



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

File:
Stimulus

March 23, 1993

MEMORANDUM FOR: CAROL RASCO
FROM: Belle Sawhill *Belle*
SUBJECT: Managing the Stimulus Package

Attached, for your information, is the letter that has just gone out to all the affected agencies. We are also meeting with the Departments to discuss their plans. The first meetings are on Thursday, with Department of Labor and Department of Education. The current schedule is attached. We would welcome participation by you or your staff. (Contact person on logistics: Val Owens, ext. 4742).

Attachments :



EXECUTIVE OFFICE OF THE PRESIDENT
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THE DIRECTOR

March 22, 1993

Honorable Robert B. Reich
Secretary of Labor
Washington, D.C. 20210

Dear Mr. Secretary:

In his address to the Congress on February 17, 1993, the President proposed an economic program that included stimulus programs to strengthen the current recovery and provide for immediate job growth.

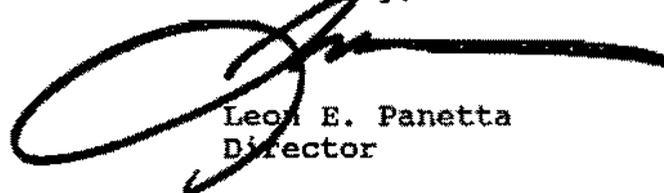
Proper planning for effective implementation is pivotal to the success of the stimulus programs. We wish to affirm that each affected Department anticipates those problems that would limit the effectiveness of the stimulus programs, and promptly initiates, properly manages, and fully evaluates these programs.

I ask that you share with us your plan for ensuring that stimulus monies achieve the President's objectives. The Department's management plan should encompass all assigned stimulus programs, with particular and separable attention given to the Summer Youth Employment Program.

I look forward to our meeting with Alice Rivlin and Phil Lader, my deputies, and our respective staffs on Thursday. As we will discuss, I would appreciate receiving your written plan soon thereafter with further follow-up reports to be agreed upon in our meeting. Perhaps the enclosed draft materials from my staff could be of assistance to your staff in preparing for our meeting.

On a related matter, the February passback instructions established some longer-term evaluation reporting requirements, in contrast to the shorter term focus of this letter. Members of your staff should consult with their OMB representatives on these separate requirements.

Sincerely,



Leon E. Panetta
Director

Enclosure

Proposed Meeting Agenda
Managing Stimulus Programs

1. Review stimulus programs under Department's responsibility, including identification of programs of special importance.
2. Identify the President's objectives in selecting and funding stimulus packages including:
 - job creation
 - other expected program achievements, and
 - investing in people, technology, business capital, and community infrastructure
3. Assure the public that the investment bore fruit by:
 - issuing a November report to the nation
 - tracking jobs created
 - measuring outcomes that were announced (i.e., immunizing one million more children), and
 - measuring incremental impact of stimulus programs over base activity currently funded
4. Request departmental plans and specific program implementation guidance to include, but not be limited to:
 - maintaining control over funds disbursement
 - the timing of funds disbursement (plan vs. actual)
 - generating program performance information
 - known past problems in administering identical or similar funds and safeguards to avoid past problems, and
 - sanctions for failure to put stimulus dollars to work in time
5. Discuss management evaluation measures, and program inspection efforts, that are introduced simultaneously with operation and conduct of the program - not after the fact.

3/22/93

Enclosure

Recommended Content of Management Plan

1. A statement of the objectives of each stimulus program for which the Department is responsible;
2. A statement of performance criteria for each program;
3. A timetable for placing funds in the field, consistent with overall stimulus objectives;
4. A listing of the statistical and financial information necessary to monitor how and how well the stimulus programs are meeting the foregoing objectives and criteria, and a statement on how management will use such information;
5. An assessment of the likely accuracy of the statistical and financial information; and a description of the reporting mechanisms to be used, to include:
 - a. the existing reporting mechanisms (e.g., Circular A-102) needed to ensure management control and to monitor the program's progress;
 - b. any modifications of existing mechanisms necessary to ensure management control; and
 - c. any additional mechanisms that would be required to collect data.
6. An approximation of the incremental resources assigned to management of the stimulus programs.
7. An identification of past problems and critical risk factors associated with each program, including identification of relevant material weaknesses previously reported under the Federal Managers Financial Integrity Act, the President's High Risk Program, and audit reports.
8. An identification of initiatives, with milestones, that will overcome known past problems and properly address critical risk factors.
9. An identification of inspections (reference "Quality Standards for Inspectors, PCIE, March 1993), either existing or newly constituted, that will be employed as the program is funded and executed, including, but not limited to, any special emphasis that may be given by the Department's Inspector General.

Page two of enclosure

10. Steps that will ensure stimulus funds support activities that are incremental to the activities supported by base funding.
11. Recommendations on any disincentives for failing to initiate stimulus programs on a timely basis.
12. The identification of the senior official responsible for successful implementation of the plan and communicating with OMB and others on the status of the stimulus programs.

3/22/93

STIMULUS MANAGEMENT MEETINGS W/CABINET MEMBERS

Thursday, March 25, 1993

2:30-3:45 pm Secretary Reich, Labor. Contact: Donna Greene,
219-8271. (HERE)

4:30-6:00 pm Secretary Riley, Education. Contact: Andy, Rhoads
or Karen, 401-3043.

Monday, March 29, 1993

2:00-3:30 pm Secretary Pena, Transportation. Contact: Ned
Ertel or Kim Kimball, 366-5899

3:45-5:00 pm Secretary Cisneros, HUD. Contact: Sylvia Garcia,
708-0417.

Friday, April 2, 1993

10:30-12:00 pm Secretary Shalala, HHS. Contact: Virginia Cox,
690-6610

File:
Stimulus

Ensuring Economic Recovery and Creating Jobs: Economic Stimulus

First things first. None of the things we want for America can be accomplished while millions of our citizens are unemployed and hundreds of billion of dollars of industrial capital lie idle. Americans will not tolerate another false start; and they shouldn't. We must get our economy moving again—and producing jobs.

Two criteria guided the design of the stimulus package.

Speed. Any tax reductions or spending programs included in the package had to be fast-acting and job-creating. The unemployed have waited too long. We consulted with mayors and governors as well as with all the major agencies to ensure that the money requested in 1993 could be obligated quickly for projects that were ready to go and that workers would be hired right away—this summer—to work on them.

Content. Items selected for inclusion had to be worthwhile on their merits and consistent with the long-run goal of shifting the nation's attention to its future. The stimulus package is a *down payment on the Administration's long-run investment program*. For example, our long-run investment plan puts major emphasis on ensuring that all children get a healthy start in life and come to school ready to learn. To generate major new efforts for children quickly, we included these elements in the stimulus package: summer Head Start, an increase in funding for the Supplemental Food Program for Women, Infants and Children (WIC), and a fast start on a new immunization initiative. Similarly, the investment package stresses the improvement of our nation's infrastructure, including major upgrading of our highway network. Hence, the stimulus package includes funding for highway projects that can be started quickly, especially repair and resurfacing projects that can employ workers soon.

The Size of the Stimulus

The Administration proposed its economic stimulus program in part to provide insurance for the twice-stalled economic recovery. The economy harbors heavy imbalances: large accumulations of debt by households, businesses, and governments at all levels; shaky financial institutions; an enormous overhang of vacant commercial real estate; and extraordinary competition from imports. These imbalances make the course of recovery far less predictable than it was after past recessions. The impact of substantial corporate downsizings, though they were announced over the last two years, is yet to be fully translated into actual layoffs. The defense base closings that were absorbed in the national consciousness over the last three years are just beginning to be realized; and more defense conversion is yet to occur as the Cold War fades into history.

Thus, we have an economy that may have achieved a self-sustaining recovery, but that is operating well below its capacity. The unemployment rate is still higher than it was at the bottom of the recent recession, and inflation remains well under control—in part under intense competition from imported products. The risks posed by a short-term economic stimulus are thus small; and the rewards—in greater near-term economic growth and in forestalling any possible relapse into recession—are significant.

Under these circumstances, the Administration has chosen a stimulus program that is substantial enough to provide real impetus to the recovery, but that is small enough to avoid jarring the financial markets or triggering inflation. The program is targeted to the investments in the administration's long-term economic program, on both the tax and the spending sides of the budget.

In spending, the stimulus program provides additional budget authority equal to \$16.3 billion—the amount by which the 1993 appropriations fell short of the combined discretionary spending caps in the Budget Enforcement Act. Thus, the discretionary spending proposed in the stimulus program will not increase the deficit relative to what was outlined in the 1990 budget agreement.

The program also increases the obligation limit for transportation funding under the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) by \$3.0 billion. This increase allows for full funding of the portion of ISTEA devoted to Federal-aid highways, and also increases potential obligations for the Airport Improvement Program and mass transit. The stimulus further includes \$3.3 billion to increase loan levels, primarily for the Small Business Administration 7(a) loan guarantee program. Of that amount, \$220 million is specified as the long-term budget subsidy.

In tax incentives, the program provides over \$12 billion in temporary incremental investment tax credit. This provision will be available through calendar year 1994; over \$6 billion will be received by taxpayers as reductions in liabilities in 1993.

While much of the additional budget authority will not be spent in 1993, the near-term economic impact will be greater than the outlay figures indicate. Many of the investment programs—including prominently the ISTEA highway program—will result in binding contracts with private firms within the fiscal year, even though payments will not be made until the work is completed in later years. Those contractors will hire workers and begin work immediately. Thus, the contractual obligations will trigger economic activity even before outlays register in the budget itself. Likewise, private investors will commit themselves to investment projects because of the stimulus program's investment tax credit before they can actually claim the tax savings on their returns.

This economic stimulus will be felt most directly in the creation of new jobs; the lack of new jobs especially marks the current recovery, and constrains the spending needed to create a self-sustaining economic expansion. Several of the spending programs in the stimulus package—particularly community develop-

ment block grant assistance to States and localities, and highway programs—promote substantial job creation. The youth summer jobs program of the Job Training Partnership Act, as well as the summer Head Start program, will have particularly strong impacts in the summer months. The investment tax credit and even the longer-term business incentives will stimulate spending on capital goods and thereby promote hiring in the private sector. We estimate that the tax and investment proposals together will create almost 500,000 new jobs by the end of 1994.

All told, this plan provides almost \$30 billion in outlays and tax incentives in 1993 and 1994. This stimulus will provide insurance against renewed economic weakness in the near term; create jobs; help boost the recovery; add to economic growth over the next two years; cushion the beginning of the Administration's deficit reduction program; and begin the investment program that will lay the foundations for enhanced private-sector productivity and prosperity.

Infrastructure

One of the key elements of the Administration's long-term investment package is the strengthening of our nation's infrastructure. Some of the initiatives in that area can be advanced into 1993, providing an immediate impact on jobs and economic growth. In this category, the stimulus package contains transportation projects, Army Corps of Engineers water projects, and improvements in deteriorating Department of Veterans Affairs medical facilities. Details of these investments follow.

Transportation/Federal-aid highway program. The Administration proposes to expand the Federal-Aid Highway program to the levels contained in the Intermodal Surface Transportation Efficiency Act (ISTEA) for 1993. This will require increasing total obligations for Federal-aid Highways from the current level of \$17.7 billion to \$20.6 billion, a 17-percent increase of almost \$3 billion. More than one-third of the increase will be directed to fast-spending resurfacing, rehabilitation, and restoration projects, which can proceed quickly and bring jobs on line most rapidly. This measure will create an additional 13,000 jobs in 1993 and 45,000 in 1994. This increase will improve the conditions and performance of the 155,000 mile National Highway System. This system carries over forty percent of all highway traffic.

Transportation/Mass transit capital improvements. The Administration proposes to increase 1993 funding for mass transit capital improvements by \$736 million. The funds will be used to replace over age buses and vans, and to fund rail cars and rail rehabilitation projects. Of the \$736 million, about \$270 million will be entirely devoted to quick-to-acquire bus and van purchases, while the remaining \$466 million may be used for either bus or rail capital purposes. This initiative will create more than 9,000 jobs in 1993 and 1994. The bus/van

What We Must Now Do

program will permit the acquisition of more than 100 full-size buses, 1,800 small buses, and 2,000 vans.

Transportation/Amtrak capital projects. This initiative provides \$188 million for AMTRAK to purchase new train cars and locomotives, modernize stations and maintenance facilities, and overhaul aging equipment. These will help to improve Amtrak's financial performance, moving it closer to achieving operating self-sufficiency.

Transportation/Airport grants. Many of the Nation's airports are congested, resulting in unacceptable delays for air travelers. Growth in air travel in the future will only add to the problem. Increased airport capacity can help reduce delays, speed air travel, and increase safety in many cases. This proposal to add \$250 million for airport grants in 1993 will enable airports to undertake safety and capacity improvement projects that are "ready-to-go".

Army Corps of Engineers water project construction and cyclic maintenance. The Administration proposes an additional \$94 million to speed construction of about 30 projects nationwide for flood damage reduction, inland waterway and deep-draft harbor transportation, hydropower, environmental restoration, and recreation.

Veterans Affairs/Medical Care and Minor Construction. The Administration proposes \$235 million to fund much needed improvements, largely in VA medical facilities, such as roof repairs, interior finishing, utility systems upgrades, and projects to ensure compliance with current safety and fire codes. This investment will create more than 4,000 jobs in an eight-month period.

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A Summer of Opportunity

The Administration's stimulus package seeks to expand the opportunities for learning for children, youth, and workers while providing thousands of jobs, particularly during the summer months. In several instances, the initiatives are the leading edge for a specific program contained in the long-term investment plan.

HHS/Head Start Summer Program. The Administration is proposing a new Head Start summer program, which eventually would enroll up to 350,000 disadvantaged children. The purpose of the program is to help the youngest pre-school and school children to retain the social and intellectual gains made during the school year. It would expand the proven benefits of Head Start to the summer months and reduce further the learning disadvantages faced by children served by the program. This initiative would employ up to 50,000 Head Start staff (12,500 full-year equivalent) during 1993.

Education: Chapter 1 Summer School Program. The Administration proposes new, one-time supplemental funding of \$500 million to expand summer school programs in 1993 for educationally disadvantaged children. Funds would be

allocated to schools with concentrations of poor children. About 14,000 full-year equivalent jobs would be created.

Galston/Sagaut

Education: Chapter 1 Census Supplemental. The proposal would provide \$235 million in 1993 to substantially mitigate the effects on distribution of Chapter 1 funds caused by changes in the location of poor children in the U.S. that occurred between the 1980 and 1990 censuses. The Chapter 1 compensatory education program will, for the first time, use 1990 census data to distribute 1993 appropriations used during the 1993-94 school year. The total number of poor children ages 5 to 17 increased between 1980 and 1990, and the distribution of those children shifted. Poor children are increasingly concentrated in the schools of the western States and less concentrated in the schools of the eastern States. The supplemental will ease the transition to a smaller compensatory education program in communities that would otherwise have the size of their Chapter 1 grants substantially reduced for the 1993-94 school year.

Way

* **Agriculture/WIC Program.** The Administration proposes to expand 1993 funding by \$75 million for the Special Supplemental Food Program for Women, Infants, and Children (WIC), which pays for supplemental foods, health care referrals, and nutrition education for low-income pregnant and post-partum women, infants, and children under 5 years of age who are found to be at nutritional risk. The increase will permit the program to serve 300,000 additional participants, most of whom will be children ages 1-4. It is a down payment on the Administration's commitment in the long-term investment plan to provide full funding for WIC so that it serves all eligible children.

* **Agriculture/Emergency Food Assistance Program.** The Administration proposes to provide \$23 million worth of food to the States through The Emergency Food Assistance Program (TEFAP). This successful program provides surplus food to about 2.5 million needy households and has been an important weapon in the Nation's arsenal against hunger.

Sara

HHS/Childhood immunizations. The President's plan to increase childhood vaccinations will immunize one million children during the summer of 1993. The Administration proposes to award \$300 million to support a community-based effort to finance vaccine purchases and education and outreach campaigns. This program will help to raise the Nation to the standards of child immunizations set by other advanced countries, which we have fallen far behind. Too many families are deterred by outrageously high costs from having their children immunized. The President intends to end that problem.

Galston/NEC

Labor/Summer Youth Employment and Training Program. Young Americans have an especially hard time finding jobs. The problem is worse for disadvantaged youth, and worse yet in the cities. The Summer Youth Employment and Training Program employs economically disadvantaged youth ages 14 to 21 to work at public and nonprofit agencies during the summer months. The Administration proposes to boost program funding by \$1 billion in the summer of 1993. This will finance almost 700,000 summer jobs, bringing to

nearly 1.4 million the total number of youth who could participate in the program. Approximately one-half of this summer's funding will be concentrated on the 100 American cities—small and large—with the greatest number of eligible youth. The public summer jobs program will be coupled with and complemented by a campaign to expand private summer job opportunities for young Americans.

Gialstm/Sagawa — **National Service.** This is a first step in the President's long range national service initiative. The Administration proposes to implement a program in the summer of 1993 to train a core group of leaders to spur service around the country. Combining leadership training with service, this initial phase of the national service initiative will cost \$15 million.

Extension of Emergency Unemployment Compensation. For millions of workers, the apparent recovery has not brought employment opportunities. The rate of job growth in the economy relative to past recoveries has been extremely sluggish. The Administration proposes to extend the current Emergency Unemployment Compensation program for seven months, through October 2, 1993. The program provides an additional 20 to 26 weeks of support for workers who have exhausted their regular unemployment benefits. The net estimated cost is \$5.6 billion over two years.

Gialstm — **Education/Pell Grant unfunded shortfalls.** The Administration proposes to make up shortfalls in the Pell Grant program, providing over \$2.0 billion to ensure that the program is funded at estimated current law levels through school year 1993-94.

Jose — **HHS/AIDS/Ryan White Act.** To initiate the President's long-term investment plan to fully fund HIV/AIDS prevention efforts under the Ryan White Act, the Administration proposes to increase funding for 1993 grants by \$200 million. These programs focus on AIDS prevention efforts.

Way — **Agriculture/Child and Adult Care Food Program.** The Administration proposes an increase of \$56 million for the Child and Adult Care Food Program, which pays for meals and snacks at Head Start centers, to serve the children in the proposed Summer Head Start program.

Labor/Worker profiling. The Administration proposes establishment of a \$14 million program in 1993 and 1994 to assist the States in developing automated systems to identify laid-off workers who may have difficulties in finding new jobs, and to assist them in finding employment. This initiative seeks to respond to the problems faced by many workers laid off because of business downsizing and restructuring. Federal funding for this initiative will cover the up-front costs of developing worker profiling systems in the States.

Labor/Community Service Employment for Older Americans. The Administration proposes \$33 million to expand participation in the Community Service Employment for Older Americans program, which offers low-income seniors meaningful work experience in community service projects. This investment will finance over 5,000 jobs in the current year.

Disin

Interior/Bureau of Indian Affairs (BIA) School Operations. The Administration proposes that \$49 million be provided to cover currently identified shortfalls in funding due to rising enrollments to improve the educational performance of over 40,000 Indian students at the elementary and secondary level attending BIA-funded schools.

Disin

Equal Employment Opportunity Commission. Financing of \$9 million for additional staff to enforce the Americans with Disabilities Act and the Civil Rights Act will help stem the ballooning backlog of cases filed under those Acts.

Technology Investments

A very important part of the Administration's efforts to promote long-term economic growth is to increase investment in new, productivity-enhancing technology. A number of such projects are funded in the stimulus package because they can be initiated quickly, with immediate increases in jobs.

Industry-Led Federal R&D at the National Institute of Standards and Technology (NIST). The Advanced Technology Program at the National Institute of Standards and Technology provides matching grants for industry-led research projects for the development and commercialization of pre-competitive generic technologies and refining manufacturing practices. The Administration proposes \$103 million for the program in the current fiscal year.

Commerce/Information Highway Demonstrations. The development of a broadband, interactive telecommunications network linking the Nation's schools, libraries, health care facilities, governments, and other public information producers could pay enormous dividends to the U.S. economy. Interactive networks such as this are in their very early stages of development. The Administration proposes to make \$64 million available to the Department of Commerce's National Telecommunications and Information Administration to accelerate development of such information highways.

National Science Foundation/Research and development. Investments in research and development (R&D) tend to be the strongest and most consistent positive influence on productivity growth. Most of the National Science Foundation's (NSF) investments are in competitively selected university-based R&D programs. These activities contribute to the nation's productivity by generating new scientific and engineering knowledge and contribute to the training of the next generation of scientists and engineers. The Administration proposes an investment in 1993 of \$188 million to restore NSF funding to roughly the level that was planned for in 1993.

Networking and computer applications. The Administration proposes that programs be initiated at the National Institute of Standards and Technology, the National Science Foundation, the National Aeronautics and Space Administration, and the National Institutes of Health to develop applications which use

What We Must Now Do

advanced computers and communication networks to solve problems in health care, education, manufacturing, and access to library information.

National Oceanic and Atmospheric Administration equipment acquisition. The Administration proposes an investment of \$81 million to accelerate the modernization of National Weather Service and central NOAA data systems, to procure hardware for more efficient utilization of the nation's fisheries, to improve weather prediction technologies, and to further climate and atmospheric research in areas of global concern such as atmospheric ozone.

DONALD

* *HHS/Disability Insurance processing.* The Administration proposes that \$302 million be provided to help the Social Security Administration reduce delays in processing of Disability Insurance claims, review cases earlier, and make other improvements to improve delivery of services. There has been a tremendous backlog of Disability Insurance claims in recent years, which this investment would help alleviate.

Treasury/Accelerate implementation of Internal Revenue Service Tax System Modernization. The IRS is now operating with severely outdated computer equipment. Through Tax System Modernization (TSM), the IRS is undertaking a multi-billion-dollar, decade-long effort to re-invent its operations. The Administration proposes fiscal stimulus funding of \$148 million to enable the IRS to accelerate several TSM projects and replace computer and telecommunications equipment that in many cases is nearly ten years old. This is a down payment on a long-term investment in the IRS modernization program.

Urban Development and Housing Initiative

The fiscal stimulus contains several initiatives to provide additional resources for housing and other development in the Nation's urban areas. These efforts are critical to our hopes of reviving our cities.

Bruce/Paul

* *Housing and Urban Development/Community Development Block Grants.* Community development projects are an important source of jobs and economic development in America's communities. States and local governments have a backlog of unfunded projects that are ready to begin, such as basic street and bridge work, painting and resurfacing, building rehabilitation, and public service projects. The Administration proposes a one-time supplemental appropriation of \$2.5 billion for Community Development Block Grants to fund such projects and create about 60,000 jobs during 1993-1995. The Administration will propose modifications to the program to ensure that projects have an immediate economic impact.

Commerce/Economic Development Administration grants. The Administration proposes \$94 million for Economic Development Administration awards to economically distressed areas to rebuild basic infrastructure—industrial parks, water and sewer improvements, and access roads to industrial sites. The grants are also for the purpose of planning for economic development.

Minority Business Development Administration. \$2 million is proposed for the Minority Business Development Administration to support the provision of technical assistance to minority businesses through a nationwide network of 107 centers. These centers help minority businesses write loan applications, develop marketing plans, and upgrade accounting practices.

Housing and Urban Development/Accelerate HOME investment partnership. The Administration proposes to speed the spendout of \$2.5 billion in previously released affordable housing funds by regulatory and statutory changes to increase participant flexibility and information, and training to improve public understanding of the program. These changes will increase the rate at which existing funds can begin to create jobs and boost the local economy.

Housing and Urban Development/Accelerate public housing modernization. A substantial amount of funds in HUD's modernization program remain unspent. Explanations for this "backlog" of unspent funds—the time-consuming process of getting the funds out of HUD to the public housing authorities, inefficient management and planning on the part of public housing authorities—make the problem more comprehensible but no more tolerable to this Administration. Accelerating the spendout will not only stimulate the economy but also help to ensure a better quality of life for public and Indian housing residents. This measure will create over 10,000 jobs during 1993–1998. It will result in the repair/restoration of approximately 2,500 more public housing units in 1993 (or 31,800 more public housing units 1993–1998).

Housing and Urban Development/Supportive Housing Program. The Administration proposes an accelerated investment of \$423 million in the Supportive Housing Program, which assists homeless persons not only with shelter but also with the root causes of homelessness. The Administration will propose modifications to ensure that these funds go to projects ready for immediate implementation. This proposal will create over 10,000 new jobs during 1993–1995.

District of Columbia. The Federal Government makes an annual payment to the District to compensate it for the net cost of the large Federal presence in the nation's capital. The 1993 Federal payment was reduced below the amount the Mayor requested to help balance the District's budget. The Administration proposes \$28 million to reduce the District's budget deficit.

Rural Development Initiative

The Nation's rural areas were among those hardest hit by the recent recession. The fiscal stimulus plan provides a number of key initiatives to provide needed assistance for the special concerns of rural areas.

* *Agriculture/Rural water and wastewater loans and grants.* Water quality is a matter of increasing concern in cities and towns across the U.S. Drinking water and sewage treatment systems serving small, mostly rural populations currently

Bruce/Paul

Way

have the highest rates of noncompliance with Federal environmental standards. Without Federal assistance, rural areas often find compliance very difficult to achieve. The Administration proposes an estimated additional \$470 million in loans and \$281 million in grants for the Rural Development Administration to help poor rural communities comply with clean water standards.

Agriculture/Food Safety and Inspection Service. The Administration proposes to add meat and poultry inspectors, at a cost of \$4 million, to improve the Federal meat and poultry inspection system to help reduce the risk of future food poisoning outbreaks.

Agriculture/Forest Service natural resource protection and environmental infrastructure initiative. This is one part of an Administration proposal to protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction, and other similar projects that stimulate economic growth and employment in rural and urban areas. This investment will total \$188 million in 1993.

Agriculture/Farmers Home Administration low-income housing repair loans and grants. The Administration proposes \$6 million in grants and \$3 million in loans for a Farmers Home Administration program that helps rural, very low-income applicants to repair or rehabilitate their homes in order to remove safety and health hazards.

Agriculture/Single Family Housing Guaranteed Loans. This proposal would increase the single-family guaranteed loan authority by \$235 million. The 1993 level of \$329 million is expected to be used by May 1993. Given the increased demand for this program, because of lower commercial interest rates, the proposed increase would meet the remaining demand for this program.

Agriculture/Soil Conservation Service watershed projects. The proposed stimulus includes \$47 million to fund a backlog of projects to address emergency watershed problems resulting from natural disasters, soil erosion, sedimentation, and flood damage that affect public health and safety.

Agriculture/Agricultural Research Service facility maintenance. The Administration proposes \$38 million to finance repairs and accelerate hazardous waste clean-up at aging Federal agricultural research laboratories. There are approximately 30 hazardous waste clean-up projects planned, including removal of underground storage tanks and clean-up of pesticide spills.

Interior/Economic development on Indian reservations. \$39 million is provided to upgrade roads, improve school facilities, and subsidize loan guarantees for reservation facilities, hotels, and office buildings.

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DUSA

Environment and Energy Initiatives

The Administration's initiatives offer certain proof that environmental protection and economic growth can—and must—go hand in hand. These proposals represent a down payment not only on longer-term investments, but also on creating a cleaner world for ourselves and our children.

Interior/Natural resource protection and environmental infrastructure initiative. This is one part of an Administration proposal to protect and rehabilitate America's inventory of natural and cultural assets, restore the facilities that protect these resources, and improve public access to them. This funding would complete the inventory of ready-to-go resource protection projects, facility maintenance, rehabilitation and construction and other similar projects that stimulate economic growth and employment in rural and urban areas. This investment of \$349 million in 1993 would create over 11,000 jobs. Much of the investment would be earmarked for the National Park Service alone, including increased operational funds to keep open areas that were previously scheduled for closure during 1993.

Interior/Historic preservation funding for repair and deferred maintenance projects. The Administration proposes \$23 million to fund a backlog of brick and mortar rehabilitation projects, emergency surveys, engineering reports, and deferred maintenance at National Trust for Historic Preservation Museum properties across the Nation, and other priority projects.

Environmental Protection Agency/Watershed resource restoration. The Administration proposes \$47 million to reduce non-point source pollution which poses a threat to the Nation's water quality.

Environmental Protection Agency/Voluntary "Green" programs. The Administration proposes to expand EPA's voluntary "Green" programs by \$23 million in 1993 over the current \$8 million funding level. The program encourages the Nation's business community to seek ways of increasing energy efficiency.

Environmental Protection Agency/Wastewater treatment project. The Administration proposes \$845 million in capitalization grants for the construction of sewage treatment facilities. This would accelerate completion of an \$18 billion wastewater treatment grant authorization that is scheduled to end in 1994. This investment creates about 16,000 jobs over the four year period 1993-1997.

Cooperative Research and Development Agreements. CRADAs are one of the mechanisms by which the national laboratories can work with industry to transfer lab-developed technology and know-how to the private sector. Current funding for non-defense CRADAs is \$9 million in 1993, but there is more demand from industry for assistance through CRADAs than can be met with that funding. This increase will allow additional lab scientists to work with industry. In addition, \$47 million in 1993 funds appropriated for research and development of nuclear weapons at DOE's defense laboratories will be redirected to research in dual use technologies.

Energy/Weatherization Assistance Program. The Administration proposes \$47 million (conditioned on matches from States or utilities) to encourage State weatherization programs to take advantage of utilities' demand-side management (rebate and discount) programs, assuring that funds go to States that demonstrate a serious commitment to low-income weatherization activities. Approximately 62,500 additional homes will be weatherized over the currently projected number.

Energy/Building and industrial conservation. The Administration proposes \$19 million in cost-shared funding (50 percent) for "model projects" that demonstrate or accelerate the commercial acceptance of advanced energy conservation technologies and products.

Energy/Alternative fuel vehicles. The Administration proposes \$28 million for the acquisition of and/or conversion to additional alternative fuel vehicles in the Federal fleet.

Federal buildings energy efficiency. An additional investment of \$19 million is proposed to improve energy efficiency in facilities throughout the Federal Government.

Stimulus: Tax Incentives

The plan also contains carefully targeted tax provisions designed to provide an immediate boost to investment in the short term, and to encourage capital spending over the long run.

Permanent small business tax credit. Small businesses will now be eligible for a permanent investment tax credit on their equipment. The credit will generally be 7 percent in 1993 and 1994 and 5 percent thereafter. Small businesses operate at the margin and need a permanent incentive to invest, grow and provide new employment opportunities. At the same time, the decrease in the rate from 7 percent to 5 percent after two years will provide an incentive to accelerate investment and add support for the current recovery.

Temporary marginal investment tax credit for all business. Businesses will also be eligible for a tax credit on qualifying investments; the credit will be temporary and will apply only to "marginal" investment acquired between December 3, 1992 and December 31, 1994. The credit will amount to 7 percent in 1993 and 1994, with somewhat lower rates applicable to shorter-lived property. To ensure that the credit is targeted to marginal investment by large companies, the credit each year is applied to investment over an historic base.

Simplifying and enhancing depreciation provisions for companies subject to the alternative minimum tax (AMT). Currently, property is depreciated for AMT purposes over a substantially longer period than for regular tax purposes. (For example, commercial aircraft are depreciated over 7 years for regular tax purposes and 12 years for AMT purposes.) In addition, a corporation subject to the AMT must compute three depreciation schedules for federal tax purposes.

What We Must Now Do

The proposal substantially enhances the investment incentives for taxpayers subject to the AMT and simplifies the AMT by using the shorter regular tax depreciable lives for minimum tax as well as regular tax purposes. Thus, one depreciation period will be used for computation of both the minimum and regular tax, although the rate of depreciation will remain less rapid under the minimum tax than under the regular tax.

Because they reduce the net cost of acquiring depreciable assets, the investment tax credit proposals will stimulate investment by both small and large businesses. The investment tax credit proposals, coupled with the liberalized depreciation under the minimum tax, will provide a strong and lasting stimulus to investment, encourage modernization of productive equipment, and help create good jobs.

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**Technology for America's Economic Growth,
A New Direction to Build Economic Strength**



**President William J. Clinton
Vice President Albert Gore, Jr.**

February 22, 1993