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rs80

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Urban Policy

YOUTH DEVELOPMENT SUB-GROUP DRAFT OPTIONS -- SAFETY AND OPPORTUNITIES FOR YOUTH

Youth in distressed urban communities suffer from compounded and interacting problems: a breakdown of family, extended family and community structures; a lack of shared value systems that support individual responsibility; increasing economic isolation; young parents without the skills to raise their children; a high-level of exposure to criminal violence and a paucity of safe and nurturing environments; and few connections to the labor market and thus no structure of rewards, discipline, and work.

Most Americans recognize and are deeply concerned about this loss of human potential and the social toll of youth violence. This concern cuts across class, race, gender, party and geographical location. And, many are seeking common sense, attainable solutions.

We propose that the President challenge communities to create neighborhoods that offer safety and opportunities for young people -- in other words, to build a "youth development infrastructure" in distressed communities to intervene <u>early</u> with at-risk youth, prevent crime and, provide sustained attention through high school to channel youth to the economic mainstream. This challenge would say to youth and communities, we will work harder to expand opportunities to you, but you -- and every youth and adult in the community -- must take personal responsibility for working harder to take advantage of these opportunities.

We would challenge communities to meet core goals, <u>for example</u>:

- **A caring adult in the life of every child** -- Ensure that youth have sustained nurturing relationships with responsible adults by providing consistent, high-quality mentoring in the context of recreation, academics, community service and work. Give a weighted preference to programs that will have paid staff and/or national service volunteers to ensure sustained, long-term interventions over several years. And give a weighted preference to programs that provide a strong foundation of parental support in the early years of life so that each parent will have the skills to raise their child.

- **Safe Havens that are always open** -- Ensure that youth have safe and supportive environments through schools and school-linked partnerships (e.g. Boys and Girls clubs, National Guard Armories) that are consistently open and available.

- **Meeting Goals 2000 and School-To-Work, Providing Work-based Learning** -- Use mentoring, recreational and/or safe haven components to provide activities that are designed to help kids stay in school and graduate, and offer both in-school and out-of-school youth work-based or "contextual" learning so they gain skills to compete in the mainstream economy.

- **Reward personal responsibility with private-sector commitments for a clear pathway to work or college** -- Provide a job or access to college to targeted youth

(2) Need to make clear that Goals 2000, School to Work and ... building blocks ...

as a reward for staying in school, or meeting specified skills goals, by leveraging the private sector, investing in job developers that provide access to the labor market, or, where necessary, through direct job creation. Invest only in job linkage/creation strategies that strongly emphasize private sector work and personal responsibility (as opposed to "warm and fuzzy" services).

[Issue -- Should we have a direct linkage between the youth development goal and community policing? If so, how would this goal be crafted. What is the proper role for community police officer or community policing strategy in this vision?]

Beyond these substantive goals, the challenge would also have process goals: i.e., (1) community involvement in the design and implementation of the strategy; (2) designing activities that treat youths as assets to be of service in the community; and (3) strong accountability that requires communities to set performance benchmarks with the possibility of reduced funding for nonperformance.

This challenge would set clear goals -- but recognize that every community would meet the challenge differently. It would rely on approaches that are energized by partnerships of families, community-based organizations, schools, churches, the business community, colleges and universities, law enforcement and other key institutions.

This is a theme about which the President has spoken passionately over the last year and for which he has consistently been praised for providing much-needed leadership. It appears to be his best, and most natural platform for speaking to the American people. It is a theme that is central to the welfare reform proposal, the Crime bill and the entire lifelong learning agenda. A message that communities must come together to offer safety and opportunities for youth and that the entire community must take responsibility to use those opportunities has moral resonance. It also makes sense to people who see a generation being lost and realize that the place to start in rebuilding our communities is with our young people.

The Youth Development sub-group believes that this message and vision should be a centerpiece -- if not the centerpiece -- of the Administration's urban agenda. Based on what we know from research, it is the vision that we believe has be best chance of changing life circumstances <u>and</u> preventing crime in our inner cities.

Alternatives for issuing the challenge: Described below are three alternatives for achieving this vision: (1) packaging and coordinating existing programs; (2) coupling such a package with new discretionary funding or a tax incentive to create new private sector jobs and training opportunities for youth; and (3) regulatory and/or legislative reform.

Two-Tiered Strategy: Assuming there is support for such a challenge, we would propose a two-tiered strategy. Starting in January or February of 1995, we would announce the RFP for the challenge and the availability of planning grants. The actual awards would be along two tiers: (1) an award of intensive grants for a limited number of communities (15 to 60 depending on the option chosen); and (2) a broad challenge to the nation, coupled with smaller grants to reach a large number (500 – 1000) of school clusters or neighborhoods, which could be part of a ongoing national campaign for youth.

OPTION I — USING EXISTING PROGRAMS

Under this option, we would "package" together key youth development programs — particularly new Crime Bill programs, to promote coordinated community planning to meet the challenge. The overall features of this option are as follows:

January/February 1995, Announcement of Challenge and Planning Grants. Key agencies would be asked to use discretionary money under current authority and appropriations to offer a total of approximately 30 planning grants of approximately $100,000 each. An announcement of the planning grants (and of the request for proposals for the Model Intensive Grant and other key youth development programs) could launch the challenge. In addition, the grants could help build support for appropriating funds for crime bill prevention programs in FY96.

First Tier: Intensive Grants for Safety and Opportunity Youth. In October 1995, the 15 winners of the Model Intensive Grant would be announced. Communities will have submitted a youth development and crime prevention plan that shows how they would use the model intensive grant and other federal youth programs, as well as private sector and community resources, to meet the goals of the challenge.

Second Tier: Broader Challenge to the Nation to Support Safety and Opportunity for Youth. The President would also challenge the entire nation to meet these goals. The Administration would provide information, technical assistance, guidance on waiver strategies and other support to help communities meet this vision. We could also make small grants or grant packages available through existing authorities to additional communities. Some possibilities include: **(1)** ESEA, Title I demonstration authority (DoEd envisions an investment of $100 million in existing funds to create a second tier in 100–300 school clusters, which would reach approximately 400 to 1000 high poverty schools. The demonstration authority allows funding for all activities we envision, <u>except</u> direct job creation); **(2)** Prevention Council grants (e.g., of $500,000 to $1 million); and **(3)** using powerful legal authority of office of juvenile justice to aggregate discretionary funds from different agencies that carry out federal "juvenile delinquency" programs or activities (broadly defined to include any program that involves delinquency prevention, treatment, and juvenile training) and redirect such funds to an "exceptional need or an exceptionally effective program or activity."

Coordination Techniques. Rather than try to actually consolidate the application process for a number of programs (a legal impossibility), we would try to build incentives into the application for the Model Intensive Grant and into applications for other new grant programs to facilitate the combination of crime prevention and other funds to support a unified youth development strategy that meets the goals of the challenge. We would maximize existing federal tools for program coordination, for example, (1) giving extra points to applicants that propose to use existing block grant funds to support a unified strategy; (2) giving extra points to applicants that propose to use School-to-Work waiver authority to combine JTPA, ESEA and Perkins and other funds for skills development and job linkage as part of a unified strategy; (3) giving competitive priority for a menu of federal competitive youth development programs to communities that have submitted a unified strategy that meets the goals; and (4) coordinating as much as possible the timing, regulatory requirements, and rollout of relevant youth programs.

Waiver Requests. The community strategic plans would include requests for waivers from regulatory and legislative impediments to innovation and meeting the challenge. The MIG application would specifically highlight new, existing waiver authority under School-to-Work and other Education and Labor programs.

Programs and Resources to be Coordinated. The Model Intensive Grant would be the lead mechanism for spurring communities to develop a strategic youth development plan that uses a number of federal resources to achieve the goals of the challenge in targeted high poverty neighborhoods. Given the amounts and the flexibility available in the Model Intensive Grant, we believe it can be used successfully to encourage coordination and leverage. Agencies have indicated that other programs that might be part of a community's stategic plan include:

-- Crime Bill FACES and Community Schools Programs
-- Crime Bill Assistance for Delinquent and At-Risk Youth
-- DOJ High Risk Youth Program (flexible authority to demonstrate effective models for drug abuse prevention and treatment)
-- Crime Bill Block Grants and Existing HHS Block Grants
-- DOL Youth Fair Chance Program
-- ESEA Title I
-- JTPA Title IIB and IIC
-- Perkins Voc Education
-- School-to-Work High Poverty Grants (particularly with STW Waiver Authority that allows for combination of JTPA, Perkins, ESEA Title I and STW funds)
-- Youthbuild

[We should also consider whether and how the teen pregnancy prevention initiative, if passed in the Welfare Reform Bill, should be a part of the package.]

Federal Partners. Two agencies in particular have tangible resources they can offer to local communities to help them achieve the goals of the challenge, if the local communities are willing to use some of their MIG or other funding to share costs..

National Service: With local cost sharing, we could create teams of VISTA workers and locally-sponsored AmeriCorps volunteers to help communities meet the challenge. For both the "First Tier" and "Second Tier" communities, National Service could offer (1) one or more VISTA workers (paid volunteers) and (2) educational awards for a number of new AmeriCorps volunteers (i.e., the applicant community nominates Americorps candidates from their community to be part of the youth development strategy, and pays for their two-year operational costs and National Service guarantees educational awards for the volunteers after two years of service.) **[The exact details and numbers for National Service commitments have to be worked out.]**

Defense Department (National Guard and Reserves): DOD has already begun a number of pilot programs involving partnerships between the National Guard and Reserve and local communities. At no or low extra cost, Guard and Reserve units receive realistic training, while addressing community needs as a by-product of their training. Current pilot projects include (1) infrastructure/engineering training -- units train by working on infrastructure and renovation projects in distressed communities; (2) healthcare -- units train by providing assistance to medically underserved communities; and (3) job training and youth programs -- with additional Congressional support, units run a number of programs targeted to at-risk youth. The Guard and Reserve would commit to expanding these activities for both "first tier" and "second tier" communities that wish to participate. Specifically, they would offer (1) Safe Haven use of Guard armories, with the community picking up costs of running programs for youth; (2) infrastructure/engineering training opportunities for local youth, with the local unit and community planning together local rehabilitation projects and cost-sharing arrangements; and (3) opportunities to participate in healthcare and other youth development programs, such as Guardcare and ChalleNGe. (Secretary Perry would ask all Governors to set up an action committee with representatives from each Reserve component in the state to facilitate collaboration between service units and communities in planning activities and mutual commitments.) **[Details need to be worked out on numbers of safe havens, guard and reserve units, etc. that could be available, commitment of Sec. Perry.]**

Coordination with a Public/Private Entity. A public/private entity could take on the mission of launching a high profile campaign for youth development focused on the challenge. If a public/private entity is created to promote the welfare reform teen pregnancy prevention initiative, it might take on this wider mission.

Relationship to Empowerment Zones and Enterprise Communities. This initiative could be tied to the EZ/EC initiative by giving priority to applications from designated ECs which show how the activities under the challenge grant are tied to the overall activities of the EC strategic plan.

PROS:

- Provides a platform for the President to continue speaking to the American public on crime and youth and builds support for FY96 appropriations for crime bill programs.

- Given enormous budget pressures, the only available tool may be by better use of existing resources. It builds on the reinvention theme that has been central to this Administration.

- It channels new Crime Bill resources into proven prevention models that build on what we know works and focuses poor communities on implementing the President's lifelong learning agenda and emphasis on work.

- When coupled with activities of a private entity, it could be the centerpiece of a national campaign for youth.

CONS:

- The problems faced by poor urban communities are immense. Merely repackaging the initiatives we have in place will be insufficient if we really want to change opportunities for residents of distressed urban areas.

- By consolidating resources and targeting them in a few places, we may be ensuring that only the fairly sophisticated communities benefit.

- In some communities, relying solely on job linkages and leveraging private sector for job creation, will not be enough to guarantee jobs for targeted at-risk youth.

- Some programs included in the package are not focused exclusively on the vision we have presented and we may draw the ire of Congress if we target them too heavily on youth. (However, there is a potentially strong correlation between youth development and crime prevention, e.g., high school completion strongly correlates to criminal avoidance, particularly for minority males.)

- Coordination without legislative changes will be incremental and place heavy burdens on the local applicants to fit various federal fragments together.

OPTION II -- FUNDING FOR JOBS

This option would build on Option I by adding resources to the challenge to create more job opportunities, primarily in the private sector, for disadvantaged youth. It is designed to address the following concerns: (1) the strongly-held belief of many members of the group that there are not enough private sector jobs or incentives for private sector employers to hire inner city youth and young adults; and (2) evidence from studies showing that for low-income urban youth peer influence and acceptance are crucial in shaping attitudes about work.

Continued Expansion of Youthbuild, JobCorps and ChalleNGe. The group supports continued funding and increases for the Youthbuild (HUD), JobCorps (DOL), and the DOD/National Guard ChalleNGe program (a 22 week residential training program for high school dropouts run by the National Guard). Those programs could be highlighted as part of the youth challenge application (Option I) as possible resources for placing targeted youth in training slots. The Administration should support the permanent expansion of the DOD ChalleNGe program (currently funded as about $60 million) to all fifty states (which would cost about $140 million or more depending on the scale). (Armed Services committee staff have indicated that this is likely to happen this spring when the program comes up for permanent authorization).

SUBOPTION II A. — Funding for Job Creation through Youth Fair Chance. DOL, with considerable support from HUD and other members of the group, has proposed to fund direct job creation through the Youth Fair Chance program, which provides for school-to-work activities and occupational training for youth in high poverty areas of 25,000 persons (up to 50,000 in exceptional cases). Included in the program authorization is a job guarantee component, but it has never been funded. DOL proposes to harness Youth Fair Chance in the following manner:

> **Saturation Approach:** Provide $7.5 million to up to 30 targeted areas to raise the employment rate dramatically (from 40% to 75%) among youths ages 16 to 25 (employing about 2000 youth in each area). (Could do 15 places, tied to MIG competition, for an additional $100 million.)
>
> **Tie Employment to Staying in School and Responsible Behavior:** The program would be designed to avoid creating incentives to drop out of school. Participation would be conditioned on meeting requirements for responsible behavior: avoiding crime and drugs; regular attendance and satisfactory performance at work; remaining in high school until graduation, or returning to school to complete a GED or alternative education program. Non-job guarantee funds would be used to support drop-out prevention, contextual/STW skills training and improvements in college entry.
>
> **Require Private-Sector Commitments:** First priority should be given to sites that would use the funds for private sector wage subsidies (e.g. 50% of the first year of wages) and that obtain commitments from a metropolitan-wide consortium of firms that guarantee a certain number of job slots for targeted youth.

Funding and Selection Alternatives: Currently there are 16 existing youth fair chance sites. We recommend a level of funding that would allow some existing sites to build in a job guarantee component as well as offer the opportunity for new sites to compete. The completion could be consolidated with the Model Intensive Grant challenge (no legal barriers) or it could be run separately. Funding of $200 million we could reach about 30 sites and

16,000 youth **[check numbers]**.

PROS:

- Addresses frontally a critical problem -- joblessness and attendant social effects -- in high poverty communities, without requiring new legislation and for a relatively modest sum.

- Designed to build networks that lead to private sector jobs for disadvantaged youth, in addition to creating job slots, and therefore improves chances for long-term benefits.

- Saturation model, which has never been tried, addresses changing normative behaviors in an entire community, in addition to providing jobs.

CONS:

- May unnecessarily subsidize job guarantees that could be created without such subsidies, as with the Boston Compact.

SUBOPTION IIB -- Funding Job Creation Through Tax Incentives.

Two ideas have been offered for trying to achieve the job creation goal through tax incentives. They are as follows:

Capped Wage Credit, Analogous to the Low Income Housing Tax Credit (LIHTC). With the LIHTC, intermediary organizations such as LISC act as brokers to market credits and involve investors and developers in affordable housing projects. OMB has proposed an analogous, portable wage credit that could be tied to the 15 "first tier" challenge communities. Each of the 15 areas would be allocated a capped amount of wage credits that, as part of their youth development and employment strategy, the would market to regional employers to get commitments for a guaranteed number of job slots from a consortium of employers. Eligibility might be limited to School-to-Work participants to enhance that initiative and reward those who play by the rules. Revenue losses have not been estimated.

Revised Targeted Jobs Tax Credit. DOL has proposed amending the credit to include participants in School-to-Work programs. Revenue losses could be substantial but could be curbed if it were limited to participants from high poverty areas.

PROS:

- A wage credit is a tax <u>cut</u> and therefore has political appeal and is preferable to discretionary spending.

- We are on record as supporting a revised TJTC, so it makes sense to try to achieve our objectives with this mechanism.

CONS:

- Both options need to be scored and vetted with Treasury on issues of cost and administrative feasibility.

- Wage credits are costly and have had questionable results in influencing employer hiring decisions.

OPTION III -- NEW LEGISLATION -- YOUTH EMPOWERMENT AND REFORM

This option is based on the premise that the problems faced by poor urban communities are immense and that the current federal response is inadequate. Merely repackaging the initiatives we have in place or making marginal expansions of current programs -- as is proposed in Options I and II -- will be insufficient if we really want to change opportunities for residents of distressed urban areas.

There are 6.4 million children age 0–18 and two million youth age 18–24 living below the poverty line in center cities. In order to affect the lives of a substantial percentage of these children and youth we should consider large scale investments. (DoEd has proposed spending of up to $2 billion a year targeted at approximately 60 inner-city communities).

Others in the group feel that we cannot justify, politically or otherwise, seeking such substantial new funding or new categorical legislation without first addressing improvements in existing youth programs, many of which have been shown not to work. This school of thought, led primarily by the DPC, contends that inadequate funding levels are not the problem as much as poor usage and fragmentation of existing funding.

This option addresses (1) reforms we can achieve to improve outcomes for disadvantaged youth using existing waiver and regulatory authority; and (2) a bolder proposal for consolidation and reform of exiting programs, that could be coupled with a proposal for additional spending.

SUBOPTION III A. -- Maximizing Existing Reinvention Tools to Focus on High School Completion, School-to-Work, Work-Based Learning, and Job Linkages for At-Risk Youth.

With the passage of School-to-Work and ESEA Title I, DoEd and DOL gained important new tools that will give communities flexibility to combine funds from JTPA IIB and IIC, Perkins Voc Ed, ESEA Title I and School-to-Work, to support the type of skills building, contextual learning and job linkage that we envision for in-school and out-of-school youth from high poverty neighborhoods. At the same time, results of the National JTPA Study showed disappointing results for youth, particularly with JTPA II C year round programs for youth.

DOL and DoEd are working on a paper that assesses how much can be achieved with new waiver and joint funding authority. Proposed reform activities for both in-school youth and out-of-school youth programs are described in the attached appendix. These reforms focus on combining JTPA IIB and IIC programs ($800 million and $600 million respectively) and linking them to comprehensive strategies for at-risk youth that aim (1) to increase high school completion rates and build school-to-work systems; and (2) enroll youth who have dropped out in CET-like, work-based learning programs. In short, through waiver authority and other tools, the vision is the creation of a "virtual" youth development grant for in-school youth (merging Perkins, JTPA, ESEA, etc.) to support school-to-work systems and a parallel effort for out-of-school youth that shifts the focus of funding for out-of-school youth to the CET model.

We will have a better assessment later this week of how effective these proposed administrative reforms are likely to be.

PROS:

- Begins real reform to move the JTPA system towards a sharp focus on work and work-based learning of the successful CET program for out-of-school youth, and towards the school-to-work system, an Administration priority, for in-school youth.

- Avoids a legislative battle on reform that is not likely to be won next year.

CONS:

- It will be very difficult to change the highly decentralized JTPA system, which is designed to allow local providers to develop their own programs.

- It is unclear whether the success of CET and other models lies in program components that can be replicated or in the competence of individual staff and management, which may not be readily replicated.

SUBOPTION IIIB. -- Legislative Consolidation and Reform.

The DPC will be pursuing legislative options for broadening existing statutory and regulatory waiver authority to support revitalization of distressed communities. Youth development, training and employment programs will be included in this strategy.

Single, Youth Development Fund. Some in the working group have proposed an even broader vision -- i.e., the consolidation of categorical youth programs into a single federal youth development funding mechanism (a "Youth Development Fund"). The most sweeping of bold options could restructure dozens of programs involving hundreds of millions of dollars. The elimination of programs could be accompanied by a specific estimate of how many less people it would take the federal government to run the programs, and those savings could be added to program dollars available. Alternatively, we could announce a longer term assault on replication and lack of coordination, beginning with a major effort to consolidate youth services on a few limited fronts (e.g. JTPA II and other youth training and employment programs — a total of 16 programs). Or we could support a limited reallocation of funds from existing programs for an initial stage of flexible block grants. For example, Sens. Kassebaum and Dodd and Reps. Payne and Morella have co-sponsored a Youth Development Block Grant Bill that would reallocate $400 million to expand and coordinate youth development programs for youth ages 6 to 19.

JTPA Youth Programs Reform. With respect to funds currently allocated to JTPA IIB and IIC, we would probably propose consolidation and (1) greater geographic concentration of resources to saturate distressed inner-city and rural communities with mentoring, after-school activities, contextual learning and guarantees of employment and/or education for those who play by the rules; (2) a complete overhaul of the system to focus on a genuine work-based learning program based on the CET model for out-of-school youth and school-to-work for in-school youth; (3) expansion of residential youth service corps; and (4) a joint DOL/DoED dropout prevention program. Consolidation efforts could expand to other programs that are relevant to this vision.

Design Issues. If agency and White House Deputies were to decide that a bold legislative option should be included in the decision memorandum to the President, more staff work would needed to be develop a range of possible options. For example, the youth development fund model devolves most decisionmaking to local institutions on how to design youth development programs. Yet the JTPA II model is also a decentralized, formula program that has not achieved positive results. An alternative would be to consolidate programs to promote strategies that have proven results, e.g. (for education and training programs -- the school-to-work/work-based learning vision presented above).

Additional Resources: The issues of additional resources should also be addressed in the context of the reform agenda. For example, there is a great disparity—in the magnitude of billions of dollars—between public investment in the education of youth who go to college and those who don not. On average, the public invests roughly $5000 between the ages 16 and 24 to educate youth who drop out of school, compared with $25,000 for youth who graduate from college. The social costs of such disparities are particularly great with inner-city, minority youth. Society eventually spends a huge amount of resources on inner-city youth who drop out of high school — in the form of AFDC, Food Stamps, Medicaid, public housing and criminal justice costs. As many as three-fourths of inner-city black male high school drop outs between the ages of 25-34 had criminal records in the 1980s. (Inner-city black high school drop outs had an incarceration rate of 27% while black high school graduates had an incarceration rate of only 4%.) The proportion of young males under the supervision of the criminal justice system more than doubled between 1980 and 1993. Some estimate that society is spending on average approximately $100,000 in present discounted value simply on incarceration costs for each black male high school drop out.

If we could devote more resources up front into effective human capital development, particularly for inner-city youth, we would in the long term save much more money in social welfare and criminal justice costs, not to mention reducing the incidence of violent crime. DoED has put forth a legislative proposal for Youth Empowerment Zones that would address this investment deficit by providing 60 or so impoverished communities with flexible grants of approximately $30 million each in return for developing a comprehensive youth development and employment plan and building in strong accountability. The proposal would reach the 60 school systems with the largest number of poor children. The ideas behind this legislative proposal -- concentration of more resources for comprehensive youth development and employment strategies in low-income areas -- should be considered as part of the reform and investment agenda.

PROS:

- A bold, highly visible commitment to reducing, consolidating and simplifying federal programs in the name of encouraging local flexibility, less red tape, and better services to youth would be a good message to start off the second part of the term.

- It fits with the message of NPR and addresses public discontent with federal bureaucracies.

- It would free local communities from the constraints of narrow categorical programs and gives them the flexibility to design programs that are flexible and adaptable to the needs of local youth. It reduces the administrative burden on grantees of filling out multiple applications and reporting data to numerous federal agencies.

CONS:

- Congressional reaction from committees and members who have created and now oversee the range of categorical programs will not be favorable. A similar proposal by HUD to consolidate McKinney categorical homeless programs met with strong opposition this year.

- Advocacy Groups that represent grantees currently funded by categorical programs will not be pleased. Also, if the funds turn out to be too small and spread too thinly when consolidated, the effort could be seen as an abandonment of youth services.

- There is some risk that you could lose JTPA II C funding altogether, given its poor record, in the context of failed reform fight and thereby lose the opportunity to take advantage of new waiver and joint funding tools. (This underscores the need to think about ways to preserve and enhance the investment agenda for this population.)

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OVERVIEW OF OPTIONS

I. ZERO OPTION: Message Strategy and Aggressive Funding of Existing Priorities

-- Communications person/team assigned
-- Develop and commit to a sustained communications strategy
-- Aggressively fund and pursue signature priorities: (1) Community Development (CDFI, EZ/EC); (2) Crime Bill policing and key prevention funds; (3) Lifelong Learning Agenda (Head Start, Goals 2000, School-to-Work, National Service); and (4) Welfare Reform, particularly the Teen Pregnancy Prevention Initiative.
-- Design communications strategy to reinforce this investment/appropriations agenda
-- Move forward with Private Entity proposal for Teen Pregnancy Prevention campaign; make an integral part of the communications strategy
-- Maximize use of existing waiver authority; make a part of communications strategy

II. COMPETITIVE CHALLENGE TO LEVERAGE EXISTING RESOURCES

A. Legislative Waivers -- EZ/EC Round II
-- Use the hundreds of waivers sought by EZ/EC applicants to build a case for broad legislative waiver authority for all or a subset of EZ/EC applicants

B. Packaging/Coordination of Crime Bill Prevention and Youth Programs
-- Youth-focused challenge run by Prevention Council
-- Voluntary General Goals: after-school youth develop/mentoring programs; work-based learning and guarantees of access to jobs and college; and commitment to objectives of Goals 2000, School-to-Work, and teen pregnancy prevention
-- Rewards for communities that meet the goals and submit a coordinated application: priority consideration or extra points for Model Intensive Grant and other programs; National Service volunteers; National Guard resources and manpower
-- Communities thus could apply for individual programs or could submit a coordinated application for several programs

III. INVESTING ADDITIONAL RESOURCES FOR A COMPETITIVE CHALLENGE

2nd round EZ/EC $1B

A. Private-Sector Employment for Youth from Distressed Areas
-- Tax Credit Option: A capped wage credit that would be tied to a strategic plan for garnering hiring commitments from metropolitan-wide consortia of employers. Available only to designated communities. Cost can be capped as needed. TJTC
-- Discretionary Option: Fund job guarantee component of Youth Fair Chance, use for private sector wage subsidies -- $500 million to $1 billion over 5 years

B. Urban Brownfields Initiative
-- Reinvention Government initiatives: comfort letters; certainty of liability, CDBG usage, need passage of Superfund for strong RIGO effort
-- Patient economic development capital -- $500 million over 5 years; or
-- Tax Incentive of $1-5 billion over five years

C. Flexible Funds to Stimulate Metropolitan-wide solutions (MEZ proposal).
-- National dialogue to develop consensus on goals and benchmarks
-- Small start-up grants to develop comprehensive plans to achieve goals -- $120 million for FY96
-- Discretionary Option: New pot of flexible grant funds over several years plus new flexibility with existing funds for 6-12 MEZ jurisdictions: $840 million FY97-2000. $60 million over 5 years for administrative costs.
-- Tax Option: Tax favored financing for infrastructure and physical redevelopment through "Metro" or "Urban" window of State Infrastructure Banks. Carve out of $5 billion over 5 years for overall SIB proposal.

IV. LEGISLATIVE CONSOLIDATION

A. Youth Programs
-- Consolidate youth portions of training programs, Crime bill "prevention" programs, and/or other youth programs into a flexible grant program.

B. Economic Development Programs
-- Consolidate HUD and EPA economic development funding and focus it on urban "brownfields" and neighborhood commercial revitalization.

C. Consolidation of HUD programs - Ending HUD as we know it

URBAN POLICY OPTIONS
10/22/94 Draft

I. OBJECTIVES

Growing concentrations of urban poverty and growing isolation from surrounding, metropolitan economies;

Disparate, fragmented and overlapping "urban" programs across federal agencies; and

Concern from our traditional base of constituencies — e.g., mayors, minority groups, urban residents — that there has not been enough federal focus on the problem.

II. STEPS WE MUST TAKE

A. Fulfill existing commitments to the EZ/EC Initiative. We publicly committed to giving designated EZs and ECs priority consideration and/or technical assistance from a menu of additional federal programs, which involve special appropriations in some circumstances. We must meet these commitments and also ensure that an enhanced packaged of programs and benefits will be available for ECs.

B. Maintain commitment to our priority/signature investments for FY96: CDFI, EZ/EC, the Lifelong Learning Agenda, Crime Bill authorizations. (These should take priority over agency priorities.)

C. Institutionalize the Community Enterprise Board. Strengthen the staffing mechanism for the CEB, or introduce legislation to merge it with the Prevention Council; so that it can ensure the high-level interagency coordination needed for overseeing the EZ/EC initiative and our broader community reinvention.

D. Provide a Sourcebook and Improved Coordination of Community Development Programs. To reinforce the message that the Clinton Administration's "urban" or "community empowerment" agenda is not limited to just the 104 designated EZs and ECs, we should create a sourcebook on all federal programs (youth development and employment, community and economic development, crime prevention, etc.) that could be part of a "bottom-up" community revitalization strategy. In addition, we must attempt to provide consolidated applications for similar programs.

E. Continue to pursue broader waiver authority (e.g., the Local Flexibility Act) and develop strategies for achieving this. (DPC-OVP Working Group)

F. Continue to pursue the capital access agenda. The ongoing DPC-NEC Credit-Access Working Group should continue working to use the leverage presented by CRA Reform, CDFIs and the GSE Investment Partnerships to substantially increase mainstream financial sector participation in distressed communities through off-budget means.

G. Assign a communications person and commit to a sustained communications strategy. As the majority of our political base is in urban communities, it is imperative that we spread the message about the important initiatives we have launched that will have a positive impact in urban America.

H. Release the HUD Urban Policy Report as soon as POTUS makes decisions. The legislatively mandated report has languished too long and should be released as soon as possible and used, as appropriate, as part of the communications strategy.

II. OPTIONS

A. Community Empowerment–Phase II

This approach is designed to build from the EZ/EC comprehensive planning process by challenging inner–city communities to build linkages to the private sector throughout the metropolitan region while providing tools that will help get regional, private sector players to the table. The substantive focus of this approach would be crime, youth, and jobs.

Selection Criteria. Criteria for eligibility in this program include (1) community involvement; (2) incentives for metropolitan–wide linkages (public–private linkages and partnerships with businesses and institutions throughout the metropolitan region would be a "plus–factor" in selection); (3) accountability (applicants would have to set performance goals that would be monitored and there would be risks of reduced funding over the multi–year grant for nonperformance); and (4) special consideration for EZs/ECs and/or EZ/EC applicants.

Possible Funding. This challenge could be accomplished by (1) using existing resources; (2) seeking new, flexible discretionary spending; (3) seeking mandatory tax funding, and/or (4) some combination of the above.

> **Existing Resources:** For crime and youth programs, we would package certain prevention programs in the Crime Bill with other resources in a challenge focused on youth development (preferably to school–linked partnerships) to provide early and sustained interventions with caring adults, 24–hour safe havens, and clear pathways to work or college by guaranteeing a job or access to college at the end of the line.
>
> For economic development and jobs, the challenge package would offer patient capital in exchange for the local applicants taking steps to eliminate or reduce local regulatory and other barriers to exploiting potential competitive niches.
>
> **New, Discretionary Resources:** We are considering proposals for additional funding, including: (1) for youth employment, the challenge could include new investment in direct job creation by funding the currently unfunded job guarantee component of Youth Fair Chance; (2) for economic development, up to $1 billion in new

discretionary investment; and/or (3) a flexible grant to promote metropolitan-wide linkages and strong accountability, in addition to the substantive goals of the challenge.

Mandatory (Tax) Funding: We are considering the following tax incentives: (1) a tax credit to stimulate employment of youth from distressed areas, e.g., a capped wage credit analogous to the Low Income Housing Tax Credit; (2) an amendment to the TJTC tied to school-to-work participants from high poverty areas; and/or (3) tax-favored financing through a "metrobank" window of the State infrastructure bank proposal.

B. Urban Brownfields Initiative/Commercial Redevelopment

The problem of "brownfields" has been raised consistently by state and local officials, private industry, and community groups as a major impediment to economic development in urban areas as brownfields.

1. Low-Cost Initiative ($25-50 million). We could fund a series of low-cost proposals that would have a significant impact in removing the barriers to the redevelopment of brownfields, including:

— A brownfields indemnification proposal to reduce concern about lender and purchaser liability by not taking enforcement action against new property owners who did not contribute to contamination and other means;
— A $25 million per year program to help develop effective state voluntary brownfields cleanup programs (an expansion of the 10-20 programs currently in existence);
— Clarifying that CDBG funds can be used to assess, investigate, or cleanup "brownfields" sites in communities; and
— Offering EPA/DOJ "comfort letters" for sites which have had approved (state and federal) clean-up plans, indicating that further Superfund action is unlikely ($5 million per year).

2. High Cost Brownfields/Business Development Options. Other options, that have more significant budgetary costs, are (1) a change in the expensing treatment for brownfields clean-up (tax revenue losses of $1 to $5 billion); (2) utilizing State infrastructure banks to help finance the cleanup of brownfields; (3) a set-aside of $500 million in LIFT funds for brownfields redevelopment; and (4) a 5% credit (analogous to the low-income housing tax credit) for the cost of commercial and business development in distressed communities.

1. Legislative Enhancement of the EZ/EC Initiative. If we cannot enhance designated ECs through existing funds, seek legislative approval for new funds to achieve this enhancement. (Note: the exact nature of this option is still being worked out. It would not entail merely seeking more of the same types of Ezs authorized in the original legislation.) **Potential New Investment Cost:** $0–600 million.

(Model Intensive Grants as lead planning/coordinating application, packaged/coordinated with FACES, GREAT, other discretionary and formula block grant programs; National Service and National Guard offer matching commitments). We envision two tiers: (1) the 15-place competition for the model intensive grant; and (2) a broader challenge to the entire nation to meet the goals of the challenge, with much smaller grants for as many as 500 places (using Crime Bill money and Title I demonstration authority).

The two strong rationales for this challenge are that they provide a platform for the President to continue to speak to and challenge the American public about youth and crime (perhaps his best, most natural platform) while also building a case for future crime bill appropriations (and fighting off Republican threats to repeal crime bill prevention programs.)

(With both of these options, to the extent new funding is required, they begin to mutually exclusive. A decision issue arises about whether the economic development package should be combined with the crime/youth challenge and billed as the "follow-on" to the EZ/EC challenge. We still have to work out some difficult technical issues about whether we actually can combine these two proposed packages.)

OMB Draft For Discussion at 1:30 p.m.

10/25

Urban Policy (This should be "Community Empowerment")

The urban initiative now under development takes a new approach in its proposed redesign of Federal efforts to address growing concentrations of urban poverty and increased isolation of these pockets from surrounding metropolitan areas. We want to consolidate and coordinate existing programs, offer individuals and communities greater flexibility in using Federal resources, increase the public and private efforts that Federal resources leverage, and -- in return -- seek greater accountability for the results achieved. The policy options offered would encourage communities to develop their own comprehensive strategies to address these pressing needs. They do not rely on one "magic bullet" intervention. We have learned all too well that reviving these distressed urban neighborhoods is a more complicated effort than that. And we have learned not to impose one "top-down" Federal model program. Instead we seek to empower individuals and communities in a results-oriented atmosphere.

Reinvention

Building on Empowerment Zones/Enterprise Communities, the next phase of the Clinton urban policy would begin to pull together the disparate, fragmented, overlapping array of "urban" programs administered by several agencies:

- o Crime Bill prevention programs would be packaged with existing resources and used to challenge communities to design their own strategies for youth development. A similar challenge could be composed of existing economic and business development resources and would seek to reduce regulatory and other barriers to exploiting potential competitive niches and creating job opportunities.

- o Communities could also be strongly encouraged to make use of the wavier authorities in recently-passed education and training legislation, such as School-to-Work and the ESEA reauthorization.

- o As part of a "brownfields" initiative, Federal agencies like EPA and Justice could coordinate their efforts to eliminate barriers to development, through the use of "comfort letters" and other tools.

- o A more ambitious reinvention option would propose several statutory consolidations, and even broader flexibility, all within a framework of goal-setting and results-oriented accountability.

We would press our themes of consolidation, flexibility, leverage, and accountability through the criteria used to distribute our discretionary grant funds (like the prevention programs in the Crime Bill). Recipients of packages of grants-plus-flexibility would be selected from those applicant communities that best: "reinvent" through coordinating programs in a strategic fashion; involve the private sector; demonstrate community involvement in planning and implementation; and include metropolitan linkages, both intergovernmental and public–private. (Communities designated as Empowerment Zones or Enterprise Communities in Round I would also receive a preference.)

Resources

The basic option requires little in net additional resources; it relies instead on coordination within a results-oriented framework focused on our priorities of youth development, public safety, and jobs. As an alternative, new resources could be added to provide stronger incentives and to better assist communities in addressing their needs:

- o A pot of new appropriated resources would be used: (1) to help communities and States "glue" together the now separate Federal programs and funding streams, and to fill gaps; and (2) to reward communities for progress in attaining important local and national objectives, reinforcing the results–and–accountability framework described above.

- o New funds could also be added to specific existing authorizations to better provide program tools to communities. For example, the promising Youth Fair Chance demonstration jobs program in Labor could be substantially expanded and linked to Crime Bill discretionary grant programs.

The stronger incentive that new funds represent would encourage communities to broaden their ties with the business and non–profit sectors, and to work across bureaucratic and local jurisdictional lines –– the kind of reinvention required to make a break with the history of failed categorical programs. These funds would be made available on terms that bolster our themes because they would be flexible and/or coordinated, and especially true if they are linked to goals in an accountability structure.

Mandatory funds, financed with PAYGO offsets and not subject to the discretionary caps, could also be included in a higher–cost option. Three leading possibilities are:

- o Infrastructure Bank: If we propose a network of State Infrastructure Banks, States could be given the option of creating a special "Metrobank Window" with a deeper subsidy available for qualifying projects in jurisdictions participating in this urban initiative. Qualifying projects might be defined in terms of job creation potential, brownfields redevelopment, nexus to a regional economic development strategy, etc. [See Infrastructure Bank proposal for details.]

- o Jobs Credit: We could propose modifications to the Targeted Jobs Tax Credit or a new capped tax credit similar to the Low Income Housing Tax Credit. This new credit would be allocated in proportion to needy population to participating jurisdictions, who would then act as intermediaries to competitively broker employment and training opportunities with private employers in exchange for the credit. Design variations are numerous, such as focusing on hiring participants in programs like School-to-Work or Youth Fair Chance or making certain requirements for training or leaving the States and locals with great discretion.

- Development Credit/Subsidy: We could provide a capped tax credit for qualifying business development activity that is not limited to employment. Some argue, for example, that tax subsidies for capital and site preparation are more important than wage subsidies. Alternatively, we could propose a capped increase in the use of private purpose tax exempt bonds, for qualifying development activities in a jurisdiction participating in our initiative. [Private-purpose bond authority is one possible tool for State Infrastructure Banks. This variation is potentially broader, and without the Bank as intermediary.] Again, brownfields redevelopment is one category of activity that might be especially appropriate.

These mandatory options would offer States and localities additional tools with which to develop their comprehensive strategy and may provide an effective way to engage the private sector in our efforts and leverage Federal funds.

Bruce

THE WHITE HOUSE

WASHINGTON

October 26, 1994

MEMORANDUM FOR YOUTH DEVELOPMENT SUB-GROUP

FROM: SHERYLL CASHIN, NEC

SUBJECT: Draft Options Paper

Attached is a revised draft of options that attempts to reflect the consensus of the group. The Sub-group co-chairs will now begin work with White House deputies on a larger urban policy draft. Agencies will be given an opportunity to respond to that draft. In the meantime, if you have any concerns about the substantive direction of the attached draft, I would appreciate hearing from you. At this juncture, we are not planning on having any more meetings at the sub-group level. An overall deputies meeting is likely in the next two weeks. Thank you for your input. Please call me if you have any questions or concerns.

YOUTH DEVELOPMENT SUB-GROUP
Executive Summary

We propose generally that the President challenge communities to create neighborhoods that offer safety and opportunities for young people — in other words, to build a "youth development infrastructure" in distressed communities to intervene early with at-risk youth, prevent crime and, provide sustained attention through high school to channel youth to the economic mainstream. Communities would be challenged to meet core goals for youth, for example: (1) a caring adult in the life of every child; (2) safe and supportive environments; (3) meeting Goals 2000 and School-To-Work; and (4) a clear pathway to work or college.

Two-Tiered Strategy: Assuming there is support for such a challenge, we would propose a two-tiered strategy. Starting in January or February of 1995, we would announce the RFP for the challenge and the availability of planning grants. The actual awards would be along two tiers: (1) an award of intensive grants for 15 communities; and (2) a broad challenge to the nation, coupled with smaller grants to reach a large number (500 – 1000) of school clusters or neighborhoods, which could be part of a ongoing national campaign for youth.

Design Issue: We must consider whether and/or how the Welfare Reform Teen Pregnancy Initiative should be reflected in this challenge.

Alternatives for issuing the challenge: The memo then describes three strategic options for achieving this vision: (1) packaging and coordinating existing programs; (2) coupling such a package with new discretionary funding or a tax incentive to create new private sector jobs and training opportunities for youth; and (3) regulatory and/or legislative reform.

Option I – Using Existing Programs: Build incentives into the application for the Model Intensive Grant (Crime Bill) and into applications for other new grant programs to facilitate the combination of funds to support a unified youth development strategy that meets the goals of the challenge. Successful communities would recieve coordinated packages of youth development funding. National Service and National Guard and Reserves offer manpower and facilities to support communty strategies. (Note: new funding may be needed for the second tier of packages if we are to have a meaningful second tier.)

Option II – Additional Funding for Jobs: This option would build on Option I by adding resources to the challenge to create more job opportunities, primarily in the private sector, for disadvantaged youth. It proposes either: (1) investing $7.5 million in up to 30 targeted areas to support to raise the employment rate dramatically (from 40% to 75%) among youths ages 16 to 25; or (2) funding job creation through a capped wage credit analgous to the Low Income Housing Tax Credit or through an amendment to the TJTC.

Option III – Bold Reform: This option addresses (1) reforms we can achieve to improve outcomes for disadvantaged youth using existing waiver and regulatory authority; and (2) a bolder proposal for consolidation and reform of exiting youth development programs, that could be coupled with a proposal for additional spending.

Summary of Budgetary Proposals: Below are the budget items presented in the draft. Of all of the new spending items, there appears to be strong consensus for giving first priority to job creation.

Option I:

Second Tier: To do a meaningful "second tier" that provides resources to 100 to 300 additional places, we may need additional funds that could be put into Title I ESEA demonstration authority (which is quite flexible) or more National Service Volunteers. (The Welfare Reform Teen Pregnancy Initiative was able to reach 1000 schools for $300 million.) More staff work is needed to flesh out all possibilities regarding the second tier. Alternatively, we could simply provide information, guidance and technical assistance, coupled with maximum coordination of crime bill and other programs, without a formal goal of a second tier.

Continued increases for existing job training programs: The group supports continued funding and scheduled increases for the Youthbuild (HUD), JobCorps (DOL), and the DOD/National Guard ChalleNGe program (a 22 week residential training program for high school dropouts run by the National Guard). All of these programs would be highlighted as part of the overall youth challenge.

Option II:

Job Creation (Discretionary). To fund saturated job creation in 30 places, reaching approcximately 16,000 youth, we would need approximately $200 million a year over 5 years in additional funding for Youth Fair Chance. $100 million annually would fund job creation in 15 places that could be combined with the first tier of the youth challenge. (No new legislation needed.)

Job Creation (Tax Incentive). A capped wage credit, analogous to the Low Income Housing Tax Credit, or an amendment to the TJTC have been suggested to fund job creation. The capped wage credit could be limited to the 15 first tier communities. Revenue losses depend on design. We can cap it as low as needed.

Option III:

Both the regulatory and legislative reform options are intended to be budget neutral. An open issue is whether these reforms should attempt to achieve more concentration of resources for low-income areas and/or an infusion of additional resources.

DRAFT

YOUTH DEVELOPMENT SUB-GROUP DRAFT OPTIONS -- SAFETY AND OPPORTUNITIES FOR YOUTH

Youth in distressed urban communities suffer from compounded and interacting problems: a breakdown of family, extended family and community structures; a lack of shared value systems that support individual responsibility; increasing economic isolation; teenage pregnancy and young parents without the skills to raise their children; a high-level of exposure to criminal violence and a paucity of safe and nurturing environments; and few connections to the labor market and thus little structure of rewards, discipline, and work.

Most Americans recognize and are deeply concerned about this loss of human potential and the social toll of youth violence. This concern cuts across class, race, gender, party and geographical location. And, many are seeking common sense, attainable solutions.

We propose that the President challenge communities to create neighborhoods that offer safety and opportunities for young people -- in other words, to build a "youth development infrastructure" in distressed communities to intervene early with at-risk youth (ages 10-18 or even younger), prevent crime and, provide sustained attention through high school to channel youth to the economic mainstream. This challenge would say to youth and communities, we will work harder to expand opportunities to you, but you -- and every youth and adult in the community -- must take personal responsibility for working harder to take advantage of these opportunities.

We would challenge communities to meet core goals. The following are some examples of possible core goals:

- **A caring adult in the life of every child** -- Youth should have sustained nurturing relationships with responsible adults. Ensure this by providing consistent, high-quality mentoring in the context of recreation, academics, community service and work. Some preference would be given to programs that will have paid staff and/or national service volunteers to ensure sustained, long-term interventions over several years. Some preference would be given to programs that focus on the family and parental support so that parents will have the skills to raise their child.

- **Safe and supportive environments** -- Youth should have "safe havens" (e.g., 24 hour schools, community-based clubs and National Guard Armories) that are consistently open and available.

- **Meeting Goals 2000 and School-To-Work** -- Youth should complete school or achieve high skills standards. Use mentoring, recreational and/or safe haven components to provide activities that are designed to help kids stay in school and graduate, and offer both in-school and out-of-school youth work-based or "contextual" learning so they gain skills to compete in the mainstream economy.

- **A clear pathway to work or college --** Young people who stay in school or meet specified skills goals should be rewarded with a guaranteed private-sector job or access to college. By leveraging the private sector, investing in job developers that provide access to the labor market, or, where necessary, through direct job creation, communities can reward youth who take personal responsibility for their future. This would require investment only in job linkage/creation strategies that strongly emphasize private sector work and personal responsibility (as opposed to "warm and fuzzy" services).

[Issue -- Should we have a direct linkage between the youth development goal and community policing? If so, how would this goal be crafted. What is the proper role for community police officer or community policing strategy in this vision?]

Process Goals: Beyond these substantive goals, the challenge would also have process goals: i.e., (1) community involvement in the design and implementation of the strategy; (2) designing activities that treat youths as assets to be of service in the community; and (3) strong accountability that requires communities to set performance benchmarks with the possibility of reduced funding for nonperformance.

This challenge would set clear goals -- but recognize that every community would meet the challenge differently. It would rely on approaches that are energized by partnerships of families, community-based organizations, schools, churches, the business community, colleges and universities, law enforcement and other key institutions.

This is a theme about which the President has spoken passionately over the last year and for which he has consistently been praised for providing much-needed leadership. It appears to be his best, and most natural platform for speaking to the American people. It is a theme that is central to the welfare reform proposal, the Crime bill and the entire lifelong learning agenda. A message that communities must come together to offer safety and opportunities for youth and that the entire community must take responsibility to use those opportunities has moral resonance. It also makes sense to people who see a generation being lost and realize that the place to start in rebuilding our communities is with our young people.

The Youth Development sub-group believes that this message and vision should be a centerpiece -- if not the centerpiece -- of the Administration's urban agenda. Based on what we know from research, it is the vision that we believe has be best chance of changing life circumstances <u>and</u> preventing crime in our inner cities.

Alternatives for issuing the challenge: Described below are three alternatives for achieving this vision: (1) packaging and coordinating existing programs; (2) coupling such a package with new discretionary funding or a tax incentive to create new private sector jobs and training opportunities for youth; and (3) regulatory and/or legislative reform.

Two-Tiered Strategy: Assuming there is support for such a challenge, we would propose a two-tiered strategy. Starting in January or February of 1995, we would announce the RFP for the challenge and the availability of planning grants. The actual awards would be along two tiers: (1) an award of intensive grants for 15 communities; and (2) a broad challenge to the nation, coupled with smaller grants to reach a large number (500 – 1000) of school clusters or neighborhoods, which could be part of a ongoing national campaign for youth.

OPTION I — USING EXISTING PROGRAMS

Under this option, we would "package" together key youth development programs -- particularly new Crime Bill programs, to promote coordinated community planning to meet the challenge. The overall features of this option are as follows:

January/February 1995, Announcement of Challenge and Planning Grants. Key agencies would be asked to use discretionary money under current authority and appropriations to offer a total of approximately 30 planning grants of approximately $100,000 each. An announcement of the planning grants (and of the request for proposals for the Model Intensive Grant and other key youth development programs) could launch the challenge. In addition, the grants could help build support for appropriating funds for crime bill prevention programs in FY96.

First Tier: Intensive Grants for Safety and Opportunity Youth. In October 1995, the 15 winners of the Model Intensive Grant would be announced. Communities will have submitted a youth development and crime prevention plan that shows how they would use the model intensive grant and other federal youth programs, as well as private sector and community resources, to meet the goals of the challenge.

Second Tier: Broader Challenge to the Nation to Support Safety and Opportunity for Youth. The President would also challenge the entire nation to meet these goals. The Administration would provide information, technical assistance, guidance on waiver strategies and other support to help communities meet this vision. We could also make small grants or grant packages available through existing authorities to additional communities. Some possibilities include: (1) additional investments in National Service; (2) ESEA, Title I demonstration authority (DoEd suggests an investment of $100 million annually in new funds to create a second tier in 100–300 school clusters, which would reach approximately 400 to 1000 high poverty schools. The demonstration authority allows funding for all activities we envision, <u>except</u> direct job creation); (3) Prevention Council grants (e.g., of $500,000 to $1 million) (existing funding is $90 million over 6 years, some of this grantmaking could be devoted to the second tier); and (4) using powerful legal authority of office of juvenile justice to aggregate discretionary funds from different agencies that carry out federal "juvenile delinquency" programs or activities (broadly defined to include any program that involves delinquency prevention, treatment, and juvenile training) and redirect such funds to an "exceptional need or an exceptionally effective program or activity."

Coordination Techniques. Rather than try to actually consolidate the application process for a number of programs (a legal impossibility), we would try to build incentives into the application for the Model Intensive Grant and into applications for other new grant programs to facilitate the combination of crime prevention and other funds to support a unified youth development strategy that meets the goals of the challenge. We would maximize existing federal tools for program coordination, for example, (1) giving extra points to applicants that propose to use existing block grant funds to support a unified strategy; (2) giving extra points to applicants that propose to use School-to-Work waiver authority to combine JTPA, ESEA and Perkins and other funds for skills development and job linkage as part of a unified strategy; (3) giving competitive priority for a menu of federal competitive youth development programs to communities that have submitted a unified strategy that meets the goals; and (4) coordinating as much as possible the timing, regulatory requirements, and rollout of relevant youth programs.

Waiver Requests. The community strategic plans would include requests for waivers from regulatory and legislative impediments to innovation and meeting the challenge. The MIG application would specifically highlight new, existing waiver authority under School-to-Work and other Education and Labor programs.

Programs and Resources to be Coordinated. The Model Intensive Grant ("MIG") would be the lead mechanism for spurring communities to develop a strategic youth development plan that uses a number of federal resources to achieve the goals of the challenge in targeted high poverty neighborhoods. Given the amounts and the flexibility available in the Model Intensive Grant, we believe it can be used successfully to encourage coordination and leverage. Agencies have indicated that the following additional discretionary programs might be part of coordinated package for which applicants receive competitive priority:

-- Crime Bill FACES and Community Schools Programs
-- Crime Bill Assistance for Delinquent and At-Risk Youth
-- DOJ High Risk Youth Program (flexible authority to demonstrate effective models for drug abuse prevention and treatment)
-- DOL Youth Fair Chance Program
-- Youthbuild
[-- JobCorps ?]
[-- National Guard ChalleNGe ?]

Through the MIG application, we would encourage applicants to coordinate the following sources (and inform them about new waiver authority that allows for combination of JTPA, Perkins, ESEA Title I and STW funds):

-- Crime Bill Block Grants and Existing HHS Block Grants
-- ESEA Title I
-- JTPA Title IIB and IIC
-- Perkins Voc Education

-- School-to-Work High Poverty and other Grants

Federal Partners. Some agencies in particular have tangible resources they can offer to local communities to help them achieve the goals of the challenge, if the local communities are willing to use some of their MIG or other funding to share costs.

National Service: With local cost sharing, we could create teams of VISTA workers and locally-sponsored AmeriCorps volunteers to help communities meet the challenge. For both the "First Tier" and "Second Tier"communities, National Service could offer (1) one or more VISTA workers (paid volunteers) and (2) educational awards for a number of new AmeriCorps volunteers (i.e., the applicant community nominates Americorps candidates from their community to be part of the youth development strategy, and pays for their two-year operational costs and National Service guarantees educational awards for the volunteers after two years of service.) **[The exact details and numbers for National Service commitments have to be worked out. This is what National Service can do at existing appropriations levels.]**

Defense Department (National Guard and Reserves): DOD has already begun a number of pilot programs involving partnerships between the National Guard and Reserve and local communities. At no or low extra cost, Guard and Reserve units receive realistic training, while addressing community needs as a by-product of their training. Current pilot projects include (1) infrastructure/engineering training -- units train by working on infrastructure and renovation projects in distressed communities; (2) healthcare -- units train by providing assistance to medically underserved communities; and (3) job training and youth programs -- with additional Congressional support, units run a number of programs targeted to at-risk youth. The Guard and Reserve would commit to expanding these activities for both "first tier" and "second tier" communities that wish to participate. Specifically, they would offer (1) Safe Haven use of Guard armories, with the community picking up costs of running programs for youth; (2) infrastructure/engineering training opportunities for local youth, with the local unit and community planning together local rehabilitation projects and cost-sharing arrangements; and (3) opportunities to participate in healthcare and other youth development programs, such as Guardcare and ChalleNGe. (Secretary Perry would ask all Governors to set up an action committee with representatives from each Reserve component in the state to facilitate collaboration between service units and communities in planning activities and mutual commitments.) **[Details need to be worked out on numbers of safe havens, guard and reserve units, etc. that could be available, commitment of Sec. Perry.]**

Continued Expansion of Youthbuild, JobCorps and ChalleNGe. The group supports continued funding and scheduled increases for the Youthbuild (HUD), JobCorps (DOL), and the DOD/National Guard ChalleNGe program (a 22 week residential training program for high school dropouts run by the National Guard). Those programs could be highlighted as part of the youth challenge application as possible resources for placing targeted youth in training slots. The Administration should support the permanent expansion of the DOD ChalleNGe program (currently funded as about $60 million) to all fifty states (which would cost about $140 million or more depending on the scale). (Armed Services committee staff have indicated that this is likely to happen this spring when the program comes up for permanent authorization).

Coordination with a Public/Private Entity. A public/private entity could take on the mission of launching a high profile campaign for youth development focused on the challenge. If a public/private entity is created to promote the welfare reform teen pregnancy prevention initiative, it might take on this wider mission.

Relationship to Empowerment Zones and Enterprise Communities. This initiative could be tied to the EZ/EC initiative by giving priority to applications from designated ECs which show how the activities under the challenge grant are tied to the overall activities of the EC strategic plan.

PROS:

- Provides a platform for the President to continue speaking to the American public on crime and youth and builds support for FY96 appropriations for crime bill programs.

- Given enormous budget pressures, the only available tool may be by better use of existing resources. It builds on the reinvention theme that has been central to this Administration.

- It channels new Crime Bill resources into proven prevention models that build on what we know works and focuses poor communities on implementing the President's lifelong learning agenda and emphasis on work.

- When coupled with activities of a private entity, it could be the centerpiece of a national campaign for youth.

CONS:

- The problems faced by poor urban communities are immense. Merely repackaging the initiatives we have in place will be insufficient if we really want to change opportunities for residents of distressed urban areas.

- By consolidating resources and targeting them in a few places, we may be ensuring that only the fairly sophisticated communities benefit.

- In some communities, relying solely on job linkages and leveraging private sector for job creation, will not be enough to guarantee jobs for targeted at-risk youth.

- Some programs included in the package are not focused exclusively on the vision we have presented and we may draw the ire of Congress if we target them too heavily on youth. (However, there is a potentially strong correlation between youth development and crime prevention, e.g., high school completion strongly correlates to criminal avoidance, particularly for minority males.)

- Coordination without legislative changes will be incremental and place heavy burdens on the local applicants to fit various federal fragments together.

OPTION II -- FUNDING FOR JOB CREATION

This option would build on Option I by adding resources to the challenge to create more job opportunities, primarily in the private sector, for disadvantaged youth. It is designed to address the following concerns: (1) the strongly-held belief of many members of the group that there are not enough private sector jobs or incentives for private sector employers to hire inner city youth and young adults; and (2) evidence from studies showing that for low-income urban youth peer influence and acceptance are crucial in shaping attitudes about work.

SUBOPTION II A. -- Funding for Job Creation through Youth Fair Chance.
DOL, with considerable support from HUD and other members of the group, has proposed to fund direct job creation through the Youth Fair Chance program, which provides for school-to-work activities and occupational training for youth in high poverty areas of 25,000 persons (up to 50,000 in exceptional cases). Included in the program authorization is a job guarantee component, but it has never been funded. DOL proposes to harness Youth Fair Chance in the following manner:

Saturation Approach: Provide $7.5 million to up to 30 targeted areas to raise the employment rate dramatically (from 40% to 75%) among youths ages 16 to 25 (employing about 2000 youth in each area). (Could do 15 places, tied to MIG competition, for an additional $100 million.)

Tie Employment to Staying in School and Responsible Behavior: The program would be designed to avoid creating incentives to drop out of school. Participation would be conditioned on meeting requirements for responsible behavior: avoiding crime and drugs; regular attendance and satisfactory performance at work; remaining in high school until graduation, or returning to school to complete a GED or alternative education program. Non-job guarantee funds would be used to support drop-out prevention, contextual/STW skills training and improvements in college entry.

Require Private-Sector Commitments: First priority should be given to sites that would use the funds for private sector wage subsidies (e.g. 50% of the first year of wages) and that obtain commitments from a metropolitan-wide consortium of firms that guarantee a certain number of job slots for targeted youth.

Funding and Selection Alternatives: Currently there are 16 existing youth fair chance sites. We recommend a level of funding that would allow some existing sites to build in a job guarantee component as well as offer the opportunity for new sites to compete. The completion could be consolidated with the Model Intensive Grant challenge (no legal barriers) or it could be run separately. Funding of $200 million we could reach about 30 sites and 16,000 youth **[check numbers]**.

PROS:

- Addresses frontally a critical problem -- joblessness and attendant social effects -- in high poverty communities, without requiring new legislation and for a relatively modest sum.

- Designed to build networks that lead to private sector jobs for disadvantaged youth, in addition to creating job slots, and therefore improves chances for long-term benefits.

- Saturation model, which has never been tried, addresses changing normative behaviors in an entire community, in addition to providing jobs.

CONS:

- May unnecessarily subsidize job guarantees that could be created without such subsidies, as with the Boston Compact.

SUBOPTION IIB -- Funding Job Creation Through Tax Incentives.

Two ideas have been offered for trying to achieve the job creation goal through tax incentives. They are as follows:

Capped Wage Credit, Analogous to the Low Income Housing Tax Credit (LIHTC). With the LIHTC, intermediary organizations such as LISC act as brokers to market credits and involve investors and developers in affordable housing projects. OMB has proposed an analogous, portable wage credit that could be tied to the 15 "first tier" challenge communities. Each of the 15 areas would be allocated a capped amount of wage credits that, as part of their youth development and employment strategy, the would market to regional employers to get commitments for a guaranteed number of job slots from a consortium of employers. Eligibility might be limited to School-to-Work participants to enhance that initiative and reward those who play by the rules. Revenue losses have not been estimated.

Revised Targeted Jobs Tax Credit. DOL has proposed amending the credit to include participants in School-to-Work programs. Revenue losses could be substantial but could be curbed if it were limited to participants from high poverty areas.

PROS:

- A wage credit is a tax cut and therefore has political appeal and is preferable to discretionary spending.

- We are on record as supporting a revised TJTC, so it makes sense to try to achieve our objectives with this mechanism.

CONS:

- Both options need to be scored and vetted with Treasury on issues of cost and administrative feasibility.

- Wage credits are costly and have had questionable results in influencing employer hiring decisions.

OPTION III -- NEW LEGISLATION -- YOUTH EMPOWERMENT AND REFORM

This option is based on the premise that the problems faced by poor urban communities are immense and that the current federal response is inadequate. Merely repackaging the initiatives we have in place or making marginal expansions of current programs -- as is proposed in Options I and II -- will be insufficient if we really want to change opportunities for residents of distressed urban areas.

There are 6.4 million children age 0-18 and two million youth age 18-24 living below the poverty line in center cities. In order to affect the lives of a substantial percentage of these children and youth we should consider large scale investments. (DoEd has proposed spending of up to $2 billion a year targeted at approximately 60 inner-city communities).

Others in the group feel that we cannot justify, politically or otherwise, seeking such substantial new funding or new categorical legislation without first addressing improvements in existing youth programs, many of which have been shown not to work. This school of thought, led primarily by the DPC, contends that inadequate funding levels are not the problem as much as poor usage and fragmentation of existing funding.

This option addresses (1) reforms we can achieve to improve outcomes for disadvantaged youth using existing waiver and regulatory authority; and (2) a bolder proposal for consolidation and reform of exiting programs, that could be coupled with a proposal for additional spending.

SUBOPTION IIIB. -- Legislative Consolidation and Reform.

The DPC will be pursuing legislative options for broadening existing statutory and regulatory waiver authority to support revitalization of distressed communities. Youth development, training and employment programs will be included in this strategy.

Single, Youth Development Fund. Some in the working group have proposed an even broader vision -- i.e., the consolidation of categorical youth programs into a single federal youth development funding mechanism (a "Youth Development Fund"). The most sweeping of bold options could restructure dozens of programs involving hundreds of millions of dollars. The elimination of programs could be accompanied by a specific estimate of how many less people it would take the federal government to run the programs, and those savings could be added to program dollars available. Alternatively, we could announce a longer term assault on replication and lack of coordination, beginning with a major effort to consolidate youth services on a few limited fronts (e.g. JTPA II and other youth training and employment programs -- a total of 16 programs). Or we could support a limited reallocation of funds from existing programs for an initial stage of flexible block grants. For example, Sens. Kassebaum and Dodd and Reps. Payne and Morella have co-sponsored a Youth Development Block Grant Bill that would reallocate $400 million to expand and coordinate youth development programs for youth ages 6 to 19.

JTPA Youth Programs Reform. If the Administration were to pursue legislative reforms of JTPA IIB and IIC, we would probably propose consolidation and (1) greater geographic concentration of resources to saturate distressed inner-city and rural communities with mentoring, after-school activities, contextual learning and guarantees of employment and/or education for those who play by the rules; (2) a complete overhaul of the system to focus on a genuine work-based learning program based on the CET model for out-of-school youth and school-to-work for in-school youth; (3) expansion of residential youth service corps; and (4) a joint DOL/DoED dropout prevention program.

Design Issues. If agency and White House Deputies were to decide that a bold legislative option should be included in the decision memorandum to the President, more staff work would needed to be develop a range of possible options. For example, the youth development fund model devolves most decisionmaking to local institutions on how to design youth development programs. Yet the JTPA II model is also a decentralized, formula program that has not achieved positive results. An alternative would be to consolidate programs to promote strategies that have proven results, e.g. (for education and training programs -- the school-to-work/work-based learning vision presented above).

Additional Resources: The issues of additional resources should also be addressed in the context of the reform agenda. For example, there is a great disparity--in the magnitude of billions of dollars--between public investment in the education of youth who go to college and those who don not. On average, the public invests roughly $5000 between the ages 16 and 24 to educate youth who drop out of school, compared with $25,000 for youth who

SUBOPTION III A. — Maximizing Existing Reinvention Tools to Focus on High School Completion, School-to-Work, Work-Based Learning, and Job Linkages for At-Risk Youth.

With the passage of School-to-Work and ESEA Title I, DoEd and DOL gained important new tools that will give communities flexibility to combine funds from JTPA IIB and IIC, Perkins Voc Ed, ESEA Title I and School-to-Work, to support the type of skills building, contextual learning and job linkage that we envision for in-school and out-of-school youth from high poverty neighborhoods. At the same time, results of the National JTPA Study showed disappointing results for youth, particularly with JTPA II C year round programs for youth.

DOL and DoEd are working on a paper that assesses how much can be achieved with new waiver and joint funding authority. Proposed reform activities for both in-school youth and out-of-school youth programs are described in the attached appendix. These reforms focus on combining JTPA IIB and IIC programs ($800 million and $600 million respectively) and linking them to comprehensive strategies for at-risk youth that aim (1) to increase high school completion rates and build school-to-work systems; and (2) enroll youth who have dropped out in CET-like, work-based learning programs. In short, through waiver authority and other tools, the vision is the creation of a "virtual" youth development grant for in-school youth (merging Perkins, JTPA, ESEA, etc..) to support school-to-work systems and a parallel effort for out-of-school youth that shifts the focus of funding for out-of-school youth to the CET model.

We will have a better assessment later this week of how effective these proposed administrative reforms are likely to be.

PROS:

- Begins real reform to move the JTPA system towards a sharp focus on work and work-based learning of the successful CET program for out-of-school youth, and towards the school-to-work system, an Administration priority, for in-school youth.

- Avoids a legislative battle on reform that is not likely to be won next year.

CONS:

- It will be very difficult to change the highly decentralized JTPA system, which is designed to allow local providers to develop their own programs.

- It is unclear whether the success of CET and other models lies in program components that can be replicated or in the competence of individual staff and management, which may not be readily replicated.

graduate from college. The social costs of such disparities are particularly great with inner-city, minority youth. Society eventually spends a huge amount of resources on inner-city youth who drop out of high school -- in the form of AFDC, Food Stamps, Medicaid, public housing and criminal justice costs. As many as three-fourths of inner-city black male high school drop outs between the ages of 25-34 had criminal records in the 1980s. (Inner-city black high school drop outs had an incarceration rate of 27% while black high school graduates had an incarceration rate of only 4%.) The proportion of young males under the supervision of the criminal justice system more than doubled between 1980 and 1993. Some estimate that society is spending on average approximately $100,000 in present discounted value simply on incarceration costs for each black male high school drop out.

If we could devote more resources up front into effective human capital development, particularly for inner-city youth, we would in the long term save much more money in social welfare and criminal justice costs, not to mention reducing the incidence of violent crime. DoED has put forth a legislative proposal for Youth Empowerment Zones that would address this investment deficit by providing 60 or so impoverished communities with flexible grants of approximately $30 million each in return for developing a comprehensive youth development and employment plan and building in strong accountability. The proposal would reach the 60 school systems with the largest number of poor children. The ideas behind this legislative proposal -- concentration of more resources for comprehensive youth development and employment strategies in low-income areas -- should be considered as part of the reform and investment agenda.

PROS:

- A bold, highly visible commitment to reducing, consolidating and simplifying federal programs in the name of encouraging local flexibility, less red tape, and better services to youth would be a good message to start off the second part of the term.

- It fits with the message of NPR and addresses public discontent with federal bureaucracies.

- It would free local communities from the constraints of narrow categorical programs and gives them the flexibility to design programs that are flexible and adaptable to the needs of local youth. It reduces the administrative burden on grantees of filling out multiple applications and reporting data to numerous federal agencies.

CONS:

- Congressional reaction from committees and members who have created and now oversee the range of categorical programs will not be favorable.

- Advocacy Groups that represent grantees currently funded by categorical programs will not be pleased. Also, if the funds turn out to be too small and spread too thinly when consolidated, the effort could be seen as an abandonment of youth services.

- There is some risk that you could lose JTPA II C funding altogether, given its poor record, in the context of failed reform fight and thereby lose the opportunity to take advantage of new waiver and joint funding tools. (This underscores the need to think about ways to preserve and enhance the investment agenda for this population.)

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

26-Oct-1994 08:10am

TO: (See Below)

FROM: Francis S. Redburn
Office of Mgmt and Budget, HTF

SUBJECT: Community Reinvention Options

The following is the latest and last version of the Community Reinvention subgroup options memo. Co-chairs will now begin working with WH deputies to shape an overall decision memo. My understanding is that agencies will have a chance to weigh in and respond to that memo.

October 19, 1994

Community Reinvention: Framework and Options

We believe that reinvention must be at the core of any major new urban initiative. There are several bases for this recommendation:

? First, given budget pressures, we simply do not have the resources to fund new or existing programs on a sufficient scale -- no matter how creative and effective their design. Our success depends heavily on leveraging -- through reinvention -- the resources, genius, and concern of local businesses, public leaders and ordinary citizens.

? Second, urban problems defy traditional solutions. No policy area is more intractable or has a longer track record of abandoned or failed Federal programs. We can either risk adding to that string or devolve the task of program design to expert hands in local communities. The genius of a federal system, properly reinterpreted in light of experience, is just this: the national government defines a national goal and creates a broad framework of incentives and support for lower levels of government and the private sector to work toward that goal: States, communities, businesses, and families take it from there.

? Third, the concept of reinvention is a principal theme of this Presidency. The Clinton-Gore Administration has already made a commitment to community reinvention. Recognizing the weaknesses of the prevailing structure, the Vice President's National Performance Review sketches the terms of a new contractual relationship between the Federal government and State and local governments. This theme of reinvention also can be found in the Empowerment Zones, the Prevention Council, PACT, the Government Performance & Results Act, the President's performance agreements with Cabinet officers, the modified High Intensity Drug Trafficking Areas process, rural development councils, Community Development Financial Institutions, and several other initiatives. The common elements of these efforts include:

(1) flexibility: increased coordination of and flexibility in using Federal resources;

(2) bottom-up solutions: a new emphasis on community-based initiative to define problems and develop integrated strategic solutions; and

(3) a focus on outcomes: not compliance with paperwork requirements.

Realizing this reinvention model will be a complicated and staged effort. Realizing it in the context of an effort to deal with concentrated urban poverty presents additional challenges. We will need to find new ways to remove barriers and empower communities to work across levels of government, across traditional functional and programmatic lines, and with the private sector. The success of our efforts will depend on our ability to alter the terms of the Federal-local relationship and mobilize the energies and capital of the private and voluntary sectors.

Empowerment Zones and Enterprise Communities are the first stage of the Administration's reinvention of Federal-community relationships. Listed below are three options to build on the EZ/EC initiative. They represent both stages in a timeline and a progressive expansion of geographic scope -- beginning with individual poverty neighborhoods and moving outward to the larger city and metropolitan area.

The first option listed below outlines a series of steps that can be taken in the current fiscal year to enhance the EZ/EC initiative and to support the first award winners to ensure and accelerate their success. The second option is for a new round of urban Empowerment Zones, but with modified and more limited funding and other enhancements. The third option, which is more long-range and potentially the most far-reaching in its effects, is for Metropolitan Empowerment. It would provide, over a multi-year period, for a progressive and fundamental reorientation of the Federal government's relationships to communities and create new opportunities for cooperative action at a metropolitan level. Finally, this section lists and recommends a number of administrative measures to strengthen the Federal government's capacity to support community reinvention.

OPTION A. ENHANCE ENTERPRISE COMMUNITIES

In FY 1995, agencies would work to direct additional existing resources and support to ECs and EZs. EZs/ECs would be used as a base for more comprehensive planning and linkage among Federal, State, and community programs. Where program authorities allow, ECs would be given a preference in competition for existing grant programs that fit within or complement their approved strategic plans. Existing comprehensive planning requirements such as the Ryan White Act AIDS grants, HUD's Consolidated Plan requirements for housing, and HHS family support programs would be integrated and linked to EZ/EC plans, with federally sponsored technical assistance. Agencies would develop consolidated application and integrated funding processes to be piloted in EZs and ECs.

On a parallel track, each agency would seek limited legislative authority for program cluster waivers and consolidation, possibly limited to EZs and ECs. Legislation would provide several limited program waiver and consolidation authorities for specific sets of programs, within a single Congressional committee jurisdiction, e.g. youth development programs. Coverage could include specified discretionary programs within a specified set of communities (e.g., those within a metro area) and/or State(s), perhaps selected competitively or through negotiation. Rules for waiver and consolidation would resemble those in the Administration's version of the Local Flexibility Act.

Pros

? Relatively inexpensive or no-cost steps can be taken now that will increase the chances that EZs/ECs will show tangible results by 1996.

? Successful instances of streamlined program administration can be extended to other communities and programs.

Cons

? In the past, efforts to consolidate applications and coordinate Federal programs and funding have had only modest success.

? It is unclear as yet to what extent funding priorities in existing programs can be altered to favor EZ/EC winners.

? To the extent that new waiver authority is needed from the Congress, this is not likely to be available soon.

OPTION B. A SECOND ROUND OF EMPOWERMENT ZONES

In FY 1996, a second round of Empowerment Zone awards would be made to the strongest Enterprise Communities. The great number of high-quality applications received for Empowerment Zones means that many worthy cities will not be designated. As a partial response, six additional "Empowerment Zones" would be designated in 1996, chosen from among the Enterprise Communities submitting the strongest applications. Each would receive a flexible discretionary grant of at least $100 million and possibly tax benefits to support economic development for EZ residents. The authorization for round two also should: (1) institutionalize the principle that EZs and ECs receive preferential treatment in competitions for other Federal resources; and (2) give the Community Enterprise Board or individual agencies both statutory and regulatory waiver authority for Federal programs operated within EZs and ECs.

A second round also offers an opportunity to incorporate lessons learned in round one. The process for round two should: (1) include more flexible eligibility requirements, thereby allowing smaller geographic areas to be used to measure distress; (2) use alternative measures of distress including evidence of economic catastrophes such as base closings; (3) allow ample time for communities to complete their applications; (4) provide targeted strategic planning assistance to communities with limited planning capacity; and (5) specify minimum requirements for state involvement and grass roots participation in proposed EZ governance.

A Suboption: Provide targeted tax incentives to support economic development and jobs. Alternatives under consideration include: (1) a capital gains rollover allowing EZ businesses to defer capital gains taxes if the gains are re-invested in an EZ business asset; (2) a portable tax credit allowing businesses outside the EZ credit for hiring EZ residents; and (3) a welfare-to-work tax credit providing targeted incentives to businesses who hire EZ residents then on welfare.

Pros

? Both builds on and strengthens the Administration's "signature" urban initiative.

? Satisfies at least some of the unmet hopes of cities that submitted strong applications, invested great energy in developing a strategy, but did not receive a first-round EZ award.

Cons

? The premise is that Round One would have produced no political problem if there had been 12 instead of 6 urban Empowerment Zones. Round Two will leave us with over 400 communities that have lost twice and may actually be even more frustrated as a result. Even by those who win, the smaller second-round awards may be seen as a mere "consolation prize" that is insufficient to meet the needs of their cities.

? Some inherent limitations of the EZ/EC approach are now apparent and would be carried over into the second round. The most important may be its focus on a relatively small geographic area, possibly at the expense of similarly distressed or threatened neighborhoods in the same city or its older suburbs. The EZ/EC initiative can be caricatured as a traditional inner-city development program that is irrelevant to middle-class and business concerns.

? Tax-side options could prove costly relative to their benefits based on experience suggesting that most if not all tax incentives of this nature are very ineffective.

? Because most if not all benefits are conveyed up-front rather than conditioned on actual performance, recipients cannot readily be held accountable for their use of the funds. This is inconsistent with the concept expressed in the Vice President's National Performance Review that local and State government should be given greater flexibility in the use of Federal funds in return for performance accountability.

OPTION C. METROPOLITAN EMPOWERMENT

Public reinvention and private investment would be pursued together. In 1996, a national competition would be held, similar to the EZ/EC competition but with: (1) a strong emphasis on metropolitan-level strategy development; and (2) a required commitment by each local applicant to a focus on youth development, crime reduction, and job creation. Several metropolitan areas, building to 12 per year by 1998, producing the strongest plans to mobilize business investment and government resources to attack concentrated poverty and distressed communities, would receive discretionary funding, other benefits..

The Metropolitan Empowerment Zones initiative combines programmatic, budgetary and communications elements as follows: (a) Senior Clinton Administration officials would start a national discussion of the urban condition and our ambitions for change, in parallel with similar neighborhood- and metropolitan-level discussions seeking consensus on goals and benchmarks to measure progress. In metropolitan areas, community forums would identify key dimensions of a few selected problems reflecting both local and national concerns (crime, youth opportunity, housing opportunity, etc.), agree on how to measure their progress in dealing with these problems, and set milestones. (b) Possibly with the benefit of small start-up grants, metropolitan areas would cooperatively develop comprehensive plans to achieve the national and metro-specific goals. Each plan would integrate public and private efforts and would identify strategies to overcome bureaucratic and jurisdictional barriers to achieving specified performance targets. (c) In the first stage of this initiative, the Vice President's Community Enterprise Board would review the plans and select several Metropolitan Empowerment Zones (MEZs). Each MEZ would receive a share of a new pot of flexible grant funds over several years, plus significant deregulation of federal grants-in-aid now flowing to MEZ jurisdictions. In a higher-cost version of this option (see suboption 5 below), MEZs also would receive special tax-advantaged access to capital for infrastructure and/or tax credits for employers of high-risk youth. (d) For accountability, both grant deregulation and flexible funding would be at least partially contingent on the MEZ's good faith execution of its plan and (where feasible) on measured results.

What locality this do that ECs don't? What would DC do with, for example?

give money?

The MEZ approach would require a modest commitment of Federal resources in FY 1996: $120 million to provide start-up grants of $2 million to the 60 interested and promising metro areas and $20 million for Federal administration and facilitation. Beginning in FY 1997, between 6 and 12 metro areas could be designated annually as MEZs, receiving annual "progress grants" of $20 million each contingent on their performance.

In the higher-cost version of the option (discussed below), about $1 billion in revenue losses would be the cost of new tax incentives to MEZs to help finance capital investment for jobs and/or to support the employment of high-risk youth.

The following suboptions represent elements of the MEZ concept that merit separate decisions. Any or all of them could be included:

NO

Suboption 1. Conduct a national dialogue on the condition and future of urban America. This option envisions a national dialogue, to be initiatiated by the President and Vice Presiden and to be led over several months by the Secretary of HUD, othe cabinet members. Without this element, it would be left to loc leaders in each metropolitan area to initiate such a dialogue involving citizens, businesses, and public officials of individ jurisdictions. A national dialogue would help to stimulate and complemented by parallel metropolitan-level conversations. At national level, this would help forge a new consensus on priorities for youth development, crime control, and job creati At the local level, metro areas would have the flexibility to translate these priorities into benchmarks appropriate to local conditions and use to mobilize new coalitions of governments, businesses, and citizens.

Suboption 2: As a precursor to MEZ designation, the Federal government could begin to negotiate formal agreements with governments in several metropolitan areas, based on the Oregon model, providing them with very broad flexibility to blend Fede
model, providing them with very broad flexibility to blend Fede
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funds, provided they commit to a negotiated set of performance goals. The discussions now being held with Oregon are aimed at developing a model of this sort. At a metro level, agreements would focus on the goals of the urban initiative, adapted to lo
cal

conditions. Legislation would be required, along the lines of
the

Local Flexibility Act, to provide demonstration authority. Met
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areas that have signed an agreement would be advantaged in any later MEZ competition.

Suboption 3: Leverage community reinvention with transportatio
Suboption 3: Leverage community reinvention with transportatio
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planning funds. DOT's Federal Highway Administration and Feder
planning funds.
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Transit Administration provide local metropolitan planning organizations (MPOs) with funds to conduct transportation planning. As an incentive to support transportation aspects of community reinvention, DOT has authority to waive the 20 percen
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matching requirement for these planning funds for regional land use planning. Projects supported would have to meet broad statutory eligibility requirements and be identified as support
ing

the objectives of the President's community reinvention initiative, such as jobs access, economic and community development, and regional land use coordination. This would leverage about $140 million that DOT is spending on planning activities, providing a benefit to participating communities of about $30 million.

Suboption 4. Use the Clean Air Act process to provide incentiv
Suboption 4. Use the Clean Air Act process to provide incentiv
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es

for sound urban policy. MEZ eligibility and performance incentives for MEZ designees might be linked to the Clean Air A
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attainment process. Over 90 major non-attainment metro areas a
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now required to develop emissions "budgets" and a plan for enforceable emissions reduction. Many actions contemplated as sound urban policy also would result in emissions reduction: f
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example, shifting land use policy to encourage mixed-use and transit-oriented development. MEZs that pursue urban policy objectives in ways that also reduce air emissions would receive explicit credit toward Clean Air Act attainment. This proposal would aid areas now struggling with attainment by helping them remove a major barrier to new private investment and provide th an additional incentive to adopt policies that make environment and economic sense.

Suboption 5: Designate a particular low-income neighborhood.
Suboption 5: Designate a particular low-income neighborhood.
In Empowerment Zones, one option would be to designate a particular set of low-income neighborhoods as the focus and ask others in the metropolitan area (both public and private sector to partner with that neighborhood. This would help ensure that resources are concentrated and give that neighborhood's residen

more influence in local implementation of the strategy. On the other hand, it may preclude a bolder effort aimed at improving opportunities for low-income residents of many similar neighborhoods in several jurisdictions. Designating a particul neighborhood in one jurisdiction may make it harder to bring ot jurisdictions to the table.

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Suboption 6. Provide MEZs special access to capital for infrastructure and physical redevelopment or tax benefits for employment of at-risk youth. Metropolitan Empowerment Zones making satisfactory progress will have access to: (1) tax-favo financing through the "metrobank" window of their State infrastructure bank; and/or (2) tax credits for employers of yo residents. Eligible uses of the capital financing would includ capital for "brownfields" redevelopment bringing new employment opportunities to poverty neighborhoods. Eligibility for the ta credit would be limited to employers of youth living in specifi poverty neighborhoods who were simultaneously enrolled in School-to-Work programs, thereby enhancing the effectiveness of that Administration initiative and rewarding those who play by rules. The credit would be allocated to States with MEZs in proportion to the combined population of their MEZ jurisdiction and would be administered by the States in a manner similar to Low Income Housing Tax Credit.

<u>Pros</u>

? This option is intended to produce the Urban Policy equivalent Goals 2000, i.e., a sea change in public perceptions followed b creative action and broad systems change. Just as Goals 2000 h the potential to increase the effectiveness of the Federal government's huge flow of resources to local public education, Metropolitan Empowerment has the potential to increase the effectiveness of massive Federal resources now being spent in p neighborhoods for welfare, assisted housing, social services, crime and drug control, and community development.

? Urban problems spill over jurisdictional boundaries. A new wa of grassroots experience and scholarly analysis suggests that effective action to deal with urban poverty requires metropolit cooperation. Solutions may require interjurisdictional efforts link people with jobs, to attack housing discrimination, to control crime, and so on. Moreover, the business leadership th is crucial to success is largely in suburban areas. Whereas th current structure of Federal programs sometimes hinders metropolitan-level action, this approach would foster it.

?

The MEZ approach would build on various Administration efforts now under way, involving both public and private sector, designed to support local solutions to critical problems such as youth development, violence and crime, and urban economic revitalization. These include PACT, the Oregon Benchmarks initiative, and proposals being developed by the NEC/DPC/OMB working group on Education, Training, and Retraining. The MEZ approach is results-oriented while building in flexibility for communities, working collectively, to develop strategies tailored to local priorities and circumstances. The quality of the MEZ applications would be judged in part on the strength of proposed private sector participation and resource commitments.

Cons

7 While a second round of Empowerment Zones could be designated i

eary FY 1996 from first round Enterprise Communities, the first MEZ designations would not be made before the end of FY 1996, preceded by start-up planning grants and dialogue.

? MEZs may have more appeal to urban interests if presented as a longer-term component of an initiative including substantial short-term spending for cities.

? There are risks, as well as potential benefits, in having the President and Vice President leading public discussion of probl

that often have divided Americans and for which there are no ea

fixes.

RECOMMENDATIONS FOR FEDERAL CAPACITY-BUILDING TO SUPPORT COMMUNITY REINVENTION

To support community reinvention, the Federal government must continu
To support community reinvention, the Federal government must continu

to reinvent itself to enhance its ability to support communities who seek more initiative and flexibility in using Federal funds.

Currently, weaknesses in the organization and capacity limit th

Federal government's ability to be a strong partner to communities in reinvention. At the top, there must be a forum for coordinated interagency decision on the many policy and operational elements of t

CR agenda; and in the field, Federal staff must be retrained and cross-trained to work effectively with each other and with community leaders. Most the required actions are low-cost or no cost. The main cost might be for increased Federal capacity to facilitate change and work with communities. The following actions are recommended:

? Institutionalizing the Community Enterprise Board. Becaus
? Institutionalizing the Community Enterprise Board.
the work of the Board is critical to achieving a coordinat

streamlined Federal government, is crucial to the success

the EZ/EC program and efforts to combat crime and violence

it should have its own staff and an annual budget of $1 million to cover administrative costs.

? Creating a Washington-based management and technical assistance team to support community reinvention. This st
assistance team to support community reinvention.
could report to an interagency group, possibly the VP's Community Enterprise Board. Staff could be detailed from

participating agencies. They would have direct authority over staff in the Federal regions in matters related to th

CR effort.

? Providing training for Federal HQ and field staff in the C
? Providing training for Federal HQ and field staff in the C

model of Federal-community relationships. Based on the P
model of Federal-community relationships.
experience, this will be crucial to the success of a reinvented Federal-local relationship. Many field people talented but isolated and unused to the kinds of interacti required.

ACT

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TO: FAX (9-708-2476,Bruce Katz)
TO: FAX (9-395-6958,Joe Stiglitz)
TO: Kenneth F. Ryder, Jr.
TO: Margaret R. Shaw
TO: Kathryn J. Way
TO: FAX (9-606-4841,Tim Silard)
TO: FAX (9-401-3095,Judy Wurtzel)
TO: FAX (9-260-0174,Harriet Tregoning)
TO: FAX (9-260-0275,Andrew Otis)
TO: Randolph M. Lyon
TO: FAX (9-366-7127,John Lieber)
TO: FAX (9-366-7618,Linda Lawson)
TO: Joseph Minarik
TO: Lori L. Victor
TO: FAX (9-482-4636,Larry Parks)
TO: Sharon K. Thomas

10/5/94

Urban Policy Working Group -- Revised Work Schedule

By September 26. All agencies and working group members submit to the relevant subgroups their initial ideas for strategic options -- preferably options that are consistent with the directions of the workplan.

By October 10. All initial options presented and discussed within each subgroup and placed in a comparative framework. To the extent possible, nonviable options eliminated and remaining options are developed more fully.

By October 17. Each working group begins work on a draft memorandum presenting the required strategic options -- (1) reinvention; (2) $0-750 million; (3) $750 million - $2 billion; and (4) tax incentives.

By October 24. All subgroups finalize proposals reflecting the consensus of the group where possible and dissenters' views.

By October 31. Sub-group co-chairs, working with Sperling, Galston and Reed, produce a draft decision memorandum and circulate to the overall working group for comment.

Week of October 31. Desicion memorandum is presented at a Principals meeting.

By November 15. Revised decision memorandum is sent to the President.

THE WHITE HOUSE

WASHINGTON

November 1, 1994

A MEMORANDUM TO THE CHAIRS AND CO-CHAIRS THE URBAN POLICY WORKING GROUP

FROM: GAYNOR McCOWN

SUBJECT: CONSOLIDATION OF YOUTH PROGRAMS

CC: CAROL RASCO

Pursuant to my October 31 memorandum, I want to clarify some issues about the Youth Development Block Grant proposal from the National Collaboration of Youth as well as provide some additional insights into what it would mean for us to pursue the option of sweeping consolidation.

Both the YDBG bill and our proposal for sweeping consolidation have called for money to be sent to the states, by formula, and they in turn would allocate it to localities based on certain criteria. In the case of the YDBG, 95% of the funds would go directly to local communities and 4% would go to the states, primarily to fund technical assistance to local providers. Similarly, our proposal for the Youth Development Fund would call for money to sent to the states but with the primary objective of distributing the funds to the localities. By freeing local communities from the constraints of narrow categorical programs and giving them the opportunity to design strategies that meet the needs of their youth population, we would indeed be sending a good message to start off the second term.

Both proposals are in line with the key principles of the Administration's "reinventing government" philosophy. More specifically, they would:

- empower local communities to define their own goals and develop strategies to achieve them;

- leverage federal funds with private resources;

- build on the strength of existing community-based youth development organizations rather than create a new government bureaucracy; and

- encourage mission-driven programming through a strong focus on measuring results;

- strongly encourage collaboration, and healthy competition among service providers.

While the YDBG proposal does not indicate the individual programs that would be targeted for reallocation, they have made it clear that they are most concerned with the non-academic programs. It is reasonable to expect that between one-third and one-half of the YDBG funds could be obtained by consolidating existing youth programs. Likewise, the bold new legislation we are recommending would dramatically change how the federal government funds particular services.

In summary, we want to reiterate that some form of the consolidation option should be considered. A bold, highly visible commitment to consolidating, reducing and simplifying federal programs in order to encourage local flexibility is in line with the President's assertion that the federal government is at its best when it provides top-down support for bottom-up reform.

To: Bur
From: JQW
Per your request, I had Carrie our intern put this interesting stuff together. Look on page 2.

The Samaritan Project

Today, 36 million Americans are impoverished. The cure lies not in big government but in rebuilding institutions found within poor and urban communities. The Samaritan Project consists of an eight part plan of action to meet the challenges of this American crisis.

- **Strong Families.** The two-parent family should be a central focus of concern. Almost one out of every three children born each year is born out-of-wedlock and the rate is rising by 1 percent per year. Economically, children in single-parent households are far worse off than their counterparts raised in two-parent homes. *Future action* consists of reducing out-of-wedlock births and encouraging marriage. The Christian Coalition will continue to seek additional funding, beyond the $50 million provided by the new welfare reform law, for abstinence education. The Coalition will also work to enact legislation that amends the Social Security Act to provide for a minimum of $150 million in abstinence funding per year. Furthermore, they will pursue legislation which provides additional funding under the Family Preservation and Social Services Act to states that require couples with young children to receive counseling, and undergo a waiting period prior to divorce.

- **Hope and Opportunity Scholarships.** The quality of education at many schools is mediocre. Illiteracy, crime and drug use continue to plague today's schools. Parents need to have the means to send their children to a safer school when necessary. To help low-income parents, scholarship programs, which provide parents with assistance to school their children where they choose, are necessary. *Future action* by the Christian Coalition will be to pursue enactment of federal legislation which will establish a national demonstration program of Hope and Opportunity Scholarships. The program should provide scholarships to low-income children in 100 of the most impoverished, violent or drug-ridden school districts.

- **Safe Neighborhoods.** While overall crime rates may be declining, juvenile crime is increasing. A large proportion of these crimes is committed by a small number of repeat juvenile offenders. *Future action* of the Christian Coalition will include legislation that gives a financial bonus to states that reduce juvenile and gang-related crime rates and establishes policies to address such crime. Such policies may include mandatory restitution to victims, neighborhood patrols, and public access to juvenile records and court proceedings.

- **Charitable Giving.** The Christian Coalition supports the establishment of a charitable tax credit to encourage taxpayers to provide assistance to private community service organizations. *Future action* will consist of legislation which establishes a $500 tax credit for taxpayers who give both financial assistance and at least 10 hours of volunteer time to a private community service organization that serves the poor. The Coalition states its support of several complimentary proposals in Congress for the establishments of a charitable tax credit.

- **Racial Justice.** The Christian coalition calls on all levels of the government to enforce our civil rights law in an effort to reach equality of opportunity. Communities needs to work together to strengthen the shared common values and to lower barriers between faith communities. *Future action*: In May of 1997, the Christian Coalition will hold a Congress on Racial Justice. The focus of this Congress, which will bring together white and African-American ministers from across the nation, will be on strengthening the family, improving education, creating jobs and opportunities, and working together across racial and cultural lines.

- **Empowerment Zones.** Economically distressed communities need to be revived. The first step toward accomplishing this goal is to provide tax relief and reduce government regulation for distressed communities. *Future action* by the Christian Coalition will be to pursue the enactment of federal legislation that establishes Empowerment Zones in 100 impoverished communities. To qualify, the state and local governments in the areas must agree to provide tax and regulatory relief to the designated communities and agree to reduce government regulations and restrictions not necessary for health and safety reasons, in order to stimulate new businesses. Tax relief would include a tax break on the start-up costs for new businesses in the form of a larger deduction for investment costs, such as an additional $30,000. In addition, businesses would be entitled to a tax credit for the hiring of workers who are on welfare or who are considered to be high risk youth. Also included would be a 100-percent exclusion of capital gains tax on the sale of business assets which are held for more than five years by a business established in an Empowerment Zone. The Coalition also supports legislation to fund transportation assistance to low-income individuals for reverse communities. Suburbs will be very upset!

- **Faith Solutions.** The Christian Coalitions asks federal and state governments to recognize and support the important role that private and faith based community organizations are serving in their communities. *Future action* by the Christian Coalition will be to work to amend the Public Health Service Act to express that states do not need to provide all drug rehabilitation services themselves, but are free to use private programs. In cases where a state uses private rehabilitation programs, the law should prohibit discrimination against faith-based treatment programs consistent with the Establishment Clause. Therefore, faith-based programs will be free to apply for government funding as they will be placed on more equal footing for receipt of government funding. The Coalition calls on states to ease restrictive regulations which prevent the licensing of programs with proven track records of success.

- **Revitalize the Church.** Inner-city churches can play an important role to oppose violence and work to prevent it. *Future action* by the Christian Coalition will be to encourage its network of 125,000 churches and its members to provide further support to these churches as they combat material and spiritual poverty in inner-cities. The goal is to help 1,000 existing or new churches by the year 2000.

The Samaritan Project

A bold and compassionate plan to combat poverty and restore hope.

An agenda for the 105th Congress

CHRISTIAN COALITION
P.O. Box 1990
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The Samaritan Project

A bold and compassionate plan

to combat poverty and restore hope.

Introduction

TODAY, 36 MILLION AMERICANS ARE impoverished,[1] despite the fact that America has spent $5.4 trillion in 30 years to alleviate poverty.[2] Big government and its attendant bureaucracy has not worked. Rather, a large part of the answer lies in rebuilding the institutions found within poor and urban communities — the family, private and faith-based community institutions, and neighborhoods. The answer also lies with each one of us. This is not an "urban" crisis, only affecting poor and minority people, this is an *American* crisis — a moment in which we must all come together and realize that unless we address the pressing problems of the poor, the hopeless, the dispossessed, we will have failed as a nation.

Christian Coalition proposes an eight-part plan of action to meet this challenge. In embarking on the *Samaritan Project*, it is important to note that concern for the impoverished by people of faith is not new. Rather, it has been a central tenet, going back to Leviticus: "And when ye reap the harvest of your land, thou shalt not wholly reap the corners of thy field, . . . neither shalt thou gather every grape of thy vineyard; thou shalt leave them for the poor and stranger."

The poor were a central concern to John Wesley and his Methodist followers, with Wesley asserting, "Put yourself in the place of every poor man and deal with him as you would God deal with you."[3] And Martin Luther King Jr. pressed upon his fellow men that "every man must decide whether he will walk in the light of creative altruism or the darkness of destructive selfishness. This is the judgment. Life's most persistent and urgent question is, 'What are you doing for others?'"[4] The Catholic Church responds today by being the largest private health care provider in the country, with 580 hospitals.[5]

Moreover, the concept that the needs of individuals are best addressed by the institutions closest to them is consistent with Catholic teaching on the principle of subsidiarity. "A community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good."[6] This principle can only be achieved through "mediating institutions," what Edmund Burke referred to as the "little platoons." These are institutions such as families, churches, community groups and neighborhoods.

If the family is strong, then many of the social problems facing our communities — such as poverty, crime, drug abuse and out-of-wedlock births — will be easier to overcome. Moreover, if the family's spiritual life is strong, the battle against the social pathologies plaguing our cities will be even more successful. Research shows that the "practice of religion has beneficial effects on . . . illegitimacy, crime and delinquency, welfare dependency, alcohol and drug abuse, suicide, depression" and family stability.[7] Society must address not only the economic needs of our impoverished, but their emotional and spiritual needs as well.

Revitalizing neighborhoods is also key. Providing incentives for employers to relocate to — and employ the residents of — urban communities is essential. Moreover, the private community institutions which serve these neighborhoods must be strengthened both financially and through personal investments of time and labor.

In a healthy society government cannot and should not be solely responsible for meeting the needs of those who are without. It is a task and a responsibility which requires us all to join together.

Christian Coalition intends to devote a significant part of its long-term agenda toward strengthening the institutions of family, private and faith-based community institutions, and neighborhoods, as a critical step toward helping those who are impoverished. To do so, our initial efforts will involve an eight-part plan of action:

✪ Strong Families

Congress should enact family-friendly policies that will promote marriage and ensure that no law undermines the family.

✪ Hope and Opportunity Scholarships

Every child in America should have the chance for a quality education at schools that are free of drugs and crime.

✪ Safe Neighborhoods

Incentives to decrease juvenile and gang-related crime are needed so that all people can feel safe in their homes, communities and places of worship.

✪ Charitable Giving

A $500 tax credit for charitable giving will allow the American people to help the disadvantaged not only with their pocketbooks, but with their hearts, minds and hands.

✪ Racial Justice

We call for vigorous enforcement of existing civil rights laws, and we will act to encourage greater understanding among people of all races.

✪ Empowerment Zones

Congress should take steps to expand economic opportunity by granting tax and regulatory relief that will spur growth and create new jobs in disadvantaged communities.

✪ Faith Solutions

We call upon government to work with faith-based drug treatment programs that minister to soul as well as body.

✪ Revitalize the Church

By the year 2000, Christian Coalition will assist 1,000 churches in an effort to reach out to neighborhoods and communities in need.

Some of the proposals contained in this agenda already have been introduced as legislation. Senator Dan Coats (R-IN) and Representative John Kasich (R-OH) introduced a comprehensive list of legislative initiatives designed to strengthen the "value-shaping institutions of American society" and called their plan "The Project for American Renewal." Representatives Jim Talent (R-MO) and J.C. Watts (R-OK) introduced legislation entitled "Saving Our Children: The American Community Renewal Act," a four-part initiative focusing on revitalizing impoverished communities. Senator John Ashcroft (R-MO) has been an active proponent of initiatives to remove barriers against the use of faith-based community service organizations, as well as supporting the establishment of a charitable tax credit. A bicameral group of members of Congress, the Renewal Alliance, also is seeking both legislative and nonlegislative solutions. Our intent in introducing the *Samaritan Project* is to complement and augment these initiatives, in hopes that our combined efforts will lead to greater and more immediate success.

Strong Families

THE TWO-PARENT FAMILY SHOULD BE A central focus of concern for any agenda of action today which hopes to address the "American" crisis. Research shows that the dissolution of the family is having ever-spiraling ramifications in our society.

As of 1994, 30 percent of households were headed by a single parent.[8] Thirty-seven percent of the children living in single-parent households live with a divorced parent, and 36 percent of children live with one parent because the parent never married.[9] Almost one out of every three children born each year is born out-of-wedlock and the rate is rising by 1 percent per year.[10] In the African-American community the out-of-wedlock rate is 69 percent.[11]

Economically, children in single-parent households fare far worse than their counterparts raised in a two-parent family. The median income in 1994 for a married family with children was $47,244, while for a single mother-headed household it was only $14,902.[12] Children raised in a single-parent household are six times more likely to be poor.[13]

But the impact of single-parenthood on children and society is not merely economic. That is why strengthening child-support laws is not enough. Historian Barbara Dafoe Whitehead has called attention to the fact that "children in single-parent families are two to three times as likely as children in two-parent families to have emotional and behavioral problems." In addition, these children are "more likely to drop out of high school, to get pregnant as teen-agers, to abuse drugs, and to be in trouble with the law."[14] More than 50 percent of juveniles in state correctional institutions grew up in a household without their father.[15] It is crucial that society break this cycle of single-parenting, with its attendant poverty, welfare-dependency, and behavioral problems. Star Parker, a former welfare mother and now a successful writer and public speaker, has said, "When the role of the husband, the wife and the children are unstable, no one has a purpose . . . ."[16]

Future Action: Reducing out-of-wedlock births and encouraging marriage will continue to be an important goal for Christian Coalition, as it was during the 104th Congress when we successfully ensured that the new welfare reform law included a bonus for states that reduced their out-of-wedlock births without increasing their abortion rates. Christian Coalition's state affiliates will be working at the state level to implement this bonus.

The new welfare reform law also provided $50 million in funding for abstinence programs. Christian Coalition will continue to seek additional funding for abstinence education. We will work to enact legislation which amends the Social Security Act to provide for — at a minimum — an additional $150 million in abstinence funding per year.

Christian Coalition also will work to reduce the number of children being raised in single-parent households because of divorce. We will pursue legislation which provides additional funding under the Family Preservation and Social Services Act to states that require couples with young children to receive counseling, and undergo a waiting period, prior to divorce.

Hope and Opportunity Scholarships

THE SCHOOL HAS ALWAYS BEEN AN institution that plays a large role in the development of children and, as a result, a large role in the community as a whole. Unfortunately, for far too many parents today, school has become a source of anxiety.

The quality of education at many schools is mediocre at best. More than one-third of eighth-graders, and nearly half of fourth-graders are not able to read at a basic level.[17] Drug use among children in general is increasing, with teen-age use of drugs (ages 12 to 17) having doubled since 1992.[18] The use of marijuana by eighth-graders has tripled since 1991.[19] In 1995, 28 percent of 10th-graders reported that they had been offered illegal drugs by someone at school the previous year.[20] One out of every five male students has taken a weapon to school. Thirty-five percent of 10th-graders in 1995 said that they had been threatened or injured at school during the past year.[21]

If a state is going to require that children obtain an education, but the child is placed at risk by attending the state school, then parents should be provided the means to send the child to a safer learning environment — whether it be public, private or religious. For low-income parents in the inner-city, obtaining the financial assistance to do so is key. Scholarship programs, which provide parents with the monetary assistance to school their children wherever they deem best, are proving to be one successful means for helping inner-city kids escape to a better educational environment. In one privately funded New York program, 69 percent of the students who received vouchers graduated from high school, compared with a 29-percent graduation rate for students who graduated from the high schools that the voucher students would have otherwise attended.[22]

For many low-income parents, access to an exemplary private school in their area would be a definite benefit. Take, for example, the Holy Angels Elementary School located in the Kenwood-Oakland area of Chicago, a neighborhood in which three out of four people are impoverished. In 1996, Holy Angels' enrollment included 1,256 African-American students. The school's success in providing a sound education is evident from the students' scores in 1994 on the Iowa Test of Basic Skills that is published by the Chicago Public Schools. At Holy Angels, four times the number of eighth-graders scored above the national norm in math than was the case for the average number of eighth-graders at the three local public schools. Moreover, in reading, there were twice the number of Holy Angels' eighth-graders who scored above the national norm than was the case for the average number of eighth-graders at the three public schools.[23]

Diane Ravitch, a former Assistant Secretary of Education during the Bush administration and now a nonresident senior fellow at the Brookings Governmental Studies program, and William Galston, a former policy adviser in the Clinton administration and now a professor at the University of Maryland's School of Public Affairs, have called for the establishment of a national demonstration program which would provide means-tested scholarships in a number of urban school districts. "We cannot afford to write off another generation of urban schoolchildren," they write. "To respond to this national emergency, every reasonable approach must be tried — without delay."[24]

Future Action: Christian Coalition will actively pursue enactment of federal legislation during the 105th Congress which establishes a national demonstration program of Hope and Opportunity Scholarships. Ideally, the program should provide scholarships to low-income children in 100 of the most impoverished, violent or drug-ridden school districts. The amount of the scholarship should be adequate to enable a child to attend a local private school. Passage of Hope and Opportunity Scholarships will give low-income parents an alternative — and the same opportunities for their children that others have.

Safe Neighborhoods

ALTHOUGH OVERALL CRIME RATES ARE declining, juvenile crime — particularly violent juvenile crime — is increasing.[25] The murder rate for males between the ages of 14 and 17 increased by approximately 50 percent for white males and by more than 300 percent for black males between the years 1985 and 1992.[26] These statistics mask an important fact. A large proportion of juvenile crime is committed by a small number of repeat juvenile offenders. Yet, the stereotype against African-American communities is that all black youngsters are involved in crime. Repeat offenders must be taken off the streets, rehabilitated whenever possible, and incarcerated when necessary, for the good of the many young people who are lumped together with the few engaged in crime.

The pressure on young people to join gangs is intense. One mother had to send her 13-year-old son away at the age of 9 because the gang pressure on him was so great. She's quoted as saying: "They took his gym shoes off his feet. They took his clothes. Made him walk home from school. Jumped on him every day. Took his jacket off his back in sub-zero weather... A boy pulled a gun to his head and told him, 'If you don't join, next week you won't be here.' I had to send him out of town."[27]

Such incidents represent a fundamental shift in the insidious nature of gang violence — forcing children either to join a life of crime or die. And if they join a gang their act of initiation may be to kill someone. By using such tactics, gangs are recruiting children and forcing them to accept a culture of violence. There were nearly 600 gang-related homicides in Los Angeles in 1995.[28]

Future Action: In an effort to address rising rates of juvenile crime and to ensure that juveniles are held accountable for their wrongdoing, Christian Coalition will work to enact legislation which provides a financial bonus to states that not only reduce juvenile and gang-related crime rates, but which have adequate policies in place to address juvenile crime. Such policies might include mandatory restitution to victims, neighborhood patrols, public access to juvenile records and court proceedings, increased efforts to target juvenile and gang offenders and keep them off the streets, and graduated sanctions. By enacting such legislation, young juvenile offenders could be rehabilitated and deterred from a life of crime.

Charitable Giving

As welfare subsidies are reduced, private community service organizations must receive the support they need as they move to the forefront in fighting poverty. That is why Christian Coalition supports the establishment of a charitable tax credit to encourage taxpayers to provide assistance to the private community service organizations which they believe are effectively serving the poor.

Private organizations often are viewed by recipients as more personal than government bureaucratic programs, and as a result may be more successful. A case in point involves the privately financed Step 13 alcohol and drug rehabilitation program. This Colorado program has helped 3,000 men find jobs since 1983. The program saw a drastic change once the government began making Social Security Income (SSI) and Medicaid benefits available to the addicts. Its founder said that with the availability of the SSI, "Everybody's goal was not to get off the street, it was to get on SSI," and that for many it meant "death on the installment plan."[29]

Enactment of a charitable tax credit would benefit many worthwhile programs such as Victory House in Atlanta, Ga. This homeless shelter provides African-American and Hispanic men with food, shelter and job placement. If the men are employed, they must pay for their room and board; if they are impoverished, they must perform work at the shelter.

Future Action: Christian Coalition intends to actively work toward the enactment of federal legislation which establishes a $500 tax credit for taxpayers who give both financial assistance and at least 10 hours of volunteer time to a private community service organization that serves the poor. Congressional estimates of similar proposals have found that well over $10 billion would flow into these worthwhile organizations. There are several other complimentary proposals in Congress for the establishment of a charitable tax credit; we are supportive of those efforts as well.

Racial Justice

Christian Coalition recognizes that racial discrimination is not a thing of the past but rather continues to take place across our nation today. We condemn it in whatever form it takes — whether in housing, lending, employment, education or any other field — and no matter how subtly or blatantly it occurs. We call on governments at all levels to vigorously and effectively enforce our civil rights laws in an effort to achieve equality of opportunity.

We also reaffirm our condemnation of bigotry against places of worship, as we did in 1996 when firebombings and attacks on places of worship, many of which were predominantly African-American, captured the public's attention. At that time, Christian Coalition called on its network of churches, many of which are predominantly white, Evangelical churches, to come to the aid of their fellow faith communities by contributing toward the rebuilding of the firebombed churches. As a result, Christian Coalition collected more than $750,000 which it has distributed to 36 churches. All of the money raised was donated directly to the churches, as Christian Coalition absorbed all of the administrative costs in managing the "Save the Churches Fund."

Christian Coalition is pleased that it was able to lend a hand to help rebuild these places of worship through these contributions. But we recognize that still more can and should be done to strengthen the shared common values and to lower barriers between faith communities. Much of this work has to be done one on one, community to community.

Future Action: In May of 1997, Christian Coalition will hold a Congress on Racial Justice. This congress will bring together white and African-American ministers from across the nation to discuss areas of common interest. The focus will be on strengthening the family, improving education, creating jobs and opportunities, and more effectively working together across racial and cultural lines.

Empowerment Zones

HIGH RATES OF UNEMPLOYMENT PLAGUE many inner-city neighborhoods. For instance, William Julius Wilson points out that "in 1990 only one in three adults ages 16 and over in the 12 Chicago community areas with ghetto poverty rates held a job in a typical week of the year."[30] Reviving our economically distressed communities is a comprehensive problem requiring a multi-faceted solution. Providing tax relief and reducing burdensome government regulations for distressed communities are good first steps toward accomplishing this goal. Enterprise zones which provide tax relief for inner-city businesses have been shown to reduce unemployment by one-third or more over time.[31]

Future Action: Christian Coalition will pursue the enactment of federal legislation which establishes Empowerment Zones in 100 impoverished communities. In order to qualify as an Empowerment Zone and obtain the federal tax relief afforded these zones, the state and local governments in these areas must agree to also provide tax and regulatory relief to these designated communities.

The tax relief provided to these Empowerment Zones would include a tax break on the start-up costs for new businesses in the form of a larger deduction for investment costs, such as an additional $30,000. In addition, in order to encourage new businesses to hire workers from within the community, businesses would be entitled to a tax credit for the hiring of workers who are on welfare, or who are considered to be high-risk youth. There also would be a 100-percent exclusion of capital gains tax on the sale of business assets which are held for more than five years by a business established in an Empowerment Zone.

Moreover, in order to qualify as an Empowerment Zone, state and local governments would have to agree to reduce government regulations and restrictions, not necessary for health or safety reasons, in order to stimulate the establishment of new small businesses. Possible relief might include suspending zoning restrictions, such as on certain home-based businesses, or restrictions on competition for enterprises such as taxicabs. With Empowerment Zones and tax relief, we anticipate that jobs will come to the inner-city.

In addition, we support solutions to solve the "reverse commute" transportation problems of bringing workers from the inner-city to job sights in suburban and outlying areas. Christian Coalition will work to enact legislation to fund transportation assistance to low-income individuals for reverse commutes. Several creative demonstration programs have shown promise. The current HUD-funded Bridges to Work program makes jobs in the areas outlying the demonstration cities more accessible to city residents. Also, the former Entrepreneurial Services program at the Department of Transportation not only met similar transportation needs, it also provided seed capital to create small businesses in the inner-city that would provide jobs to those in the inner-city and transportation to jobs.

Faith Solutions

FEDERAL AND STATE GOVERNMENTS should recognize and support the important role that private and faith-based community organizations are serving in their communities, as well as the social stability that is enhanced through their efforts. Currently, such recognition and support is not always the case. Take for example, the Joy of Jesus ministry in Detroit which provides job placement assistance for the unemployed. It had a success rate of employing 60 percent of its students until the state of Michigan offered it state funding with the proviso that the ministry not provide prayers and Bible lessons. As a result, the 60-percent success rate dropped to almost zero.[32]

The role of religion in rehabilitating drug addicts is particularly remarkable. Joseph Califano, formerly the Secretary of Health, Education and Welfare in the Carter administration, and now Chairman and President of Columbia University's Center on Addiction and Substance Abuse, reportedly found that almost every former addict he met during a tour of center programs mentioned religious belief as central to their rehabilitation.[33] According to *U.S. News and World Report*, Mr. Califano has said: "I don't see anything wrong with public funding for a drug treatment program that provides for spiritual needs if that's what an individual needs to shake cocaine, to shake alcohol, to shake heroin."[34]

The results of a 1995 survey conducted for Columbia University's Center on Addiction and Substance Abuse revealed that one of the four characteristics of children who are unlikely to use drugs is that they are active religiously.[35]

But state officials are not always supportive of faith-based drug treatment programs. In the past, some state officials have disapproved of these programs on the grounds that the program staff are not sufficiently credentialed. That was a significant issue in a recent dispute involving the Teen Challenge center in San Antonio, Texas. According to Carl Chrisner, National Accreditation Coordinator for Teen Challenge National, "Three of our staff had more than met all necessary substance abuse counseling time requirements, and two of them had completed the required curriculum. The conflict was that the supervised counseling had not been done in a state-recognized facility where morality was not allowed as an issue and smoking was practiced."[36]

Teen Challenge is a national faith-based drug and alcohol rehabilitation program which has 113 residential facilities, 33 auxiliary programs, and more than 150 centers abroad.[37] It has a success rate of 70 percent. One of the factors to which it attributes its success is what has been derisively called "the Jesus Factor." That is, "that the change of behavior . . . is only accomplished through a new heart, a change of attitudes — an awareness and acceptance of absolute moral standards" — and that "this only occurs when an individual deals with the sin issue . . . and has a personal encounter with Jesus Christ."[38]

The National Institute on Drug Abuse (NIDA), a division of the U.S. Department of Health, Education and Welfare, funded a 1975 study of the effectiveness of two Teen Challenge centers. NIDA found that "involvement with Teen Challenge is associated with dramatic changes in behavior for a substantial number of heroin users."[39]

Victory Fellowship, a drug and alcohol rehabilitation center located in San Antonio, Texas, also has success rates of 70 percent among its program graduates.[40]

Unfortunately, states and faith-based drug rehabilitation programs have been hesitant to use government funding for these programs out of confusion and uncertainty over what restrictions would be required under the Establishment Clause. In order to alleviate these concerns, Congress must pass legislation which affirms the use of these services.

Future Action: Christian Coalition will work to amend the Public Health Service Act to affirmatively express that states need not provide all drug rehabilitation services themselves, but are free to use private drug rehabilitation programs. Moreover, for those instances in which a state chooses to use private programs, the law should be amended to prohibit discrimination against faith-based drug treatment programs consistent with the Establishment Clause. For instance, if a state were to choose to provide vouchers to participants for use at private drug treatment centers, the state must not prohibit the use of these vouchers at faith-based drug rehabilitation programs simply because of the religious nature of the center. By enacting this anti-discrimination provision, faith-based programs will be free to apply for government funding without fearing that the religious character of their program and any religious symbols on their property would need to be purged. Faith-based programs will be placed on more equal footing for receipt of government funding. In addition, the law should be amended to establish a means by which the government can waive normal credentialing requirements under certain substantiated conditions. Christian Coalition also calls on states to ease restrictive regulations, not necessary for health or safety reasons, which prevent the licensing of programs with proven track records of success. In light of the fact that almost one-third of state felony convictions in 1994 involved drug offenses, enactment of these reforms is particularly critical at this time.[41]

Revitalize the Church

WE MUST NOT ONLY OPPOSE VIOLENCE, but work to prevent it through humane alternatives for at-risk youth. The churches in our inner-city can play an important role in that regard. John J. DiIulio Jr. is a professor of politics and public affairs at Princeton University, director of the Brookings Institution Center for Public Management, and adjunct fellow at the Man-hattan Institute. In 1996, DiIulio testified before Congress that, "Based on a review of a number of literatures and a look into several ongoing community-based efforts, I am absolutely convinced that our single best bet against juvenile crime is to do whatever we can to help mobilize the vast potential of inner-city churches..."[42] The practice of religion can have beneficial effects on many of our nation's social pathologies including crime and delinquency, illegitimacy, family stability, and drug abuse.[43]

In light of this evidence, it is critical that the resources of our inner-city churches be utilized to the fullest extent possible in an effort to address these mounting problems. The Ten Point Coalition in Boston, Mass. is one effort to try to do so. This coalition of religious leaders and lay people is attempting to mobilize churches "to combat the material and spiritual sources of the epidemic of violence, drugs, and HIV infection..."[44]

Future Action: Christian Coalition intends to encourage its network of 125,000 churches and its individual members and supporters to provide further support to inner-city churches as they combat both material and spiritual poverty in our inner-cities. Our goal is to raise funds to help 1,000 existing or new inner-city churches by the year 2000. This assistance will focus particularly African-American or Latino churches that are engaged in outreach or ministry directed toward at-risk youth. We will also ask the churches in our network to establish partnerships with inner-city churches in order to begin a dialogue of mutual cooperation and support.

Additional items on our legislative agenda

Religious Freedom Amendment

CHRISTIANS AND OTHER PEOPLE OF FAITH are encountering discrimination and hostility by government authorities on a frequent basis throughout the nation. Examples include: a second-grade boy who fulfilled his classroom assignment to make a Valentine card by writing, "Roses are red, Violets are blue, Did you know that Jesus loves you?," and was told by his teacher that he could not use the word "Jesus;"[45] the middle school student who wished to make a cross for the grave of his grandmother during shop class was allowed to make the two wooden pieces, but was told he'd have to assemble the cross at home;[46] the student who was told she could not read her Bible on the school bus;[47] the ninth-grader who was told she could not write about "The Life of Jesus Christ," even though topics on witchcraft and black magic were allowed;[48] the not-for-profit group that was told by a city it they could not purchase a bus ad with a Scripture message regarding helping the poor because it was religious;[49] and the ministry that was told by a public housing authority that it could not have any religious activity at the Christmas party it was hosting in an authority-owned apartment complex until counsel intervened on the ministry's behalf.[50]

These are but a small sampling of the many instances of hostility that are occurring. In order to protect people of faith from discrimination in the public square, Christian Coalition will continue to actively work toward the enactment of a constitutional amendment to protect religious freedom during the 105th Congress.

Restoring Respect for Human Life

CHRISTIAN COALITION CONTINUES TO place the protection of human life — whether it be the unborn, the disabled, the elderly or the infirm — as one of our primary responsibilities. We look forward to the day when a constitutional amendment can be passed which protects the unborn. During the 105th Congress, we intend to focus on the following legislative initiatives in an effort to protect innocent human life.

Partial-Birth Abortion.

Americans recently have come to learn that not only is abortion-on-demand permissible in the United States, but a practice akin to infanticide is occurring. Abortionists deliver living babies until all but the baby's head remains inside the mother, at which point the abortionist makes a hole in the base of the baby's skull, sucks out the baby's brain, and then finishes the delivery. Contrary to the misinformation being circulated regarding partial-birth abortions, this procedure is *never* medically necessary in order to preserve the mother's life or health, including the future fertility of the mother. The Physicians' Ad Hoc Coalition for Truth, a coalition of more than 350 doctors, including numerous preeminent obstetrician-gynecologists, is publicly trying to make American women aware of this fact, as well as the crucial fact that "partial-birth abortions can be dangerous and potentially life threatening to women."[51] They assert that "there is only one reason to ever consider the partial-birth abortion procedure 'necessary:' to ensure the delivery of a dead child rather than a living one."[52] The majority of these abortions are occurring in the fifth and sixth months of pregnancy for *non-medical* reasons.[53]

A ban on partial-birth abortions, except in instances in which the mother's life is in danger, is supported by 71 percent of Americans.[54] The Vatican,[55] Rev. Billy Graham,[56] eleven former presidents of the Southern Baptist Convention,[57] all eight Catholic cardinals,[58] and bipartisan majorities in the United States Congress, have all supported a legislative ban and opposed President Clinton's veto of the legislation. Banning partial-birth abortions is an issue that transcends the pro-life/ pro-choice divisions among Americans. Many see this as the first step toward infanticide in America. Christian Coalition will actively work to enact into law a ban on partial-birth abortions during the 105th Congress. We intend to ensure that partial-birth abortions never become a permanent part of America's culture, but only a temporary aberration in America's morality.

Federal Funding.

Legislation prohibiting federal funding of organizations which perform or promote abortions overseas will also be a key legislative initiative. Moreover, we will pursue legislative initiatives with regard to both the Title X family planning program and physician-assisted suicide. We will also work to ensure that Congress continues to prohibit federal funding of abortions in the federal employees health benefit plans, in the District of Columbia, for federal prisoners, and under the Medicaid program (the "Hyde Amendment"), as well as continues the ban on federal funding of human embryo research that was enacted during the 104th Congress.

$500-per-Child Tax Credit

The federal government must also work to economically strengthen families with children who are struggling under today's excessive tax burden. One essential way to do so is to provide for a $500-per-child tax credit. Enactment of such a credit would provide an immediate and tangible benefit for America's overtaxed families. For an American family with two children it would mean the equivalent of three months of groceries, or a month-and-half of mortgage payments, or three years worth of water bills, or 11 months of electricity payments, or 14 months of health insurance, or eight months of gasoline purchases, or almost 20 months of clothing for the children.[59] Many of today's families clip coupons in order to save money on the grocery bill, or resort to credit cards in order to get the children clothing, or are overwhelmed when confronted with unexpected emergencies and repairs. Keeping this additional money would help them pay for some of these expenses. This would contribute toward the stability of the family. This credit is not a government handout to families — it simply allows families to keep more of the money that they earn.

Other Issues

OTHER PRO-FAMILY INITIATIVES THAT Christian Coalition will continue to advance during the 105th Congress include: Passage of a Balanced Budget Amendment, which enjoys the support of 83 percent of the American people[60] and is urgently needed in light of the fact that children born today will pay almost $200,000 in taxes towards the interest on the national debt; passage of legislation to support the rights of parents in regard to the education and upbringing of their children; and passage of legislation which will privatize the National Endowment for the Arts and the Legal Services Corporation, in addition to other initiatives.

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Urban Policy

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EDWARD G. RENDELL
MAYOR

July 30, 1997

Mr. Bruce Reed
Assistant to the President for Domestic Policy
The White House
Washington, D.C. 20500

Dear ~~Mr. Reed~~ Bruce:

In June the President presented his Urban Agenda and State of the Cities Report at the U.S. Conference of Mayors annual meeting. At that time, he extended an invitation to mayors to comment on the Report.

I have taken the opportunity to respond to the President in the attached letter. I am forwarding you a copy as I thought that it might be of interest to you.

Sincerely,

Ed

Edward G. Rendell

attachment

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EDWARD G. RENDELL
MAYOR

July 30, 1997

Honorable William J. Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I am sorry I missed seeing you in San Francisco at the U.S. Conference of Mayors meeting, but Midge and I were celebrating our 25th Anniversary on a ten day trip to Europe. Your staff invited us to comment on your Urban Agenda and State of the Cities Report and I writing you to take advantage of the opportunity.

Before you became President, it had become clear that America had turned its back on its cities. Most often, I felt as if we were suffering alone. Your actions as President, however, have significantly changed that outlook. You and the Vice President have ended decades of neglect and indifference, you have listened to us and responded quickly and well, and you have helped us begin to turn our destinies around.

In the first five years of my administration, we turned an almost bankrupt city into an investment grade entity that is thriving in many ways. Just as you note in your report, America's cities are rebounding financially. The average taxpayer, however, finds comfort but little inspiration from fiscal turnaround. Crime remains their number one concern. But, I hear high praise from every corner of the city for the increased police presence and the expansion of community-oriented policing programs. Neighborhood parks that were once teeming with drug dealers are now full of children playing on new playground equipment. Police and neighbors worked together to bring back these parks. For Philadelphians, these turnarounds are inspiring, and we could not have accomplished them without your Crime Bill.

Two weeks ago another class of Crime Bill officers graduated from the Philadelphia Police Academy. With the federal COPS program support, Philadelphia's neighborhoods are safer because there are 450 additional officers on our streets -- 350 of these officers are walking beats and 100 are riding bikes along neighborhood commercial corridors. By the end of next year, another 300 Crime Bill officers will be at work in our communities.

Philadelphia has been a testing ground for a number of your most innovative strategies, especially those cited for expansion in your Urban Agenda. As an Empowerment Zone city, we are experiencing the significant impact of this successful program. Numerous businesses that would have otherwise shut their doors found critically needed financing through the Empowerment Zone community lending institutions. In many cases, Empowerment Zone intervention enabled us to not only retain jobs, but helped growing concerns add jobs. We may also realize the benefit from a large number of businesses interested in setting up operations in the Zone. Today, as I write to you, our economic development staff is working with 75 viable prospects for business development in our Empowerment Zone. We expect that over the next three years, 1,000 people who would otherwise be unemployed will have found or kept a job in our Empowerment Zone.

The economic conversion of closed military facilities has been another innovative Administration program that is paying great dividends here in Philadelphia. In 1991 when the BRAC Commission announced the closure of the Philadelphia Naval Shipyard, it was a dark day for our city. Not only were 12,500 people employed there, but it was a true economic engine that many local businesses depended on. However, thanks to over $104 million we have received from your Administration for development incentives, infrastructure work and job training, we are on the road to rebuilding a vital economic entity. There are currently 2,500 jobs at the "Philadelphia Naval Business Center" (the new name for the base) and we are talking to 25 companies about also relocating or starting businesses there. I expect in the next year and half we will double the amount of jobs and be on our way towards reaching our goal. This could not have happened without your support and I want to specifically commend the Navy, the Army and the Commerce Department.

As one of the nation's first Homeownership Zone cities, we benefit from carefully directed federal resources and as a result, one of Philadelphia's poorest neighborhoods will experience a growth in homeownership from 24 percent to 44 percent. Your State of the Cities Report accurately describes the flight of families to the suburbs. I doubt that we can totally reverse this trend in the near future. However, your strategy will stem the tide and help those who make their homes in the cities true stakeholders in the future of urban America. You wisely put your resources where they will create the long-term stewardship so sorely needed in these challenging times.

Your Administration has also responded well to the desperate need to create job opportunities for former welfare recipients. In a labor surplus market like Philadelphia this was a critical need. The $3 billion jobs bill, which is part of the balanced budget agreement, is an

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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

important victory for your Administration and for cities. Thanks to the work of Director Raines, Secretary Cuomo, Secretary Herman, and, of course, Marcia Hale, key issues like eligibility of public service jobs for these funds and local programmatic control have been resolved in the best interest of cities. [redacted]

There are many other areas -- housing, aid to the homeless, economic development, public health and education -- where you have been of significant aid to us in our on-going battle to cope with these problems. Looking forward, the State of the Cities Report and the seven strategies described in your Urban Agenda demonstrate your particularly keen insight regarding the challenges faced by older industrial cities. It is a good blueprint for future actions.

In April 1994, you and the Vice President were good enough to listen as I described the immense challenges faced by mayors of older industrial cities. I shared with you a set of options for an urban agenda that described the dire conditions of our nation's cities and presented a set of options for federal support. I have no doubt that the strategies in your Urban Agenda will help us on the road to recovery. But, the path to prosperity is full of potholes and hurdles that still need to be addressed. There are crucial issues that still need your attention and response, and, in my opinion, they must be added to your Urban Agenda if American cities are going to come all the way back.

1. Create incentives for regional cooperation. With your leadership the federal government could adjust funding formulas, revamp criteria and create incentives to promote regional cooperation. Unquestionably the future of our cities and our suburbs are inextricably linked. Consequently, as a matter of national economic and social policy, it is important for the federal government to promote regional cooperation. Your Urban Agenda wisely expands resources for transportation to enable urban residents to get to suburban jobs. Other federal departments should be challenged to create similar models for resource distribution. In considering this approach, however, it is crucial that new models ensure that city and suburban stakeholders share governance of such resources in an equitable and accountable manner.

2. An infrastructure repair program to rebuild America. This is a plan that you first raised during the '92 campaign, and a need shared by all of America. Rural and urban America desperately need repair of their aging, overworked infrastructure, and suburban America needs help to build infrastructure to keep pace with development. Many countries throughout the world are engaged in this type of massive national effort. In addition to the very real benefit of repair of our infrastructure, this program would create hundreds of thousands of jobs, many of which could be designated for former welfare recipients. (Every work crew has laborer positions.) Funding for this plan could come from the creation of a federal capital budget. As you know, all local and state governments have capital budgets, only the federal government does not. Alternatively, initial funding to start such a program could come from using the 4.3 cents of the gas tax earmarked for deficit reduction to create an infrastructure fund instead of placing it in the Highway Trust Fund. As you are aware, the Rebuild America Coalition, headed by Houston's great mayor Bob Lanier, has done a great deal of work on this issue and could serve

as a great resource. I have also recently accepted the post of Vice Chair of the Coalition.

Regardless of the fate of such an infrastructure repair fund, it goes without saying that the infrastructure of some American cities would be enormously helped by a reauthorized ISTEA (NEXTEA) at the highest possible funding level. It would also be enormously helpful if some of the flex money be mandated to go directly to urban areas. Currently, in Pennsylvania the sole discretion for spending decisions on the flex money rests with the state. In such a rural state, the mobility needs of a densely populated urban area are often overlooked. As a result, flexible funding for mass transit is often dismissed at the expense of highway funding.

3. <u>Use of Tax Code to Incentivize Private Sector Investment to Create Jobs</u>. We have discussed this many times before, most recently at the White House shortly before last Christmas. You may recall that when I raised this, you pointed out that the Administration had pushed some tax incentives and I indelicately replied, "Yes, Mr. President but not ones from our A-list." Your Urban Brownfields incentive initiative is from the A-list, but here is the rest of the list:

(a) <u>Commercial Revitalization Tax Credit</u> - Senator Kay Bailey Hutchison (TX) has introduced legislation (S753) to establish a 20 percent tax credit in one year or a 5 percent tax credit per year for ten years to defray the cost of business construction, expansion or rehabilitation in distressed areas. This would be a tremendous help to cities where obtaining capital is often the largest obstacle to development projects.

(b) <u>Historic Rehabilitation Tax Credit</u> - It would provide a powerful investment incentive for America's older cities and older neighborhoods to restore this program to its pre-1986 effectiveness. Prior to 1986, this credit created jobs, development and growth in cities across the country.

(c) <u>Authorization for Commercial Industrial Development Bonds; Increase the Small Issue Exemption for Private Activity Bonds</u> - Another tool, particularly applicable to areas outside the Zones, is to expand authorization for commercial industrial development bonds. An industrial development or private activity bond spurs private investment by providing under certain conditions, tax exempt status (and the ability to reduce financing costs) for projects where more than 10 percent of the bond proceeds are used for private business purposes. Since the passage of the Tax Reform Act of 1986, when authorization for commercial industrial development bonds was permitted to expire, private investment in many cities has suffered.

In addition to expanding the type of private activity bonds that may be issued, our New Urban Agenda calls on the federal government to raise the limit on the "small issue exemption" -- which permits the issuance of tax exempt private activity bonds -- from $10 million to $50 million. By increasing the small issue exemption the federal government can support the critical need for private investment in the redevelopment of Urban America.

(d) Tax Exempt Financing for Multi-Family Housing - The government should exempt, from state volume caps, 75 percent of the value of tax exempt bonds to support construction and rehabilitation of multi-family housing meeting certain tests for tenant income.

(e) Empowerment Zone Enhancement Legislation - As you know, a group of Republican Senators have joined with Joe Lieberman to introduce legislation that would significantly enhance the incentives to companies investing in Empowerment Zone or Enterprise communities. Though our Zones are off to a good start, these new enhanced initiatives -- including capital gains exemptions for investment in job producing initiatives -- would help them create even more jobs at a far faster pace. This would inure directly to the benefit of welfare recipients because to become an Empowerment Zone, an area must have a high concentration of people living below the federal poverty line, many of whom are currently on AFDC and will lose benefits in the next ten years.

4. Truly enforcing your Executive Order on locating and relocating federal facilities in urban areas. In May, 1996 you issued Executive Order 13006 creating a preference for locating facilities in historic districts in central cities. Your order significantly strengthened President Carter's previous order. However, in 1996-7, we participated in a process to locate the Defense Department's consolidated Catalog Center, involving 750 jobs. Although Philadelphia was a finalist, we lost out to Battle Creek, Michigan. We do not believe that either Executive Order 13006 or President Carter's order were considered in making this decision. I would strongly recommend that you amend the Order to require that any agency or department that does not give the preference in its decision must seek White House approval before its decision becomes final.

5. Quick Implementation of your Executive Order creating a Preference for Businesses located in distressed areas in the federal procurement process. When you issued Executive Order 13005 in May 1996, mayors and civic leaders were ecstatic. I was especially pleased because we had discussed this concept in our 1994 meeting. More than anything else, this order could motivate major businesses to move part of their operations back to cities. Unfortunately, our enthusiasm has been diminished by the fact that the rules and regulations necessary to make this program a reality are still not issued. You directed the Commerce Department to do this and while I realize this is not a simple or easy task, the faster they are issued the quicker cities will benefit from it.

In 1994, my proposed New Urban Agenda quoted Ted Hershberg, a respected Professor of Urban Studies at the University of Pennsylvania, wherein he commented that "*All of America's cities are on greased skids. What differentiates one from another is the angle of descent. Unless there is a major shift in public policy, America will lose all of its major cities.*" Your actions demonstrate a belief in the future of America's cities and that they represent the creativity, vitality and diversity that sets our nation apart from all others. I applaud the leadership you've exercised on behalf of America's cities. I hope we can make progress on the areas of additional need which I have delineated here.

Sincerely,

Ed

Edward G. Rendell

cc: Vice President Al Gore
Secretary Andrew Cuomo
Secretary Robert Rubin
Secretary William Daley
Secretary Rodney Slater
Secretary Alexis Herman
Frank Raines, Director of the Office of Management and Budget
Deputy Assistant Secretary of the Navy Bill Cassidy
Erskine Bowles, Chief of Staff to the President
John Podesta, Deputy Chief of Staff to the President
Rahm Emanuel, Senior Advisor to the President
Ron Klain, Chief of Staff to the Vice President
David Strauss, Deputy Chief of Staff to the Vice President
Bruce Reed, Assistant to the President for Domestic Policy
Gene Sperling, Assistant to the President for Economic Policy
Mickey Ibarra, Director of Intergovernmental Relations
Lynn Cutler, Deputy Director of Intergovernmental Relations
Tom Cochran, Executive Director, U.S. Conference of Mayors
Larry Naake, Executive Director, National Association of Counties
Don Borut, Executive Director, National League of Cities
Mayor Richard Daley
Mayor Paul Helmke
Mayor Bob Lanier
Mayor Dennis Archer
Mayor Norman Rice
Mayor Richard Riordan
Mayor Rudolph Giuliani
Senator Tom Daschle
Senator Edward Kennedy
Senator Robert Kerrey
Senator Rick Santorum
Senator Arlen Specter
Senator Frank Lautenberg
Senator Robert Torricelli
Senator Kay Bailey Hutchison
Senator William Roth
Senator Daniel Patrick Moynihan
Congressman Bud Shuster
Congressman Richard Gephardt
Congressman Charlie Rangel
Congressman David Bonior
Congressman Vic Fazio
Congressman Robert Borski

Congressman Chaka Fattah
Congressman Tom Foglietta
Congressman John Murtha
Congressman John Kasich
Congressman Christopher Shays
Congressman James Oberstar
Congresswoman Rosa DeLauro
Gerald McEntee, International President, AFSCME
Henry Nicholas, President, Hospital and Healthcare Workers Employees Union 1199C
Ted Hershberg, Executive Director, Center for Greater Philadelphia

05/27/97 16:18 Urban Policy NO.407 P001

File: Urban policy - generally

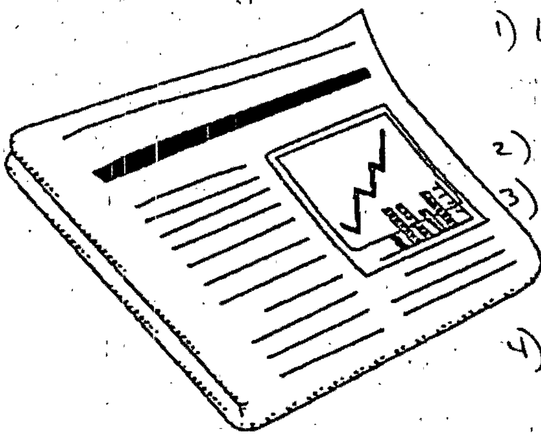
Bruce -

HUD gave us these materials, and Cuomo came over to talk with Gene and us about them. We agreed that the basic line should be:

1) Long-term trends are operating to the disadvantage of cities
2) We are making some progress
3) But we haven't turned things around - and now we have the new challenge of welfare reform
4) So - there is an enormous need to continue on with what we've been doing:

EZs
Welfare-to-Work
EITC
Brownfields
CD Banks
HUD budget increase, etc.

Elena



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Assistant Secretary for Policy Development and Research

TELECOPIER COVER SHEET

5/27/97
DATE

NUMBER OF PAGES (INCLUDING THIS PAGE) 8

TO: MATT Lawa FROM: Mike Stegman
~~Mark Penn Laura~~ HUD
Elaine Kage

PHONE: 456-2878 PHONE: 708-1600

FAX NUMBER: 289-0916

This Sec. Cuomo ~~we~~ will be discussing this tomorrow at 10:15 meeting

SUBJECT: Overview of jobs / firm growth / decline in cities using latest (unpublished) census data - Conditions in big cities very serious. Not participating much in overall recovery.

THE PHONE NUMBER FOR FAX MACHINE IS (202) 619-8000

STEGMAN

Jobs vs. Employment

The Bureau of Labor Statistics reports monthly on unemployment and employment for metropolitan areas, central cities, and suburbs. Employment refers to whether a person has a job regardless of where the job may be located. A resident of a central city will be counted as employed even if he or she works in the suburbs. But a job in the central city held by a suburbanite will be counted as employement among suburbanites not as employment in the central city.

The Census Bureau collect data on jobs and establishments by where the jobs and establishments are located. Normally these data are reported by county but, for this report, HUD requested the Census Bureau to recode their data so that jobs and establishments could be distinguished by city. Note that a job in a central city can be filled by either a city resident or a suburban resident.

- Between 1970 and 1996, the US employment increased from 78.6 million to 126.7 million. Eighty-three percent of that growth took place in metropolitan areas. Small metropolitan areas were the fastest growing over this period.

Percent change in employment, 1970 to 1996	
All metropolitan areas	63%
Metro areas with less than 250,000 people	71%
Metro areas between 250,000 and 1,000,000	69%
Metro areas with more than 1,000,000	59%

- Between 1970 and 1994, central cities grew at one-third the rate of their metropolitan areas.

Percent change in population, 1970 to 1994	Central cities	Suburbs
All metropolitan areas	11%	46%
Metro areas with less than 250,000 people	24%	42%
Metro areas between 250,000 and 1,000,000	20%	45%
Metro areas with more than 1,000,000	4%	46%

- The middle class is declining. (For purposes of this analysis, this report defines the middle class as the middle 60 percent of the national income distributon; the upper 20 percent is considered the high income group and the lower 20 percent is considered the low income group.) Cities began the 1970s with roughly the expected percentage of the three income groups, that is, almost exactly one-fifth lower class, three-fifths middle class, and one-fifth upper class. But over the ensuing 20 years, the lower-class share grew to 24.5 percent while the middle-class share declined to 57.6%. Central cities also lost some upper-class as well.

Distribution of Families in All Central Cities	1970	1980	1990
Lower Class	20.2%	23.6%	24.5%
Middle Class	59.9%	58.0%	57.6%
Upper Class	19.9%	18.4%	17.8%

- From 1991 through 1994, a period in which the number of jobs nationally grew by 6 million, the number of jobs in central cities declined by 34,000. Large central cities lost jobs while middle-sized and small central cities gained jobs. Suburbs recorded strong jobs gains during this period.

Population	Change in Central City Jobs	Change in Suburban Jobs
Less than 250,000	4.9%	7.4%
250,000 to 500,000	1.0%	13.0%
500,000 to 900,000	2.3%	11.6%
More than 900,000	-2.9%	9.3%
All 74 MSAs	-0.1%	11.2%

- Only in the South did central cities experience positive job growth.

Region	Change in Central City Jobs	Change in Suburban Jobs
Northeast	-2.8%	18.2%
Midwest	-0.6%	17.7%
South	3.0%	7.5%
West	-1.4%	4.2%
All 74 MSAs	-0.1%	11.2%

- Central cities experienced only 1.1 percent growth in the number of establishments from 1991 to 1994. Large central cities basically held their own with respect to the number of establishments while small and middle size central cities had modest gains. The number of establishments in the 10 largest cities increased by only 0.1 percent during the expansion. Suburbs experienced strong growth in the number of establishments.

Population	Change in Central City Establishments	Change in Suburban Establishments
Less than 250,000	3.4%	10.6%
250,000 to 500,000	1.6%	12.4%
500,000 to 900,000	1.8%	18.4%
More than 900,000	0.1%	10.9%
All 74 MSAs	1.1%	13.1%

- Central cities in the Northeast lost establishments while central cities in the other regions gained establishments.

Region	Change in Central City Establishments	Change in Suburban Establishments
Northeast	-0.9%	20.3%
Midwest	1.3%	17.8%
South	2.4%	10.1%
West	1.0%	7.0%
All 74 MSAs	1.1%	13.1%

- **In the 77 central cities studied, on average only service sector jobs are growing. Manufacturing jobs continue to decline.**

Change in number of jobs from 1991 to 1994	**All 77 cities**	**Ten Largest Cities**
Construction	-11.6%	-14.4%
Manufacturing	-5.6%	-12.4%
Transportation, Communication, and Public Utilities	-2.2%	-6.1%
Wholesale Trade	-5.0%	-6.2%
Retail Trade	-1.1%	-4.0%
Finance, Insurance, and Real Estate	-2.2%	-3.5%
Services	6.7%	3.8%

- **Average compensation is higher in central cities and has been growing faster.**

Average Annual Compensation (in 19xx dollars)	**1991**	**1994**
All 74 Metro Areas		
Central cities	$29,014	$29,766
Suburbs	$26,502	$26,869
Ten largest cities		
Central cities	$29,691	$30,514
Suburbs	$27,764	$28,458

o Between 1990 and 1996, the unemployment rate for the 77 cities surveyed here fell from an average of 8.2 percent to 6.4 percent.

Unemployment Rate	1990	1996
National average	5.6%	5.4%
TEN LARGEST CITIES		
New York City, NY	9.0%	8.8%
Los Angeles, CA	8.3%	9.3%
Chicago, IL	11.3%	6.7%
Houston, TX	8.2%	6.45
Philadelphia, PA	9.6%	6.9%
San Deigo, CA	5.7%	5.4%
Phoenix, AZ	6.6%	4.0%
Dallas, TX	7.4%	5.2%
San Antonio, TX	8.9%	4.9%
Detroit, MI	19.7%	9.1%

o The number of employed city residents for the 77 cities surveyed increased by 4.7 percent during the 1990s. Many of the largest cities did not share in these gains.

TEN LARGEST CITIES	Percent Change in Number of Employed Residents from 1990 to 1996
New York City, NY	-8.0%
Los Angeles, CA	-3.8%
Chicago, IL	-0.4%
Houston, TX	16.0%
Philadelphia, PA	-7.7%
San Deigo, CA	-6.3%
Phoenix, AZ	33.8%
Dallas, TX	17.1%
San Antonio, TX	19.4%
Detroit, MI	2.7%

- **The 77 cities studied had an average increase in population of 3.3 percent between 1990 and 1994, a growth rate considerably smaller than their suburbs.**

TEN LARGEST CITIES	Percent Change in Population Residents from 1990 to 1994
New York City, NY	0.1%
Los Angeles, CA	-1.1%
Chicago, IL	-1.9%
Houston, TX	4.4%
Philadelphia, PA	-3.9%
San Deigo, CA	3.7%
Phoenix, AZ	6.7%
Dallas, TX	1.6%
San Antonio, TX	6.7%
Detroit, MI	-3.5%

CONCLUSIONS

There are some positive signs.

- The residents of large cities have benefitted from the drop in unemployment over the current recovery. Among the 10 largest cities, only Los Angeles has a higher unemployment rate today than in 1990. Several large cities, notably Detriot, have experienced a substantial drop in their employment rates.

- Large cities have participated unevenly in the rapid growth of employment since 1992. Only half of the 10 largest cities have more employed residents today than in 1990. Strong regional trends remain at work as Southern and some Western cities had sizable gains in employment.

- Job growth in cities, including large cities, has been concentrated in the service sector. While these jobs are frequently low-paying, they do provide opportunities for entry level workers.

However, the most important trends are still negative.

- Large cities actually lost jobs during the rapid growth of jobs nationally after the 1990-1991 recession.

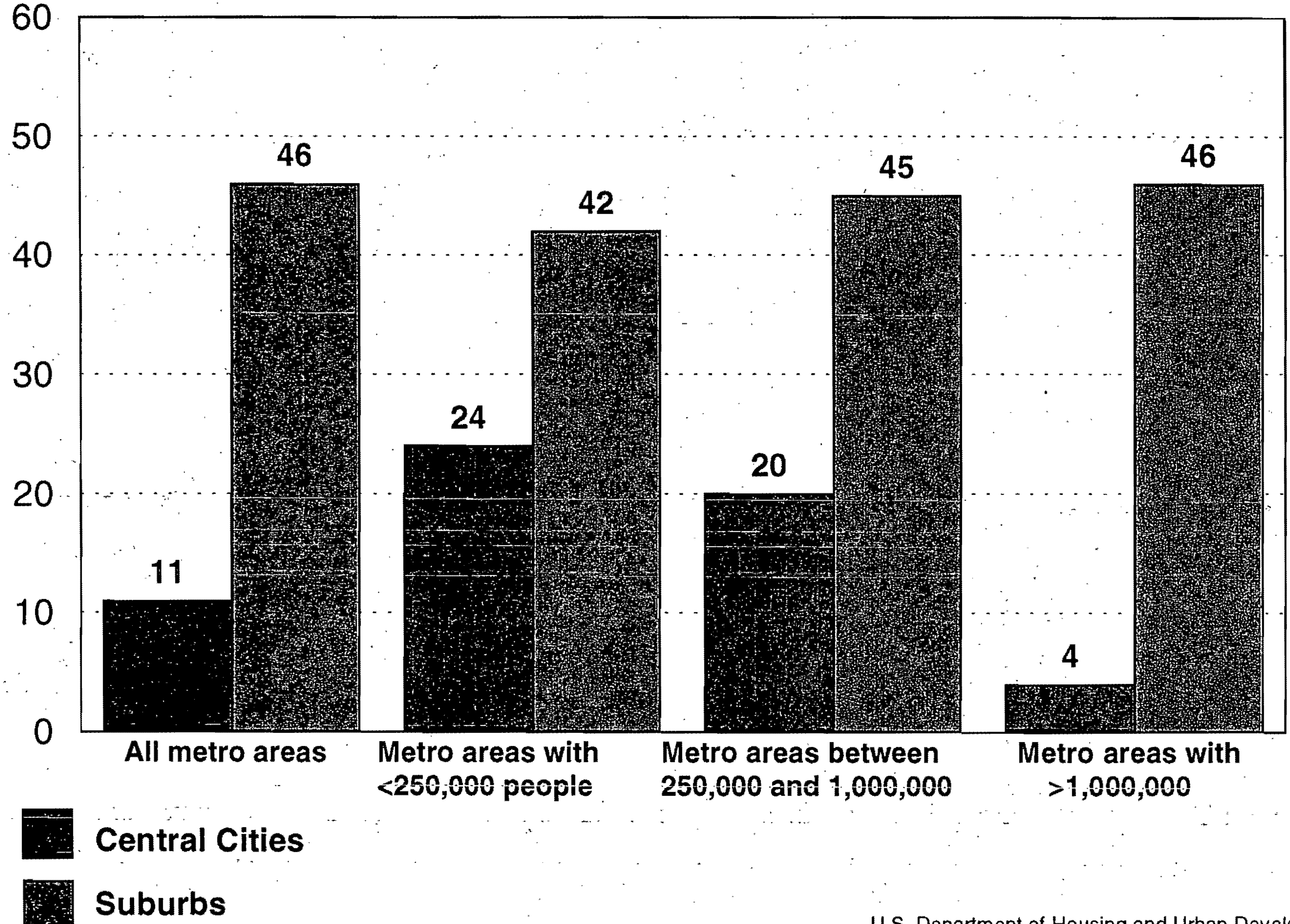
- Large cities have barely held their own with respect to the number of business establishments.

- Large cities are barely holding their own with respect to population growth.

- Large cities are losing middle-income and high-income families while gaining low-income families.

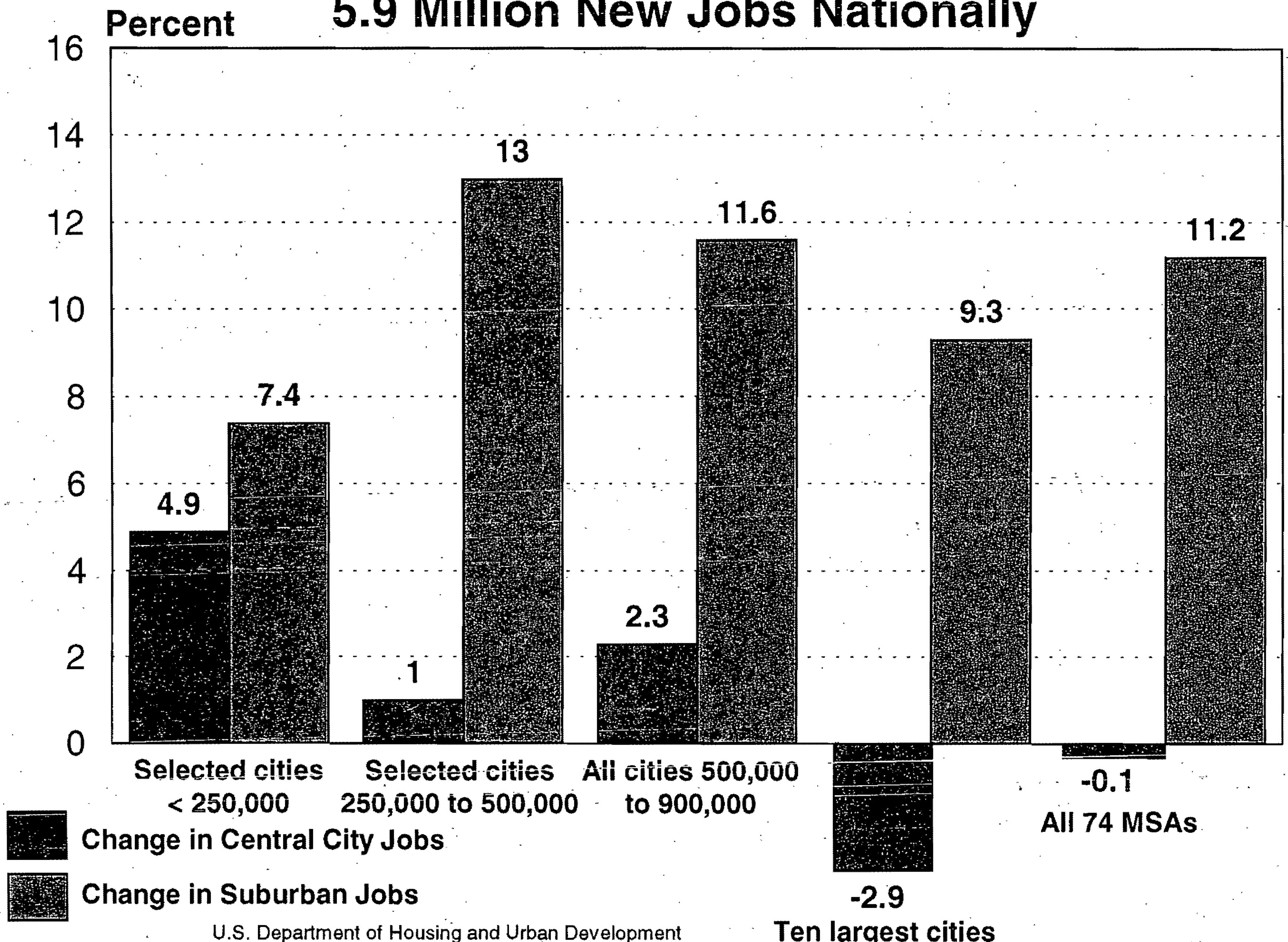
All of these negative trends have been tracked into the mid-1990s.

Percent Change in Population, 1970 to 1994



U.S. Department of Housing and Urban Development
May 27, 1997

Job Growth: 1991 - 1994
5.9 Million New Jobs Nationally



U.S. Department of Housing and Urban Development
May 27, 1997

Job Growth: 1991-1994--
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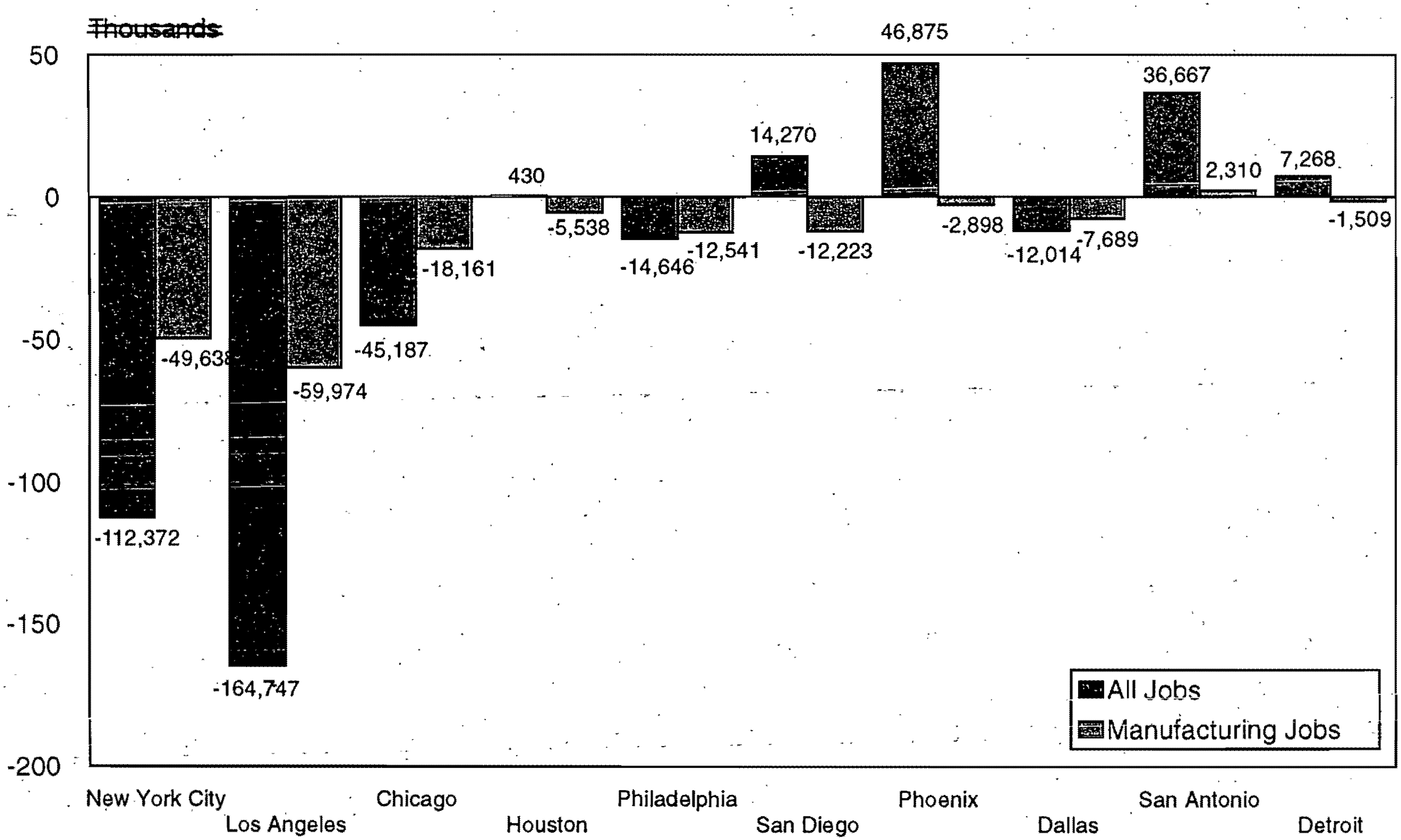
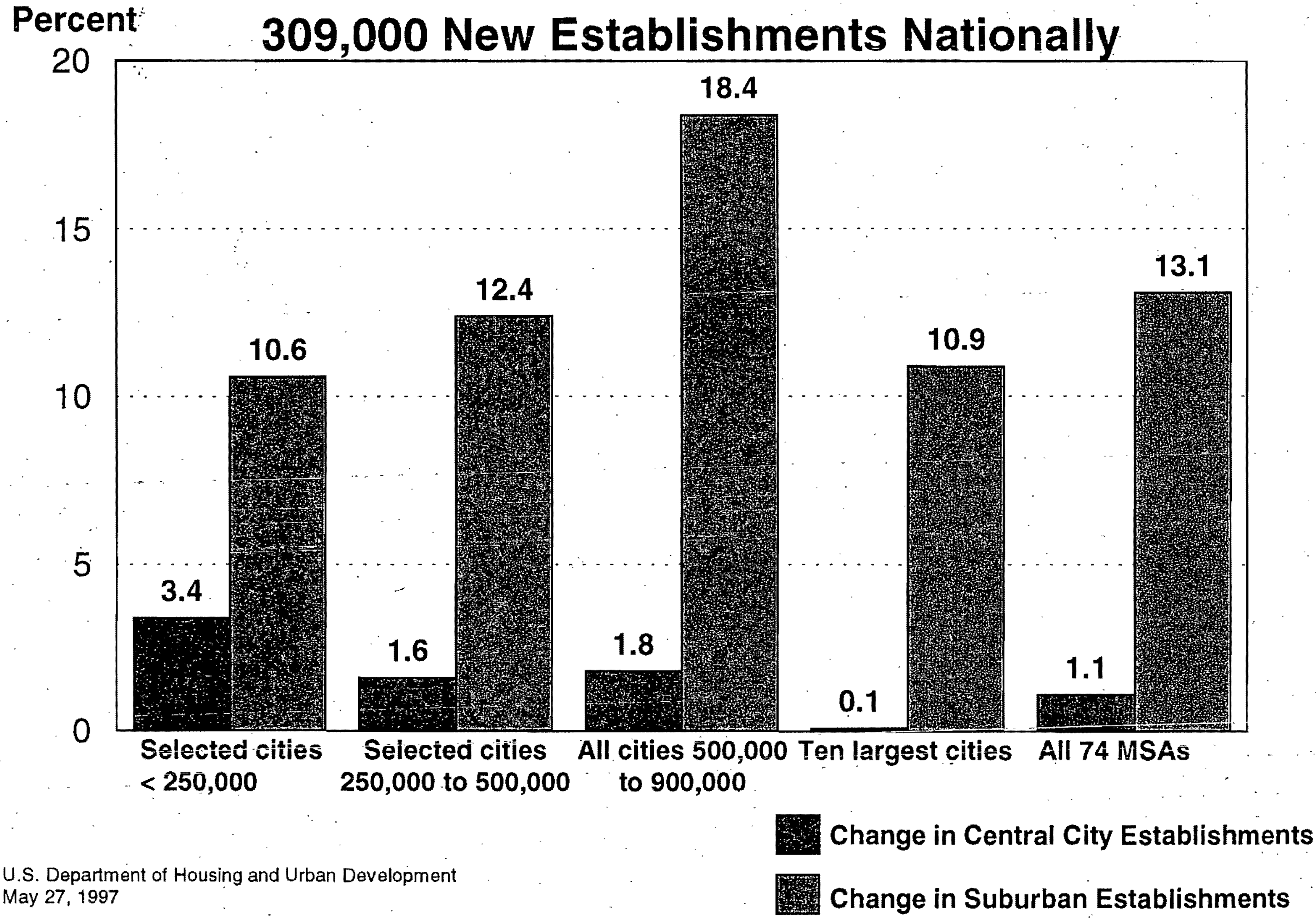


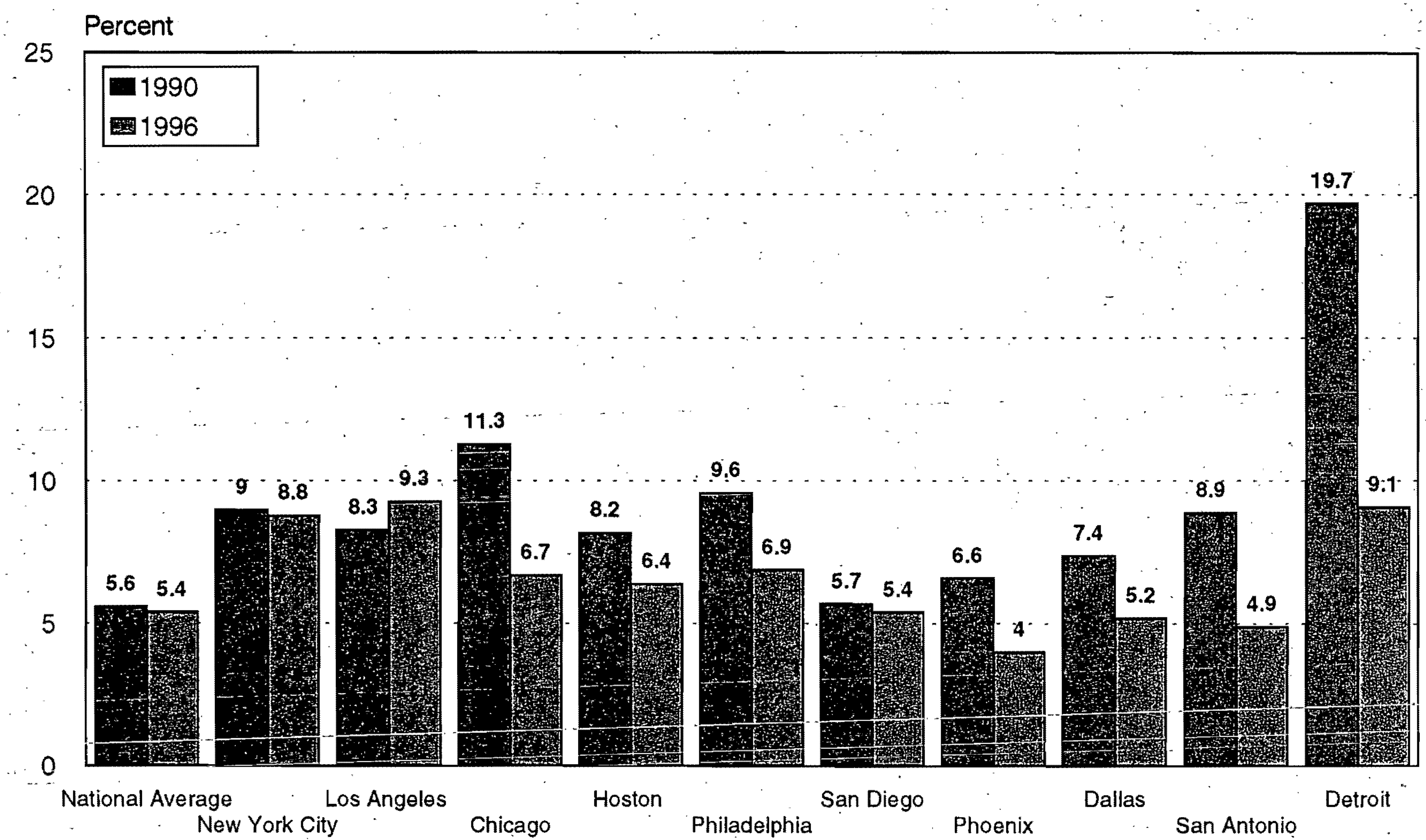
U.S. Department of Housing and Urban Development
May 27, 1997

Growth of New Businesses: 1991 - 1994
309,000 New Establishments Nationally



U.S. Department of Housing and Urban Development
May 27, 1997

Unemployment Rate
Ten Largest Cities



U.S. Department of Housing and Urban Development
May 27, 1997

Chicago Regional Summary Statistics

	TOTAL	Chicago	Inner Suburbs	Outer Suburbs	Northwest Suburbs	South Developing Suburbs
POPULATION						
Population, 1980	6,541,476	3,005,078	1,401,281	634,888	1,412,477	87,752
Population, 1990	6,692,848	2,783,726	1,364,193	720,799	1,703,895	120,235
% of Region's Incorporated Population, 1990	100.0%	41.6%	20.4%	10.8%	25.5%	1.8%
% of Region's Total Population, 1990	92.2%	38.3%	18.8%	9.9%	23.5%	1.7%
Households, 1980	2,306,944	1,094,046	499,674	210,408	475,889	26,927
Households, 1990	2,426,833	1,025,174	503,820	242,870	614,565	40,404
POVERTY						
Children under 5 for Whom Poverty Status is Calculated, 1980	477,197	227,996	88,171	56,309	97,944	6,777
Children under 5 for Whom Poverty Status is Calculated, 1990	509,473	211,302	92,919	63,516	132,842	8,894
Children under 5 in Poverty, 1980	94,632	76,399	8,236	6,143	3,628	226
Children under 5 in Poverty, 1990	96,721	75,249	9,925	7,976	3,421	150
% Children under 5 in Poverty, 1980	19.8%	33.5%	9.3%	10.9%	3.7%	3.3%
% Children under 5 in Poverty, 1990	19.0%	35.6%	10.7%	12.6%	2.6%	1.7%
Change in % Points Children under 5 in Poverty, 1980-1990	-0.8	2.1	1.3	1.6	-1.1	-1.6
RACE						
White Persons, 1990	4,591,677	1,263,524	1,059,478	577,346	1,577,555	113,774
Black Persons, 1990	1,411,112	1,087,711	219,756	77,571	23,458	2,616
American Indian Persons, 1990	13,066	7,064	2,038	1,898	1,966	100
Asian Persons, 1990	237,553	104,118	35,616	14,837	79,899	3,083
Other Race Persons, 1990	439,418	321,309	47,305	49,147	20,995	662
% Black Persons, 1990	21.1%	39.1%	16.1%	10.8%	1.4%	2.2%
White Children under 5, 1980	294,718	82,223	70,276	44,699	91,508	6,012
White Children, age 10-14, 1990 (for places without 1980 suppression of age/race data)	266,254	58,190	58,452	39,301	102,216	8,095
% Change in White Children under 5 in 1980 to age 10-14 in 1990	-9.7%	-29.2%	-16.8%	-12.1%	11.7%	34.6%
FEMALE-HEADED HOUSEHOLDS						
Female-Headed Households with Children, 1980	175,230	119,983	24,046	12,936	17,344	921
Female-Headed Households with Children, 1990	174,002	109,107	28,344	15,933	19,515	1,103
Total Households with Children, 1980	855,491	364,809	176,546	91,485	209,137	13,514
Total Households with Children, 1990	812,316	306,511	159,456	98,627	231,336	16,386
% Female-Headed Households with Children, 1980	20.5%	32.9%	13.6%	14.1%	8.3%	6.8%
% Female-Headed Households with Children, 1990	21.4%	35.6%	17.8%	16.2%	8.4%	6.7%
Change in % Points Female-Headed Households with Children, 1980-1990	0.9	2.7	4.2	2.0	0.1	-0.1
INCOME						
Median Household Income, 1979 (in 1989 dollars)	$34,406	$25,338	$37,473	$34,394	$49,631	$50,963
Median Household Income, 1989	$37,078	$26,301	$36,633	$35,739	$54,507	$52,698
% Change Median Household Income, 1979-1989	7.8%	3.8%	-2.2%	3.9%	9.8%	3.4%

Chicago Regional Summary Statistics

Urban Policy

	TOTAL	Chicago	Inner Suburbs	Outer Suburbs	Northwest Suburbs	South Developing Suburbs
TAX BASE						
Tax Base, 1980 (in 1993 dollars)	$187,119,081,781	$60,884,681,509	$41,325,441,098	$17,125,227,030	$64,776,638,266	$3,007,093,877
Tax Base, 1990 (in 1993 dollars)	$257,349,141,378	$75,563,695,495	$49,187,001,234	$19,809,890,940	$107,264,337,487	$5,524,216,222
Tax Base, 1993	$293,663,870,418	$85,996,014,102	$52,199,534,592	$24,979,258,650	$123,943,539,975	$6,545,523,099
Residential Tax Base, 1990 (in 1993 dollars)	$133,711,677,996	$23,793,479,055	$23,745,934,703	$13,339,583,079	$69,143,633,406	$3,689,047,753
Residential Tax Base, 1993	$156,426,262,905	$27,952,145,556	$25,075,387,653	$17,363,335,941	$81,588,052,179	$4,447,341,576
Tax Base per Household, 1980 (in 1993 dollars)	$81,111	$55,651	$82,705	$81,391	$136,117	$111,676
Tax Base per Household, 1993	$121,007	$83,884	$103,608	$102,850	$201,677	$162,002
% Change in Tax Base per Household, 1980-1993	49.2%	50.7%	25.3%	26.4%	48.2%	45.1%
% Change in Total Tax Base, 1980-1993	56.9%	41.2%	26.3%	45.9%	91.3%	117.7%
% Change in Total Tax Base, 1990-1993	14.1%	13.8%	6.1%	26.1%	15.5%	18.5%
% Change in Residential Tax Base, 1990-1993	17.0%	17.5%	5.6%	30.2%	18.0%	20.6%
CRIME						
Part I Crimes, 1994	459,418	284,565	80,624	37,529	53,245	3,455
Population, 1994 (of places with crime data)	6,728,935	2,768,483	1,382,134	719,126	1,730,305	128,887
Part I Crimes per 100,000 Persons, 1994	6,827	10,279	5,833	5,219	3,077	2,681
Public Safety Spending, 1994	$732,657,186	ND	$265,876,418	$97,006,835	$351,919,379	$17,854,554
Households, 1990 (of places with public safety spending data)	1,244,821	ND	450,561	172,720	582,855	38,685
Public Safety Spending per Household, 1990	$589	ND	$590	$562	$604	$462

Urban Policy

In Md., a 'Smart Growth' Consensus

Legislature on Verge of Approving Anti-Sprawl Plan, School Funds

By Terry M. Neal and David Montgomery
Washington Post Staff Writers
Saturday, April 5 1997; Page A01
The Washington Post

Maryland legislative leaders agreed last night to a landmark plan for curbing suburban sprawl while accepting a new school financing plan from the governor that deeply disappointed officials from Montgomery and Prince George's counties.

The legislature, scheduled to adjourn Monday night, was on the verge of settling the two contentious issues after Gov. Parris N. Glendening proposed $167 million in additional education funding for Maryland's 23 counties over five years, compared with $254 million for Baltimore schools. Montgomery and Prince George's officials had wanted substantially more money, and some of their legislators vowed to fight the school plan today on the House of Delegates floor.

Glendening (D) released the additional money only after legislators assured him that they would enact a version of his "Smart Growth" program.

The measure is designed to slow suburban sprawl by funneling billions of state dollars for roads, sewers, schools and other items to areas targeted for concentrated growth.

County governments could allow developments outside such targeted areas, but they would have to pay the related costs without state help.

If it works the way Glendening and other leaders say it will, the plan will change the face of Maryland over the next several decades. They say it will preserve much of Maryland's pristine countryside, rejuvenate existing neighborhoods and reduce government costs for roads and other services.

Without Smart Growth, environmentalists say, current development patterns will eat up more than 500,000 acres of open space and farmland -- an area roughly the size of Prince George's County plus half of Montgomery -- over the next two decades. Some legislators from growing, rural counties worried that the plan would divert too much state money from their regions to jurisdictions with older, established communities such as the Washington suburbs and Baltimore. Rural lawmakers complained it would strip too much land-use authority from local governments.

In the end, several compromises were made, including eliminating a provision that would have given the state Office of Planning veto power over jurisdictions' right to designate Smart Growth areas eligible for state funding. Instead, the office will make recommendations to officials in other state agencies, such as the Department of Transportation, who will make the final decisions.

Glendening embraced the compromise version, which requires final approval by the House and Senate. The governor "thinks that of all of the measures before the legislature this year, Smart Growth will have perhaps the greatest impact on how families and communities live," said his spokeswoman, Judi Scioli.

Sen. Brian E. Frosh (D-Montgomery) said, "It means we won't be throwing state money after the last town house out in some cornfield somewhere."

Thomas V. Grasso, Maryland executive director of the Chesapeake Bay Foundation, said that the bill isn't perfect but that it will do much to stem sprawl in Maryland. "You can have all of the regulations you want, but without a major shift in fiscal policy, it won't mean much," Grasso said.

The school funding issue, meanwhile, appears likely to divide Washington area officials from many of their colleagues in the session's closing days.

"I'm just very disappointed," said Montgomery County Executive Douglas M. Duncan (D). "It's not a fair statewide approach. . . . If you're a poor kid in Baltimore, you're basically treated better" than poor children in other jurisdictions.

"My immediate reaction is it's not nearly enough [money for the counties]," said Prince George's County Executive Wayne K. Curry (D). "I thought, in light of the Baltimore arrangement, that the state was really about to make real its pledge to be the education state, but I guess I was wrong."

In his supplemental spending plan, Glendening offered the 23 counties no more money than his aides have been suggesting for weeks, but he focused it on schools. The plan would provide the counties an additional $33 million next year to be spent on extended kindergarten, help for children for whom English is a second language, building repairs, community colleges and special grants for poor students.

Prince George's would receive an additional $40 million over the next five years, and Montgomery would get $31 million. Under the county executives' plan, they would have gotten $83 million and $60 million, respectively, over five years.

Meanwhile, Baltimore's troubled school system would receive $30 million in additional money next year, growing to a total of $254 million over five years, assuming future legislatures appropriate the money. In return, the state would gain greater control over management of the city school system. The deal is intended to settle lawsuits alleging that the state has not provided Baltimore children an adequate education.

Glendening's proposed funding for county schools falls significantly short of a plan advanced by Duncan and Curry. They had called for an additional $44 million for the 23 counties next year, increasing to $72 million in each of the next four years.

Overall, the county executives' plan called for an additional $332 million to be distributed for the 23 counties over five years and $254 million for Baltimore. But Glendening said the counties should get $167 million.

Glendening aides said Baltimore's education needs are so great that the city deserves special treatment. Frederick W. Puddester, the governor's budget director, said Glendening "had to balance the needs of schoolchildren throughout the state with being fiscally responsible."

Delegates from Prince George's and Montgomery said the governor had fallen short of what their counties needed.

"It's not acceptable to us," said Del. Nathaniel Exum (D-Prince George's), chairman of the county's House delegation.

"Not enough," said Del. Kumar Barve (D-Montgomery), chairman of his county's House delegation. "It's way short of what we wanted."

Despite those complaints, legislative leaders predicted that the House will approve the plan today. The Senate signaled its approval of Glendening's approach last month. Glendening said the counties will not receive the additional money if lawmakers reject the added money for Baltimore schools.

Duncan said Montgomery County is considering going to court to obtain additional school funding, mirroring Baltimore's strategy. He cited a decision yesterday by the Maryland Court of Appeals, the state's highest court, which ruled 4 to 3 that the county may not intervene in the lawsuits that triggered the plan for additional school aid.

The new spending plan was produced by the governor yesterday as tempers frayed in the legislature over Glendening's strategy of tying the supplemental budget -- which included millions of dollars in additional spending dear to many legislators -- to passage of his Smart Growth plan. The leaders warned Glendening that he was risking a legislative train wreck if he persisted in his strategy.

Staff writer Michael Abramowitz contributed to this report.

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New Orleans, Louisiana 70112
504-529-4533
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HARRIS

7 November 1996

Robert C. Tannen
Vice President

HARRIS

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Bruce Reed
Deputy Assistant to the President
for Domestic Policy
OEOB Room 216
17th and Pennsylvania Avenue
Washington, DC 20502

Dear Mr. Reed:

I apologize for the late arrival of the enclosed material.

Tuesday was a very good day in Louisiana for the President and Senator Elect Mary Landrieu. I can now get back to my real life's work of Urban Planning and Infrastructure development.

I have talked with the President, Rodney Slater, Bob Nash and others about some of these ideas, and would like to meet you in early December if possible.

Sincerely,

Robert C. Tannen

RCT:kl

Enclosures

Frederic R. Harris, Inc.
807 Howard Avenue
New Orleans, Louisiana 70113
(504) 529-4533
FAX (504) 522-2085

HARRIS

MEMORANDUM

To: Governor Bill Clinton

From: Robert Tannen

Date: July 27, 1992

Subject: Transportation & Parkways

==

Your bus tour is brilliant and should, if possible, be continued to the West Coast and also through the heartland from the Great Lakes to the Gulf of Mexico. The bus trip suggests an economic development theme focused on more efficient transportation and transportation centers in many small and medium sized cities. As you and I have discussed in the past, river towns, railroad towns, communities bypassed by interstate highways, and coastal cities with failing ports need extensive revitalization. Bus, rail and water transportation should be modernized to complement our state of the art automobile, truck, aircraft and air transportation industry. Many communities lack fuel efficient commuter rail or bus service.

Smaller communities need to be better linked to larger cities and vice versa. This linking process is in itself a labor intensive industry which is federally subsidized yet it is not currently treated this way by the Department of Transportation. Moreover, much government transportation spending is not economic development driven. Small communities are losing and cannot sustain competitive air transportation service. Rail and bus service to larger cities will replace short distance air travel and small airports.

Historic pathways, waterways, railways and highways make up a vital national network which is not integrated and is presently falling apart and corroding. The Mississippi River heritage corridor project is just one of many possible national initiatives such as improved East Coast, West Coast, Gulf Coast rail corridors, regional scenic busways, pedestrian and bikeways such as the Hudson River Valley Corridor Project in New York state. All the above suggests a national network of transportation and parkways utilizing existing rights of ways similar to the Natchez Trace Parkway.

Your bus tour brings all of this and more home to the American imagination. Jeanne Nathan and I volunteer to develop more of these ideas for your consideration.

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HARRIS

MEMORANDUM

To: Governor Bill Clinton

From: Robert C. Tannen

Date: September 1, 1992

Subject: National Public Works and Jobs Project as an Economic Development Effort Utilizing Existing Funding from DOD, Department of Interior and Department of Labor, HUD and others.

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Emphasis should be to rehabilitate Major River Corridors, Existing Federal Interstate Highway Corridors, Existing Major Passenger Rail and Commuter Rail Corridors. A coordinated effort of this kind would create the largest nationwide public works and jobs project ever undertaken anywhere in the world.

A. Proposal

1. Coordinated rehabilitation of the "Great" Rivers, Mississippi, Missouri, Ohio, Colorado, St. Lawrence, Hudson, Columbia, Connecticut and others through pollution abatement conservation, recreation and port development.

2. Coordinated rehabilitation of the Federal Interstate Highway System and further utilization of right of ways and airrights for public/private mixed use development, parkland expansion, recreation and commercial use.

3. Coordinated rehabilitation of AMTRAK Passenger Rail and Regional Commuter Rail corridors with public/private investment in airrights, mixed use terminals and other facilities between cities and throughout the system including direct access to major airports.

The Mississippi River National Heritage Corridor Study from Minnesota to the Gulf of Mexico currently being conducted by the National Park Service under the direction of a very able Arkansan, Don Castlebury, is a model example of just one possible project.

Federal DOT, Department of Interior, DOD (U.S. Army Corps of Engineers), EPA, HUD and Department of Labor could jointly administer a coordinated public works effort with private industry to improve Federal components of the national surface and water transportation corridors with an emphasis on economic development, jobs, planning, construction and conservation.

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MEMORANDUM

HARRIS

To: Governor Bill Clinton

ATTN: George Stephanopoulos

From: Robert C. Tannen

Date: September 18, 1992

Subject: Economic Development, Jobs and Strategic Transportation Corridors

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In earlier memos from me to Governor Bill Clinton, copies enclosed, I suggested that a major public works and jobs program could be produced from a combination of existing federal programs. For example, sources such as DOT, HUD, U.S. ARMY CORPS OF ENGINEERS, DEPT. OF INTERIOR, DEPT. OF LABOR, and other departments or agencies could be coordinated and focused to create priority multimodal transportation corridors including linear national parks linking large urban population centers. The Federal DOT **Intermodal Surface Transportation Efficiency Act of 1992** authorizes $155 Billion expenditure over six years. The proposed Mississippi River National Heritage Corridor, which is presently being studied by a consortium of agencies led by the Dept. of Interior, might become one such program of this kind.

I assisted Congressional and Dept. of Interior planners conceptualizing and studying the Mississippi River Corridor Project. A portion of the annual budgets DOT, CORPS OF ENGINEERS and INTERIORS combined could provide the majority of funds required to rehabilitate and improve strategic transportation corridors throughout the nation.

This idea could be expanded to serve the needs of low income and other at-risk groups by requiring that local and national contractors selected to construct this nationwide network of transportation/park corridors train and employ those with the greatest economic and educational need; moreover, the federal budget overall could be directed to coordinated program objectives which serve, for example, a national goal of transportation improvement, reduction of poverty, and improve quality of life through public works, job training, education, and physical infrastructure improvement.

The approach underlying the ideas discussed here is the selection of priority national goals, and then to concentrate and coordinate a combination of existing federal agencies, programs, and funding to achieve those goals. A good recent example of this kind of effort is the combination of DOD and other federal agency action to assist with hurricane relief in Florida, Louisiana and Hawaii. Selected national priority goals should have social, educational, economic, environmental, and urban emphasis. It appears that no one federal department or agency alone can successfully impact national goals of this type, except possibly Defense goals.

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HARRIS

MEMORANDUM

To: Governor Bill Clinton

ATTN: Kay Goss

From: Robert C. Tannen

Date: October 7, 1992

Subject: Urban Transportation Corridor Policy

==

I apologize for the transportation jargon. More simply and in summary, national transportation funding should be focused upon those existing population centers and corridors which offer cost effective opportunities for modernization, integrating the several land, air and water modes of transportation and improving transfer of freight and passengers from one mode to another. The selected corridors would stimulate economic development through the attraction and location of business and industry, and encourage urban redevelopment while reducing urban sprawl.

One might argue that selection of a dozen or so priority urban corridors for intensive redevelopment as opposed to improving most existing transportation corridors is both economically and politically insensitive. Some might believe that such action will sacrifice future economic well-being of the nation as a whole, and particularly those areas within the nation that might have economic development potential or be economically depressed. We do not have the financial resources to continue to upgrade the entire national transportation system, choices need to be made concerning the best investment opportunities available in transportation infrastructure.

There are few effective intermodal or multi-modal connections among existing transportation facilities and services nation-wide. A public and private partnership for development of intermodal transportation facilities and services is needed. It will be more efficient to balance the modal split of passengers and freight among available modes rather than to increase the overall capacity of one mode, for example, the highway system. Clearly, we also need to review all corridors for selection of transportation rehabilitation and reconstruction projects nationwide, utilizing similar criteria.

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MEMORANDUM
(Revised)

HARRIS

To: Governor Bill Clinton

ATTN: Kay Goss

From: Robert C. Tannen

Date: October 7, 1992

Subject: Proposed Major National Intermodal Transportation Corridors and Network Connecting Cities of 100,000 Population or More, and National Park Areas

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The attached preliminary maps of the Proposed Major National Intermodal Transportation Corridors Network Connecting Cities of 100,000 Population or More, and National Park Areas have been prepared in preliminary form to indicate ways of strengthening and improving the national transportation system through focus on existing intermodal corridors, major cities and economic centers. The maps suggest that there are a number of such transportation corridors which should be improved and linked together as a means of establishing priority transportation resources, and without increasing federal transportation budgets.

The attached maps are color-coded as follows:

Colors	Definition
Blue	Waterways for Commerce
Blue and Green	Waterways for Commerce and Recreation
Green	National Parks and National Parkways
Green and Red	Auto/Transit Parkways
Red	Major Interstate Highways Linking Population Centers of 100,000 or More
Orange	Major Rail Freightlines and Corridors
Yellow	Major Rail Passenger Routes
Black Circle Around City	Major Air Transportation Hubs of Domestic Airlines
Purple	Riverports, Seaports and Lakeports

The preliminary analysis suggests that the emphasis of national transportation improvement programs and projects should be focused upon the major intermodal corridors, and particularly those including the larger cities. A secondary emphasis should be the improvement of existing linkages between major corridors and all other corridors, with the objective of strengthening intermodal services and facilities for passenger and freight movement.

Additional analysis is required on the subject of intermodal terminals and how to properly and efficiently shift passengers and freight from one mode of travel to another. There is a public and private role in the establishment of such intermodal facilities, such as hub airports, urban train stations, bus stations, rail yards, and parking facilities.

The identification of the major intermodal corridors is as follows:

Starting from East to West, the cities with the highest concentration of all modes are:

(1) the Northeast corridor from Boston to Washington
(2) the Detroit/Cleveland/Pittsburgh corridor
(3) Orlando/Tampa/Miami corridor
(4) Norfolk/Raleigh-Durham/Winston-Salem/Charlotte corridor
(5) Atlanta/Nashville/Memphis/Birmingham corridor
(6) Chicago/Indianapolis/Cincinnati corridor
(7) St. Louis/Kansas City corridor
(8) Dallas/Houston/San Antonio corridor
(9) Denver/Salt Lake City corridor
(10) Phoenix/Los Angeles/San Francisco corridor
(11) Seattle/Portland corridor

With the exception of the Northwest corridor of Seattle/Portland, all other proposed national intermodal corridors have at least two major air transportation hubs. Further, some of the major corridors are somewhat arbitrary and could be linked together, or may be naturally linked together, such as Kansas City/St. Louis with Chicago/Cincinnati/Indianapolis, St. Louis with Memphis, etc., and the Northeast corridor extended southward to include the Norfolk corridor.

The opportunity for linking national parks with parkways and greenways can be achieved through many existing governmental programs. National parks, national monuments and national recreation areas are generally grouped in three regions, i.e. the Northwest, California, and the Colorado River Basin. In addition, the Northeast corridor includes three major mountain parks, i.e. the Adirondack, Catskill and White Mountain areas.

The South in general has the lowest density of national parks and national recreation areas. In the South, the few national parks and major population areas could be linked together by parkways, greenways and scenic rivers to increase the density of resources. The interstate highway system provides the right-of-ways and basic infrastructure for such development. The Mississippi River and its tributaries are presently being studied by the Department of Interior in similar regard. Parkways in concept similar to the Natchez Trace

Parkway could be planned and implemented within this overall program. Several great rivers, such as the Mississippi, Missouri, Colorado, Platte, Columbia, Snake and others, have great potential for further development as recreational and transportation corridors. Several of these rivers are in close proximity to national parks and recreation areas.

In general, a transportation policy and program of this kind would differ from previous national transportation policy efforts by recognizing we can no longer afford to build or rebuild roads, bridges, railroads, waterways and airports everywhere but, rather, we should better integrate, select and improve transportation facilities and services based on an analysis of existing intermodal corridors, population density and economic activity. We should not encourage the creation of new transportation corridors except as a means of accessing and linking major economic centers and large sites of publicly owned land. This proposal would strengthen existing regions of habitation and commerce, expand our national park system and improve our environment.

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MEMORANDUM

HARRIS

To: Governor Bill Clinton

ATTN: Kay Goss

From: Robert C. Tannen

Date: October 21, 1992

Subject: Further Thoughts on the Relationship of Proposed Intermodal Corridor Transportation Program to Economic Development

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The majority of major cities and economic centers of 100,000 population or more are within 50 to 500 miles of comparable cities in the United States. Economic, cultural and other relationships are strong among adjacent urban areas. Economic trends of the last several decades appear to favor the development of small business and small industry nationally, such as INC Magazine 500 companies over larger Fortune 500 type corporations. The strengthening of ties and business among adjacent economic centers is reinforced by greater suburbanization and increased length of commuter trips to work locations within major cities and connecting corridors.

These trips are increasingly located between two adjacent urban centers along existing transportation corridors specifically interstate highways and commuter bus and rail lines. Moreover, major intersections and intermodal, freight and passenger transfer points within these corridors have become communities unto themselves through retail, wholesale, distribution center, office and residential development.

A preliminary conclusion of this and previous discussions concerning intermodal corridors is that selected corridors of 50 to 500 miles in length between major cities should be improved and strengthened for increased movement of passengers and freight as well as a means of achieving intensive economic development. To the extent possible, inter-city bus and rail connections should be favored over the private automobile for increased efficiency and conservation. Interstate highways and other major expressways within these corridors should be encouraged to implement busways and commuter rail either within existing right-of-ways or through modification of existing facilities.

Air transportation presents a special problem to be resolved nationally. Air trips of four hundred miles or more are more efficient for a variety of reasons than shorter trips, both from the carrier standpoint and the passenger standpoint. If surface transportation were to become more efficient and less time consuming, within the corridors of 500 miles maximum between cities then there would be less demand for short haul air transportation, and the national transportation system then would have greater balance of modes.

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HARRIS

MEMORANDUM

To: Rodney Slater

From: Robert Tannen

Date: 23 December 1992

Subject: Unsolicited Proposal of Infrastructure and Transportation Systems Analysis and Strategy for Improvement to Be Conducted and Completed Within the First 100 Days of the Clinton/Gore Administration

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A number of transportation and infrastructure associates and myself have discussed the idea of an unsolicited proposal to you and the Transition Team to conduct a "quick and dirty" assessment of the transportation and infrastructure systems of all 50 states. We have conducted similar studies for small nations in recent years.

The idea is simply this: A group of professionals with required experience in the fields of planning, transportation, water and sewer, power, communications and related infrastructure would jointly assess the condition of the subject systems in place, and then make recommendations to the President on priority needs, order of magnitude cost, timetable and strategy to implement objectives.

cc: Bob Nash

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HARRIS

Frederic R. Harris, Inc.

DRAFT **The President's Community Empowerment Agenda** **DRAFT**

Urban Policy

As we move into an era of balanced budgets and smaller government, we must work in new ways to enable people to make the most of their own lives...We are helping America's communities -- not with more bureaucracy, but with more opportunities."

President Clinton
January 23, 1996

America's Recovery. In the first three years with President Clinton, the ingenuity and hard work of the American people have begun to restore America: 8.4 million net new jobs created, with a greater proportion in the private sector and at above average wages than at any time in a generation; the lowest combined unemployment, inflation, and home mortgage rates since the 1960's; the first rise in real wages, living standards, and home ownership in more than a decade; and the first declines in crime, poverty, welfare, and teen pregnancy rates. The President has also ended the era of big government: by cutting the federal deficit in half, to the lowest level of any major country in the world; by reducing the federal workforce by more than 200,000, to the lowest level in 30 years; by eliminating 16,000 pages of unneeded rules and regulations; and by focussing essential investments on helping working families, expanding educational opportunity, fighting crime, cleaning up the environment and building thriving communities. America is now in better shape to meet the challenges of the new century than any other country in the world.

America's Challenge. In his State of the Union Address, the President described the changing times in which we live: "A hundred years ago, we moved from farm to factory. Now we move to an age of technology, information and global competition." To enable all Americans to make the most of the vast new opportunities opening in this Age of Possibility, the President described the seven challenges we must meet: to cherish our children and strengthen the American family; to provide all Americans with the educational opportunities we'll all need for this new century; to help every American who is willing to work for it to achieve economic security in this new age; to take back our streets from crime, and gangs and drugs; to leave our environment safe and clean for the next generation; to maintain America's leadership as the greatest force for peace, freedom and prosperity in the world; and to reinvent our government so that it is smaller, more responsive, and works to empower all Americans to build a brighter future for themselves, their families and their communities. In his State of the Union Address, the President outlined how we can work together in new ways in this era of balanced budgets and smaller government to meet these challenges.

The Community Empowerment Challenge. Over the past two generations, too many places in the core of urban America and in our rural heartlands were largely abandoned or polluted by yesterday's industrial economy. Many have yet to reap the benefits of the current economic recovery and are caught in the cross-winds of economic change in the transition to the information age. Too many of their residents still remain isolated from the main steams of growth and opportunity -- waiting for jobs, for new investment and enterprise, and for contaminated land to be cleaned up and put back into healthy and productive use. As set forth in his State of Union Address, the President is committed to helping these distressed communities meet the stiff challenges and seize the expanding opportunities of tomorrow's economy in the information age:

> We are helping America's communities -- not with more bureaucracy, but with more opportunities. Through our successful empowerment zones and community development banks, we are helping people to find jobs and to start businesses. And with tax incentives for the companies that clean up abandoned industrial property, we can bring jobs back to places that desperately, desperately need them.

As the economy continues to grow and unemployment remains at historically low levels in most local regions, persons and places isolated in inner cities and rural America will have a unique opportunity to start businesses and find jobs in the new economy. The President's 1997 Budget is designed to do just that -- first, by expanding his successful Community Empowerment Agenda and, second, by making sure that these communities in need, like all other communities, are able to participate fully in his other initiatives to enable all Americans to meet the challenges of this new age. The President is making the tough choices to balance the budget in seven years and to invest in expanding opportunity so that all American families and communities can take greater responsibility for building a brighter future. All of these investments are fully paid for in the President's Balanced Budget.

A. Expanding the Community Empowerment Agenda

Three principles undergird the President's Community Empowerment Agenda:

- First, in this new age, the private sector must re-engage as the rightful driver of economic growth to provide jobs and opportunity for people and places abandoned by the old economy;

- Second, the solutions to the challenges we face must be driven by the local communities and families that have the greatest stake in the outcome and the most insight into how to build a brighter future for themselves, their children and neighbors; and

- Third, all levels of government must do their part to become better, more responsive partners for communities, for families and for business.

The President's Balanced Budget proposes: (1) $3 billion over seven years in new tax incentives to engage the private sector and local communities in cleaning up and redeveloping brownfields and implementing a new round of Empowerment Zones and Enterprise Communities; (2) another $1 billion over three years in economic development grants to help people start and expand businesses and to find jobs; (3) $1.675 billion over seven years to develop a network of Community Development Financial Institutions to assure that capital flows to help the private sector expand business in poor communities; and (4) full funding in 1997 for HUD's three community-based programs, with added bonus pools to enable high performers to invest in more economic development to provide jobs, greater homeownership to rebuild neighborhoods, and in moving the homeless to shelter and productive lives.

- *Empowerment Zones and Enterprise Communities (EZs and ECs).* The first round of the President's EZ/EC Initiative challenged communities to develop comprehensive strategic visions for revitalizing their neighborhoods, with the input of a wide array of community partners. That competition resulted in over 500 applications and $8 billion in additional investments to support local revitalization plans. The Administration designated 105 zones or communities in 42 states; and the President's Community Empowerment Board, under the leadership of Vice-President Gore, stripped away regulations and red tape and co-invested to help communities implement their own plans. The Initiative has already resulted in the creation of thousands of new jobs in distressed communities across the country.

  The Balanced Budget proposes a second round of 20 EZs and 80 ECs. $1 billion in tax incentives will provide: (a) a total of $3 billion in flexible private activity bonds above the State volume caps to stimulate private co-investment in starting or expanding business, (b) increased expensing of $20,000 per year for every qualifying firm in the EZs to spur ongoing private investment in plant and equipment and (c) immediate expensing for the cost of environmental clean up to spur large-scale economic development of an additional 2000 acres of brownfields for the 20 EZs and 1000 acres for the 80 ECs. The Balanced Budget also includes $1 billion over three years in economic development grants to stimulate further private investment and business growth in distressed urban and rural communities and to connect residents to available jobs throughout the local region.

The second round will again challenge local communities to develop their own strategies for revitalization, with input from residents and a wide array of partners. The President's Community Empowerment Board, chaired by Vice President Gore, will again co-invest in those communities that develop innovative plans and secure the most private investment and local support for implementing their own vision for seizing the opportunities in the new economy. As the President says, "People want their own chance to do better. We have an obligation to make this opportunity available; and that's what this whole community empowerment endeavor is all about."

- *Brownfields.* The Balanced Budget proposes to spur investment in revitalizing communities by providing incentives to clean up contaminated sites that have been abandoned. The proposal would allow the immediate expensing of costs for cleaning up polluted sites in all census tracts with poverty rates of 20% or greater, contiguous industrial or commercial tracts, all existing and newly designated Empowerment Zones and Enterprise Communities, and EPA's existing Brownfield Redevelopment Pilot Projects. The $2 billion in tax incentives will spur $10 billion in private investment to clean up as many as 30,000 brownfields abandoned by the old industrial economy. It will create substantially greater investment in building businesses and jobs in communities that desperately need both.

  The U.S. Conference of Mayors has hailed the incentive as a major step forward. According to Seattle Mayor Norman Rice, the President of the U.S. Conference of Mayors, "This tax incentive will be a major tool for mayors to use in forming the partnerships with the private sector that we must have to rebuild our neighborhoods and create greater economic opportunity for our citizens." As the President noted, this incentive will enable the private sector and communities to join together to develop "safe, sustainable homes for business....Protecting our environment can go hand-in-hand with redevelopment. It can create jobs and at the same time encourage more people to live and work in the cities again."

- *Community Development Financial Institutions (CDFIs).* The President's CDFI Fund is designed to expand the availability of credit, investment capital, and financial and other development services in distressed urban and rural communities. The Balanced Budget proposes $125 million for the CDFI Fund in 1997, with increases each year through 2002 to bring the seven-year total to $1.675 billion. This will spur substantially greater co-investment by private sector financial partners and the development of a nationwide network of community development banks, credit unions, development corporations, micro-enterprise funds, venture capital and equity funds, and new secondary market initiatives.

  In response to the President's call to make the Community Reinvestment Act promote more investment with less burden, the four Banking agencies also adopted a new framework that focusses financial institutions on results -- putting actual loans and capital in communities that desperately need new investment, rather than process, meetings, or paperwork. The President then led the defense of this newly reformed and effective Community Reinvestment Act against the attacks of those who sought to repeal this essential source of private investment in America's communities. At the same time, the President and Secretary Cisneros have engaged all of the major financial players in a new Homeownership Partnership Strategy and set effective new rules for Fannie Mae and Freddie Mac to assure the availability of more affordable home ownership for all Americans who are willing to work for it, including families who live in inner-city and rural communities that for too long have been denied access to affordable home mortgage loans.

In conjunction with the newly effective CRA and the Homeownership Partnership Strategy, the new network of CDFIs will work with their major financial partners to make loans and equity investments available to build businesses, finance home ownership, and rebuild neighborhoods in distressed communities. As the President says, "If we really believe free enterprise and not government spending is the answer to problems of the inner city, we're going to have to offer them some free enterprise. And free enterprise begins with capital." The President's CDFI Fund is an integral component of his challenge to America's financial and investment community to make sure that capital -- smart and plentiful -- is made available in communities too long starved by their lack of access to this lifeblood of free enterprise.

- *HUD Reinvention*. The Balanced Budget builds on the lessons learned from the Community Empowerment Agenda to transform HUD into a responsive partner to encourage localities to form new partnerships to empower their local communities to meet the challenges and to seize the opportunities of the new information age:

  -- Consolidation, simplification and flexibility. The Balanced Budget proposes to consolidate HUD's primary housing and community development programs into three flexible, performance-based funds: CDBG, HOME, and Homeless Assistance. Most of the funding will be awarded by formula, as in a block grant, but focussed on the locality's own strategy to meet national goals. Use of funds will be measured by local performance benchmarks that are consistent with national goals but tailored to each community's own plan. Communities can apply for all three funds through a single plan, and then use the funds flexibly to implement their own strategies to meet the national goals. Application and reporting can be made through an easily accessible digital plan and map that will enable all community residents to see the goals and to measure the results.

  -- Bonus funding. To further reward results, communities that set and achieve ambitious performance benchmarks consistent with national goals and local needs will be eligible to compete for bonus funds. In 1997, $100 million of the CDBG/Economic Development Bonus Pool will be available to help finance innovative efforts that either generate economic revitalization in distressed communities or link people in distressed communities with jobs. The HOME Fund Challenge Grant of $150 million for 1997 will help high-performing communities work with the major financial partners in the President's Homeownership Strategy to rebuild scores of neighborhoods based on the financial and personal commitment of homeownership.

-- Public Housing Reform. The Balanced Budget provides support to demolish an additional 50,000 of the worst, highest-cost public housing units in the next three years and, in their place, provide portable rental subsidy certificates that offer residents greater choice. Local communities may also engage the private sector to construct vital new residential neighborhoods on the vacant sites or to redevelop the land to fit their own strategy for revitalization. In addition, performance-based assistance for public and assisted housing will help assure that the most affordable housing -- at a competitive market price, quality and choice, with secure financing and safe and drug-free homes -- is made available by States, housing authorities, communities and private owners. Finally, the private sector's innovative and effective use of the Low Income Housing Tax Credit will provide a valuable source for building more affordable housing and stronger, self-sustaining neighborhoods.

-- Single Points of Contact. Secretary Cisneros proposes to transform HUD by creating single points of contact for all major localities and freeing HUD staff to help communities reach their goals. In this transformation, HUD will move many of its staff out of Washington and into the communities to operate as problem-solvers, working with and for the States and communities to make sure that all federal agencies and partners are responsive.

Expanding the Community Empowerment Agenda will enable inner-city neighborhoods and rural communities to build their own bridges to prosperity in the new economy. As the President says, "We want to do everything we can to help [these communities] be part of the comprehensive strategy for the future embodied in the empowerment zones and enterprise communities, taking on tough jobs like reclaiming industrial land, increasing access to capital, and making home ownership easier."

B. Enabling All Families and Communities to Meet the American Challenge

By encouraging local communities and the private sector to work together, and taking the lead in reinventing government so that it costs less and is more responsive, the President is challenging "every community to come together and devise your own rebirth" and "every American" to meet the "most basic human duty" of raising your own children "to the best of his or her ability." The President's Balanced Budget invests in helping every community and family meet this challenge:

- *To Strengthen Families.* The Balanced Budget proposes to reform welfare so that it supports rather than undermines the values of family and work -- with time limits, work requirements, the toughest possible child support enforcement, and child care so "mothers can go to work without worrying about what is happening to their children." Communities can join together to help working parents provide supportive care and development for pre-schoolers; and the Budget proposes to expand Head Start to enable another one million pre-school children to participate by the year 2002. Communities can also join with National Service participants to provide children and youth with opportunities for learning, work, development and service during after-school hours; and the Budget will finance 30,000 participants in 1997, bringing the total who have served in AmeriCorps since its inception in 1994 to 100,000.

- *To Achieve Economic Security*. The Balanced Budget proposes a Child Credit so that working families can better support their own children. It also preserves the President's Earned Income Tax Credit (EITC) that provides 15 million hard-pressed working families with a tax cut sufficient to make sure that no parent who works full-time will have to raise children in poverty. The President also proposes to raise the minimum wage from $4.25 to $5.15 an hour over two years, to assure that nearly 10 million working Americans will get an immediate pay raise instead of allowing the minimum wage to fall to its lowest level in 40 years. The Balanced Budget proposes to make up to $10,000 per year of tuition tax deductible for investment in college and training. It also anticipates a new workforce development system built on the principles of the President's G.I. Bill for America's Workers to promote individual opportunity by giving workers the resources -- i.e., Skill Grants -- and information they need to make their own choices about what skills to learn for new and better jobs; by providing access to employment services through customer-friendly, One-stop career centers; and by designing youth programs based on the School-to-Work Opportunities Act. The Balanced Budget also proposes making health care and pensions more portable and secure for working families. Finally, the Balanced Budget protects Medicare and Medicaid with reforms that assure that our retired parents will have the health care they deserve and that working families will be able to focus their earning and saving on building an even brighter future for themselves and their children.

- *To Provide the Educational Opportunities We All Need for the New Information Age*. President Clinton has launched a national mission to make <u>all</u> children technologically literate by the dawn of the 21st century, equipped with the communication, math, science, and critical thinking skills essential to prepare them for the Information Age. His $2 billion Technology Literacy Challenge invites the private sector, schools, teachers, parents, students, community groups, and all levels of government to work together to meet this goal. In conjunction with the affordable connections provided for in the President's landmark Telecommunications Act, and Clinton-Gore NetDay initiatives like that on March 9, 1996 in California, this challenge can put the future at every child's fingertips in every school, in every classroom, and in every home in America.

  With commitments obtained from the private sector, all the classrooms in the Empowerment Zones will be wired to the information superhighway by the end of <u>this</u> year. As the Vice President has stressed, "For these isolated Americans, our most urgent task is to reconnect them to America's promise. We must build the bridges that will allow them to cross to a brighter future ... We should make sure that every child in this country -- no matter what his father's income or mother's job -- gets the tools and chance to earn a decent living in an Information Age economy."

- *To Renew our Public Schools and Assure Access to Higher Education*. Perhaps no challenge is more central to ensuring America's competitive strength in the next century than renewing our public school system. The President wants to see public schools driven by demanding, high standards for students and teachers. Goals 2000 supports State efforts to raise academic achievement for all students. The President's 1997 budget proposes $491 million for the program. Choice is also key to renewing our nation's public schools, and the President is calling on all 50 States to enact charter school laws and guarantee public school choice so that every parent can choose the public school that will do best by their children. The President's budget proposes $40 million for public charter schools in 1997, and increases over the next five years to fund start-up costs for up to 3,000 such new schools. Finally, the President's FY97 budget provides $400 million to support School-to-Work initiatives that will help all secondary students learn the skills -- and connect to the good jobs and lifelong leaning -- that they need to thrive in the new economy.

The President is also deeply committed to ensuring that all deserving students can afford to go to college, and to helping American families invest in their children's and their nation's future. To help move this country toward these goals, the President has: implemented student loans that can be made directly by the school the student chooses and be repaid based on future earnings; called for the creation of the largest-ever merit-based scholarship program, rewarding the top 5% of high school graduates in every school with $1000 grants towards the cost of college; raised the maximum Pell grant award in his 1997 budget to $2,700, a $360 increase over 1995, with additional increases each year to provide a maximum award of $3,128 in 2002; proposed an expansion of the College Work Study Program so that over five years, more than 1 million students can earn their way through college; and proposed to encourage working families to invest in their children's college education by making the cost of tuition tax deductible.

- *To Take Back Our Streets from Crime, Gangs and Drugs.* Our communities can become places of hope and opportunity when we insure that our streets and communities are safe from crime, violence, and drugs:

  -- Community Policing. Community policing is working to catch criminals and prevent crime, as police and communities join together to take back their streets and neighborhoods. As a result, the crime rate is going down all across the country. That's why the President has pledged to put 100,000 new police officers on the street by the year 2000. By the end of 1996, the Community Oriented Policing Services (COPS) initiative will have funded almost 49,000 officers, and the violent crime rate is going down in communities all across the country. The FY97 budget proposes almost $2 billion to put 19,000 more officers on the street to work in partnership with local communities so that violent crime becomes the rare exception.

  -- Brady Handgun Violence Prevention. To date, the 1993 Brady bill already has stopped 60,000 people with criminal records from buying guns. To further prevent the sale of firearms to ineligible purchasers, the budget proposes $50 million to help States upgrade their criminal history record-keeping systems and $20 million to create a national instant handgun check system.

  -- Gangs. Criminal gang violence is among the most deadly challenges facing law enforcement and local communities. The President has directed the FBI and other investigative agencies to help local authorities and communities to take on gangs the way we took on the Mob, and to prosecute -- as adults -- teenagers who maim and kill like adults. At the same time, the President is challenging the Congress and local communities to support grass-roots prevention efforts, to give all children futures to say yes to.

  -- One Strike and You're Out. The President believes that public housing residents who commit violent crimes or peddle drugs should be immediately evicted. The budget provides $290 million to support anti-drug and anti-crime activities in public housing, including $10 million to implement the President's .one strike and you're out. initiative..

-- Safe and Drug Free Schools and Communities Program. The President has requested a total of $540 million in his FY97 budget for the Safe and Drug Free Schools and Communities Program, $515 of which will support grants to Governors and State education agencies for drug prevention and violence prevention. In total, this program serves 39 million students in 97% of the Nation's school districts.

To Leave Our Environment Safe and Clean for the Next Generation. The Presidents' Balanced Budget proposes to build on 25 years of bipartisan commitment to protecting public heath and the environment. It invests $7 billion in EPA programs needed to address the highest priority health and environmental threats -- including clean water and clean air. It increases funding for EPA's Operating Program, the backbone of the Nation's efforts to protect public health and the environment, and for Superfund, the essential tool for helping to clean up the most contaminated sites polluted by the old economy. In the past 16 years, toxic waste has been removed from more than 3,000 sites, and in the last three years, the Clinton-Gore Administration has completed more cleanups than in the first 12 years of the Superfund program. We have reached the limit of what the Administration can do alone, and the President urges Congress to join in curing the remaining problems with the Superfund law and making sure that polluters pay.

The Clinton-Gore Administration emphasizes flexible, common sense approaches to environmental protection that focus on results rather than rule-making or sanctions. We're encouraging small businesses to step up and voluntarily clean-up their own mistakes rather than paying fines. We're making clear to purchasers of Brownfields and lenders who help to finance their clean-up that they're not liable for the mess they inherited. And we're asking communities and businesses to work together to find less expensive, more efficient ways to go beyond today's environmental standards. As the President said in his State of the Union Address, "To businesses, this Administration is saying: If you can find a cheaper, more efficient way than government regulations require to meet tough pollution standards, do it -- as long as you do it right." Working together -- businesses, communities, and all levels of government -- we will renew America's commitment to providing a safe and clean environment for our children and grandchildren.

- *To Reinvent Government.* President Clinton and Vice President Gore are strongly committed to reinventing government and restoring balance to the intergovernmental partnership between States, localities, and tribal governments. Through the Vice President's National Performance Review, the Administration is eliminating 16,000 pages of unnecessary rules and regulations that will cut red tape to help people help themselves. The President signed the Unfunded Mandates Reform Act to control the burgeoning number of Federal mandates, and his Empowerment Zone/Enterprise Community program is geared to promote innovation and self-help in distressed rural and urban areas across the country.

-- Performance Partnerships. The Administration is working to fundamentally shift the way the Federal Government finances and administers over 600 intergovernmental programs. Performance-based intergovernmental partnerships are agreements between the Federal Government and other levels of government based on goals and the progress toward meeting them. In exchange for commitments to specific performance levels, State and local governments gain flexibility on how to achieve these goals.

-- Local Empowerment and Flexibility Act. The Administration supports legislation providing more flexibility for States, localities, and tribal governments that develop comprehensive strategic plans to permit much greater flexibility and to promote greater local efficiency and innovation in meeting national goals. This legislation would give States, localities, and tribal governments the opportunity to propose plans for better coordination of Federal, State, local, and nonprofit funds and services, and to request waivers from the President's Community Empowerment Board to achieve results by getting rid of red tape and regulations.

Under the Vice-President's leadership, the Community Empowerment Board has already signed performance agreements with Oregon and Connecticut and is working with several other states and localities to enable state and local officials to work with their community partners and the private sector to use federal funds more flexibly and to meet national goals through their own, locally driven innovative and cross-cutting plans. The President and all of the agencies represented on the Community Empowerment Board stand ready to fully implement the Community Flexibility Bill once Congress acts.

Growing Together. The President recognizes that, as Americans, we "must be bound together by a faith more powerful than any doctrine that divides us -- by our belief in progress, our love of liberty, and our relentless search for common ground." The era of big government is over, but "we cannot go back to the time when our citizens were left to fend for themselves. Instead, we must go forward as one America, one nation working together, to meet the challenges we face together. Self-reliance and teamwork are not opposing virtues; we must have both." The President's Balanced Budget offers the means for all of us -- individuals, families, communities, schools, churches and the private sector -- to take greater responsibility for seizing the vast new opportunities opened by the information age as we prepare to enter the new century: "America has always sought and always risen to every challenge....In this Age of Possibility, the best is yet to come, if we all do our part."

The rebirth in the new economy of communities abandoned by the old economy will be good for America, and it will be good for the families who are willing to work to get ahead in these communities, for their neighbors, and for business. As the President says, "What's the greatest opportunity for American business today? The distressed neighborhoods in our urban and rural areas. Where do the largest number of people live in America that we could use to expand the work force in a hurry, or to expand the number of consumers in a hurry? In the distressed neighborhoods of urban and rural areas..." The President is challenging America's private sector in each local region to join in investing in rebuilding these communities so that they too can join in seizing -- and expanding -- the opportunities that are opening as we move into this Age of Possibility at the dawn of a new century

Urban Policy

October 18, 1995

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT

FROM: LAURA TYSON

SUBJECT: **Urban Economic Development Tax Incentives**

Background

You asked the NEC to review possible tax incentives for economic development in urban areas that you might consider as a part of Budget Reconciliation. We have received input from OVP, OMB, DPC, CEA, Treasury, HUD, Commerce and EPA, as well as your political and constituency advisers in the White House.

This memorandum provides the background for the major issues that you need to resolve in considering such targeted tax incentives. As you will see, the Principals are not in agreement on these issues. All of the Principals, however, do agree that the most important action we can take on behalf of the cities is to maximize your leverage in the larger budget battle -- e.g., Medicare, Medicaid, the EITC, community development banks, funds for education and disadvantaged youth, and housing assistance, to name a few. Cuts in these programs will drain many more dollars out of cities than any relatively small urban economic development tax incentive will be able to put back in.

Other factors to consider include:

1. Mayors. The mayors as a group stand with you on the basic Budget Reconciliation issue, but several influential mayors are also pressing Congress and the Administration to consider a small package of economic development tax incentives on the order of $10 billion over seven years. Their basic argument is that there will be some tax cut in Reconciliation between $100 billion and $250 billion, and they want a share of this tax relief targeted for economic development in cities. We have worked closely with Mayor Rice and Mayor Rendell as the designated representatives of this group of mayors. Attached at Tab A is a memo summarizing their position following our meetings. At a minimum, all Principals agree that we should provide guidance to the mayors so that they do not propose tax incentives that are unacceptable to you.

2. The Congress. In addition, there are Republican members in Congress (following Jack Kemp's lead) who are seeking to craft capital tax incentives for poor urban and rural communities; whether enacted or not, some Principals fear that these proposals may steal your lead in empowering the private sector to return as a driver of economic growth in poor

communities. Nevertheless, a bi-partisan group of Senators, led by Senators Abraham, Lieberman, and Mosely-Braun, are proposing an additional package of tax incentive for your Empowerment Zones and Enterprise Communities. A summary of the proposal prepared by Senator Lieberman's office is attached at Tab B. This proposal shares much in common with the mayors' proposal and with the tax incentives discussed below.

3. Message and Politics. Some Principals are concerned that you may lose an opportunity to build on the common ground of your messages on affirmative action and race relations if you do not propose additional economic development initiatives for poor communities as a part of a more aggressive "urban" or "community empowerment" policy.

4. Budget Reconciliation Negotiations. There is a possibility that, in any negotiations with the Congress over the size and nature of an acceptable tax cut, new urban economic development tax incentives could play a part. In such an end-game strategy, economic development tax incentives will be better received if they (1) build on your on-going initiatives, (2) are advocated by the mayors, and (3) can be supported by Republicans and Democrats in the House and Senate. In developing options for your consideration, we have been guided by these three considerations.

There is disagreement among the principals whether, when, and how you should publicly signal that you favor additional tax incentives in the midst of the current budget battle:

- With respect to whether, some Principals argue that such targeted tax incentives are totally ineffective. Other Principals argue that such tax incentives enhance your existing community empowerment initiatives and will assure that you are not outflanked on this issue.

- With respect to when, several principals argue that any public signal during the current Budget Reconciliation battle will undercut your negotiating position. Other Principals argue that you should announce your support for such tax incentives as soon as possible in order to avoid ceding any ground or being outflanked by others on the issue of encouraging the private sector to become the driver of economic growth in poor communities.

- With respect to how, some principals argue that you should rely on others (e.g., the mayors, Senators Lieberman, Breaux and Mosely-Braun) to build support for enhancing your existing initiatives; this would enable you to include such incentives in your final end-game negotiations with the Congress. Other Principals believe that should include such tax incentives as one part of a major policy speech on community empowerment (rural and urban poor communities), urban policy, or race relations. Your speech in Austin, the interest in the Million Man March and a race commission, the publicity surrounding the Abraham-Lieberman proposal (with a focus on Jack Kemp) has raised the level of interest among many of the Principals in addressing such issues; but there is no agreement that you should tie the race and urban issues together in any way, propose anything more targeted than empowering persons and places in genuine need, or go much beyond the fundamental principles articulated in your Affirmative Action and Austin speeches.

Your Statement of the Problem and the Goal

In your Affirmative Action Address on July 19, you stated:

> There are places in our country where the free enterprise system simply doesn't reach...It has always amazed me that we have given incentives to our business people to develop poor economies in other parts of the world, but we ignore the biggest source of economic growth available to the American economy, the poor economies isolated within the United States of America....I believe the government must become a better partner for people in places in urban and rural America that are caught in a cycle of poverty. I believe we have to find ways to get the private sector to assume their rightful role as a driver of economic growth.

The Options for Additional Tax Incentives

The memo from the Office of Tax Policy at Treasury attached at Tab C describes four tax incentives that may be geographically targeted to communities in genuine need and discusses the pros and cons of each option:

1. Capital Gains: (a) provides special capital gains tax treatment for real estate investments in areas eligible for CDFI or EC designation; and (b) provides special capital gains tax treatment for investments in newly created Enterprise Equity Funds, which are designed to make equity investments in businesses located in areas eligible for CDFI or EC designation.

2. "Brownfields" expensing: permits business to deduct the cost of environmental remediation over three years rather than over the life of the property.

3. Tax Exempt Bond Provisions: loosens restrictions on EC/EZ bonds to make them a more effective subsidy to support business located in the EZs and ECs.

4. Increased Expensing for Small Businesses: extends an Empowerment Zone incentive to businesses in Enterprise Communities by allowing them to deduct up to $37,500 of annual investment (compared to $17,500 for firms located elsewhere.)

These options are not mutually exclusive. For example, the first three options together form a package that is responsive to the Mayors' stated interests. (The mayors do not care about additional expensing for small businesses.)

Geographic targeting for any of these incentives presents difficult compliance issues. The cost of any incentive depends on the extent of targeting -- an incentive limited to 9 EZs costs much less than an incentive targeted to all 104 ECs and EZs, which costs much less than an incentive targeted to all geographic areas that meet the eligibility criteria for an EC or a CDFI. The Principals agree that any package of tax incentives must extend at least to the 104 ECs and EZs; and some Principals believe that some economic development tax incentive must be made available to all communities in genuine need.

There are also differences among the Principals over the relative efficacy of targeted tax incentives -- compared to one another, to discretionary investments and to non-budgetary leadership and partnerships. Within the range of plausible tax incentives, however, all principals agree that these four appear to be the least undesirable, if not also the most plausible.

The Relationship of the Tax Incentive Options to Your Current Program

You have already announced three major initiatives to begin to open communities in genuine need to economic development driven by the private sector:

- Empowerment Zones and Enterprise Communities. You are in the midst of implementing this initiative. All principals agree that "technical corrections" necessary to improving the existing tax incentives should be considered. Several Principals believe that we should consider embracing capital incentives to supplement the wage credits for qualified businesses and expensing for small business located in the Zones. With respect to the 95 ECs, there is a general consensus that the existing incentives are very minor and that additional tax incentives would be welcomed. (If Republicans propose a targeted tax incentive initiative for the District of Columbia, we should be prepared to consider how it might be shaped or expanded to support or complement your EZ/EC initiative. The bi-partisan Lieberman, Moseley-Braun, Abraham proposal for enhancing your EZs and ECs may provide a more appealing vehicle for you, and for the mayors.)

- Access to capital. You are about to begin a major roll-out of your vision to nurture a nation-wide network of Community Development Banks and other CDFIs. With the support of major co-investments from major financial institutions across the country, the mayors are prepared to join in this roll-out with you and the responsible Principals this fall and winter. Secretary Rubin is also prepared to recommend a veto of the current bank reform bill if it seeks to undercut the proposed CRA regulatory reform. Coupled with a very aggressive defense of the reform of the Community Reinvestment Act, the roll-out of the CDFIs can put substantial capital in the hands of expert, community-based intermediaries who will provide loans for business expansion to credit-worthy borrowers in poor communities. This will also sharpen your differences with Republicans, who are seeking to undercut these sources of increased capital for business expansion in communities in genuine need. All four tax incentives are designed to provide additional support for business expansion in poor communities. Both of the capital gain options are designed to generate equity capital to augment the debt capital that is made available through CDFIs and CRA action; mayors and other financial experts argue that such "risk" capital is often the primary "missing ingredient" in putting the private sector back to work in poor communities.

Brownfields. The Administration has also worked closely with the mayors through a number of regulatory reforms, executive actions and program decisions to make many more environmentally degraded sites available for redevelopment. A complementary tax incentive program to assist in redeveloping "brownfields" is described in the options memo. The mayors cite the "brownfields" problem as the major impediment to economic development. The Principals all generally support this tax incentive, but there are serious questions whether greater regulatory relief offers a more effective and less costly alternative compared to a possible tax incentive.

Issues for Decision

The Principals believe there are three basic issues for you to decide:

1. Should you make a more aggressive case for returning the private sector as a driver of economic growth in the poor communities in the core of most local metropolitan regions?

The principals all urge that you answer this question, "yes." But you should do so only with full awareness of the extreme difficulty of accomplishing this objective in many if not most distressed places: the geographic area of concentrations of poverty have been increasing in the core of even some of the most dynamic local regional economies. Some Principals therefore believe that a more promising approach is a "people-based" strategy -- tear down the racial, ethnic, mobility, education and employment barriers in order to connect inner city residents to the expanding job, education, and housing opportunities available throughout most local metropolitan regions. Nevertheless, all Principals agree that an economic development strategy targeted to communities in genuine need is essential. Along with universal programs for safe streets, good schools, welfare to work, and personal, parental, and mutual responsibility, the potential of any such community empowerment strategy for poor places is not limited in any way by a complementary strategy to expand opportunity for poor persons.

It's about time

_____ Yes

_____ No

_____ Discuss further

2. Should you include additional economic development tax incentives in making this case?

There is disagreement among the Principals on this issue. Some principals believe that tax incentives can at most play a minor, cosmetic role in any economic development strategy and that you should focus on implementing more effective capital access strategies that deliver more private investment dollars directly -- along with safe streets and good schools. Other Principals believe that the tax incentives provide a range of additional tools that mayors and the private sector can use to help spur business expansion in poor communities. Other Principals believe that you should "own" the capital access issue and that proposing additional tax incentives will ensure that you cannot be outflanked.

____ Yes

____ No

____ Discuss further

3. Should you announce your support for additional economic development tax incentives now?

There is disagreement among the Principals on this issue. Many Principals fear that any public announcement at this time will (1) undercut your bargaining position in the Budget Reconciliation negotiations, (2) open you to criticism for changing your mind on budget priorities, and (3) unnecessarily compete for your announced support for other tax incentives (e.g., EITC, a post-secondary education tax incentive, an expanded IRA). These Principals argue that you should authorize your Chief of Staff to consider urban economic development tax incentives only as a part of any final end-game negotiations, if at all. They argue that discussions with the mayors (and supportive statements by Lieberman, Breaux, and Mosely-Braun) can assure you of whatever credit there may be for any tax cut that includes targeted economic development tax incentives. A few principals argue that you should seize the access to capital issue fully now -- by announcing your support for a focussed package of tax incentives as a part of an aggressive roll-out and defense of CD Banks and CRA. They argue that some tax cut is inevitable and that you should immediately challenge the Republicans to target some portion of any capital gains relief on private sector initiatives designed to expand business in communities in genuine need; and that you should do so in conjunction with an even more aggressive defense of the EITC as the best anti-poverty program for working families in genuine need. Finally, the continuing reaction to your speech in Austin, the Million Man March, proposals for a race commission, and the Abraham-Lieberman-Kemp EZ-EC enhancement proposals has surely sparked the interest of all of your Principals to look at these issues now as seriously as you requested more than a month ago.

____ Yes

____ No

____ Discuss further

Urban Policy

THE WHITE HOUSE

WASHINGTON

AGENDA

NEC URBAN ECONOMIC DEVELOPMENT INCENTIVES AND BUDGET RECONCILIATION MEETING

Wednesday, September 27, 1995
5:00 P.M.

Room 180 OEOB

1. Introduction (Laura Tyson)

2. Overview of Impact on Urban Areas of Proposed Cuts (Director Rivlin)

3. Perspective of the Mayors and Relationship of Mayors to Administration, Budget Reconciliation and 1996 (Secretary Cisneros)

4. Should there be any consideration of options for Additional Economic Development Incentives for Communities in the Budget Reconciliation Process? (Discussion)

5. Options for Urban Economic Development Tax Incentives (Discussion)

6. Next Steps with Mayors (Discussion)

7. Preparation for Meeting with President on Urban Economic Development Tax Incentives and Budget Reconciliation (Tyson)

Urban Policy

DRAFT 9/20 3:00PM

The Honorable William V. Roth
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

RE: A MAYORS' PROPOSAL FOR INVESTMENT IN AMERICA'S COMMUNITIES

Dear Mr. Chairman:

Mayors and other local elected officials from around the country have been working to develop new approaches to the problems of America's cities and smaller communities. These officials are on the front lines of solving the problems of joblessness, economic despair and disintegration of communities. Local officials have made good use of federal resources in attacking these difficult problems, and stress the need to maintain those programs which are most effective, such as the Community Development Block Grant program and the Low Income Housing Tax Credit. But they understand and support efforts in Washington to balance the federal budget.

As part of this revolutionary effort to restructure what the federal government does, Congress and the Administration must also take real steps to give local officials more tools and fewer rules to address problems. Congress should cut back on regulations and complicated programs, and provide new tools to help solve the problems. Among these should be new tax incentives that communities can use to attack some of their key problems, in cooperation with the private sector.

The U. S. Conference of Mayors is proposing a package, developed by the undersigned bi-partisan group of mayors of some of the nation's largest cities, recommending that Congress and the Clinton Administration support earmarking a small portion, perhaps $10 billion or so, of the amounts being considered for tax cuts, as a package of tax incentives which would provide hope and opportunity for millions of American's in our cities and smaller communities.

These incentives will help solve problems in three key areas, **Economic Development, Jobs and Housing**. Here, in broad summary, are the elements of the plan:

Economic Development

Address three key areas where investment in communities can promote economic revitalization.

- Commercial Revitalization Tax Credit - Sen. Kay Bailey Hutchinson (R-TX) has introduced legislation (S743) to establish a 20% tax credit in one year or a 5% credit per year for ten years to defray the cost of business construction, expansion or rehabilitation in distressed areas.

- Historic Rehabilitation Tax Credit - Provide a powerful investment incentive for America's older cities and older neighborhoods by restoring this program to its pre-1986 effectiveness.

- Brownfields Remediation Tax Credit - Start to address the problem of abandoned contaminated industrial sites in communities of all sizes through creation of a pilot tax program to allow selected communities the opportunity to offer a tax credit for up to 25% of the costs of remediation pursuant to an approved plan and access to a new tax-exempt bond program specifically for this purpose.

Jobs

Provide an incentive for the private sector to hire people coming off the welfare rolls, and to provide necessary supportive assistance for training and child care. This would be a tax credit program with three elements:

- Wage Credit - Up to a $ 3,000 per year credit for up to three years for wages paid to each new employee who was on public assistance for 12 of the previous 24 months.
- Child Care Credit - $ 2,250 per year credit for up to three years for costs of child care services provided for each qualifying employee.
- Job Training and Services Credit - A similar $ 2,250 per employee credit for costs of providing job training and other related service, including health care.

Included in the tax credit program would be an incentive for the private sector to hire disadvantaged young people for summer employment. This Summer Jobs for Youth Tax Credit would provide up to a $1,200 tax credit for wages paid to a economically disadvantaged youth hired for summer or other extended school vacation periods (where year round schools are in effect).

Housing

Help address the crisis of affordable housing and the deterioration of public housing by improving existing tax programs used for housing development.

TO BE CHANGED TO SUPPORT RETENTION OF L.I.H.T.C.

- Public Housing Conversion Tax Credit - A $ 250 million add-on to the Low-Income Housing Tax Credit to support the conversion of public housing projects to ownership by the private sector, public-private partnerships, or community based organizations.

- Tax Exempt Financing for Multi-Family Housing - Exempt from state volume caps 75% of the value of tax exempt bonds to support construction and rehabilitation of multifamily housing meeting certain tests for tenant income.

Mr. Chairman, we hope that your committee will give serious consideration to these proposals as it meets to mark up the Committee's Reconciliation bill in the immediate future.

Sincerely,

Norman Rice
Mayor of Seattle
President

Richard M. Daley
Mayor of Chicago
Vice President

Rudolph W. Guiliani
Mayor of New York

Richard Riordan
Mayor of Los Angeles

Edward Rendell
Mayor of Philadelphia

Thomas M. Menino
Mayor of Boston

THE WHITE HOUSE

Carol H. Rasco

David -

Thanks for your letter on welfare - it's helpful to hear from you as the issue moves into conference.

Carol

26 September 1995

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Berkeley, California 94720-1900

SEP 26 1995

Bruce R. - fyi

I sent brief ack. note. CHR

September 20, 1995

Carol Rasco, Chair
Domestic Policy Council
Washington DC 20500

Dear Carol,

Yesterday the Senate passed a welfare reform bill that the President has said he would sign. In fact, this bill has no meaningful accountability for states in terms of inputs (spending) or outputs (ending dependence). The result is that states will dramatically cut their spending on the poor, with disastrous results in terms of moving adults from welfare to work, and in improving the lives of poor children.

The lack of accountability for inputs comes from the inadequate maintenance of effort requirement in the Senate bill -- it permits states' real spending per poor person to fall about 35 percent over the next five years, and has no constraints thereafter. The House version has no maintenance of effort requirement at all. The bill removes the federal match from AFDC, effectively doubling (or more) the cost of each welfare dollar to state governors. Just as incentives matter for welfare recipients, incentives such as doubling of prices matter for governors and states.

The lack of accountability for results is due to the unattainable work requirements in both bills -- all states are going to fail to meet these requirements, and the punishments merely cut federal welfare spending a bit faster.

We all want welfare reform that promotes flexibility and moves people from dependence to independence. I strongly urge you to clarify to the highest levels of the Administration the disastrous implications of the House and Senate bills, and find ways to work with the Conference Committee to put in meaningful accountability for states.

Sincerely yours,

David Levine
(Former Senior Economist, CEA)

cc: Joe Stiglitz, Laura Tyson

Document No. 129253

Urban Policy

WHITE HOUSE STAFFING MEMORANDUM

2pm

DATE: 9-6 ACTION/CONCURRENCE/COMMENT DUE BY: 9-7

SUBJECT: Urban Strategy Chart

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	McGINTY	☐	☐
PANETTA	✓	☐	NASH	☐	☐
McLARTY	☐	☐	QUINN	✓	☐
ICKES	✓	☐	RASCO	✓	☐
BOWLES	✓	☐	SOSNIK	☐	☐
RIVLIN	☐	☐	STEPHANOPOULOS	✓	☐
EMANUEL	☐	☐	TYSON	✓	☐
GEARAN	☐	☐	WEBSTER	☐	☐
GIBBONS	☐	☐	WILLIAMS	☐	☐
GRIFFIN	☐	☐	Sperling	✓	☐
HALE	✓	☐	Reed	✓	☐
HERMAN	☐	☐	Baer	✓	☐
HIGGINS	☐	☐	Stiglitz	✓	☐
LAKE	☐	☐		☐	☐
LINDSEY	☐	☐		☐	☐
MIKVA	☐	☐		☐	☐
McCURRY	☐	☐		☐	☐

REMARKS: Please call the Staff Secretary's office with your comments/concurrence. Thank you.

RESPONSE:

Staff Secretary
Ext. 6-2702

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

95 SEP 6 P5:57

September 6, 1995

MEMORANDUM FOR: President Bill Clinton

FROM: Henry G. Cisneros Henry Cisneros

Attached is a chart which describes possible initiatives for a Presidential urban strategy. The chart sets forth initiatives which could be considered in Reconciliation as proposed by Mayor Rendell in your meeting with the mayors this morning or which could be themes in the 1997 budget. The chart is intended to offer you examples of the choices you have. [redacted]

cc: Kitty Higgins
Leon Panetta
Harold Ickes
Erskine Bowles
Marcia Hale

Possible Elements With Which To Organize A Presidential Urban Strategy

Category	Description	Possible New Urban Initiative	Fight In Congress For Related Administration Proposals and For Appropriations
I. TAX STRATEGIES to attract investment and sustain capital flows in distressed areas.	In the Reconciliation process, the Republicans will be pressing for capital gains relief and large tax cuts. The President could challenge them by agreeing to some capital gains tax cuts tied to investment in distressed areas.	Community Revitalization Tax Credit or Brownfields Redevelopment Tax Credit or Capital Gains-based 2nd Round of Empowerment Zones or Targeted Capital Gains Relief	EITC Minimum Wage Welfare Reform
II. LEVERAGING PRIVATE CAPITAL with direct investment in distressed areas.	In the President's affirmative action speech, the President called for Federal contracting in distressed areas as a replacement for race-based procurement set-asides and asked the Vice President to develop options.	Federal contracting priorities in distressed areas as a replacement for race-based set-asides.	CDFI CRA Reform HUD's EDI - 108 Loan Guarantees Fair Housing & Insurance Laws EDA Appropriations
III. Programs for CHILDREN AND YOUTH	Secretary Shalala feels that the 1997 budget should a have clear overarching theme and she will offer a children and youth theme. It is compatible with a Presidential Urban Strategy.	HHS children and youth theme.	Full funding for Head Start Summer Jobs Goals 2000 Title I Education

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IV. SKILLS & TRAINING for the new economy and for metropolitan mobility	Secretary Reich feels that it is imperative that a broad work training initiative be included in the 1997 budget. It too is compatible with an Urban Strategy.	DOL Labor Market initiative that includes: * community-based organizations * employer involvement * training vouchers	Tax deductions of up to $10,000 for training costs Consolidation of 70 training programs into a voucher system Housing vouchers for mobility Youth Build
V. Reclaiming urban sites by ELIMINATING ENVIRONMENTAL HAZARDS	The redevelopment plans of many cities are blocked by environmental problems at old industrial sites and abandoned buildings.	Link environmental mitigation to: * training of central city residents for environmental careers * redevelopment funds for economic development * homeownership funds for large tracts	EPA Appropriations: Superfund State Clean Water Revolving Funds HUD's EDI - Section 108 Loan Guarantees
VI. Developing the ELECTRONIC VILLAGE to link central city residents to the Information Age.	Use public housing and assisted housing sites to develop campuses for learners, with each housing unit wired for computer learning.	Urge collaboration across cabinet departments: * Dept. of Education * Dept. of Labor * Dept. of HHS * Dept. of HUD	Extend HOPE VI for distressed public housing Public Housing Modernization Appropriations
VII. SAFETY AND SECURITY to reduce fear and establish a climate of community peace.	Build on the emerging consensus that tougher measures must be taken to reclaim the streets and establish an atmosphere in which even small acts of lawlessness are not ignored.	Target street populations whose urban presence frequently contribute to a climate of community fear: • Homeless Mentally Ill • Drug Addicts	Community Policing Penalties for violent crimes Gun policies Public Housing Drug Elimination Grants