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THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

12/30/97

December 16, 1997

MR. PRESIDENT:

Attached are two budget memos that I understand you may discuss in your budget meetings tomorrow.

The first memo you have not seen before. It is from Gene, Bruce and Elena and discusses NEC/DPC recommendations for new initiatives on the discretionary side of the budget. OMB has signed off on it.

The second memo you read over the weekend. It is from Frank Raines and Jack Lew and discusses ways to create room for the initiatives in the first memo.

Phil Caplan *Phil*

THE PRESIDENT HAS SEEN

12-30-97

'97 DEC 16 PM 1:43

THE WHITE HOUSE
WASHINGTON

December 15, 1997

Copied
Reed
Sperling
Kagan
Waldman
Bowles

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

SUBJECT: New Initiatives on Discretionary Side of Budget

As you know, OMB is trying to find an additional \$6 billion for discretionary spending. Assuming this money becomes available, the DPC and NEC recommend that you fund the new initiatives listed below -- in the amounts listed below -- in your FY 1999 budget. OMB has signed off on these recommendations. Some of the departments, however, may appeal for increases in base programs that would cut into the amount of money available for new initiatives.

We already have given you detailed memos on most of these initiatives. If you approve the initiatives, you can announce any or all of them in the State of the Union.

Because so many of the new initiatives involve education, we are attaching an appendix to this memo that shows recommended funding levels for the Department of Education's major base programs. In reviewing the education spending, you should note that the Department has just reestimated Pell Grant costs in a way that will free up additional monies. We had thought we would need a \$434 million increase in the Pell Grant Program to raise the maximum award from \$3,000 to \$3,100. The new estimates show we can finance these policies with between \$150 million and \$220 million less. We are currently considering whether to keep these funds in the Pell Grant Program to support a larger increase in the maximum award and make other policy changes, or alternatively to invest them in the After-School and Head Start components of the child care initiative.

Education

1. Education Opportunity Zones (\$225 million): This initiative will provide funding to about 25 high-poverty urban and rural school districts for agreeing to adopt a "Chicago-type" school reform agenda that includes ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice.

2. College-School Partnerships (\$150 million): This initiative, which builds on Eugene Lang's model of helping disadvantaged youth, will provide funding for college-school partnerships designed to provide mentoring, tutoring, and other support services to students in high-poverty schools, starting in the sixth grade and continuing through high school. The six-year funding

path will provide help to nearly 2 million students. The proposal also will include Chaka Fattah's idea of early notification to disadvantaged 6th graders telling them of their Pell Grant and loan eligibility.

3. Campaign on Access to Higher Education (\$20 million): This initiative will fund an intensive publicity campaign on the affordability of higher education. The goal of the campaign will be to make every family aware that higher education is now universally accessible -- and that it is the key to higher earnings.

4. Teacher Recruitment and Preparation (\$67 million): This initiative, which you previewed last July at the NAACP Conference, will provide scholarships to nearly 35,000 new teachers over five years for committing to work in high-poverty urban and rural schools. It also will upgrade the quality of teacher preparation programs serving these communities.

5. Technology Teacher Training (Approx. \$230 million): This initiative will dedicate 30 percent (about \$150 million) of the Technology Literacy Challenge Fund (which is being increased from \$425 to \$500 million) to ensure that at least one teacher in every school receives intensive training in the use of technology for education, so that those "master teachers" can train their colleagues. An additional \$80 million will begin an effort to train every *new* teacher in the latest technology.

6. Hispanic Education Action Plan -- (\$195 million or more): This initiative will increase funding for a number of existing programs to improve education for Hispanic Americans and other limited English proficient (LEP) children and adults. It would double our investment in training teachers to address the needs of LEP children; boost the Migrant Education Program by 16 percent; increase the TRIO college preparation program by 10 percent; and create a 5-year, \$100 million effort to disseminate best practices in ESL training for adults. We would accompany these program increases with administrative actions to help Hispanic students complete high school and succeed in college.

7. Distance Learning -- (\$50 million?): We are still in the process of developing a new initiative, related to Governor Romer's Western Governors University, to promote the use of technology to give people "anytime, anywhere" access to learning opportunities.

Child Care

We recommend placing most of the child care initiative -- in particular, the proposed increase in the Child Care and Development Block Grant and the establishment of a new Early Learning Fund -- on the mandatory side of the budget. The smaller pieces of the initiative that we propose placing on the discretionary side are the following:

1. After-School Program Expansion (\$100-200 million): This program expansion will increase funding of the 21st Century Community Learning Center Program (now funded at \$40

million) for before- and after-school programs for school-age children at public schools.

Depending on the exact funding level chosen, this investment will create new programs in 1,500-4,000 schools with slots for between 75,000 and 200,000 children; at the same time, it will enable still more students to participate in other school-site activities.

2. Standards Enforcement Fund (\$100 million): This new fund will support state efforts to improve licensing and accreditation of providers, and to enforce health and safety standards -- particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.

3. Provider Training (\$51-60 million): A new Child Care Provider Scholarship Fund, which you proposed at the Child Care Conference to fund at \$50 million annually, will support 50,000 scholarships each year to child care workers working toward a child care credential. The students will commit to remaining in the field for one year for each year of assistance received, and will earn increased compensation or bonuses when they receive their credential. An additional \$1-10 million will allow the Department of Labor to expand its Child Care Apprenticeship Training Program, which funds providers combining work toward a degree with on-the-job practice.

4. Research and Evaluation Fund (\$10-30 million): This new fund will establish a National Center on Child Care Statistics, and provide grants for research projects and state and local child care hotlines and consumer education activities.

5. Head Start and Early Head Start Expansion (\$284-334 million): This level of increased investment in the overall Head Start budget should permit doubling the set-aside for Early Head Start over five years without reducing the resources available for children 3-5. The doubled set-aside would enable more than 50,000 additional children to receive Early Head Start services in 2003.

Welfare, Housing, Urban

1. Welfare-to-Work Housing Vouchers (\$283 million): This initiative will provide 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. HUD will distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new \$3 billion welfare-to-work program. (A separate proposal, for which no new funding is needed, would allow families in public or assisted housing to use vouchers to buy a home; HUD expects this proposal to assist some 25,000 people become homeowners over two years, though OMB believes this figure to be exaggerated.)

2. Housing Portability/Choice (\$20 million): In addition to the new welfare-to-work housing vouchers discussed above, our proposed package on housing portability and choice expands Regional Opportunity Counseling sites and takes administrative actions to eliminate obstacles to

portability in the Section 8 housing program.

3. "Play-by-the-Rules" Homeownership Proposal (\$30 million): This initiative will assist families that always pay their rent on time to become homeowners. The Neighborhood Reinvestment Corporation will provide downpayment assistance, interest rate buydowns, or rehabilitation loans to approximately 10,000 families.

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5. Community Empowerment Fund (\$300-400 million): This initiative establishes a public/private fund ("Eddie Mac"), which will invest in inner-city businesses and create a secondary market for economic development loans (like Fannie Mae).

6. Homeless Assistance (\$250-325 million): This level of increased investment includes \$177 million to help 32,000 homeless people receive Section 8 vouchers.

Labor and Workforce

1. Child Labor (\$89 million): This initiative is anchored by a \$30 million commitment -- up from \$3 million -- to the International Program on the Elimination of Child Labor (IPEC). The initiative also will include funding to improve Customs Service enforcement of U.S. law banning the import of goods made with forced or bonded child labor (\$3 million) and to double the Department of Labor's enforcement of child labor laws in the agricultural sector (\$4 million). Finally, the initiative will provide additional funding to the Migrant Education Program so it can reach 50,000 more migrant children (\$50 million). We are developing non-budget items to fill out the package.

2. Community Adjustment (\$50 million): This initiative will fund the creation of the Office of Community and Economic Adjustment (OCEA), which we proposed as part of the Fast Track debate. As you know, this office will be modeled after the Defense Department's Office of Economic Adjustment -- the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. We expect the Office to help 35-40 communities in its first year of operation. The initiative also will fund a variety of other efforts to assist communities that face sudden and severe economic dislocation.

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1. 21st Century Trust Fund (Approx. \$1 billion): This initiative will provide substantial additional funding to NIH (\$750 million) and NSF (\$250 million), ramping up substantially over time, for research activities -- particularly on the treatment and cure of diseases. We will provide you with a separate memo on this initiative in the next day or two. Funding for this initiative will come from comprehensive tobacco legislation.

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3. Racial Disparities in Health Care (\$80 million): This initiative will address racial disparities in six areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. The proposal includes additional funding (\$50 million) to established public health programs to adapt and apply their prevention and education strategies to eliminate racial disparities. It also includes funding (\$30 million) for up to thirty local pilot projects to test innovative approaches to reach this goal.

Environment

(Katie McGinty proposed and has further information about these initiatives)

1. Climate Change (\$400 million): To support our broader climate change initiative (including tax incentives), this funding will go to a number of departments in accord with PCAST's recommendations.

2. Second Generation Clean Water (\$450 million, including some on mandatory side): This initiative will assist in restoring 1000 watersheds that are too polluted for fishing or swimming. Funding will go to five agencies to support a variety of activities designed to address polluted runoff and implement comprehensive watershed management strategies.

Crime

1. Community Prosecutors (\$50 million): This initiative will provide grants to prosecutors for innovative, community-based prosecution efforts, such as Eric Holder adopted in the District of Columbia. A full 80 percent of the grants will go to pay the salaries and training costs associated with hiring or reassigning prosecutors to work directly with community residents.

Race

A number of the above proposals -- e.g., education opportunity zones, university-school

partnerships, housing vouchers -- can be presented as part of the race initiative, because they target predominantly minority areas or provide disproportionate benefits to members of minority groups. Other proposals described above -- the Hispanic dropout plan and the race and health initiative -- have obvious and explicit race connections. In addition:

1. Civil Rights Enforcement (\$72 million): This initiative will fund reforms to the EEOC and the civil rights offices at DOJ, HUD, HHS, Education, and DOL. Most important, additional funding of \$37 million will allow the EEOC to expand its mediation program (allowing more than 70 percent of all complainants to choose mediation by the year 2000), increase the average speed of resolving complaints (from over nine months to six) and reduce the EEOC's current backlog (from 64,000 cases to 28,000). The initiative also will fund a dramatic expansion of HUD's civil rights enforcement office (in the 30th anniversary year of the Fair Housing Act) and improve coordination among the government's civil rights offices. We are preparing a number of non-budgetary administrative actions, especially involving fair housing and lending, to accompany our budget proposals in this area.

Appendix -- Education Budget

The recommended funding level for all of the Department of Education's discretionary programs (including new initiatives) is \$30.9 billion, an increase of \$1.4 billion (4 percent above FY 1998). In addition to providing for the new initiatives described above, this recommended budget maintains or increases funding for the Department's major base programs, while reducing certain lower priority spending.

Major Base Programs

Education testing: \$16 million. The full amount needed to maintain progress on test development.

Pell Grants: \$7,779 million. A \$289 million increase would maintain higher independent student eligibility and raise the maximum award from \$3,000 to \$3,100. The additional \$150 million previously thought necessary to effect these policies would increase the maximum award by another \$50; alternatively, as noted earlier, we could use these funds to increase our investments in the After-School and Head Start components of the child care initiative.

America Reads, \$260 million. We did not get our America Reads bill in FY 1998. We did obtain increases for tutoring in the Corporation for National and Community Service. Congress did, however, "advance appropriate" \$210 million for FY 1999 for Education, contingent upon enactment of new law. The increase to \$260 million reflects our original first year plan.

Title I, Education for the Disadvantaged, Grants to LEAs: \$ 7,725 million. A \$350 million (4.5 percent) increase over FY 1998 to serve an additional 400,000 children in poor communities. Secretary Riley requested a \$492 million increase.

Goals 2000: \$510 million. A \$10 million increase over FY 1998, to maintain momentum in the States for school reform.

Comprehensive School Reform: \$175 million. A \$30 million increase over FY 1998 for demonstrations of school reform models.

Adult Education: \$394 million. A \$33 million (9 percent) increase over FY 1998 for basic education and English language training for the disadvantaged, immigrants, and welfare recipients. This increase is part of Hispanic Education Action Plan discussed above.

Special Education: \$4,811 million. Same as the FY 1998 level, which was increased by \$775 million over FY 1997. States can spend the increase over 2 years. Secretary Riley has expressed concern about the lack of an FY 1999 increase. We are convinced that no increase will satisfy the advocates, and would prefer to negotiate this level in Congress, rather than use up scarce funds in your budget now.

College Work-Study, \$915 million. An \$85 million increase over FY 1998, make progress toward your goal of 1 million Work-Study positions by FY 2000. Given the reduction in Perkins loans (noted below), this increase keeps the campus-based aid programs at level funding from FY 1998.

Reductions in the Base

A number of programs have been reduced to make room for initiatives and major base programs, including: Impact Aid (-\$92 million), the Education Block Grant (-\$350 million), and Perkins Loans (-\$85 million). Each of these has a vocal constituency. We believe we can make the case that our funding of initiatives and base programs are all higher priority than these programs.

HEALTH INVESTMENT OPTIONS IN THE BUDGET

MEDICARE

USES

Pre-65 Initiative Options: \$1 - 2 billion

Clinical Cancer Trial Care: \$1.7 billion

Medicare Improvements: \$0.2 - 3 billion
[e.g., Mammography coinsurance,
annual physical]

Private Long-Term Care Options: \$0.1 - 4 billion

SOURCES

Anti-Fraud: \$1.5 - 2 billion

Income-Related Premium: \$6 - 19 billion

COVERAGE

USES

State Incentives to Enroll
Medicaid-Eligible Children: \$2 billion

Workers' Transitions Options: \$2 - 5 billion

Voluntary Purchasing Coops: \$0.1 billion

SOURCES

[Cost Allocation, Reserve or Tobacco?]

NOTE: All scoring is preliminary and subject to change.

MANDATORY EXPENDITURES

(Five-Year Costs)

CHILD CARE **\$6.0-\$12.0 Billion**
- Child Care Block Grant = 66%-75%
- Early Learning Fund = 25%-33%

CLASS SIZE **\$6.0-\$9.0 Billion**

FOOD STAMPS **\$2.0-\$3.5 Billion**

HEALTH CARE
- Medicare Pre-65 Initiative **\$2.0 Billion**
- Medicare -- Clinical **\$2.0 Billion**
- Long-Term Demonstration **\$0.5 Billion**
- Children's Outreach **\$1.0-\$2.0 Billion**

COLLEGE AID **\$1.3-\$1.7 Billion**

SCHOOL CONSTRUCTION **\$5.0 Billion**

EMPOWERMENT ZONES (Rural or Urban) **\$0.562 Billion**

FAST TRACK/TAA **\$0.697 Billion**

**AG-ENVIRONMENTAL (Crop Insurance,
Environmental Conservation, Forest Service)** **\$0.720 Billion**

MISCELLANEOUS **\$0.462 Billion**
- Veterans
- Transportation
- District of Columbia
- Social Security Administration

TOTAL: **\$28.6-\$40.5 Billion**

TOTAL (w/ School Construction As Tax Cut): **\$23.6-\$35.5 Billion**

12-30-97

SOURCES OF FUNDING FOR NEW INITIATIVES
 (preliminary estimates, dollars in billions)

| | <u>FY 1999</u> | <u>5 years</u> |
|---|----------------|----------------|
| Mandatory: | | |
| Veterans tobacco (INCREASE to the deficit)..... | 0 | 6.4 |
| Cost allocation..... | 0.5 | 2.9 |
| Education reform..... | 0.9 | 3.6 |
| State bank fees..... | 0.1 | 0.5 |
| Child support enforcement..... | 0.06 | 0.3 |
| Agriculture..... | 0.3 | 1.6 |
| Subtotal..... | 1.9 | 15.3 |
| Limited Use Mandatory: | | |
| Directed State use of tobacco settlement..... | 2.3 | 14.9 |
| TOTAL, MANDATORIES..... | 4.2 | 30.2 |
| <hr/> | | |
| Medicare: | | |
| Medicare error reduction/modest policy changes..... | 0.2 | 2 |
| Medicare income-related premiums..... | 2 | 12 |
| Subtotal..... | 2.2 | 14.0 |
| <hr/> | | |
| Revenues: | | |
| Options from the FY 1998 budget..... | 2.8 | 19.9 |

THE PRESIDENT HAS SEEN
12-30-97

BUDGET MEETING
December 17, 1997

AGENDA

- I. OVERVIEW (Gene Sperling and Frank Raines)**
- II. MANDATORY SOURCES (Frank Raines and Jack Lew)**
- III. HEALTH CARE (Chris Jennings)**
- IV. CLASS SIZE (Bruce Reed)**
- V. FOOD STAMPS (Jack Lew)**
- VI. CHILD CARE (Bruce Reed and Elena Kagan)**
- VII. HIGHER EDUCATION (Bob Shireman)**
- VIII. SCHOOL CONSTRUCTION/TAA (Gene Sperling)**

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THE WHITE HOUSE
WASHINGTON

December 15, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

'97 DEC 15 PM3:32

SUBJECT: New Initiatives on Discretionary Side of Budget

As you know, OMB is trying to find an additional \$6 billion for discretionary spending. Assuming this money becomes available, the DPC and NEC recommend that you fund the new initiatives listed below -- in the amounts listed below -- in your FY 1999 budget. OMB has signed off on these recommendations. Some of the departments, however, may appeal for increases in base programs that would cut into the amount of money available for new initiatives.

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Race

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Goals 2000: \$510 million. A \$10 million increase over FY 1998, to maintain momentum in the States for school reform.

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Adult Education: \$394 million. A \$33 million (9 percent) increase over FY 1998 for basic education and English language training for the disadvantaged, immigrants, and welfare recipients. This increase is part of Hispanic Education Action Plan discussed above.

Special Education: \$4,811 million. Same as the FY 1998 level, which was increased by \$775 million over FY 1997. States can spend the increase over 2 years. Secretary Riley has expressed concern about the lack of an FY 1999 increase. We are convinced that no increase will satisfy the advocates, and would prefer to negotiate this level in Congress, rather than use up scarce funds in your budget now.

College Work-Study, \$915 million. An \$85 million increase over FY 1998, make progress toward your goal of 1 million Work-Study positions by FY 2000. Given the reduction in Perkins loans (noted below), this increase keeps the campus-based aid programs at level funding from FY 1998.

Reductions in the Base

A number of programs have been reduced to make room for initiatives and major base programs, including: Impact Aid (-\$92 million), the Education Block Grant (-\$350 million), and Perkins Loans (-\$85 million). Each of these has a vocal constituency. We believe we can make the case that our funding of initiatives and base programs are all higher priority than these programs.

THE WHITE HOUSE
WASHINGTON

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ID# 24594988

- Hardcopy pages are in poor condition (too light or too dark).
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Comments:

THE WHITE HOUSE
WASHINGTON

Date 12/15

To: Jack Lew

From: The Staff Secretary

I just received this from
Blena Fagan.

Are you / OMB OK with
it going in?

cc: Erskine

THE WHITE HOUSE
WASHINGTON

December 15, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

'97 DEC 15 PM3:32

SUBJECT: New Initiatives on Discretionary Side of Budget

As you know, OMB is trying to find an additional \$6 billion for discretionary spending. Assuming this money becomes available, the DPC and NEC recommend that you fund the new initiatives listed below -- in the amounts listed below -- in your FY 1999 budget. OMB has signed off on these recommendations. Some of the departments, however, may appeal for increases in base programs that would cut into the amount of money available for new initiatives.

We already have given you detailed memos on most of these initiatives. If you approve the initiatives, you can announce any or all of them in the State of the Union.

Because so many of the new initiatives involve education, we are attaching an appendix to this memo that shows recommended funding levels for the Department of Education's major base programs. In reviewing the education spending, you should note that we have just discovered a calculation error whose correction will free up additional monies. We had thought we would need a \$434 million increase in the Pell Grant Program to raise the maximum award from \$3,000 to \$3,100. New cost estimates show we can finance these policies with about \$150 million less. We are currently considering whether to keep these funds in the Pell Grant Program to support a larger increase in the maximum award level, or alternatively to invest them in the After-School and Head Start components of the child care initiative.

Education

- 1. Education Opportunity Zones (\$225 million):** This initiative will provide funding to about 25 high-poverty urban and rural school districts for agreeing to adopt a "Chicago-type" school reform agenda that includes ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice.
- 2. College-School Partnerships (\$150 million):** This initiative, which builds on Eugene Lang's model of helping disadvantaged youth, will provide funding for college-school partnerships designed to provide mentoring, tutoring, and other support services to students in high-poverty schools, starting in the sixth grade and continuing through high school. The six-year funding path will provide help to nearly 2 million students. The proposal also will include Chaka

Fattah's idea of early notification to disadvantaged 6th graders telling them of their Pell Grant and loan eligibility.

3. Campaign on Access to Higher Education (\$20 million): This initiative will fund an intensive publicity campaign on the affordability of higher education. The goal of the campaign will be to make every family aware that higher education is now universally accessible -- and that it is the key to higher earnings.

4. Teacher Recruitment and Preparation (\$67 million): This initiative, which you previewed last July at the NAACP Conference, will provide scholarships to nearly 35,000 new teachers over five years for committing to work in high-poverty urban and rural schools. It also will upgrade the quality of teacher preparation programs serving these communities.

5. Technology Teacher Training (\$222 million): This initiative will dedicate 30 percent (\$142 million) of the Technology Literacy Challenge Fund (which is being increased from \$425 to \$475 million) to ensure that at least one teacher in every school receives intensive training in the use of technology for education, so that those "master teachers" can train their colleagues. An additional \$80 million will begin an effort to train every *new* teacher in the latest technology.

6. Hispanic Education Action Plan -- (\$195 million or more): This initiative will increase funding for a number of existing programs to improve education for Hispanic Americans and other limited English proficient (LEP) children and adults. It would double our investment in training teachers to address the needs of LEP children; boost the Migrant Education Program by 16 percent; increase the TRIO college preparation program by 10 percent; and create a 5-year, \$100 million effort to disseminate best practices in ESL training for adults. We would accompany these program increases with administrative actions to help Hispanic students complete high school and succeed in college.

7. Distance Learning -- (\$50 million?): We are still in the process of developing a new initiative, related to Governor Romer's Western Governors University, to promote the use of technology to give people "anytime, anywhere" access to learning opportunities.

Child Care

We recommend placing most of the child care initiative -- in particular, the proposed increase in the Child Care and Development Block Grant and the establishment of a new Early Learning Fund -- on the mandatory side of the budget. The smaller pieces of the initiative that we propose placing on the discretionary side are the following:

1. After-School Program Expansion (\$100-200 million): This program expansion will increase funding of the 21st Century Community Learning Center Program (now funded at \$40 million) for before- and after-school programs for school-age children at public schools. Depending on the exact funding level chosen, this investment will create new programs in 1,500-

4,000 schools, serving between 75,000 and 200,000 children.

2. Standards Enforcement Fund (\$100 million): This new fund will support state efforts to improve licensing systems and to enforce health and safety standards, particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.

3. Provider Training (\$51-60 million): A new Child Care Provider Scholarship Fund, which you proposed at the Child Care Conference to fund at \$50 million annually, will support 50,000 scholarships each year to students working toward a child care credential. The students will commit to remaining in the field for one year for each year of assistance received, and will earn increased compensation or bonuses when they receive their credential. An additional \$1-10 million will allow the Department of Labor to expand its Child Care Apprenticeship Training Program, which funds providers combining work toward a degree with on-the-job practice.

4. Research and Evaluation Fund (\$10-30 million): This new fund will provide grants for research projects, establish a National Center on Child Care Statistics, and set up a national child care hotline.

5. Head Start and Early Head Start Expansion (\$284-334 million): This level of increased investment in the overall Head Start budget should permit doubling the set-aside for Early Head Start without reducing the resources available for children 3-5. The doubled set-aside would enable more than 35,000 additional children to receive Early Head Start services in 2002.

Welfare, Housing, Urban

1. Welfare-to-Work Housing Vouchers (\$283 million): This initiative will provide 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. HUD will distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new \$3 billion welfare-to-work program. (A separate proposal, for which no new funding is needed, would allow families in public or assisted housing to use vouchers to buy a home; HUD expects this proposal to assist some 25,000 people become homeowners over two years.)

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4. Homeownership Opportunity Fund (\$11 million): This initiative will provide funds for HUD to develop a loan guarantee program to allow state and local governments to leverage current HOME funds with private-sector investments to fund large-scale, affordable housing developments in distressed communities.

5. Community Empowerment Fund (\$400 million): This initiative establishes a public/private fund ("Eddie Mac"), which will invest in inner-city businesses and create a secondary market for economic development loans (like Fannie Mae).

6. Homeless Assistance (\$341 million): This level of increased investment includes \$177 million to help 32,000 homeless people receive Section 8 vouchers.

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1. Child Labor (\$89 million): This initiative is anchored by a \$30 million commitment -- up from \$3 million -- to the International Program on the Elimination of Child Labor (IPEC). The initiative also will include funding to improve Customs Service enforcement of U.S. law banning the import of goods made with forced or bonded child labor (\$3 million) and to double the Department of Labor's enforcement of child labor laws in the agricultural sector (\$4 million). Finally, the initiative will provide additional funding to the Migrant Education Program so it can reach 50,000 more migrant children (\$50 million). We are developing non-budget items to fill out the package.

2. Community Adjustment (\$50 million): This initiative will fund the creation of the Office of Community and Economic Adjustment (OCEA), which we proposed as part of the Fast Track debate. As you know, this office will be modeled after the Defense Department's Office of Economic Adjustment -- the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. We expect the Office to help 35-40 communities in its first year of operation. The initiative also will fund a variety of other efforts to assist communities that face sudden and severe economic dislocation.

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1. 21st Century Trust Fund (\$1 billion): This initiative will provide substantial additional funding to NIH (\$750 million) and NSC (\$250 million), ramping up substantially over time, for research activities -- particularly on the treatment and cure of diseases. We will provide you with a separate memo on this initiative in the next day or two. Funding for this initiative will come

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3. Racial Disparities in Health Care (\$80 million): This initiative will address racial disparities in six areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. The proposal includes additional funding (\$50 million) to established public health programs to adapt and apply their prevention and education strategies to eliminate racial disparities. It also includes funding (\$30 million) for thirty local pilot projects to test innovative approaches to reach this goal.

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(Katie has further information about these initiatives)

1. Climate Change (\$400 million): To support our broader climate change initiative, this funding will go to a number of departments in accord with PCAST's recommendations.

2. Second Generation Clean Water (\$450 million): This initiative will assist in restoring 1000 watersheds that are too polluted for fishing or swimming. Funding will go to five agencies (at least \$100 million on the mandatory side of the budget) to support a variety of activities designed address polluted runoff and implement comprehensive watershed management strategies.

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1. Community Prosecutors (\$50 million): This initiative will provide grants to prosecutors for innovative, community-based prosecution efforts, such as Eric Holder adopted in the District of Columbia. A full 80 percent of the grants will go to pay the salaries and training costs associated with hiring or reassigning prosecutors to work directly with community residents.

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A number of the above proposals -- e.g., education opportunity zones, university-school partnerships, housing vouchers -- can be presented as part of the race initiative, because they target predominantly minority areas or provide disproportionate benefits to members of minority groups. Other proposals described above -- the Hispanic dropout plan and the race and health initiative -- have obvious and explicit race connections. In addition:

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than 70 percent of all complainants to choose mediation by the year 2000), increase the average speed of resolving complaints (from over nine months to six) and reduce the EEOC's current backlog (from 64,000 cases to 28,000). The initiative also will fund a dramatic expansion of HUD's civil rights enforcement office (in the 30th anniversary year of the Fair Housing Act) and improve coordination among the government's civil rights offices. We are preparing a number of non-budgetary administrative actions, especially involving fair housing and lending, to accompany our budget proposals in this area.

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 12/16/97 ACTION/CONCURRENCE/COMMENT DUE BY: --

SUBJECT: Reed/Sperling/Kagan memo: New Initiatives on Discretionary Side of Budget

| | ACTION | FYI | | ACTION | FYI |
|----------------|--------------------------|-------------------------------------|-----------------|--------------------------|-------------------------------------|
| VICE PRESIDENT | <input type="checkbox"/> | <input checked="" type="checkbox"/> | McCURRY | <input type="checkbox"/> | <input type="checkbox"/> |
| BOWLES | <input type="checkbox"/> | <input checked="" type="checkbox"/> | McGINTY | <input type="checkbox"/> | <input type="checkbox"/> |
| McLARTY | <input type="checkbox"/> | <input type="checkbox"/> | NASH | <input type="checkbox"/> | <input type="checkbox"/> |
| PODESTA | <input type="checkbox"/> | <input checked="" type="checkbox"/> | RADD | <input type="checkbox"/> | <input type="checkbox"/> |
| MATHEWS | <input type="checkbox"/> | <input checked="" type="checkbox"/> | REED | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| RAINES | <input type="checkbox"/> | <input checked="" type="checkbox"/> | RUFF | <input type="checkbox"/> | <input type="checkbox"/> |
| BLUMENTHAL | <input type="checkbox"/> | <input type="checkbox"/> | SMITH | <input type="checkbox"/> | <input type="checkbox"/> |
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| ECHAVESTE | <input type="checkbox"/> | <input type="checkbox"/> | SPERLING | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| EMANUEL | <input type="checkbox"/> | <input checked="" type="checkbox"/> | STREETT | <input type="checkbox"/> | <input type="checkbox"/> |
| GIBBONS | <input type="checkbox"/> | <input type="checkbox"/> | TARULLO | <input type="checkbox"/> | <input type="checkbox"/> |
| HILLEY | <input type="checkbox"/> | <input checked="" type="checkbox"/> | VERVEER | <input type="checkbox"/> | <input type="checkbox"/> |
| IBARRA | <input type="checkbox"/> | <input type="checkbox"/> | WALDMAN | <input type="checkbox"/> | <input type="checkbox"/> |
| KLAIN | <input type="checkbox"/> | <input type="checkbox"/> | YELLEN | <input type="checkbox"/> | <input type="checkbox"/> |
| LEWIS | <input type="checkbox"/> | <input type="checkbox"/> | BEGALA | <input type="checkbox"/> | <input type="checkbox"/> |
| LINDSEY | <input type="checkbox"/> | <input type="checkbox"/> | <u>Jack Lew</u> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| MARSHALL | <input type="checkbox"/> | <input type="checkbox"/> | _____ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | _____ | <input type="checkbox"/> | <input type="checkbox"/> |

REMARKS: This has been forwarded to the President.

RESPONSE: _____

All to EAM

THE WHITE HOUSE
WASHINGTON

'97 DEC 16 PM1:43

December 15, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

SUBJECT: New Initiatives on Discretionary Side of Budget

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2. Standards Enforcement Fund (\$100 million): This new fund will support state efforts to improve licensing and accreditation of providers, and to enforce health and safety standards -- particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.

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(Katie McGinty proposed and has further information about these initiatives)

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Appendix – Education Budget

The recommended funding level for all of the Department of Education's discretionary programs (including new initiatives) is \$30.9 billion, an increase of \$1.4 billion (4 percent above FY 1998). In addition to providing for the new initiatives described above, this recommended budget maintains or increases funding for the Department's major base programs, while reducing certain lower priority spending.

Major Base Programs

Education testing: \$16 million. The full amount needed to maintain progress on test development.

Pell Grants: \$7,779 million. A \$289 million increase would maintain higher independent student eligibility and raise the maximum award from \$3,000 to \$3,100. The additional \$150 million previously thought necessary to effect these policies would increase the maximum award by another \$50; alternatively, as noted earlier, we could use these funds to increase our investments in the After-School and Head Start components of the child care initiative.

America Reads, \$260 million. We did not get our America Reads bill in FY 1998. We did obtain increases for tutoring in the Corporation for National and Community Service. Congress did, however, "advance appropriate" \$210 million for FY 1999 for Education, contingent upon enactment of new law. The increase to \$260 million reflects our original first year plan.

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A number of programs have been reduced to make room for initiatives and major base programs, including: Impact Aid (-\$92 million), the Education Block Grant (-\$350 million), and Perkins Loans (-\$85 million). Each of these has a vocal constituency. We believe we can make the case that our funding of initiatives and base programs are all higher priority than these programs.

THE WHITE HOUSE
WASHINGTON

December 15, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

SUBJECT: New Initiatives on Discretionary Side of Budget

As you know, OMB is trying to find an additional \$6 billion for discretionary spending. Assuming this money becomes available, the DPC and NEC recommend that you fund the new initiatives listed below -- in the amounts listed below -- in your FY 1999 budget. OMB has signed off on these recommendations. Some of the departments, however, may appeal for increases in base programs that would cut into the amount of money available for new initiatives.

We already have given you detailed memos on most of these initiatives. If you approve the initiatives, you can announce any or all of them in the State of the Union.

Because so many of the new initiatives involve education, we are attaching an appendix to this memo that shows recommended funding levels for the Department of Education's major base programs. In reviewing the education spending, you should note that the Department has just reestimated Pell Grant costs in a way that will free up additional monies. We had thought we would need a \$434 million increase in the Pell Grant Program to raise the maximum award from \$3,000 to \$3,100. The new estimates show we can finance these policies with between \$150 million and \$220 million less. We are currently considering whether to keep these funds in the Pell Grant Program to support a larger increase in the maximum award and make other policy changes, or alternatively to invest them in the After-School and Head Start components of the child care initiative.

Education

- 1. Education Opportunity Zones (\$225 million):** This initiative will provide funding to about 25 high-poverty urban and rural school districts for agreeing to adopt a "Chicago-type" school reform agenda that includes ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice.

- 2. College-School Partnerships (\$150 million):** This initiative, which builds on Eugene Lang's model of helping disadvantaged youth, will provide funding for college-school partnerships designed to provide mentoring, tutoring, and other support services to students in high-poverty schools, starting in the sixth grade and continuing through high school. The six-year funding

path will provide help to nearly 2 million students. The proposal also will include Chaka Fattah's idea of early notification to disadvantaged 6th graders telling them of their Pell Grant and loan eligibility.

3. Campaign on Access to Higher Education (\$20 million): This initiative will fund an intensive publicity campaign on the affordability of higher education. The goal of the campaign will be to make every family aware that higher education is now universally accessible -- and that it is the key to higher earnings.

4. Teacher Recruitment and Preparation (\$67 million): This initiative, which you previewed last July at the NAACP Conference, will provide scholarships to nearly 35,000 new teachers over five years for committing to work in high-poverty urban and rural schools. It also will upgrade the quality of teacher preparation programs serving these communities.

5. Technology Teacher Training (Approx. \$230 million): This initiative will dedicate 30 percent (about \$150 million) of the Technology Literacy Challenge Fund (which is being increased from \$425 to \$500 million) to ensure that at least one teacher in every school receives intensive training in the use of technology for education, so that those "master teachers" can train their colleagues. An additional \$80 million will begin an effort to train every *new* teacher in the latest technology.

6. Hispanic Education Action Plan -- (\$195 million or more): This initiative will increase funding for a number of existing programs to improve education for Hispanic Americans and other limited English proficient (LEP) children and adults. It would double our investment in training teachers to address the needs of LEP children; boost the Migrant Education Program by 16 percent; increase the TRIO college preparation program by 10 percent; and create a 5-year, \$100 million effort to disseminate best practices in ESL training for adults. We would accompany these program increases with administrative actions to help Hispanic students complete high school and succeed in college.

7. Distance Learning -- (\$50 million?): We are still in the process of developing a new initiative, related to Governor Romer's Western Governors University, to promote the use of technology to give people "anytime, anywhere" access to learning opportunities.

Child Care

We recommend placing most of the child care initiative -- in particular, the proposed increase in the Child Care and Development Block Grant and the establishment of a new Early Learning Fund -- on the mandatory side of the budget. The smaller pieces of the initiative that we propose placing on the discretionary side are the following:

1. After-School Program Expansion (\$100-200 million): This program expansion will increase funding of the 21st Century Community Learning Center Program (now funded at \$40

million) for before- and after-school programs for school-age children at public schools. Depending on the exact funding level chosen, this investment will create new programs in 1,500-4,000 schools with slots for between 75,000 and 200,000 children; at the same time, it will enable still more students to participate in other school-site activities.

2. Standards Enforcement Fund (\$100 million): This new fund will support state efforts to improve licensing and accreditation of providers, and to enforce health and safety standards -- particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.

3. Provider Training (\$51-60 million): A new Child Care Provider Scholarship Fund, which you proposed at the Child Care Conference to fund at \$50 million annually, will support 50,000 scholarships each year to child care workers working toward a child care credential. The students will commit to remaining in the field for one year for each year of assistance received, and will earn increased compensation or bonuses when they receive their credential. An additional \$1-10 million will allow the Department of Labor to expand its Child Care Apprenticeship Training Program, which funds providers combining work toward a degree with on-the-job practice.

4. Research and Evaluation Fund (\$10-30 million): This new fund will establish a National Center on Child Care Statistics, and provide grants for research projects and state and local child care hotlines and consumer education activities.

5. Head Start and Early Head Start Expansion (\$284-334 million): This level of increased investment in the overall Head Start budget should permit doubling the set-aside for Early Head Start over five years without reducing the resources available for children 3-5. The doubled set-aside would enable more than 50,000 additional children to receive Early Head Start services in 2003.

Welfare, Housing, Urban

1. Welfare-to-Work Housing Vouchers (\$283 million): This initiative will provide 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. HUD will distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new \$3 billion welfare-to-work program. (A separate proposal, for which no new funding is needed, would allow families in public or assisted housing to use vouchers to buy a home; HUD expects this proposal to assist some 25,000 people become homeowners over two years, though OMB believes this figure to be exaggerated.)

2. Housing Portability/Choice (\$20 million): In addition to the new welfare-to-work housing vouchers discussed above, our proposed package on housing portability and choice expands Regional Opportunity Counseling sites and takes administrative actions to eliminate obstacles to

portability in the Section 8 housing program.

3. “Play-by-the-Rules” Homeownership Proposal (\$30 million): This initiative will assist families that always pay their rent on time to become homeowners. The Neighborhood Reinvestment Corporation will provide downpayment assistance, interest rate buydowns, or rehabilitation loans to approximately 10,000 families.

4. Homeownership Opportunity Fund (\$11 million): This initiative will provide funds for HUD to develop a loan guarantee program to allow state and local governments to leverage current HOME funds with private-sector investments to fund large-scale, affordable housing developments in distressed communities.

5. Community Empowerment Fund (\$300-400 million): This initiative establishes a public/private fund (“Eddie Mac”), which will invest in inner-city businesses and create a secondary market for economic development loans (like Fannie Mae).

6. Homeless Assistance (\$250-325 million): This level of increased investment includes \$177 million to help 32,000 homeless people receive Section 8 vouchers.

Labor and Workforce

1. Child Labor (\$89 million): This initiative is anchored by a \$30 million commitment -- up from \$3 million -- to the International Program on the Elimination of Child Labor (IPEC). The initiative also will include funding to improve Customs Service enforcement of U.S. law banning the import of goods made with forced or bonded child labor (\$3 million) and to double the Department of Labor’s enforcement of child labor laws in the agricultural sector (\$4 million). Finally, the initiative will provide additional funding to the Migrant Education Program so it can reach 50,000 more migrant children (\$50 million). We are developing non-budget items to fill out the package.

2. Community Adjustment (\$50 million): This initiative will fund the creation of the Office of Community and Economic Adjustment (OCEA), which we proposed as part of the Fast Track debate. As you know, this office will be modeled after the Defense Department’s Office of Economic Adjustment -- the Administration’s first point of contact with communities experiencing a military base closure or defense plant closing. We expect the Office to help 35-40 communities in its first year of operation. The initiative also will fund a variety of other efforts to assist communities that face sudden and severe economic dislocation.

3. Out of School Youth Opportunity Program (\$250 million): Congress advance appropriated \$250 million for this program last year contingent on the passage of authorization legislation. The program will fund competitive grants for efforts to increase employment among out-of-school youth between the ages of 16 and 24.

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- 1. 21st Century Trust Fund (Approx. \$1 billion):** This initiative will provide substantial additional funding to NIH (\$750 million) and NSF (\$250 million), ramping up substantially over time, for research activities -- particularly on the treatment and cure of diseases. We will provide you with a separate memo on this initiative in the next day or two. Funding for this initiative will come from comprehensive tobacco legislation.
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- 3. Racial Disparities in Health Care (\$80 million):** This initiative will address racial disparities in six areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. The proposal includes additional funding (\$50 million) to established public health programs to adapt and apply their prevention and education strategies to eliminate racial disparities. It also includes funding (\$30 million) for up to thirty local pilot projects to test innovative approaches to reach this goal.

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(Katie McGinty proposed and has further information about these initiatives)

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A number of the above proposals -- e.g., education opportunity zones, university-school

partnerships, housing vouchers -- can be presented as part of the race initiative, because they target predominantly minority areas or provide disproportionate benefits to members of minority groups. Other proposals described above -- the Hispanic dropout plan and the race and health initiative -- have obvious and explicit race connections. In addition:

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THE WHITE HOUSE
WASHINGTON

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December 15, 1997

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Gene Sperling
Elena Kagan

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