandum provides a brief description of new ideas we are considering for the State of the Union. Some work has been done on fleshing them out, but many need additional work and further vetting through the interagency process. Most of these ideas involve increased spending, and you will have to make choices among them and/or scale them back as you consider the FY 2000 budget. Although our offices have worked together on many, if not most, of the ideas in this memo, we have noted, where possible, which of our offices has the lead role with respect to each proposal. Options relating to Social Security are not included in this memo.

EDUCATION AND TRAINING (DPC/NEC as specified)

1. **Ending Social Promotion.** Last year's budget proposal included $200 million for Education Opportunity Zones in districts that agreed to remove bad teachers, turn around failing schools, and end social promotions. The proposal required authorization, which Congress will never give us. For next year, we recommend a simpler approach that uses existing authority and focuses entirely on ending social promotion. We would like to expand our after-school program from $200 million to $700 million and target this money to districts that end social promotion. These school districts could use the money (as Chicago does) to provide extra help after school and mandatory summer school for students who need it. (Cost: $300 million above FY99 budget.) (DPC)

2. **Teacher Quality and Recruitment.** Now that we're on track to begin hiring 100,000 new teachers to reduce class size, we have an even greater responsibility to help communities attract talented new teachers to the profession. We envision a five-part strategy on teacher quality and recruitment: (1) a $100 million increase in the teacher recruitment scholarships we enacted this year in the Higher Education Act, which would put us on course to attract 60,000 new teachers at high-need schools over the next five years; (2) a $60 million initiative -- modeled after the successful Troops-to-Teachers program -- that would help states expand alternative certification routes and attract talented people from other professions, such as military personnel and employees in firms being downsized; (3) a nationwide crackdown on teacher education schools, including new regulations authorized by the Higher Education Act to require report cards for education schools; (4) a $50 million increase in the Eisenhower program to send secondary school teachers who teach

outside their field back to college to take additional courses in the subjects they're teaching, coupled with a new requirement that new secondary teachers pass competency tests in a subject before they can teach it; and (5) a high-profile effort to help states make the most of the 15 percent set-aside for teacher quality in the recently passed class size legislation. (Cost: about $210 million above FY99 budget). We are also exploring a politically interesting counter to private school choice: vouchers for private school teachers -- i.e., an incentive program to encourage private school teachers to teach in public schools. (DPC)

3. Work-Site Schools. One of the most promising new education ideas sprouting up around the country is the creation of public schools at work sites, designed primarily to serve employees' children. School districts provide the teachers and curriculum; companies provide facilities and upkeep. These schools-at-work serve a host of objectives at once, by (1) providing new facilities at no cost to the district; (2) increasing parental involvement in the schools and parental satisfaction in the workplace; (3) reducing employee turnover and absenteeism; and (4) increasing school diversity, because work sites are more diverse than residential neighborhoods. We propose a $100 million increase in an existing discretionary program to provide grants to 100 communities to launch work-site schools. We also could seek a stand-alone bill (like the charter school law) to advance this idea. In addition, we are working with Treasury to develop a tax credit for businesses that start on-site schools, similar to the Kohl business tax credit for on-site child care that is already in our budget. (Cost: $100 million for start-up grants. No estimate yet for tax credit, but it will be very small.) (DPC/NEC)

4. Public School Choice. As support grows for private school vouchers, we must continue our efforts to expand choices within the public schools. Charter schools are one answer, and we recommend a $20 million increase, to $120 million, to keep us on track to 3,000 charter schools by 2002. Work-site schools are another. We also recommend increased funding for (1) an existing grant program that helps urban and suburban school districts reduce racial isolation by forming interdistrict magnet programs; and (2) magnet schools on university campuses, especially in urban areas. (Cost: $25 million for interdistrict magnet programs; $15 million for 10 university-based schools.) (DPC)

5. School Leadership Academies. Research has shown that an effective principal is the single most important indicator of school success, yet little has been done at the national or state level to improve the management skills of principals. We propose a small initiative to create school leadership academies that would provide training in management, teacher evaluation, school discipline, and other areas to elementary school principals in high-poverty districts. (Cost: $50 million) (DPC)

6. Class size. To stay on course to reach 100,000 new teachers in seven years, we will ask for $1.3 billion in the FY2000 budget. We are planning an ambitious rollout of the class size initiative over the next year, as we award first-year funding, issue guidance to local districts on how the program works, and so on. We also will press Congress to restore the local matching requirement and strengthen the provisions to require competency testing of new teachers. (DPC)

7. **Adult Literacy.** According to the National Adult Literacy Survey, 44 million adults struggle with a job application, cannot read to their children, or are left on the welfare rolls because they lack basic skills. We are considering: (1) Workplace: a new tax credit and/or Federal grants to encourage employers to provide adult basic education classes at the worksite, and setting aside funds for work-based literacy projects within Welfare-to-Work competitive grants (se welfare section of this memo); (2) Community: expanding the infrastructure and funding for adult basic education through the Adult Education program, encouraging the development of programs focused on easing the transition to the U.S. for new immigrants (through ESL and civics classes), subsidizing the provision of child care on college campuses and other adult education sites, and launching a national information campaign to make people aware of the problem of functional illiteracy and of available services; and (3) Home: using the new *Learning Anytime Anywhere Partnerships* to create software for adult basic education using $200 computers (e.g., WebTV, game players) and subsidizing public housing projects that create computer literacy programs. (NEC)

8. **National Campaign to Open Doors of College.** Notwithstanding enormous strides we have made in reducing the financial barriers to college, too many families assume college is more expensive than it really is and are not aware of the aid that is available (Even among low-income youth with high test scores, one-fourth say they have not been able to get much information about financial aid for college). We are planning: (1) launching a major national public information campaign about college costs and financial aid (*e.g.* naming a national chairman such as Bill Cosby, having a national college visit day, etc.), (2) building on the authority in the new GEAR UP program, providing *every* middle school (e.g. 7th grade counselor) with the ability to give students a "21st Century Scholar Certificate," indicating the financial aid that they are eligible for, and (3) seeking to provide *every* high-poverty middle school with a college partner. This does not require any new investment, just some focus and creativity. (NEC)

9. **Improving the College Success Rate.** Getting people in the doors of college is not enough to close the racial and income opportunity gaps. For example, only 21% of African-American and 18% of Hispanic students who begin college complete a bachelor's degree within 5 years compared to 30% of White students. We are considering a package of policies, including: (1) a super-Pell grant for the lowest income families and/or to encourage a full-time focus on school in the first year of college (this would be expensive); (2) expanding successful mentoring and other support services in colleges (including those aimed at graduate school preparation); (3) promoting college course-taking while in high school; (4) improving maticulation between two-year and four-year colleges; (5) encouraging partnerships between predominately minority-serving and predominately majority-serving institutions of higher education (particularly to promote graduate study); and (6) establishing a bridge fellowship program for graduate study in science and technology fields for minorities and women. (NEC)

10. **School Modernization**. The current assumption is that we will repeat this year's proposal for tax credits to build and renovate schools covering the interest on nearly $22 billion in bonds. We are, however, critically comparing our current proposal against other possible mechanisms to ensure

we have the most effective approach. (NEC)

11. Further Expanding Junior ROTC. In response to the Los Angeles riots, Colin Powell proposed and Congress approved in 1992 an expansion of the high school-based JROTC. Since then, 1,000 units have been added primarily in urban areas, bringing the total to nearly 2,600 units with 400,000 participants. The budget increased over that period from $76 million to $166 million. There is a waiting list of more than 450 schools that would like to have a JROTC unit. Because DOD does not plan any further expansion, these 450 schools on the waiting list will not likely be added. We could propose adding another 900 units over the next few years, to reach the authorized maximum of 3,500. Cost: about $235 million. (NEC)

12. Training American Workers for Current and Future Skills Gaps. We should challenge the private sector to make specific commitments to train more American workers, which they pledged to do during the debate on H1-B visas. They could provide more college scholarships for women and minorities, partner with community colleges to develop cutting-edge curricula, and encourage their employees to serve as telementors for middle school students to get them excited about math and science. In addition, we are working on: (1) a program to foster partnerships ("Regional Skills Alliances") between industry and training providers to train both employed and unemployed workers; (2) competitive grants to encourage companies to develop programs in which they subsidize the training of individuals who they then commit to hire; (3) extensions and/or expansions of some of the current training tax provisions (such as the lifelong learning tax credit and Section 127);and (4) a major informational/media campaign by the Departments of Education and Labor to inform all Americans about available training opportunities, financial aid, and job search assistance to allow them to develop the skills required for employment opportunities around the country. (NEC)

13. Making Job Training Universal. We are considering an initiative to make job training more universal. The first component of this initiative would be to seek a significant increase in dislocated worker funding -- about $190 million -- so that we are on path to provide training to every dislocated worker who wants or needs it within five years. The second component would be to ensure that every unemployed person is eligible for core labor market services, e.g., job search assistance. The final component would be to take the steps necessary to ensure that every worker, regardless of where they live, would be able to have access to a One-Stop Career Center (where they can learn about job training, employment service activities, unemployment insurance, vocational rehabilitation, adult education, and other assistance.) (NEC)

14. Community Computing Centers. We have roughly 650 computing community centers, which empower low-income Americans in the Information Age by teaching them to type a cover letter and a resume, search for job vacancies on the Internet, or even start an Internet-related business. These efforts should be expanded. (NEC)

School safety -- see CRIME section

SERVICE (DPC)

1. AmeriCorps Seniors. In the wake of John Glenn's return to space, we have an opportunity to give other senior citizens a mission. We propose adding $25 million to the current AmeriCorps program to create a senior corps of 10,000 volunteers to serve as tutors and mentors and in afterschool programs. We would build on a successful demonstration program that recruits seniors to serve 15-20 hours per week over a fixed period of time in schools and other community centers. In exchange, seniors would be eligible for small incentives, including awards to participate in senior learning programs. By inspiring responsibility among seniors, this initiative would provide an ideal complement to Social Security reform. John Glenn has expressed some interest in playing a role in AmeriCorps now that he's retired. We could invite him back to the State of the Union and place him in charge of a national effort to inspire seniors to serve. (Cost: $25 million)

2. Expand AmeriCorps. We propose expanding the AmeriCorps program from its current level of 50,000 members per year to approximately 70,000 per year, with the goal of reaching 100,000 per year by the end of this Administration. These additional members could be targeted to serve primarily in after-school and summer school programs. (Cost: $75 million)

3. Expand Service Component of Work-Study Program. Nearly 1 million students now receive federal work-study funding. Despite our efforts, colleges and universities are required to use only 7 percent of their work-study money for students employed in community service. The higher education lobby would object, but we could propose a substantial increase in that requirement -- e.g., phasing it up to 25 percent over the next 3 years.

HEALTH CARE AND DISABILITIES (DPC/NEC as specified below)

1. Long-Term Care Initiative. This package could include: (1) a tax credit of up to $1,000 for people with three or more limitations in activities of daily living (ADL) or their caregivers, at a cost of about $6 billion over 5 years; (2) a plan for OPM to offer federal employees a choice of high-quality private long-term care insurance policies at lower-than-market prices; (3) a family caregiver support program, costing about $500 to $750 million over five years, that would provide grants to states for "one-stop shops" to assist families who care for severely impaired elderly relatives through counseling, training, and respite services; and (4) a nursing home quality initiative, costing about $500 to $750 million over five years, that would include new enforcement provisions (e.g., increased penalties), new funds for surveys of repeat offenders and improved surveyor training, and perhaps a new commission to oversee HCFA's nursing home enforcement efforts and to investigate other kinds of facilities where health care is offered (e.g., assisted living facilities). (DPC/NEC)

2. Health Insurance Coverage Expansions. We could propose again, in new and improved forms: (1) an initiative to encourage small businesses to form purchasing cooperatives for health insurance, costing about $50 to 100 million over 5 years; (2) proposals to improve outreach for children's health insurance; and (3) a proposal, more limited than last year's, to provide a Medicare buy-in for certain people ages 55 to 65, benefiting about 30,000 people and costing $500 million over 5 years. (DPC/NEC)

3. **Biomedical Research.** We should again propose an increased investment in biomedical research -- perhaps (depending on how we treat tobacco money in the budget) between $500 million and $1 billion. (DPC)

4. **Antibiotics (Super Bug) Initiative.** Resistance to antibiotics is becoming a public health crisis, causing prolonged illnesses and even death. A new initiative, costing about $25 million each year, could address this problem through: (1) a major outreach and education campaign involving hospitals, health professionals, and managed care organizations; and (2) new research and surveillance efforts to understand where and why antibiotic resistance occurs and to develop effective responses. (DPC)

5. **Bioterrorism Initiative.** This initiative, costing $100-300 million each year, would: (1) train epidemic intelligence officers who can coordinate with state health departments to identify and respond to attacks; (2) develop a mass casualty emergency response system that includes primary care, emergency transportation, and decontamination abilities; (3) create and maintain a stockpile of pharmaceuticals; and (4) improve research to develop new vaccines and antibiotics to be used in the event of attack. (DPC)

6. **Prescription drug coverage for Medicare beneficiaries.** We are considering a variety of proposals to address the lack of coverage for prescription drugs in Medicare, including a means-tested Medicaid option, an approach that would apply only in managed care, a traditional benefit for all beneficiaries, and an unsubsidized purchasing mechanism that uses Medicare's size as leverage for drug discounts for beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. The cost varies significantly depending on the proposal, ranging from $1 to 20 billion a year. A proposal of this kind probably would depend on tobacco funding (see tobacco section below). (DPC/NEC)

7. **Protecting beneficiaries from HMO withdrawals from Medicare.** This year, a number of HMOs pulled out of Medicare with only a few months notice, leaving 50,000 beneficiaries with no plan options in their areas. You announced that the Administration would develop legislation to prevent this behavior in the future, and we are currently reviewing the best approaches. (DPC)

8. **Redesigning and increasing enrollment in Medicare's premium assistance program.** Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through a new provision that is supposed to help higher income beneficiaries. We are developing a range of proposals, costing up to $500 million over five years, to use Social Security Offices to educate beneficiaries about this program, reduce administrative complexity for states, and give them incentives to engage in more aggressive outreach efforts. (DPC/NEC)

9. Disease Initiatives. We are working on several initiatives designed to combat particular diseases. These initiatives, which you could choose to do individually or in combination, are: (1) an asthma initiative, which will curb recent steep increases in asthma cases especially among young children, by disseminating new treatment guidelines to state and local public health programs and encouraging them to work with schools, child care organizations, businesses, and other community organizations; (2) a mental illness initiative that will accompany a Surgeon General's report on this subject (and perhaps a White House Conference recommended by Mrs. Gore) and will include public-private partnerships to improve access to prevention and treatment, reforms in federal health programs to improve delivery of mental health services, and funding increases in the mental health block grant; and (3) a heart disease initiative, which could include: a new partnership with aging networks to evaluate and improve nutrition; efforts to measure successful prevention approaches and replicate them nationwide; and the creation of a network of educators, churches, and community-based organizations to launch a nationwide awareness campaign. In each of these initiatives, the public health efforts described above would supplement NIH funding of research projects. The estimated cost of these initiatives is $50 million for asthma, $100 million for mental illness, and $20 million for heart disease. (DPC)

10. Food Safety. We are working on a food safety initiative that will highlight safety standards and enforcement. Included in this initiative are: (1) a repackaged and somewhat modified legislative proposal giving the FDA and USDA additional enforcement powers (e.g., mandatory recalls and civil penalties); (2) additional food-specific regulations and/or guidelines (e.g., for certain fruits and vegetables); and (3) more extensive adoption of our model codes for restaurants and food service workers. In addition, we will focus on improving coordination with state and local agencies that regulate food safety in order to develop a wholly integrated national inspection system. (DPC)

11. Disability -- Health. A health-related disabilities package could include: (1) the Jeffords-Kennedy Work Incentives Improvement Act, which enables people with disabilities to go back to work by giving them an option to buy into Medicaid and Medicare, at a cost of about $1.2 billion over 5 years; (2) a proposal, costing $50 million over five years, to promote the deinstitutionalization of Medicaid beneficiaries by developing viable community-based care alternatives for people residing in nursing homes after a "date certain"; and (3) a proposal to make Medigap supplemental insurance more accessible to people with disabilities.

12. Diability -- Getting People to Work. A work-related disabilities package could include: a tax credit of $1,000 to $5,000 for working people with disabilities to assist them in paying for the costs associated with employment, at a cost of about $1 to 2 billion over 5 years; a new competitive grant program, developed by your disabilities task force, to increase the employment rate of adults with disabilities; and efforts to ensure that new technologies are designed so as to be accessible to people with disabilities (see technology section). (DPC/NEC)

TOBACCO (DPC)

1. **State Menu.** Our best vehicle for enacting tobacco legislation next year will be a legislative waiver of federal Medicaid claims to the states' expected $200 billion settlement with the tobacco companies. We will seek bipartisan agreement on a menu of uses for the federal share of state money, with tobacco control and child care as our top priorities. We will try to use this measure as a vehicle for other key elements of our tobacco policy, such as FDA jurisdiction and warning labels.

2. **Price Increase.** One of the most difficult budget decisions will be whether to assume a tobacco tax increase in our budget request, and if so, what to do with the money. There are strong arguments on each side of the question whether to include a tobacco tax increase in our budget. If we *do* assume tobacco revenue, the candidates for it include: (1) assistance to tobacco farmers (about $1 billion a year); (2) the long-term care tax credit (about $1 billion a year); (3) other tax cuts, such as a child care / stay-at-home tax credit and/or a reduction in the marriage penalty; (4) NIH research; (5) public health programs; and (6) the Medicare trust fund and/or a new prescription drug benefit for Medicare beneficiaries.

3. **Medicare Suit Against Tobacco Companies.** Our best leverage over the tobacco industry is the prospect of a federal suit to recoup Medicare costs associated with smoking. We could call on Congress to enact Senator Graham's legislation to authorize such a lawsuit (which would make the Justice Department more likely to bring it). At the same time, we could ask for funds for DOJ and HCFA to prepare a lawsuit against the tobacco industry. We could go further and pledge that any proceeds from such a lawsuit would be used either to extend the life of the Medicare Trust Fund or to provide a new prescription drug benefit to Medicare beneficiaries. (Cost: to be determined, but probably small).

FAMILIES AND CHILDREN (DPC/NEC as specified)

1. **Expansion of the Child Care and Development Block Grant (old policy).** We propose to expand the Child Care and Development Block Grant as we did in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families to pay for child care. Currently, between one and two million children are served by the program, leaving roughly nine million children who are eligible but unserved. This proposal would cost at least $7.5 billion over five years. (DPC)

2. **Tax Relief for Parents, Including Parents who Stay at Home.** We are considering replacing our last year's proposal to expand the Child and Dependent Care Tax Credit with a new proposal to benefit <u>all</u> parents, including those who stay home. This change will address the criticism that our child care initiative did little for stay-at-home parents. We are reviewing proposals to (1) double the child tax credit to $1,000 per child for all children under the age of four, at a cost of about $12 billion over five years; (2) increase the standard deduction for each child under the age of three by $1,000, at a cost of about $3 billion over five years; or (3) expand the Child and Dependent Care Tax Credit as we did last year *and* extend its benefits to parents with children below age three by assuming

minimum child care expenses of $150 each month, at a total cost of about $21 billion over five years. Each of these proposals can be dialed up or down by adjusting either the age threshold or the dollar amount. (DPC/NEC)

3. **Tax Credit for Businesses Providing Child Care.** We could again propose to provide a tax credit to businesses that provide child care services for their employees. The credit, which covers 25% of qualified costs but may not exceed $150,000 per year, costs $500 million over 5 years. To further build on this concept, we also propose to provide tax credits to businesses that provide on-site schools (see education section). (DPC/NEC)

4. **Parent Paid Leave Plan.** Many workers cannot afford to take unpaid leave following the birth or adoption of a child, even though they have access to an unpaid leave policy through FMLA or voluntary employer benefit plans. To address this problem, we are considering a proposal to provide eligible parents who already have access to unpaid leave with partial wage replacement for a set period of time. The cost of the program, which would be administered through the Unemployment Insurance System, varies according to the selected eligibility criteria. If we choose, for example, to give $200 per week for four weeks to new parents with median income (about $37,000) or below, the cost will be about $875 million for FY 2000 (including start-up and administrative expenses). (DPC)

5. **FMLA Expansion to Businesses with 25 Workers (old but unarticulated policy).** Under current law, workers are eligible for FMLA coverage only if they work at a business with *50 or more* employees and if they have worked at least twelve months and 1,250 hours for the employer. In your last State of the Union, you called for covering more workers under the FMLA, but did not fully articulate how you would do so. We could now advance a specific proposal to lower the FMLA threshold to 25 or more workers, which would expand coverage for up to ten million more American workers. (DPC/NEC)

6. **Parent Education and Support Fund.** We are considering proposals to create a competitive grant program administered by HHS to fund parent education and support programs, including home visitation programs and "second chance maternity homes" to support teen mothers and teach parenting skills. This fund could cost about $500 million over five years. (DPC)

7. **Adoption Registry.** We are working on plans to create an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. Funding this registry would require a very small increase in HHS's Adoption Opportunities Grant Program. (DPC)

CRIME (DPC)

1. **Crime Bill II.** The 1994 Crime Act will expire at the end of the FY 2000 budget cycle, guaranteeing that the next Congress will consider major crime legislation. We recommend that you get a jump on this debate by using your State of the Union and FY 2000 budget to challenge

Congress to pass a new crime bill that builds on the core elements of the successful 1994 Act -- more police, smarter punishment, and more prevention. Most of the money required is already built into future budgets; continuation of the COPS program, however, will require new funds totaling about $1 billion. We believe that a new Crime Act should include the following elements:

- **Community-Oriented Policing and Prosecution Services (COPPS).** Your pledge to help fund 100,000 more police is likely to be fulfilled before the end of next summer. A new COPPS initiative (note the extra "P" for "Prosecution"), costing about $1.4 billion in the first year, could include funds to: (1) hire, redeploy, and retain an estimated 7,500 more police each year; (2) provide modern technology and equipment and support training in modern policing techniques, with a special emphasis on "hot spots" technology; (3) hire, train, and equip prosecutors to join local police in fighting crime on a more community-based, pro-active basis; and (4) support partnerships between law enforcement and community-based groups to prevent crime in their areas.

- **A new focus on probation supervision and coerced abstinence.** The punishment title of the crime bill now focuses largely on prison construction; we recommend shifting the focus to a new "Certainty of Punishment" initiative that will support the expanded use of probation supervision and of drug testing and treatment.

- **Gun initiatives.** A new crime bill should include your longstanding firearms priorities -- juvenile Brady, Brady II, federal CAP legislation and child safety locks. It also could include new proposals to: (1) close the loophole that exempts many firearms sales at gun shows and flea markets from Brady background checks; (2) expand the Youth Crime Gun Interdiction Initiative (YCGII) -- to trace all crime guns and investigate gun traffickers -- to an additional 20-40 cities; and (3) assemble gun strike forces -- teams of federal prosecutors and ATF agents, acting with local law enforcement -- to target cities with high levels of gun violence and crack down on gun traffickers.

- **Values-based crime prevention initiative.** In addition to other crime bill prevention programs, we could invest in promoting values-based crime and violence prevention efforts, such as those of Rev. Eugene Rivers. Funds from this program would go to comprehensive prevention programs run by faith-based and other institutions seking to instill and reinforce common sense values in troubled youth.

2. Safe, Disciplined, and Drug-Free Schools. At the White House Conference on School Safety, you announced that you would overhaul and strengthen the Safe and Drug-Free Schools Program. Under this proposed reform, funds will be appropriately targeted to schools with serious drug and crime problems, and schools will have to adopt rigorous, comprehensive school safety plans that include: tough but fair discipline policies, such as zero tolerance for guns and drugs; safe passage to and from schools; effective drug and violence policies and programs; annual school safety and drug use report cards; links to after school programs; efforts to involve parents; and crisis management plans. We also could include in this package (1) funds for states that adopt a policy of drug testing first-time applicants for drivers' licenses and (2) funds for school districts that adopt a policy of drug testing middle and high school students with parental consent. We believe that these reforms will require up to $450 million in new funding in FY 2000.

3. Parity for Substance Abuse Treatment. Appropriate substance abuse treatment remains unavailable to nearly half of the people who need it. To help fill this treatment gap, we could propose legislation to encourage parity between substance abuse treatment and other medical benefits. Similar to the Mental Health Parity Act signed into law in 1996, a current draft of this legislation would prohibit health care plans that provide a substance abuse benefit from setting annual or lifetime dollar limits on this benefit at a lower level than those for other medical and surgical benefits. At the same time, we would have to ensure that federal health programs provide parity between substance abuse treatment and other medical benefits; we are still exploring the cost of any necessary reforms to these programs.

4. Binge Drinking. We are working on a number of proposals regarding alcohol abuse, including (1) promoting a voluntary code for alcohol advertisements directed toward minors; (2) banning alcohol billboards near schools; (3) discouraging alcohol advertising on youth-oriented web sites; (4) and funding educational efforts about the dangers of alcohol consumption.

PENSIONS (NEC)

1. Expanded Private Pension Plan Coverage: Last year, you announced several initiatives to expand pension plan coverage which were not enacted, but which we continue to believe are important and have substantial support on the Hill. We should again call for legislation that: authorizes a simplified plan for small businesses that combines the best features of a defined benefit and defined contribution plan (SMART), costing $313 million over five years; provides a three-year tax credit to encourage small businesses to set up retirement programs, costing $508 million over five years; and authorizes payroll deductions for IRAs. We are exploring ways to expand coverage for moderate and lower-income workers. Consideration is also being given to ways of enabling multiple small businesses to pool together for pension plan administration.

2. Women's Retirement Security: To underscore the importance of pensions for women's retirement security, you would call for legislation enacting the two initiatives you announced in late October -- namely, that time taken under FMLA should count toward retirement plan vesting requirements and mandating that employer plans offer an option that pays less while the retired employee is living but pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive.

3. Pension Portability: You could renew your call for reducing vesting requirements from five years to three years for employer matching contributions to 401(k) and other plans to reflect an increasingly mobile workforce, and more workers moving in and out of the workforce over a lifetime. We are also exploring various options that would increase pension portability and facilitate the movement of retirement savings between plans, where this can be done without encouraging "leakage" or loss of worker protections -- e.g., providing that federal employees can roll over retirement savings from private sector qualified plans into the federal Thrift Savings Plan.

4. Expand Pension Right to Know Provisions: You could call for a pension right to know package that provides for both workers and their spouses general information relating to retirement needs and their benefits under employer retirement plans. In addition, an employee's spouse should have the same rights to get information as the employee, before waiving the statutorily provided survivor protection. You should call for a Pension Right to Know package that provides information for both workers and their spouses. We are also working on an employee education program that would provide employees with the tools they need to work with their employers to provide pension plans, and are thinking about how to encourage courses in high schools on the importance of savings and other general investment education (which can be combined with the Consumer Literacy and Education campaign described below). Consideration is also being given to a savings stamp book program in the schools (sell savings stamps in very small amounts; when the book is full, turn it in for a U.S. savings bond) to help educate the young about how to reach savings goals.

5. Increase Retirement Security: To promote security, we are continuing to work on the pension audit bill, changes to the multi employer (collectively bargained) plan rules, and expansion of PBGC's missing participant program.

COMMUNITY EMPOWERMENT (DPC/NEC for all)

1. **CDFI Tax Credit.** We are looking at a proposal to extend tax incentives to encourage investment in CDFIs, which would leverage additional private investment in distressed areas and stimulate the economic revitalization of those areas. Under the proposal, $100 million in non-refundable tax credits would be made available to the CDFI Fund to allocate among equity investors in qualified CDFIs using a competitive process.

2. **Microcredit Initiative.** We are working to identify means to increase support for microenterprise finance, both domestically and internationally. We are examining whether to build on Senators Kennedy's and Domenici's PRIME legislation which would provide technical assistance to microenterprise. We are also looking at increased funding for CDFI initiatives specifically targeted to microenterprise. On the international side, we are looking at whether we can increase microenterprise funding through USAID or MDBs, especially to countries hardest hit by the financial crisis.

3. **Clean Water, Parks, and Communities Bonds.** We are examining three proposals to encourage "green" infrastructure projects. The first model uses the same financing mechanism as your school construction proposal for a menu of projects: protecting and improving water quality; cleanup of contaminated sediments; waterfront reclamation and revitalization; stormwater runoff control; purchasing of green spaces to prevent sprawl; park enhancements and revitalization, and brownfields cleanup. The second model, which provides a smaller incentive than the first model, would create new tax-exempt bond authority for these state and local areas to invest in clean water,

parks, and communities. The advantage of this model is that it builds on the current system of bond finance. The final model would allocate tax credits (like the Low-Income Housing Tax Credit) to states and local areas to provide to the developers of these green infrastructure projects.

6. **Low-Income Housing and Homeownership Tax Credits.** We recommend that you again propose a 40-percent expansion of the Low-Income Housing Tax Credit, which would help develop an additional 150,000-180,000 affordable housing units over the next five years, at a cost of $1.6 billion over five years. In addition, we are examining two kinds of tax credits to promote homeownership among lower-income families. The first proposal would use the model of the Low-Income Housing Tax Credit to create a Low-Income Homeownership Tax Credit. Under this proposal, low-income families would receive a low- or zero-interest second mortgage, which would reduce their upfront costs (e.g., downpayment and closing costs) and investors would receive tax credits in return. The second proposal is a $5,000 tax credit for first-time homebuyers in Empowerment Zones or Enterprise Communities. Finally, you can call on Congress to accelerate the increase in the volume cap on private activity bonds, which would help states and localities provide below-market mortgages to first-time homebuyers with relatively low incomes.

7. **Housing for the Elderly Initiative.** This proposal is designed to improve housing for elderly people and thereby provide an alternative to nursing home care. In addition to providing capital to improve and modify such housing to meet the needs of elderly residents, the initiative would provide housing vouchers for low income elderly who live in housing developed through the Low-Income Housing Tax Credit. Because the tax credit helps subsidize rent, this proposal would allow us to leverage our resources and provide more vouchers to the poor elderly.

8. **Re-Develop 10,000 Abandoned Buildings.** Abandoned buildings are a symbol of urban blight, and an action plan to turn this around will be a powerful signal of change. We are examining different proposals to help re-develop 10,000 abandoned buildings, combining several existing programs or providing grants or tax incentives to spur private-sector redevelopment of these sites.

9. **Homelessness.** We are working on a three-part proposal that would: (1) assist the approximately 250,000 homeless veterans by increasing residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing; (2) allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans; and (3) start a demonstration project targeted to the chronically homeless to test the most promising models for moving the chronically homeless to self-sufficiency using a combination of permanent housing and links to mainstream services. Cost: $105 million -- $60 million for VA and $45 million for HUD demonstration project.

RURAL/AGRICULTURE (NEC/DPC as specified)

1. **Strengthening the Safety Net.** To help farmers suffering from the depressed export markets and natural disasters, we are considering various reforms of the crop insurance program and closing gaps

in the emergency loan program. We are paying special attention to programs that will help small family farms. (NEC)

2. **Bringing the knowledge of land grant colleges to every rural American**: The USDA spends $1.6 billion on agricultural research, much of it at America's land grant colleges and universities. The government could provide grants to ensure that this information is available on the Internet and is well-organized --so that all rural Americans can easily access information on topics such as crops, livestock, rural development, natural resource conservation, and food safety. (NEC)

3. **Emergency Medical Services in Rural Areas.** The presence of viable emergency systems is critical for residents in rural areas, because of the high rates of injury associated with jobs in these areas and the long distances to health providers. This proposal, costing about $50 million, would provide funds to States and local communities to improve access to 911 services or alternative emergency systems. It also would fund programs to help rural communities train local citizens in CPR and first responder techniques and to recruit and retain emergency personnel. (DPC)

4. **Rural Transportation.** Transportation is crucial to the efforts of residents and businesses in rural America to improve the livability of their communities and expand their economic activities. We are developing a rural transportation initiative that will help those who live and work in rural areas by improving the ability of farms and businesses to obtain materials and move their products to markets, and by making it easier for small communities to attract additional commercial jet air service. (NEC/DPC)

TECHNOLOGY (NEC)

1. **Curbcuts on the Information Highway.** We are looking at several options that would make information technology usable by people with disabilities in a manner that improves their lives: (1) investing in R&D (e.g., text-to-speech, automatic captioning, speech recognition); (2) giving disabilities groups a seat at the table as the standards for new technologies are developed; (3) making the government a model "user" of accessible technology; and (4) explore opportunities for greater deployment. In addition, the tax credit for work-related impairment expenses for people with disabilities could be used to expand the market for assistive technology.

2. **A Digital Library for Science, Math and Engineering.** We need to get every young student and undergraduate excited about math, science and engineering. We are exploring creating a "digital library," which would contain lectures from Nobel Prize laureates, have an ability to track and replicate cutting-edge scientific experiments, and make it easier for students and teachers to locate the best instructional material on the Internet.

3. **Information Technology Research Initiative.** Increasing our investment in information technology research, which is currently about $1 billion of the federal research budget, could lead to the following breakthroughs: supercomputers that can more rapidly perform important functions, such as designing life-saving drugs and predicting severe weather systems; wireless networks that

can bring telemedicine and distance learning to rural America; a device of the size of a paper that could monitor the vital signs of a senior citizen, send a "911" message in the event of a medical emergency, and provide an exact location using global positioning technology; new software tools that can help us cope with "information overload" by discovering patterns in huge quantities of data; and intelligent spacecraft that can explore the Solar System. Options have been developed at roughly $100, $200 and $400 million in FY2000; and $1, $2 and $3 billion over 5 years.

4. 21st Century Research Fund. One initiative that you announced in last year's budget that we think is important to continue is the 21st Century Research Fund -- which provided across-the-board support for civilian R&D at agencies such as NIH, NSF, and Energy. For FY99, Congress provided a 10 percent increase for basic research, so this is an area where bipartisan cooperation is possible. Currently, the FY2000 budget reflects only a 2% increase in civilian research.

WELFARE REFORM, CHILD SUPPORT ENFORCEMENT, AND CHILD WELFARE (DPC)

1. Reauthorize the Welfare-to-Work Program. Congress authorized the Welfare-to-Work Program for only two years; if we wish to continue our current investment in the hardest-to-employ, we will have to propose a reauthorization of about $1.5 billion annually. Within this funding level, we propose several set-asides, totaling $500 million, for the following specific purposes: (1) work-based English-language literacy projects for immigrants and others; (2) work-based substance abuse testing and treatment programs; (3) employment services for welfare recipients with disabilities; and (4) a work-based program to promote responsible fatherhood, including efforts to increase low-income fathers' employment and earnings and ensure that they provide financial and other support to their children. At the same time, we should (1) seek an additional 50,000 welfare-to-work housing vouchers, and (2) call on Congress to make permanent the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit, both of which now expire on June 30, 1999.

2. Child Support. One initiative, costing just a few million dollars each year, would increase the prosecution of egregious child support violators by establishing multi-agency teams, working with state and local law enforcement, to identify, analyze, and investigate cases for prosecution. A pilot project of this kind is already under way in five states; this proposal would put these units in place all across the nation within the next several years. A second initiative would seek legislation to exclude doctors and other health care providers who are delinquent in child support from the Medicare program or from programs offering health professional loans.

3. Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. Federal financial support for these young people ends just at the time they are making the critical transition to adulthood. Areas for increased investment for these young adults include: (1) expanding the independent living program, which provides services to foster care children in this age group; (2) expanding the transitional living program, a competitive grant program that funds community-based organizations that provide services to this population, including housing support; and (3) giving states the option of using Federal Medicaid dollars to provide health care coverage for this population. (Cost: roughly $150 million each year)

CIVIL RIGHTS AND WOMEN'S RIGHTS (DPC)

1. **Equal Pay.** We are working on a program to be run by the EEOC and DOL to increase outreach to businesses and employees about equal pay requirements, provide technical assistance to businesses seeking to comply, improve training for EEOC employees, and expand enforcement capabilities. In addition, the program will fund research on the nature and extent of wage discrimination, as well as a new Women in Non-Traditional Occupations Initiative designed to improve access of women into occupations such as construction and high technology. Cost: about $20 million for EEOC and $10 million for DOL.

2. **Abortion Violence.** We are working on a comprehensive initiative to address violence against providers of reproductive health services. This initiative may include: (1) a National Task Force established by the Department of Justice that will conduct investigations of abortion violence, collect and collate information related to clinic violence, and provide training to federal, state, and local law enforcement personnel on how to address this problem; (2) special security measures, including stepped-up U.S. Marshal support, at clinics identified to be at risk of violence; and (3) federal guarantees of loans taken out by clinics that must rebuild after they have been attacked. Cost: Unknown at this time.

TRANSPORTATION (NEC/DPC as specified)

1. **Reauthorization of the FAA, with Focus on Modernization and Competition.** A blue-ribbon bi-partisan panel concluded last year that the air transportation system faces "gridlock" within a decade without sweeping changes. We are considering various policy options to incorporate into the FAA reauthorization that you will propose in 1999 (it is a must pass this year) that will: (1) improve the efficiency and capacity of the nation's aviation system, and (2) enhance competition and service to rural areas. Some of the components of this initiative would include: centralizing the air traffic control services (ATS) in a performance-based organization (recommended by the bi-partisan panel); financing ATS for commercial aviation through cost-based user fees (supported by the major airlines); increasing Passenger Facility Charges (PFCs) to finance airport expansion nationwide (supported by state and local governments); modifying federal rules on how airports can use PFCs and other funds to encourage new airline entrants; and enhancing service to underserved areas.

We are also looking at ways to further competition in international aviation. The Administration has extended the benefits of competition by negotiating dozens of bilateral open-skies agreements. We could press our trading partners for World Wide Open Skies and explore lifting other restrictions on foreign aviation investment and operation on a reciprocal basis. (NEC)

2. **Auto Safety.** We are making headway on auto safety. Last year, the number and rate of auto fatalities declined. However, we still have a long way to go -- more than 40,000 Americans die in auto accidents each year, at a direct cost of $150 billion. The keys are seatbelts (more) and alcohol (less). We are working on a comprehensive initiative that would include: (1) meeting the President's goal of 85 percent seatbelt compliance by the year 2000, which would save 4,000 lives and nearly

$7 billion; (2) promoting education initiatives like the Buckle-Up America campaign; (3) enforcing the TEA-21 requirement that states lower the legal blood alcohol content level from .10 to .08; and (4) pushing a new Administration initiative on children's safety that will target auto accidents, among other problems, by promoting the use of child safety seats, booster seats (for children ages 4-8), and bicycle helmets. (NEC/DPC)

3. Transportation Needs of the Aged. With the number of Americans over 65 expected to grow by half by 2020, we should begin addressing the need to ensure their continued mobility, independence and safety in their later years. We are only beginning to look at this issue with DOT, which plans to hold six town meetings soon with senior citizens, medical experts, transportation safety specialists, and others to discuss the problems and challenges and identify best practices. The U.S. will host an international conference on this topic next year, in connection with the United Nation's Year of Older Persons. This may be combined with the long-term care and the housing for the elderly initiatives. (NEC)

4."Smart Growth" and Sustainable Development. One of the biggest challenges facing America's communities is that "sprawl" development is threatening the long-term economic vitality and quality of life in America's urban, suburban and rural areas. Although land use decisions should remain the domain of state and local government, the federal government can be an effective partner. First, we will continue investing in sustainable transportation. TEA-21 authorizes a record $41 billion over the next six years for transit; increases tax-free transit benefits; and expands communities' ability to transfer funds from highway construction to transit, bicycle and pedestrian programs, telecommuting and other forms of transportation that reduce congestion and pollution. Second, we will provide incentives to make it easier for communities to pursue smart growth policies, by exploring ways cities can capture the air quality benefits of sustainable development and by supporting a private sector initiative that would encourage mortgage lenders to consider the savings from "location efficiency"in making mortgage determinations for homebuyers . (NEC)

ENERGY (NEC)

1. Electricity Restructuring. You could call on Congress to enact legislation, to make the electricity industry more competitive and to provide more choices for industrial, commercial and residential customers. The Administration's Comprehensive Electricity Competition Act will save consumers $20 billion a year. Retail competition will not only improve efficiency, but also reduce the two-thirds waste of energy currently associated with fossil-fuel generation of electricity, thereby cutting greenhouse gas emissions. Prominent Republicans have included electricity restructuring on their list of priorities for 1999.

2. Distributed Generation ("Micropower"). To increase the consumer savings and environmental benefits from electricity competition, the Administration will pursue legislation to eliminate obstacles to the use of small, clean efficient generation technologies (e.g., fuel cells and photovoltaics) that can be installed at or near the electricity user's site. Moving from large, central-station generation of electricity to distributed generation by small, clean sources is analogous to the move from mainframe computers to personal computers.

FINANCIAL SERVICES (NEC/DPC as specified)

1. **Consumer Financial Literacy and Education.** We are currently developing a set of proposals to promote consumer financial awareness and enhance consumer credit literacy, ranging from a public awareness campaign to establishing an educational clearinghouse to disseminate quality curricula to high school students. We are also working on a study to identify what the biggest problems are with how Americans use consumer credit, and what basic banking services and steps they can take to help themselves (this may be very important if bankruptcy reform is a live item next year). Part of our focus is on reaching out to low-income households, building on (and expanding) two existing government programs -- Treasury's Electronic Funds Transfer program that was a first step in helping the "unbanked" enter into electronic commerce and a USDA extension program that is providing some (limited) services to rural low-income families. This proposal would cost $5-10 million. (NEC)

2. **Consumer Financial Bill of Rights.** In order to respond to the outrage consumers feel about ATM surcharges, without supporting economically questionable regulation of ATM fees, we are considering a proposal either for the government or for financial institutions voluntarily to make publicly available a list of basic banking services and fees on an individual or geographic basis to be published periodically over the Internet. The services profiled would include, but would not be limited to, charges for access to ATMs. We are also considering the adequacy of current credit card disclosure requirements (again, relevant to bankruptcy reform) and other areas where information about financial service arrangements would be helpful to consumers. This would cost $3-5 million. (NEC/DPC)

11-25-98

THE WHITE HOUSE

WASHINGTON

November 23, 1998

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA
DOUG SOSNIK

FROM: MICHAEL WALDMAN

SUBJECT: STATE OF THE UNION -- CONTEXT & PURPOSES

This memorandum reflects initial discussions among Paul Begala, Maria Echaveste, Mark Penn, and myself.

The 1999 State of the Union comes at a signal time for you and your administration. In raw political terms, you enter your seventh year in office stronger than any comparable President this century -- stronger than Roosevelt, stronger than Eisenhower, stronger than Reagan. Your support in the country is strong. The Democrats' election success not only represents the first such gain by a President's party since 1822; it also narrows the party divide in the House. The public has endorsed your 'third way,' New Democrat policies -- an endorsement seen not only in the Democrats' election success (on a platform of saving Social Security, fiscal responsibility, HMO reform, and education), but also in the success of moderate Republican Governors and in the success of reformed center-left parties in the UK, Italy, Germany, and Brazil. And the press and pundits are now willing to admit that you were the pioneer of this approach.

At the same time, this address marks the last opportunity before Election Year 2000 to command the public's attention as only a strong State of the Union can. (The Year 2000 State of the Union will be held two weeks before the New Hampshire primaries.) And with less than a year to go before the new millennium, there is added urgency to your call to strengthen the nation for the 21st Century.

This speech should be viewed as having four principal goals.

First, it should demonstrate that you continue to have a vigorous agenda, one that can define the political playing field. You did this very successfully in last year's speech, and in the blizzard of policy announcements that led up to it. We believe you should announce an array of small- to medium-sized policies in January, as part of the roll-up to the State of the Union.

Second, more than recent State of the Union addresses, it should explicitly focus on the economy -- spelling out what we must do to advance our prosperity. A key element will be Social Security (Should we put forward a plan? Convene negotiations) and the surplus. The address should also include significant discussion of how to steer the economy through international economic turbulence; this would be an opportunity to spell out your vision for an international economy with a human face that you have talked about at the WTO and Council on Foreign Relations. And it should press forward on education and health care as part of an economic strategy.

Third, it should reach out to centrist Republicans to build a governing majority (on terms that you define). Thus, you should press for action on those items (such as the Patients' Bill of Rights, campaign finance reform, and other matters) that have notably bipartisan support.

Finally, the speech is an opportunity to address specific constituencies and shore up areas of political weakness. There should be a renewed focus on crime; specific attention to rural issues and the elderly; a full discussion of military readiness. In addition, we would appreciate your guidance on what you want to say about race.

* * *

We will forward to you some possible thematic approaches for discussion tomorrow.

POSSIBLE THEMATIC ELEMENTS FOR 1999 STATE OF THE UNION

As before, the central theme should be: strengthening the nation for the 21st Century. With only 346 days until the coming of the new millennium, this year must be a time of focused action. We must step up to our long term challenges, advance our prosperity with our new economic strategy for a new economy, press forward our progress on social issues, and find ways to bind our nation together in the new century.

The American renaissance. Seven years ago, on our bestseller lists and on the shopfloor, we asked, "America: What went wrong?" In your first Inaugural Address, you declared, "There's nothing wrong with America that cannot be cured by what is right with America." For seven years, the American people rose to the challenge of this new time. And now, we enter the new century at a new peak of power and prosperity. Our economy is the strongest in a generation and keeps the world moving forward; crime and welfare are at their lowest levels in thirty years. A shimmering new economy, built on technology and science, information and innovation, has risen, creating massive new affluence. We can count our blessings as we ask: America: What went right?

Renewing progressive government --the third way. We have fashioned a new, progressive government in tune with our time. We turned not to the failed policies of mindless big government or heartless laissez faire. We did not seek to stop economic change and choke off the benefits it can bring; instead, we welcome it, and seek to give individuals and families the tools to thrive. This approach has been called "the Third Way," and it is now the American way. Our people intuitively understand that this is the best, indeed the only, way to master the new challenges of the 21st Century.

The moment of opportunity for the vital center. We have forged a new consensus, a new common public philosophy that binds together Democrats and Republicans of goodwill. This is a rare moment for action. The people have spoken, indeed have spoken with unmistakable clarity: they want us to put politics aside and act, together, on their needs and their concerns. You will reach out to Congress to make this a time of progress and not partisanship. This should include a specific reference to the new congressional leadership.

Building a new American economy --and continuing our economic strength. Our comprehensive economic strategy, enacted in 1993, has turned this country around and widened the circle of opportunity. Today America's economy is the strongest in our memory, and indeed, is the dynamo that propels the world economy. But change is constant, and the current financial turmoil reminds us that we must act to advance that prosperity. We must hold fast to our fiscal discipline, and give our families confidence that Social Security will be strong in the 21st Century.

Using this moment of prosperity to meet long-term challenges. The nation is at a moment of unparalleled strength. We can and must use this national strength to build for the future --to grapple today with the longest term challenges of tomorrow. America is aging; we must address Social Security now, or we will pay more later. Climate change and other environmental threats will condemn our grandchildren to disease and diminished quality of life, unless we begin to address it now. We can make extraordinary strides in conquering disease in the future if we invest in basic scientific research today. And so on.

Expanding the winners' circle. For most Americans these are indeed the best of times -- but there are still some for whom it is the worst. We must use this moment of unparalleled opportunity to bring the poor into the middle class mainstream -- to expand the winners' circle so the American dream can be lived by people who just a few years ago were written off. In this new economy, we don't have a single person to waste. That is why we must do more to help working families -- raising the minimum wage, protecting the EITC. We must do more to prevent crime and keep our communities safe. And we must do more to help those Americans who are struggling the hardest --we can't forget those who are left behind.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

'98 NOV 11 AM10:14

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GEORGE T. FRAMPTON, JR. GTF.

SUBJECT: PROPOSED 1999 STATE OF THE UNION INITIATIVES

The following is a set of six potential State of the Union announcements for your consideration. In some cases, these announcements have more than one part and could be presented as separate, smaller announcements or packaged into a single, larger announcement.

A LANDS LEGACY

Action: You would announce a broad strategy or a series of targeted initiatives (depending on available budget) built around a new vision of conservation with the aim of reconnecting people and the land.

Background: Time and again over the past century, Americans have demonstrated their commitment to preserving our greatest natural treasures. This Administration has added immeasurably to this impressive legacy with steps to protect Yellowstone, the red rock canyons of Utah and California's old-growth redwoods.

Increasingly, though, we face new conservation challenges that call for a new conservation ethic. Having preserved so many of our "crown jewels" -- places prized precisely because they are pristine and remote -- we must focus now as well on natural wonders in our very backyards. A conservation ethic for the 21st century recognizes people as part of the natural landscape, and seeks to preserve natural and open spaces in each community, within reach of every citizen.

This approach is implicit in many of the Administration's conservation efforts -- for instance, Everglades restoration, habitat conservation planning, and acquisition through the Land and Water Conservation Fund of threatened lands near urban areas. This initiative would more fully articulate this new conservation vision and set in motion collaborative strategies to fulfill it in both urban and rural settings.

One vehicle for this initiative is an ambitious proposal by Interior called Partnership for America's Resources. This proposal would draw on and significantly expand several existing funds, including the Land and Water Conservation Fund, and establish new dedicated funding sources to generate a total of about $3 billion a year through 2009. These funds would support a wide range of acquisition and restoration programs at the federal, state and local levels. If the budget were to allow, this proposal would crown the Administration's solid conservation record, closing the century with a dramatic achievement matching that of Theodore Roosevelt at the century's start.

An alternate approach would be a streamlined version of Interior's proposal that draws as well on other agencies' resources and incorporates targeted tax incentives. Each element would cultivate positive connections between people and the land, for instance by promoting sustainable forestry on private lands, protecting farmland from development, supporting efforts that protect wildlife while accommodating growth, or ensuring city and suburban dwellers easy access to nature and open space. The initiatives could include:

> *Northern Forests* - A collaborative effort with local government, property owners, the conservation community and the states of New York, Maine, New Hampshire and Vermont to preserve the natural and economic values of the largest contiguous wild forest in the eastern United States. Up to 3.5 million acres now owned by timber companies are or soon will be for sale. Disposition of this land will have profound impacts on the economy and environment of this region.
>
> *Parks and Communities* - A collaborative effort with state and local governments and the private sector guided by the vision of open space and recreation within walking distance of every child in America. Eighty percent of Americans live in urban areas, and half have no park or open space within walking distance of their home. This initiative could include a commitment to create or rehabilitate 1000 parks or recreation facilities.
>
> *Farmland Preservation* - Tax incentives and increased USDA funding to help preserve farmland threatened by development. This is a key component of the livability agenda launched by the Vice President, which highlights the close connection between loss of prime farmland and runaway sprawl.
>
> *Lewis and Clark National Preserve* - Redesignation of a stretch of the Missouri River in Montana (now part Wild and Scenic River, part National Wildlife Refuge) to commemorate the Lewis and Clark expedition, which explored the area in 1805.
>
> *Conservation Incentives* - A targeted tax incentive that reduces tax on capital gains realized through transfer of property that will remain under conservation easement.
>
> *Habitat Protection* - Increased cost-share funding to acquire habitat in regions undertaking comprehensive conservation planning to balance growth and endangered species needs (as recently completed in Orange, Riverside and San Diego counties).

Cost: TBD, depending on scope.

CLEAN AIR FUND

Action: You would propose $1 billion in new funding to provide low-interest financing for projects that achieve early reductions in air pollution and/or greenhouse gas emissions, giving cities and states a significant nonregulatory tool in the fight for cleaner air.

Background: One of the Administration's top environmental accomplishments is the adoption of tough standards to reduce smog and soot. We also have proposed strengthening standards to reduce regional haze in the West. While these steps have been well received by the public, many mayors and governors continue to cite them as constraints on economic growth. These concerns, which are likely to become more pronounced as the standards are implemented, stem in part from concerns about the cost of compliance.

In addition, one of the Administration's top climate change priorities is encouraging early, voluntary action to reduce greenhouse gases. Again, one barrier is concerns about the capital investment necessary to achieve these reductions.

In the case of water quality, strong bipartisan majorities in Congress have long supported a revolving fund to finance state and local infrastructure projects to reduce water pollution. This proposal would take a similar approach to air emissions. For soot or smog-related emissions, funding would be made available to states upon demonstration, consistent with EPA guidelines, that a project would achieve reductions sooner than required, or from sources not subject to regulation. For greenhouse gas emissions, funding would be made available upon a demonstration consistent with DOE guidelines that the project would achieve "early" reductions that otherwise would not have been made. Guidelines will ensure that the fund does not compensate polluters for taking action already required by regulation.

We are reviewing with Treasury a number of possible models for the fund and for allocating financing, ranging from the existing clean water state revolving funds to the school-construction model to that used for low-income housing tax credit.

Cost: $1 billion annually in fund capitalization (outlay rates significantly lower, and may be reduced over time by operation of a cost cap in the President's implementation plan for the new soot and smog standards). Differential costs of alternative financing mechanisms TBD.

A NEW PARTNERSHIP FOR LAKES AND COASTS

Action: You would launch a new initiative to protect America's coasts and the Great Lakes, propose new funding to help farmers combat water pollution, and call on Congress to reauthorize and strengthen the Clean Water Act.

Background: The five-year Clean Water Action Plan you launched earlier this year establishes a solid framework for addressing the next generation of clean water challenges, principally nonpoint source pollution. This initiative underscores some unfinished business -- reauthorization of the Clean Water Act, and increased funding for farmers -- and targets additional resources to the specific and urgent needs of the Great Lakes and coastal areas. Specifically, it would create a dedicated source of funding (subject to state cost-sharing) to restore wetlands, accelerate cleanup of contaminated sediment, and support local partnerships to restore estuaries.

Each of these issues has a strong economic component. Along the Gulf Coast, loss of wetlands raises the risk of catastrophic damage from hurricanes and floods. Sediment contamination hampers urban redevelopment, damages commercial and recreational fisheries in regions like the Great Lakes, and undermines the competitiveness of our ports by increasing dredging costs. Pollution of estuaries destroys commercial fisheries, threatens drinking water, and increases pollution control costs.

This initiative would: commit an additional $300 million a year to restore wetlands in Louisiana and other Gulf states (this funding mechanism, a variation on the Landrieu-Dingell proposal, also would support Everglades restoration); commit an additional $280 million a year for sediment cleanup and natural resource restoration; and commit an additional $100 million a year to implement estuary recovery plans developed in partnership with states and local communities.

Cost: $680 million.

In addition, the following proposals could be included in this initiative, or announced before the State of the Union:

> *Save the Colorado Initiative* - You would propose funding to remove uranium mine tailings in Moab, Utah, that are contaminating endangered species and the Colorado River, a major water source for California. The Atlas Corporation, which operated the mine, recently filed for bankruptcy, making it inevitable under current law that the Department of Energy will bear ultimate responsibility for the cleanup. Democrats and Republicans in both the California and Utah delegations have united behind Congressman George Miller (D-CA) in demanding that the tailings be moved. Governor Leavitt and Secretary Babbitt strongly support the proposal. Cost: $125 million over five years, assuming Atlas will be able to pay $7 million over the same period.

> *Helping Farmers Protect Water Quality* - As part of your Clean Water Action Plan, you requested $100 million in FY 1999 for a USDA program to help farmers control polluted runoff. This funding was denied by Congress. As an alternative, you would announce flexible use of Commodity Credit Corporation funds for the same purpose. USDA is exploring how much funding could be made available this way. Cost: TBD

ENVIRONMENT-TO-WORK INITIATIVE

Action: You would announce a $100 million-a-year initiative to train former welfare recipients and other workers for jobs in environmental cleanup and energy efficiency; and to retrain timber workers, miners and fishermen for environmental restoration work.

Background: One of the overriding themes of the Administration's environmental message is that a healthy environment and a strong economy go hand in hand. Yet despite notable successes -- for instance, brownfields cleanup and our Jobs in the Woods program in the Pacific Northwest -- environmental initiatives are not always seen as being in the interests of organized labor.

This interagency initiative would address these concerns in both urban and rural areas by providing training for high-paying jobs in emerging environmental fields. In cities, it would train workers in hazardous waste and brownfields cleanup, and in lead and asbestos abatement (jobs for which poorly educated workers are often illegally recruited). In rural regions, it would build on Jobs in the Woods to retrain timber workers in other regions where harvest levels are projected to decline; retrain fishermen in areas with declining stocks to do habitat restoration; and train a new generation of mine workers for mine reclamation and watershed restoration work. In addition, it would train workers to conduct energy audits and perform other energy efficiency work in both urban and rural settings.

Cost: $100 million, with a portion funded from the Abandoned Mine Reclamation Fund.

PRESERVING AND EXPLORING OUR OCEAN FRONTIER

Action: You would announce designation of a new national marine sanctuary, set a goal of doubling the number of marine sanctuaries over the next 10 years, and propose legislation to strengthen protections within existing and new sanctuaries.

Background: At the dawn of the 20th century, under the leadership of President Teddy Roosevelt, America committed itself to a new lands ethic, preserving irreplaceable pieces of our rich landscape for all time. As we approach the 21st century, a comparable opportunity beckons off our shores. As you noted in your address to the National Ocean Conference, the oceans are a vast frontier largely unexplored, and largely unprotected.

Over the past quarter-century, the federal government has created 12 national marine sanctuaries encompassing 18,000 square miles of coral reefs, kelp forests and other ocean ecosystems that are home to a variety of endangered marine life. Management plans for each sanctuary are developed in collaboration with nearby communities, commercial fishermen, marine-related industry, conservationists, and marine scientists. The level of protection varies among the sanctuaries, with some little more than boundaries on a map.

There is a growing call from the scientific and conservation communities to both strengthen and expand the sanctuary system. This proposal would meet both objectives. First, you would announce the designation by the Commerce Department of a new sanctuary. (Prime candidates include "seamounts" off California, underwater canyons and ledges off Cape Hatteras and Massachusetts, brine pools and vents in the Gulf of Mexico, and waters off the Northern Mariana Islands.) Second, you would set a goal of 24 sanctuaries -- double the current number -- by 2009. You could invite Congress to work with the Administration in identifying areas for designation. Third, you would propose legislation to set a minimum level of protection within the sanctuaries.

A new exploration venture by the National Geographic Society, in partnership with the Goldman Foundation, presents an ideal opportunity to amplify our message. Dr. Sylvia Earle, former chief scientist at NOAA and recently honored as Time Magazine's first Hero of the Earth, will explore each of the existing sanctuaries in state-of-the-art submersibles.

Cost: An additional $6 million in FY 2000, $21 million in FY 2001, and $36 million in FY 2002.

DECLARING WAR ON ASTHMA

Action: You would launch a national campaign to halt the dramatic increase in asthma incidence and, ultimately, to reduce by half the number of children who die from the disease or suffer severe symptoms.

Background: Asthma afflicts more than 5.5 million children in America and is the leading cause of childhood hospitalization. The number of children suffering asthma has doubled in the past 15 years, and the number dying from it has tripled in the last 20 years. Black and Hispanic children are twice likely as white children to develop the disease.

The Administration has launched several efforts to combat asthma, including tougher air quality standards and recent grants to universities to establish environmental health research centers. This initiative would expand successful programs by HHS and EPA to reduce asthma risks in schools and homes through education. It also would support additional monitoring and research to better track incidence and develop potential cures.

Cost: $55 million.

THE WHITE HOUSE

WASHINGTON

'98 NOV 11 PM 10:15

November 10, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *neal*

SUBJECT: 1999 State of the Union Address

This memorandum makes recommendations for themes to include in your next State of the Union Address to underscore your vision for the 21st century. The emphasis is on cementing your leadership in science and technology, a theme that should generate substantial bipartisan support.

Background

You have been consistent and eloquent about your commitment to investing in America's future. Every year of your presidency you have increased the S&T budget. The Research Fund for America -- an unprecedented proposal for support of S&T in your FY 1999 budget request -- fared extremely well in Congress. You have helped to persuade the American people that continued American leadership in the world and a better quality of life for all Americans depend on our enduring commitment to research and to technology. You have secured a broad consensus that we have a responsibility to develop technology for public needs.

The following are suggested themes for your consideration.

1. Information Technology Research Initiative

Why: Information technologies have the potential to do for the creation and management of knowledge what the invention of electricity did for the production and distribution of power. Electricity not only was a good substitute for candles and steam engines, it empowered every American family and every American business by making energy affordable and accessible. New information technologies can provide *every* American with an extraordinary set of tools – whatever their age and health and wherever they live. They can allow families to stay in touch, enable small businesses to participate in international alliances, and make it possible for employees to keep up with job opportunities and get the training they need. These technologies have the power to strengthen our military forces and make them more adaptable to a complex range of threats, improve health services, provide unprecedented opportunities for persons with disabilities, expand learning opportunities for people of all ages, strengthen crime-fighting, protect the environment, and create more accessible and efficient government.

In the years ahead, information technologies will continue to be a driving engine of economic growth and job creation. Their contribution is already astonishing. Between 1995 and 1997, firms associated with these technologies contributed one third of US economic growth; in 1996 the industry employed over 7 million people in the US. These technologies have greatly strengthened our competitive position in international markets because our uniquely flexible industries have been quick to recognize and seize the opportunities these technologies offer

Computing and information technology research is also essential to avoiding major vulnerabilities that our information-rich economy is beginning to encounter. We are increasingly dependent on powerful information tools to manage air and highway traffic, financial networks, medical information systems, and many other parts of the critical infrastructure that support our economy. New tools are required to design information systems that will remain reliable and secure.

Information technology (IT) has made research in all scientific fields more productive, while accelerating the pace of scientific discovery. Predicting climate change, or sequencing the human genome, for example, would not be conceivable without powerful computational tools. New information tools are essential if we are to convert our knowledge of the human genome into an understanding of how the genes actually work, and to develop practical tools for combating disease and disability.

In your June 1998 MIT commencement speech, you highlighted the importance of information technology to America's future by indicating your intention to call for "significant increases in computing and communications research" in your FY 2000 budget. Your IT Advisory Committee, in its recent interim report, assessed the current Federal effort in information technology research and has made a number of solid recommendations as to how additional funding could be most effectively used.

What: Major new research programs in DARPA and NSF targeted on advanced software design, making information systems easy to use, and managing the high-speed, flexible communication systems emerging to link billions of computing devices embedded in everything from cell phones to TV sets. Long-term, high risk research on advanced computation and communication (cryogenic devices, DNA and quantum computing). In these agencies, as well as NIH, DOC, DOE, and NASA, funding the procurement of high-speed computers for medical, environmental, and other scientific research, and funding to help these communities make full use of these new tools.

Cost: \$200-300M in FY 2000; \$3B over five years.

2. Millennium Research Fund

Why: Such a Fund would reaffirm your commitment to lead America into the 21st century with investments that improve the quality of life and keep the economy growing. Half of our economic productivity in the last half-century is attributable to technological innovation and the science that supported it. The knowledge-based society of the next century only increases the importance of research, innovation, and human capital as our principal strengths. This fund would build on the success of the Research Fund for America, expanding its scope to include all civilian and university-based research. It would also trump the non-specific Congressional proposals to "double" research funding with a detailed plan for strategic growth in S&T budgets.

What: A commitment to substantial, sustained support for a balanced portfolio of civilian and university-based research, including DOD 6.1 and 6.2., to ensure continued US leadership across the scientific frontiers. In addition to information technology, special emphasis is given to research on vital national needs, including:

- Biomedical -- Win the war on cancer and declare war on asthma, mental illness, and heart disease.
- Physical Science, Engineering, and Technology -- Develop new materials, chemicals, electronics, and manufacturing technologies essential to providing American industries a competitive edge.
- Global Change -- Ensure that regional economies, relying on agriculture or tourism, prosper even in the face of climate change, and save the planet for future generations.
- Climate Change Technology -- Promote energy efficiency, the use of renewables, and reduce greenhouse gas emissions.
- Learning and Teaching -- Understand human learning by conducting basic research and large-scale "clinical" trials of education practices, including education technology.
- Critical Infrastructure Protection -- Protect our infrastructure, from information systems to power systems, against terrorist threats, natural disasters, and human error.
- Aviation Safety and Security -- Reduce aviation fatal accident rate by a factor of five within 10 years.
- Emerging Infectious Disease -- Reduce the threat of bioterrorism and the vulnerabilities to reemerging diseases, such as tuberculosis.
- Ecosystem Sciences -- Eradicate the algal blooms and other water problems that threaten fisheries and other U.S. coastal businesses.
- Plant Genome -- Breed pest- and drought-resistant plants that ensure America continues to feed the world.
- Transportation -- Foster breakthrough automotive technologies, achieve threefold improvement in fuel efficiency by 2004.
- Food Safety -- Eliminate deaths and illnesses from food poisoning.

Cost: Doubling the Federal investment in these research areas over ten years would require approximately $3B in FY 2000 (7% increase); and $20B over five years.

THE WHITE HOUSE

WASHINGTON

'98 NOV 11 PM 10:15

November 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: State of the Union -- Climate Change Ideas

Last year's State of the Union included a substantial section (16 lines) on climate change. Our specific announcement was your five-year, $6 billion program of tax cuts and R&D to spur energy efficiency and the development of renewable energy. This year's environmental section of the speech should, of course, include climate change. Below are three specific deliverables that could be included in the speech.

Getting Energy Efficient Products into Our Homes. While R&D into new energy saving technologies is extremely important, economists also recognize that we could achieve enormous reductions of greenhouse gases if consumers took advantage of the energy saving products already in the marketplace. You could announce a new initiative to help move a designated list of several major Energy Star products (e.g., refrigerators, washing machines, air conditioners, furnaces) off the shelves and into consumers' homes. The initiative would consist of the following elements: (1) a partnership with major manufacturers to launch a campaign to inform consumers about the financial and environmental benefits of retiring older appliances early and replacing them with new, energy efficient models. (The retired products would be recycled, producing further energy savings.) DOE has been engaged in discussions with GE, Whirlpool, Maytag, Amana and White Consolidated, who are all prepared to participate; (2) rebates from the manufacturers and/or electric utilities; (3) federal financial incentives, which could take the form of tax incentives or rebates. Rough estimates suggest that for a cost of around $1 billion annually, the federal government could provide an incentive equal to around 10% of the purchase price of selected Energy Star equipment. This program could save millions of tons of carbon emissions annually and save consumers hundreds of dollars a year on their energy bills.

Bioenergy -- Growing an Alternative to Fossil Fuels. Biomass represents a major potential resource for our energy future. It can be used to make fuel, burned directly to produce electricity, and used for the production of chemicals. By growing products like switch grass on idle cropland and putting agricultural and wood waste to good use, some experts predict we could eventually produce energy equivalent to more than half of our current annual crude oil imports. You could launch a partnership with farmers, the forest products industry, power companies, chemical companies and others to develop a clean, biomass-based energy industry. Such an initiative would not only be good energy policy, but would give farmers something to like about dealing with climate change. Senators Lugar and Harkin, among others, are very interested in biomass. DOE and USDA are already making substantial investments in bioenergy. We can do this initiative with funding that fits within the total available for the second year of the five-year Climate Change Technology Initiative you announced last year.

Financing of Clean Energy Projects. The CEQ State of the Union memo includes an idea for a revolving fund to finance state and local infrastructure projects to reduce air pollution or greenhouse gases. The idea would be to fund projects achieving early reductions that wouldn't otherwise be made. For a full discussion of this idea, see the CEQ memo.

THE HARVARD LAW SCHOOL
CAMBRIDGE MA 02138

November 11, 1998

MEMORANDUM FOR THE PRESIDENT

Through: Maria Echaveste
Deputy Chief of Staff

From: Christopher Edley, Jr.
Professor of Law

Re: Race and the State of the Union: A "Vision" Option and a "Program" Option

My premise is that I will deliver a virtually complete draft of your race book in December, but the final product will not be released until after the SOTU.

Vision Option: Building on some of the rhetoric from SOTU'98 and SOTU'97, summarize the vision of One America with racial and ethnic justice that will be the centerpiece of your race book. In these paragraphs you would veer sharply away from the familiar laundry lists of the Policymaker-in-Chief to instead demonstrate and exploit your unclouded title to the bully pulpit.

> *In brief:* The America you envision for the 21st century must have *opportunity* so broad and deep that there is no visible legacy of slavery or conquest or colonialism. It must have *communities* so open and inclusive that each of us celebrates the richness of our diversity, as that diversity fuels not our fears, but our strength. And, in that America, our *hearts* will be healed of the prejudices and stereotypes that too often divide us today; our vigilance will prevent the wounds from ever reopening. We can chart our progress towards this vision as we close the disparities in educational achievement and in victimization by violent crime; as we slowly reverse the trends towards racial and ethnic separateness in our communities and schools; and as we finally win the battles to combat the oppressions of discrimination and stereotype.

Since you will have discussed education, welfare-to-work and other opportunity measures, you can briefly note that these are elements of how we can achieve the vision. You can praise the work of religious leaders, higher education leaders and others in advancing this vision, and announce the follow-on entity to continue the race initiative.

Program Option: After noting that you will soon release your report on the race initiative, you would highlight two or three substantive "mountain tops" in your policy workplan for the nation. (The book will contain more mountain tops and abbreviated mention of foothills.) Possibilities:

(1) *Educational achievement*: Your vision requires that the nation undertake a more focused, dramatic and sustained effort to tackle the intolerable achievement disparities between poor and rich, between minority and non-minority. The era of excuses is over -- for everyone.

Recommendation: Provide large-scale grant-in-aid support to states and/or metropolitan areas that commit to develop comprehensive, peer-reviewed plans for removing resource inequities, enhancing accountability, and eliminating disparities in student achievement. (This builds on the Comprehensive School Reform Demonstration Program, but is far more substantial in scale, less prescriptive, focused on systems rather than individual school sites, and with accountability for results). The undertaking parallels your announced goal of narrowing health disparities. Instead of a formula program like Title I, this substantial "honey pot" would not attract participation from all jurisdictions initially, which is fine.

(2) *Jobs:* We must break the back of the endemic hyper-unemployment of young adults in our most distressed poor communities, eventually eliminating the racial and regional disparities in joblessness. *Recommendation:* Challenge states and metro area jurisdictions to raise the employment rate of young adults in distressed neighborhoods through regional strategies. Provide substantial new resources and greatly enhanced flexibility with categorical federal and state programs, for interested jurisdictions willing to accept *accountability* for creatively tackling the especially difficult problems of young adult unemployment. Flexibly link programs in education, training, job search, transportation, employer networking, day care, housing assistance, drug treatment, and many more. But results must matter.

(3) *Economic Development:* We can do more to harness the power of financial institutions and markets to create opportunity in distressed communities here at home, just as we try to do abroad. *Recommendation:* The Federal Home Loan Bank Board system in years past helped make home ownership a reality for many. In the new century, the FHLBB should have a new mission: working side-by-side with CDFIs to fuel economic revitalization in our most distressed communities through affordable financing of a range of job-creating projects.

(4) *Combating Discrimination and Hate :* The fight against ordinary discrimination is not finished. Last year's budget included an increase for some civil rights law enforcement agencies, to help those standing in line waiting for justice. Now, we must sustain that investment and extend it to other enforcers of our basic rights – the civil rights division in the Department of Justice, the Office for Civil Rights in the Department of Education, etc. As we do so, we can re-engineer those efforts to emphasize voluntary compliance, technical assistance, education and dispute resolution. And complementing this law enforcement effort is the business of healing communities threatened by racial and ethnic division. The Community Relations Service has been an often unsung hero, with a few dozen public servants bringing wisdom and hope to community after community, after church burnings and riots – and *before* disturbances flare up. The nation needs to invest in this resource to create One America.

In these policy examples, I am urging you to address underlying structural problems, eschewing band-aids and incrementalism. Whether or not you use them in the State of the Union, I hope you will consider them for FY 2000 and the future.

Recommendation: For the SOTU, as much as I like the policy ideas, I recommend the bully pulpit option.