

**NLWJC - Kagan**

**DPC - Box 017 - Folder 014**

**Education - Chaka Fattah**

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Chaka Fattah*

September 23, 1997

**MEMORANDUM TO: SECRETARY RILEY  
DIRECTOR RAINES  
BRUCE REED**

**FROM: GENE SPERLING**

**RE: TWENTY-FIRST CENTURY SCHOLARS ACT**

As you know, the President has expressed interest in Rep. Chaka Fattah's legislation that would guarantee Pell Grants to sixth graders at high-poverty schools. The attached draft memorandum is a reply to the President's request for an analysis and recommendations. Based on very good input we have received from members of the NEC, DPC, Education, and OMB, we have come up with policy-vetted options, some more narrow and some broader than Rep. Fattah's initial proposal.

I will be contacting you shortly to set a time for us, and those listed below, to discuss the memo before it is finalized.

CC: Mr. Bowles  
Secretary Rubin  
Dr. Yellen  
Ms. Mathews  
Mr. Podesta  
Mr. Klain  
Mr. Hilley  
Deputy Secretary Summers  
Acting Deputy Secretary Smith  
Mr. Lew  
Ms. Kagan  
Ms. Winston  
Mr. Cohen  
Mr. Shireman

## INTRODUCTION

A number of private programs have had success in improving educational outcomes for impoverished youth by guaranteeing -- at an early age -- that the money will be there for college if they choose to go. These programs are based on the theory that middle- and upper-class families benefit enormously from the family and school expectation that they will be graduating from high school and attending college. At high-poverty schools, where dropout rates are high and few parents have college degrees, these expectations are absent. These early intervention programs aim to change those expectations. Many of the programs stress that, while the financial aid is an important hook for the child and family, additional mentoring, tutoring, and other support services are a key to success.

Rep. Chaka Fattah (D-Penn.) has introduced legislation to establish a large-scale, national effort of this type. He would guarantee a maximum Pell Grant to all of the children graduating from high-poverty elementary schools (at least 75% poverty). The "21st Century Scholars Act" would provide these students with:

- an entitlement to four years of the maximum Pell Grant at the time the promise is made or at the time the student attends college, whichever amount is higher;
- an annual notice from the Department of Education reminding the student and family of the future availability of the college aid; and,
- automatic *eligibility* for services under current (TRIO) early intervention, mentoring, counseling and other services.

The Education Department estimates that the Fattah legislation would apply to 7,300 schools with about 500,000 sixth graders each year (approximately 15% of the national total). Assuming inflation-based increases in the maximum Pell Grant, each of these students in the sixth grade in 1998-99 would be promised a total of almost \$14,000 in aid over four years.

The Department estimates that on average, this type of program could increase college participation rates by this population by about 8 percentage points, meaning that just over half of the students would use all or a portion of the promised aid. (Without this program, 45 percent of these students would be expected to enroll in some type of postsecondary education within two

years of graduating from high school.<sup>1</sup> Just under half of those students would be expected to still be enrolled by the fourth year of college.<sup>2</sup> With a successful early intervention program, the Education Department's estimates assume that college enrollment rates for this population could be increased so that they matched the enrollment rates for students at schools with 31-50 percent low-income students -- an increase of 8 percentage points, to 53 percent.)

While this increase in enrollment may seem low, college is only one of the intended outcomes of early intervention programs. They also seek to promote high school completion, job readiness, and lower incidence of drug abuse and delinquent behavior.

Rep. Fattah introduced his bill on February 13. As of August 21, he had 103 cosponsors, including nine Republicans (Christopher Shays, Ken Calvert, J.C. Watts, Jr., Richard Baker, Joe Scarborough, David McIntosh, David Dreier, Zack Wamp, and James Greenwood). On June 5, he testified before the House Education and the Workforce Committee's postsecondary subcommittee and received a warm reception from both sides of the aisle. The House hopes to move a bill reauthorizing the Higher Education Act by the end of this year. No companion for the Fattah bill has been introduced in the Senate.

An article in the *Chronicle of Higher Education* on July 11 noted the bipartisan support for the concepts in Rep. Fattah's bill, but also cited specific concerns that:

- it does not provide funding for the support services (tutoring, mentoring, etc.) that are needed for the proposal to be successful;
- it may guarantee help to too many non-needy students; and,
- it is a new entitlement, which many would oppose solely on that basis.

## ANALYSIS

There are a number of issues and concerns to consider with respect to the Fattah legislation:

### 1. Inefficient targeting and higher-than-expected cost

Supporters have argued that virtually any student at a high-poverty school probably would have qualified for a full Pell Grant anyway, even without the guarantee -- therefore, the program only costs money if it is *successful* in encouraging youth to go to college. The data do not bear this out: more than half of the cost of this program would be for students who would have gone

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<sup>1</sup> 21 percent at four-year colleges, 19 percent at less-than-4-year public institutions (mostly community colleges), and 5 percent at less-than-4-year private institutions (mostly proprietary trade schools).

<sup>2</sup> 83 percent would be retained in the second year, 67 percent in the third year, and 48 percent in the fourth year, based on data from the Beginning Postsecondary Student Survey.

to college anyway but wouldn't have gotten as much aid as the guarantee is providing. It appears that many families who are poor when their children are in middle school, improve their financial situation somewhat by the time their children graduate from high school. In addition, the students who go to college are more likely to be from the relatively higher income families. The Education Department estimates that the outlays associated with the first cohort of sixth graders would be \$2.45 billion. These outlays (which begin in the 2005-6 school year and are spread over the following three years) would be composed of:

- \$761 million, or 31%, for Pell Grant amounts that would have been spent anyway on these students who would have gone to college anyway;
- \$370 million, or 15%, for students who attend college **because of the promised aid** (students induced by the program); and,
- \$1,320 million, or 54%, for additional aid provided to students who would have gone to college anyway but would not have been eligible for the full \$3,000 (or would not have received a Pell Grant at all).

The *added* cost, therefore, from this first group of sixth graders, is \$1.7 billion over four years. (Viewed on an annual budget basis rather than by cohort, as each of the first four cohorts get phased in, the added annual outlays will increase to \$1.7 billion by the fourth year after the first group graduates high school and attends college, then will increase each year roughly by inflation.) *More than three times as much additional money is spent on students who already would have attended college than is spent on those who attend college because of the aid.*

## 2. Need for additional support services

Research has shown that mentoring, counseling, tutoring and support services are *essential* to prevent students from dropping out of school and to increase their academic preparation and aspirations that lead to college. Rep. Fattah's proposal does not expand the availability of early intervention services (it simply makes participants eligible for the few programs we fund now, which serve only a small fraction of the current eligible population and concentrate on students in high school). But without those services, the early Pell Grant promise *probably will not have a significant impact*. The I Have a Dream program estimates that the support services for each new cohort, provided primarily by volunteers, cost about \$150,000 for a coordinator and other expenses. For the 7,300 high-poverty schools, the cost of this type of program of support services would be \$1 billion (per year). Education thinks this estimate is low.

## 3. The issue of a new entitlement

The Fattah legislation is written as an entitlement, and in order to comply with the budget

agreement, the proposal would at least need to remain on the mandatory side of the budget.<sup>3</sup> As an entitlement, the proposal could be portrayed as (1) another potential area of runaway spending, and (2) a gimmick to provide promises now for spending that is outside the 5-year budget window.

#### 4. Inequities and perverse incentives

As with empowerment zones and any other effort to draw a line around a “very” poor area, there will be some apparent inequities. A school with 76 percent poverty will get the benefit, while a 73 percent poverty school nearby will be denied it. In addition, school populations change, so a school may be part of the program one year, then be denied the next.

In addition, there would be inequities among students at a school: Most sixth graders attend a different school within 1-3 years. At most of the higher-poverty junior high and high schools, not all of the students will have come from the highest-poverty elementary schools. There could be some odd incentives as well. If a student who attends a particular school for one part of one year can get a promise of at least \$14,000 in grant aid, someone will find a way to game the system. It may even create incentives for further concentration of poverty in order to provide the Pell Grant promise to poor students who had attended a school with a lower concentration of poverty.

#### 5. Entitlement without Accountability

Some of your advisors object to providing expanded college aid without demanding more from students (and schools) before they reach college. The Fattah proposal does not require any particular level of achievement or high-skill curriculum. Indeed, it does not even require high school graduation (since Pell Grants are available to non-high school graduates for job training and remedial courses in some circumstances).

### OPTIONS

We have been in constant communication with Rep. Fattah. He is aware of some of the problems with his legislation, and he agrees that it needs to be better targeted. He has suggested that the “promise” of aid consist of both grants *and loans*, so that it does not go beyond an amount that virtually any student would be eligible for already. If that is the goal, then a total of “at least \$21,000” over four years is plausible.<sup>4</sup> The poorest students might receive \$12,000 in

*he doesn't do anything.*

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<sup>3</sup> The “promise” of aid would count as budget authority in the year that the promise is made, even if the student never uses the promised aid. If the program was on the discretionary side, this BA would need to be counted within the Function 500 limits. Given that much of the BA will never result in outlays, this would not be a priority use of the scarce funds.

<sup>4</sup>The \$21,000 minimum is derived as follows: Dependent students are eligible for \$17,125 in loans over four years (independent students are eligible for more). The family would also be eligible for either (1) two \$1,500 HOPE Scholarships and two \$500 Lifetime Learning Credits (on \$2,500 tuition in each of the junior and senior

Pell Grants and could borrow up to \$17,000 more, for a total of \$29,000. Higher income students would be eligible for \$17,000 in loans and at least \$4,000 in tax credits.

Using that idea of a grant-loan mix, the options below present progressively more intensive efforts to deliver a strong message about college opportunity to children at high-poverty schools.

**1. SPECIAL TARGETING IN A NATIONAL CAMPAIGN.** As part of the State-of-the-Union process, we already plan to propose a national campaign to deliver the message to *all* Americans that through the new tax breaks, the Pell Grant increases, and the improvements in the loan programs, *everyone* has access to college. This campaign might include: identifying a dollar amount to publicize (such as the \$21,000); public service announcements; easy worksheets for estimating aid eligibility; satellite town halls; kits for schools; more information on the web, and other ideas. The overall message would be that anyone who wants to go to college or get job training, can. I will be working with DPC and the Education and Treasury Departments on the possible details of that national campaign.

**Targeting to poor schools.** As a part of the national campaign, this option would adopt Rep. Fattah's idea of zeroing in on students at *high-poverty middle schools* for special attention. This approach might involve:

**21st Century Scholars.** Students at these high-poverty would be designated as "21st Century Scholars" *if* they and their parents or guardians participate in a college-aid workshop that informs families of both financial aid opportunities *and* the classes they need to take to be eligible for, and to succeed in, college. Personalized certificates, signed by you or Secretary Riley, would indicate the student's eligibility for at least \$21,000 in student aid for four years of college. The attendance at a workshop is consistent with the Education Department's booklet, *Getting Ready for College Early*, which you mentioned in your back-to-school radio address, and ensures that students are taking responsibility when they are designated as 21st Century Scholars.

**Workshops.** We could contract with national or regional organizations to make a sweep of the country's neediest schools with a personal but high-tech presentation for school and/or parent assemblies. A lower-cost approach would provide schools with videos and materials to make provide the workshops themselves, and to reward participation (and the signing of pledges) with the 21st Century Scholars certificates.

**Cost:** Much could be done with current resources and with private sector partners. Some additional funding, on the order of \$20 million, would help to make sure that some of the more people-intensive efforts (such as presentations at schools) could occur.

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years), or, in the case of a poor family, at least \$4,000 in total Pell Grants over four years.

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**2. GUARANTEEING AID TO STUDENTS.** This is the same as option 1, except that the \$21,000 is not simply a statement about current programs, it is a *guarantee* that the funds will be there in 6-10 years when the student goes to college.<sup>5</sup> In my conversations with Congressman Fattah, he has made it clear that he feels there needs to be an “absolute guarantee, without equivocation,” for the effort to be most meaningful to poor families.

A promise that does not exceed current loan eligibility does eliminate some of the budgeting problems (most notably, the need to count budget authority on the discretionary side, since loans are an entitlement). While the budget authority for a firm promise would appear in the budget, it would not affect the deficit, so it would not be subject to PAYGO rules. There could be some consequences as far as Congressional budget rules, but if the change is made in the context of the reauthorization of the Higher Education Act, it would not present a major hurdle.

On the other hand, a promise could require significant record-keeping for many years and complex budgeting to determine which borrowers were using a promise and which weren't. Given that there is virtually no chance that loan limits will be lower after 2005 than they are today, this involves a great deal of work with no actual payoff for the students. Furthermore, pushing for a “promise” could undermine our message that we have *already* guaranteed universal access to higher education through HOPE and the financial aid programs.

**3. MENTORING AND SUPPORT.** This option would combine option 1 or 2 with grants to promote strong partnerships between colleges and high-poverty schools. Through these partnerships, colleges can encourage students (and their families) to choose a demanding academic program, while the college provides academic enrichment and intensive mentoring, tutoring and other support services.

There is no question but that intensive intervention programs work. At the high school level, the largest of the Education Department's “TRIO” programs, Upward Bound, provides grants to colleges and community groups for small programs that provide high school students with academic enrichment, a summer college experience, and other services. The investment pays off: a scientific (random assignment) evaluation shows that Upward Bound increased academic preparation for college. **And the results were particularly impressive for Hispanic students.**

Eugene Lang, the founder of the I Have a Dream program, has found that while the promise of college aid is a good hook, the mentoring that his programs provide is critical to success. Other evaluations, and recommendations from the College Board and others, echo this view.

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<sup>5</sup>If used in the context of a guarantee, the \$21,000 might need to be a five-year promise so that it could include loans only. (I would want to involve Treasury in the discussion of whether a tax credit could be guaranteed for a future year).

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The main drawback of these intervention programs is that they are costly -- to reach a large number of schools requires an investment in the hundreds of millions of dollars. (An initial investment of \$200 million, growing in later years, would reach the 7th grade cohort at an estimated 1180 schools).<sup>6</sup> Rep. Fattah agrees that this type of an effort is very important, but he did not include it in his legislation because he did not feel in a position to ensure the funds would be appropriated. Financing options are presented separately in the appendix at the end of this memo.

*If* you decide to go this route, we would recommend promoting strong partnerships between **colleges** and high-poverty schools. Through these partnerships, colleges can encourage students (and their families) to choose a demanding academic program, while the college provides academic enrichment and intensive mentoring, tutoring and other support services.

College involvement is important because they have the tools, the expertise, and the stability to commit to a long-term project, and to provide the monitoring needed to ensure its success. Furthermore, in light of our efforts to address *Hopwood*, it is important to present colleges with a challenge to work with high-poverty (often high-minority) schools to expand the pool of minority students who are well-prepared for college.

Colleges know the type of academic preparation they need, so they are in a good position to work with high-poverty schools to improve and supplement their curriculum, to prepare students for success in college. While in some cases mentoring might be provided by undergraduate students, universities also can tap alumni, businesses, and other community resources to get serious commitments of time for the effort. Finally, it is critical that there always be a full-time, serious and energetic coordinator running the efforts. (Because some areas of the country may have difficulty finding a college partner, the program would need to have an exception for extraordinary circumstances, or for businesses and non-profit organizations with a clear record of success).

Under this approach, the Federal government would promote partnerships between colleges and high-poverty schools or school districts. These would consist of:

- **Partners:** Each partnership would at least include a high-poverty high school, its feeder schools, and a degree-granting institution of higher education. Most would also include businesses and/or a community groups which may provide supplemental funds and/or

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<sup>6</sup>The average high-poverty school with a seventh grade (middle schools, junior high schools, and some K-8 and 7-12 schools) has 113 students in the seventh grade class. An intensive program without the residential summer component of Upward Bound, and focusing on *all* students rather than a select group, would cost roughly \$2,000 per student at the middle school level. Average first-year funding for a partnership that focuses on just the seventh grade cohort would cost about \$226,000. Adding a second cohort in the eighth grade would double the cost to \$452,000. After eighth grade, the number of participants would drop substantially for a variety of reasons, so it would be possible to ramp up funding more slowly each year (perhaps \$100,000) until all cohorts are being served (grades 7-12) at a cost of \$852,000 per year. If colleges or private sector partners are asked to absorb at least one-fourth of the cost of the program in the first year, \$200 million in FY 1999 would cover 1180 schools (with more than 133,000 students, or one-third of the students in schools with more than 75 percent poverty).

may be a source of mentors and other assistance for the children.

- **An Academic Plan:** The middle and high schools would agree to offer a curriculum that prepares students for college.
- **Support Services:** The college would agree to provide structured, long-term supplemental academic enrichment, mentoring, tutoring, and other assistance to all students starting not later than the eighth grade.
- **Financial Aid information and bonus:** The partnership would provide financial aid counseling, and could provide financial incentives for students to stick with the program, take the right classes and/or to get good grades. (In some existing programs, colleges guarantee admittance and aid if students reach certain goals in high school).

## PROs and CONs

### 1. TARGETED INFORMATION CAMPAIGN

#### Arguments for option 1:

- An education effort has never really been tried. Personalized certificates and creative, helpful workshops would go a long way in making families realize they can go to college, and understanding what it takes to get there.
- The campaign could begin without any additional Congressional action (although ultimately some funding would be needed).

#### Arguments against option 1:

- It's not enough.
- Rep. Fattah, the lead proponent of this type of effort, strongly feels that it takes a true *guarantee* of aid to really make a difference with poor families.

### 2. A GUARANTEE OF AID

#### Arguments for option 2:

- The aid is an iron-clad guarantee, enforceable in court, allowing us to tell families that they can *absolutely* count on the help.
- A guarantee is more likely to bring with it the strong support of Rep. Fattah and

his 103 cosponsors. If there are technical issues that need to be addressed, it can be modified later.

#### **Arguments against option 2:**

- Families are not likely to focus on the subtle difference between an absolute guarantee and the promise-like certificate under option 1. (Federal employees don't have an *absolute* guarantee to their retirement benefits, but most still consider it a promise. Conversely, even if Social Security was turned into an iron-clad promise, many would still question whether it will be there for them).
- Offering a "guarantee" detracts from our message that we have *already* opened up college opportunity to *all*. If this aspect drew significant attention, a push in Congress to lock in aid for some would create the impression among those who don't get the promise that financial aid is not secure.
- It would require Congressional action to begin any campaign that include a guarantee as a component.

### **3. MENTORING AND SUPPORT**

#### **Arguments for option 3:**

- We know these programs work. Most of our focus has been on young children or college students. This targets kids 12-16 years old in a way designed to encourage them to seriously consider, and prepare for, college.
- Because minorities are more prevalent in high-poverty schools, this provides a race-neutral way of building the pool of qualified minority applicants for college.
- A real investment of resources would help secure Rep. Fattah's support and would please core Democrats as well as pundits (perhaps even some conservatives who see this type of approach as preferable to affirmative action).
- This would be a good demonstration of the Democratic agenda for improving public schools.

#### **Arguments against option 3:**

- Reaching even one-third of the high-poverty schools identified by Fattah requires a significant investment of resources.
- Some would suggest that if we have an extra \$200 to \$400 million a year we should add it to existing initiatives such as reading, standards, or Head Start.

## RECOMMENDATIONS

### *Issue: Guarantee or no guarantee:*

All of your advisors support an information campaign targeted to high-poverty schools, including providing a personalized certificate indicating financial aid eligibility.

DPC, Education, and OMB do *not* support the guarantee. They argue that pushing for the promise would detract from the message of universal access, and would add administrative complexity. They feel that a strong statement can be made about universal eligibility for a specific amount of money without the need for a guarantee.

Given that we have been working with Rep. Fattah on this topic, my view is that we should present our proposal in a way that he supports so that he works to bring on his 103 supporters to our plan enthusiastically. We can emphasize our investment in early intervention, and not push the technical "guarantee" very hard in the press. If it proves to be problematic or unpopular once the legislation starts to move, it could easily be dropped later.

### *Issue: Timing and nature of an early intervention announcement/decision*

Normally, consideration of a large new initiative would be done during the budget process, when it can be weighed against competing alternatives. However, you have expressed a desire to announce a proposal like this during the Fall. The options and recommendations are:

(A) Announcement in December-February. Wait until the State of the Union and the FY 1999 Budget process to announce anything on early intervention. OMB wishes to stress the difficulty of making this decision outside of the budget process, and recommends waiting until this can be weighed against other pressing items. Saving it for the State of the Union would also allow you to reach a broader audience.

(B) Announcement in the Fall with specific policies. Commit to the 21st Century Scholars approach and funding for early intervention that is significant (such as \$150-\$200 million), but could fit in the FY 1999 Budget without too much danger. The advantage is that you could show action on education in the Fall, and it fits with the race initiative. The disadvantage is the difficulty of deciding amounts outside of the budget process.

(C) Announcement in the Fall without a specific dollar commitment. Announce that the FY 1999 Budget will include "a significant investment" in early intervention, and that we will spend the next three months working with college presidents to determine how to maximize the involvement of their campuses and the effectiveness of the effort.

## APPENDIX: FINANCING APPROACHES FOR EARLY INTERVENTION

There are several ways that we could require or encourage colleges to reach out to schools to create partnerships. These options are not mutually exclusive.

**(a) FY 1999 Funding of at least \$200 million.** As described under option 3, an appropriation of \$200 could fund the first year of an effort reaching 1180 middle schools. Colleges would need to cover 25 percent of the costs of the programs in the first year (rising in later years), but could use work-study to satisfy that matching requirement. There would be a waiver of the match for colleges in some circumstances.

**(b) A Mandate.** Colleges benefit enormously from their participation in the Federal student aid programs. Since they use the Pell Grant program to attract and retain low-income students, it is not unreasonable to expect that they make at least a minimal effort to help ensure that the pool of Pell recipients are prepared to succeed *before* entering college (so as to help maximize the federal Pell investment). While we could not easily require any particular level of effort or type of program, we could **require that they have *some* sort of effort to reach out and provide support to low-income students and families.** This would symbolize our position that colleges have a responsibility to do more.

**(c) Using the Perkins Loan funds.** 2600 institutions of higher education<sup>7</sup> currently administer a total of \$6.8 billion in Perkins Loan revolving funds (formerly known as NDSL, National Defense Student Loans). These funds have built up from Federal contributions and matching funds over the past 40 years. Each year, about \$900 million is repaid by students and becomes available to lend again. With the expansion of loan limits and eligibility in the Direct and Guaranteed programs over the past few years, Perkins has diminished in importance (the other programs are 30 times larger), but political inertia has kept it alive. Your budgets have alternately proposed cutting or straight-lining any new Federal contributions (for FY 1998 you proposed level funding at \$158 million).

**Colleges could be *allowed* to spend these funds to create or expand early intervention partnerships with schools.** Many might choose to do so, because (1) the program is not as needed as it used to be, (2) it is expensive to administer (the colleges pay for collection of the loans), and (3) the colleges give lip service to early intervention and this would give them the opportunity to put money where their mouths are.

Like the work-study component of America Reads, you could challenge colleges to participate, while also providing a way for them to more easily pay for it. We could start with a steering committee of college presidents who pave the way and encourage their colleagues to sign on. If we got colleges with half of the funds (much is concentrated in some of the large universities) to commit half of that to early intervention, that would represent more than a \$200

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<sup>7</sup>Most of the funds -- \$6.4 billion -- are with four-year public and private institutions. The remainder is with trade schools and community colleges.

million investment in the first year (with the available funds diminishing over time).

Educ - chaka Fattah

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very convincing. Shd  
only do on the cheap.  
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THE WHITE HOUSE  
WASHINGTON

September 23, 1997

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DIRECTOR RAINES  
BRUCE REED**

**FROM: GENE SPERLING**

**RE: TWENTY-FIRST CENTURY SCHOLARS ACT**

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I will be contacting you shortly to set a time for us, and those listed below, to discuss the memo before it is finalized.

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Mr. Cohen  
Mr. Shireman

Education - cholia fattah  
and  
Race - minority enrollment  
partnerships

[DRAFT SPERLING MEMO TO POTUS 8/22]

## OVERVIEW

Your advisors (NEC, DPC, OMB, and Education) have reviewed and analyzed Congressman Fattah's "21st Century Scholars Act." We are in agreement that the idea has enormous appeal, but that due to budget, efficiency, and implementation problems, we do not recommend adopting its central element: a "guarantee" of a future Pell Grant. (Congressman Fattah is aware of the problems that have arisen in our analysis).

We agree, however, that the Fattah legislation points out two critical needs: (1) low-income families need to know more, earlier, about the financial aid that is available for college; and, (2) students at high-poverty schools need more academic support, mentoring and other encouragement to attend college, starting *before* the high school years. This memo lays out two options for addressing each need:

### Options for getting out the word about Federal aid:

1. A creative national campaign celebrating the universal availability of college through the education tax cuts, Pell Grant increases, and student loan improvements, with a concentrated effort aimed at high-poverty schools and low-income families.
2. A national campaign as in option A, but with a gimmick aimed at the poorest schools: a *promise* of at least \$21,000 in grants *or loans* over five years (an amount that everyone is already eligible for in loans, assuming the programs remain in effect).

### Options for bringing early intervention services to more high-poverty middle and junior-high school students:

- A. An extension of current TRIO programs such as Upward Bound and Talent Search, which are administered by community groups and colleges.
- B. Promoting partnerships between colleges and high-poverty schools, through both new Federal grants and allowing colleges to spend funds they currently administer in a revolving loan fund (the Federal Perkins Loan

program).

**Recommendations:** On the information campaign, I think the "guarantee" continues to have appeal, so I prefer option 2 as an approach that would increase the effectiveness of the information campaign in poor areas, and allow us to capitalize on the interest in the Fattah bill. [OMB strongly feels that the promise is not necessary for the campaign to be effective and that it adds administrative complexity. DPC thinks that a promise to an existing entitlement does not add enough to be worth the effort. Education? . . .]. On the early intervention program, all of your advisors recommend the school-college partnerships as the best approach.

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## INTRODUCTION

A number of private programs have had success in improving educational outcomes for impoverished youth by guaranteeing -- at an early age -- that the money will be there for college if they choose to go. These programs are based on the theory that middle- and upper-class families benefit enormously from the family and school expectation that they will be graduating from high school and attending college. At high-poverty schools, where dropout rates are high and few parents have college degrees, these expectations are absent. These early intervention programs aim to change those expectations. Many of the programs stress that, while the financial aid is an important hook for the child and family, additional mentoring, tutoring, and other support services are a key to success.

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- an annual notice from the Department of Education reminding the student and family of the future availability of the college aid; and,
- automatic *eligibility* for services under current (TRIO) early intervention, mentoring, counseling and other services.

The Education Department estimates that the Fattah legislation would apply to 7,300 schools with about 500,000 sixth graders (approximately 15% of the national total). Assuming inflation-based increases in the maximum Pell Grant, each of these students in the sixth grade in 1998-99 would be promised a total of almost \$14,000 in aid over four years.

The Department estimates that on average, this type of program could increase college participation rates by this population by about 8 percent, meaning that just over half of the students would use all or a portion of the promised aid. (Without this program, 45 percent of these students would be expected to enroll in some type of postsecondary education within two years of graduating from high school.<sup>1</sup> Just under half of those students would be expected to still be enrolled by the fourth year of college.<sup>2</sup> With a successful early intervention program, the Education Department estimates that college enrollment rates for this population could be increased so that they matched the enrollment rates for students at schools with 31-50 percent low-income students -- an increase of 8 percentage points, to 53 percent.)

While this increase in enrollment may seem low, college is only one of the intended outcomes of early intervention programs. They also seek to promote high school completion, job readiness, and lower incidence of drug abuse and delinquent behavior.

Rep. Fattah introduced his bill on February 13. As of July 17, he had 93 cosponsors, including seven Republicans (Christopher Shays, Ken Calvert, J.C. Watts, Jr., Richard Baker, Joe Scarborough, David McIntosh, and James Greenwood). On June 5, he testified before the House Education and the Workforce Committee's postsecondary subcommittee and received a warm reception from both sides of the aisle. The House hopes to move a bill reauthorizing the Higher Education Act by the end of this year. No companion bill has been introduced in the Senate.

An article in the *Chronicle of Higher Education* on July 11 noted the bipartisan support for the concepts in Rep. Fattah's bill, but also cited specific concerns that:

- it does not provide for the support services (tutoring, mentoring, etc.) that are needed for the proposal to be successful;
- it may guarantee help to too many non-needy students; and,
- it is a new entitlement, which many would oppose solely on that basis.

## ANALYSIS

There are a number of issues and concerns to consider with respect to the Fattah legislation:

### 1. Inefficient targeting and higher-than-expected cost

Supporters have argued that virtually any student at a high-poverty school probably would have qualified for a full Pell Grant anyway, even without the guarantee -- therefore, the program only costs money if it is *successful* in encouraging youth to go to college. The data do not bear this out: more than half of the cost of this program would be for students who would have gone to college anyway but wouldn't have gotten as much aid as the guarantee is providing. It appears that many families who are poor when their children are in middle school, improve their financial situation somewhat by the time their children graduate from high school. In addition, the students who go to college are more likely to be from the relatively higher income families. The Education Department estimates that the outlays associated with the first cohort of sixth graders would be \$2.45 billion. These outlays (which begin in the 2005-6 school year and are spread over the following three years) would be composed of:

- \$761 million, or 31%, for Pell Grant amounts that would have been spent anyway on these students who would have gone to college anyway;
- \$370 million, or 15%, for students who attend college because of the promised aid (students induced by the program); and,
- \$1,320 million, or 54%, for additional aid provided to students who would have gone to college anyway but would not have been eligible for the full \$3,000 (or would not have received a Pell Grant at all).

The *added* cost, therefore, from this first group of sixth graders, is \$1.7 billion over four years. (Viewed on an annual budget basis rather than by cohort, as each of the first four cohorts get phased in, the added annual outlays will increase to \$1.7 billion by the fourth year after the first group graduates high school and attends college, then will increase each year roughly by inflation.) *More than three times as much additional money is spent on students who already would have attended college than is spent on those who attend college because of the aid.*

## 2. Need for additional support services

Research has shown that mentoring, counseling, tutoring and support services are *essential* to prevent students from dropping out of school and to increase their academic preparation and aspirations that lead to college. Rep. Fattah's proposal does not expand the availability of early intervention services (it simply makes participants eligible for the few programs we fund now). But without those services, the early Pell Grant promise *probably will not have a significant impact*. The I Have a Dream program estimates that the support services for each new cohort, provided primarily by volunteers, cost about \$150,000 for a coordinator and other expenses. For the 7,300 high-poverty schools, the cost of this type of

program of support services would be \$1 billion (per year). Education thinks this estimate is low.

### 3. The issue of a new entitlement

The Fattah legislation is written as an entitlement, and in order to comply with the budget agreement, the proposal would at least need to remain on the mandatory side of the budget.<sup>3</sup> As an entitlement, the proposal could be portrayed as (1) another potential area of runaway spending, and (2) a gimmick to provide promises now for spending that is outside the 5-year budget window.

### 4. Inequities and perverse incentives

As with empowerment zones and any other effort to draw a line around a "very" poor area, there will be some apparent inequities. A school with 76 percent poverty will get the benefit, while a 73 percent poverty school nearby will be denied it. In addition, school populations change, so a school may be part of the program one year, then be denied the next.

In addition, there would be inequities among students at a school: Most sixth graders attend a different school within 1-3 years. At most of the higher-poverty junior high and high schools, not all of the students will have come from the highest-poverty elementary schools. There could be some odd incentives as well. If a student who attends a particular school for one part of one year can get a promise of at least \$14,000 in financial aid, someone will find a way to game the system. It may even create incentives for further concentration of poverty in order to provide the Pell Grant promise to poor students who had attended a school with a lower concentration of poverty.

### 5. Entitlement without Accountability

Some of your advisors object to providing expanded college aid without demanding more from students (and schools) before they reach college. The Fattah proposal does not require any particular level of achievement or high-skill curriculum. Indeed, it does not even require high school graduation (since Pell Grants are available to non-high school graduates for job training and remedial courses in some circumstances).

## **OPTIONS**

We attempted to develop approaches to the 21st Century Scholars Act that would patch up the various problems and improve targeting, but were not able to find a satisfactory approach. In the meantime, Congressman Fattah has become

aware of some of the difficulties associated with his approach, and has suggested alternatives that look more broadly at the grants *and loans* that students are currently eligible for. He also agrees that additional early intervention efforts are critical to the success of any plan.

Below we provide two options for getting information out to more families about the availability of Federal financial aid, and two options for expanding early intervention in middle and junior-high schools.

### Options for spreading the word about financial aid for college

**1. A NATIONAL CAMPAIGN.** Low-income students often receive far more financial aid than just a Pell Grant. Indeed, *everyone*, regardless of income, qualifies for \$17,125 or more in Federal loans over four years of full-time college attendance. In addition, many colleges would include supplemental grants, state grants, work-study, and other assistance in the total financial aid package for a low-income student. Therefore, a campaign that focuses on a Pell Grant guarantee actually *understates* the amount of aid that a child at a high-poverty school could expect if they were to go to college.

This argues for a creative campaign for informing all families, but particularly low-income families, of the package of financial aid for which they would qualify. Many have long argued that we should recruit people to college with the same vigor that we recruit for the armed forces: everyone should know that **“you already qualify for at least \$17,000 in aid to go to college.”**. This campaign could include:

- Producing PSAs and/or paid media touting the availability of aid for college, linked to an expansion of the current toll-free information line.
- Providing free user-friendly computer programs that provide sample financial aid packages based on the user’s income. These could be provided through schools as well as kiosks that could be set up in employment and social services offices.
- Training AmeriCorps and/or others for a concentrated sweep of high schools and/or middle schools in poor areas to provide high-tech presentations on the availability of college aid.
- Naming a steering committee of a diverse group of celebrities and role models who commit to reaching out to encourage college attendance.
- Securing a commitment of funds and activity by corporations and/or foundations. (For example, the electronics industry is interested in doing more to get students, especially minorities, into computer fields).

- Identifying families that would qualify for Pell Grants and other aid through the IRS, social service offices, or other sources. Mail them a simple postcard that invites them to call or write to get more information about college opportunity. Provide a method for hooking up interested families with counselors at colleges. (In other words, recruit them in the same way that some of the trade schools do).  
[EDUCATION: HOW MUCH SHOULD BE SET ASIDE FOR THIS? IS THERE ALREADY AUTHORITY FOR IT?]

#### Arguments for option 1:

- An education effort has never really been tried. That's where we should start.
- Particularly with the successes in the budget agreement, the Federal government already has a strong financial aid system, particularly for the poor. We should spread the news rather than undermining our win with the message that aid is not secure enough.
- The campaign could begin without any additional Congressional action.

#### Arguments against option 1:

- A guarantee sends a stronger message. (The poor are skeptical about the staying power of Federal programs. If it's not an iron-clad guarantee, it may not have the desired impact.)

**2. A NATIONAL CAMPAIGN WITH A PROMISE FOR THE POOR.** Instead of focusing solely on Pell Grants, this option would turn the Fattah idea into essentially a packaging of the current Pell Grant and student loan programs (Congressman Fattah has suggested this approach in conversations I have had with him). Students at the middle and junior high schools that feed into the 2100 poorest high schools would be identified as "21st Century Scholars" and provided with a promise of *at least* \$21,000 in college aid over five years.

**Cost:** This approach has minimal budget impact because any student, regardless of income, is *already* eligible for at least \$22,625 in loans for five years of full-time college attendance -- and the loan programs are already entitlements. The only budget implication is that these students will be guaranteed that they will not be affected by any elimination of the loan programs or reduction in loan limits 5-10 years down the road. That does not result in significant increased outlays other than the extension of the loan programs for these students beyond the current authorization. [EDUCATION: WHAT INCREASE WOULD THE INDUCEMENT EFFECT CAUSE?]

**Number of students:** [NEED ED's ANALYSIS] 2100 high schools represent about 14% of all of the high schools in the country, so this approach would cover roughly the same number of students as the original Fattah legislation (15% of students in 6th grade). By starting from the poorest high schools, and working back to [ABOUT HOW MANY?] feeder schools, it improves the ability to follow the students through their school years..

**Arguments for option 2:**

- It allows for a simple message to poor students: you have \$21,000 at your disposal for college, if you get through high school successfully.
- The aid is iron-clad guaranteed, allowing us to tell families that they can absolutely count on the help.

**Arguments against option 2:**

- This detracts from our message that we have opened up college opportunity to *all*. The \$21,000 promise creates the impression that this aid is only available to these students, when in fact everyone is eligible for at least that much.
- The promise would need to be tracked administratively (just in case), even though it will likely never need to be invoked.
- (This would require statutory authority,) and any fight on the issue could undermine our message that the aid will be available for those who need it.

**Options for expanding early intervention**

**A. EXTENSION OF TRIO.** The Education Department already spends \$500 million (FY 1997) for intervention efforts to help disadvantaged individuals prepare for and succeed in college. The largest program, Upward Bound, provides grants to community groups and colleges for programs that provide high school students with academic enrichment, summer college experience, and other services. The program, serving 44,700 students, has a high cost -- \$4,000 per participant. But the investment pays off: preliminary results from a scientific (random assignment) evaluation show [need to fill in].

This option proposes an investment of \$200 million to provide services to approximately 50,000 students in FY 1999, ramping up to \$300 million in FY 2000 and \$400 million in FY2001, serving 100,000 students. Current Upward Bound programs that propose to reach further down into middle and junior high schools

would receive a priority in funding.

**Arguments for option A:**

- Extends a *proven* program, giving us greater confidence that there will be positive results.
- The group representing current TRIO program, a strong lobby, would support the significant increase in funding (as long as its membership is favored in receiving the grants).

**Arguments against option A:**

- The Federal government covers 97% of the cost of Upward Bound programs. Extending that approach eliminates the possibility of leveraging more of a contribution from colleges.
- Upward Bound only works with selected disadvantaged students. By starting in middle school, it is critical to focus on *all* children. This whole-school or whole-cohort approach requires different strategies than those used by the current Upward Bound grantees.
- The budget is very tight in FY 1999. Any new investment reduces the pot of funds available for existing programs (such as Pell Grants) or other new initiatives.

**B. SCHOOL-COLLEGE PARTNERSHIPS.** This option adopts the view that colleges should be doing more to connect with students at high-poverty schools no later than the middle school years. Through partnerships with those schools, colleges can encourage students (and their families) to choose a demanding academic program, while the college provides academic enrichment and intensive mentoring, tutoring and other support services.

College involvement is critical because they have the tools, the expertise, and the stability to commit to a long-term project, and to provide the monitoring needed to ensure its success. They know what academic preparation they need from schools, so are in a good position to work with high-poverty schools to improve and supplement their curriculum, to prepare students for success in college. While in some cases mentoring might be provided by undergraduate students, universities also can tap alumni, businesses, and other community resources to get serious commitments of time for the effort. Finally, it is critical that there always be a full-time, serious and energetic coordinator running the efforts.

Stronger school-college partnerships would not only serve to promote college-going, they could also help to bring higher standards to impoverished schools. (This is also a perfect complement to America Reads: while the reading tutoring effort starts with parents of young children and works through the early elementary years to lift up student achievement in reading, this partnership would reach down from the university level, and help to pull those same children along into high hopes and high achievement in all subject areas.)

Under this approach, the Federal government would encourage and partially fund partnerships between colleges and high-poverty schools or school districts. These would consist of:

- **Partners:** Each partnership would at least include a high-poverty high school, its feeder schools, and a degree-granting institution of higher education. Most would also include businesses and/or a community groups which may provide supplemental funds and/or may be a source of mentors and other assistance for the children.

[HOW SHOULD WE IDENTIFY HIGH-POVERTY SCHOOLS/DISTRICTS? SHOULD IT BE FLEXIBLE, PURSUANT TO REGS?]

- **An Academic Plan:** The school would agree to offer a curriculum that prepares students for college.
- **Support Services:** The college would agree to provide structured, long-term supplemental academic enrichment, mentoring, tutoring, and other assistance to all students starting not later than the eight grade.
- **Financial Aid information and bonus:** The partnership would provide financial aid counseling, and could provide financial incentives for students to stick with the program, take the right classes and/or to get good grades. (In some existing programs, colleges guarantee admittance and aid if students reach certain goals in high school).

**Funding.** This option would aim for \$400 million in funding through (1) aiming to get colleges to use \$250 million of the Perkins Loan revolving funds for this purpose, and (2) asking for another \$150 million in the FY 1999 Budget for areas that do not have significant Perkins funds. If the partnership cost an average of \$400,000 [EDUCATION WANT TO TAKE A STAB AT ANOTHER NUMBER? Upward Bound is \$300,000 per project, but only serves 74 participants each], this would fund 1000 partnerships.

**Using the Perkins Loan funds.** 2700 institutions of higher education [need

break-down by sector]4 currently administer a total of \$6.5 billion in Perkins Loan revolving funds. These funds have built up from Federal contributions and matching funds over the past 40 years. Each year, about \$750 million is repaid by students. Colleges put in another \$250 million in matching funds, making \$1 billion available for lending again. With the expansion of loan limits and eligibility in the Direct and Guaranteed programs over the past few years, Perkins has diminished in importance (the other programs are 30 times larger), but political inertia has kept it alive. Your budgets have alternately proposed cutting or straight-lining any new Federal contributions (for FY 1998 you proposed level funding at \$158 million). In the past several years, some of the colleges have floated the idea that the program could end if they could keep the money to spend in other ways. [ED: HOW MANY STUDENTS WHO GET PERKINS HAVE NOT MAXED OUT ON STAFFORD? HOW STRONG IS OUR CLAIM THAT IT ISN'T ALL NEEDED?]

Under this option, colleges would be *allowed* to spend these funds to create or expand early intervention partnerships with schools. The Education Department expects that many would choose to do so, because (1) the program is not as needed as it used to be, (2) it is expensive to administer (the colleges pay for collection of the loans), and (3) the colleges give lip service to early intervention and this would give them the opportunity to put money where their mouths are.

Like the work-study component of America Reads, you would challenge colleges to participate, while also providing a way for them to more easily pay for it. We could start with a steering committee of college presidents who pave the way and encourage their colleagues to sign on. If we got colleges with half of the funds (much is concentrated in some of the large universities) to commit half of that to early intervention, that would represent a \$250 million investment. ]

***Additional appropriations.*** Using the Perkins funds is not sufficient because they are not evenly distributed across the country -- the older, larger, more elite state and private universities have the bulk of it. The southwest and areas that rely more on lower-cost state and community colleges would be under-served if we do not create an alternative pot of funds to make grants to them for the same purpose.

#### **Arguments for option B:**

- Guarantees the provision of mentoring, counseling and support services that many say are critical to the success of early intervention programs.
- Provides colleges with a way of partnering with high-poverty schools in a way that may be less threatening, and ultimately more productive, than explicit school reform efforts.

- Given the tight appropriations, may be more likely to be adopted than option A.

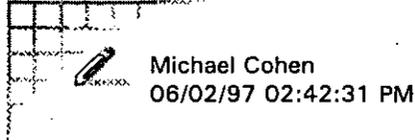
**Argument against option B:**

- Using the Perkins Loan fund invites opposition by that program's supporters (including the contractors who collect the loans).

**RECOMMENDATIONS**

[On the information campaign, I think the "guarantee" continues to have appeal, so I prefer option 2 as an approach that would increase the effectiveness of the information campaign in poor areas, and allow us to capitalize on the interest in the Fattah bill.] [OMB strongly feels that the promise is not necessary for the campaign to be effective and that it adds administrative complexity. DPC thinks that a promise to an existing entitlement does not add enough to be worth the effort. Education? . . .]. On the early intervention program, all of your advisors recommend the school-college partnerships as the best approach.

Educ - Chaka Fattah



Record Type: Record

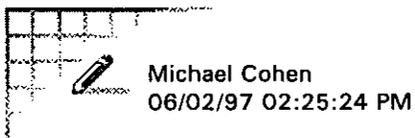
To: Bruce N. Reed/OPD/EOP  
cc: Elena Kagan/OPD/EOP  
Subject: Re: Chaka Fattah

I thought you'd want to know what I said about the options paper Shireman sent around. It tracks our conversation from last night (though I did leave out the gambling tax).

I continue to have a difficult time seeing how we spend a whole lot of new money for anything in this area. I also think the most important things we can do are to (1) do a much better job helping kids and their parents understand the level financial aid that is already available, and that there are plenty of good colleges to attend, including public 4-year institutions, that cost under 10K rather than the nearly 30K per year that the press covers; and, (2) do a better job of outreach, mentoring, counseling and providing other support services for kids, to help them stay on course between roughly grades 6 and 12.

If the President is in fact committed to something along the lines of a financial aid guarantee, then I think the approach I've outlined makes more sense than the Pell Grant guarantee. It rewards academic performance; it provides rewards every few years so kids who can't see 6 years into the future get periodic reinforcement to stay on course, and it fits with our overall message about standards, opportunity and responsibility.

----- Forwarded by Michael Cohen/OPD/EOP on 06/02/97 02:34 PM -----



Record Type: Record

To: Robert M. Shireman/OPD/EOP  
cc: See the distribution list at the bottom of this message  
Subject: Re: Chaka Fattah 

Several reactions to the options paper, and then an addition option to propose:

1. While the Eugene Lang model is impressive, I have real problems with the Pell Grant guarantee as originally proposed, and as modified in your option 1. The cost is high, the message of a new entitlement is all wrong, the targeting is inefficient, and without the intensive support services it probably won't work very well.

2. Regardless of what else we do, the type of information campaign envisioned in option 2 is a good idea. I agree with Barry White's comments on this option; particularly (1) that it needs to be combined with an effective program of support services, and (2) that the Title 1 reference is obscure at best; Barry's idea about helping and requiring Title 1 schools to provide information on student aid is a very good one.

3. I am troubled about any proposal to provide a new entitlement for student financial aid, without requiring anything from the student. If there is to be an initiative that provides additional financial aid, it ought to include a component that is directly linked to academic performance. Any proposal that promises additional and guaranteed financial aid, without demanding acceptable levels of academic performance in return, will be criticized as wasting funds and as sending the wrong message -- all opportunity and no responsibility. It will also be seen as undermining our efforts to raise academic standards, and to send kids a message that achievement and performance counts. Surely getting the message right is especially important in schools with large concentrations of disadvantaged students, where expectations are low and where academic accomplishment is as likely to be disparaged by peers as it is to be concretely rewarded by anyone. While making financial aid contingent on academic performance faces enormous political obstacles -- especially if this standards is applied only to students with the lowest incomes -- I believe it can be done, especially if carefully designed and incorporated into a new initiative.

Here is the outline of one approach we could advance:

- o **As in Option 3, target schools with the highest concentrations of poverty, and target schools/communities which assume the responsibility for providing support services.** The number of schools we start with, and the rate of growth, could be geared to the funding levels available.
- o **Instead of a guaranteed Pell Grant, provide students who graduate from elementary school with an Education Trust Fund -- a interest-bearing savings account available solely for college tuition.** The federal government should provide an initial deposit of \$500. Families and community groups should be encouraged to make additional deposits (though we would need to figure out what to do with nonfederal contributions in the event the student does not go on to college).
- o **The federal government should provide students with an additional \$500 deposit when they graduate from middle/junior high school, and again when they complete high school and are accepted into a postsecondary insitution.** The idea here is to provide periodic incentives for completing the steps that will lead to college.
- o **The federal government should provide students with an additional \$1,000 if they pass the 8th grade math test, or meet a comparable academic requirement approved in advance by the Secretary of Education.** Several points here. First, this provides a real incentive for academic performance (though it doesn't hedge the entire package of

additional aid on it). It should provide an incentive for students to work hard, and also an incentive for parents, teachers and community members to give the kids the support they need. Parents, business leaders, school boards, mayors, etc. ought to be outraged at schools where the kids lose out because of inadequate preparation.

Second, this approach provides an additional incentive for states and cities to sign up for the test. But it also provides two ways to deal with situations in which the state doesn't sign up; I think both are important to consider as safety valves. One approach would be to create testing centers in states/communities that don't participate in the testing program. Kids could go to the testing sight on a Saturday morning and take the test administered separately from the school system apparatus, just as they do with the SAT's. Alternatively, a state or district could convince the Secretary that it gives an 8th grade math test that is just as rigorous as the national test and suitable for these purposes.

This approach would provide a student with up to \$2500 in financial aid for college, all tied to successful progress through school and some tied directly to meeting national math standards. The value of the funds to the student would exceed \$2500, because the portions of the funds would earn interest for 4-6 years before being used.

One additional thought. Any of the options that provide new funds for student financial aid is likely to target a significant portion of the funds to low income students in urban areas. Keep in mind that the Education Department is considering a proposal to provide incentives for people to teach in urban areas, as part of Title V of the Higher Education Act. And we will continue to face pressure, especially from urban areas, to do something on school construction. I do not believe we should advance any new initiative targeted to urban areas without putting all of the possible ones on the table at the same time, because it is unlikely there will be sufficient funds for them all.

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