



EXECUTIVE OFFICE OF THE PRESIDENT
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WASHINGTON, D.C. 20503

ETR

CLOSE HOLD

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Note

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Attached is a draft of a short summary of 1) the ETR proposal, and 2) the major issues still to be resolved. Please come to the meeting at 12:45 (or 2:00 p.m.) with any suggested edits or revisions so we can discuss. We need to finalize a document today for possible presentation to the Chief of Staff and other senior White House advisors in preparation for meetings with the President next week and for his speech.

THE EDUCATION, TRAINING, AND REEMPLOYMENT INITIATIVE (ETR)

The ETR initiative proposes a national workforce development system built upon the Administration's legislative achievements for education and workforce quality improvement.

Goals and Themes:

- o Individual empowerment: maximum funding for grants to individuals, with emphasis on personal responsibility and informed choice.
- o State and local flexibility: greatly increased State and local control over use of funds. Federal role limited to ensuring accountability, access for the disadvantaged, evaluation, and dissemination of best practices.
- o Consolidation and rationalization: replace scores of categorical programs with grants to States and localities for individual "Skill scholarships," counseling, job placement, and other services.
- o Performance accountability: shift the focus of programs from input and process to results.

Proposal:

- o Combine about 60 programs and funding set asides into adult and youth grants. Funds flow to States with pass-through to localities.
- o For adults, the majority of funds would go directly to individuals for "Skill scholarships" (\$3,000 maximum per year). Those eligible would include unemployed experienced workers (the focus of last year's REA) and low-income persons served now by multiple programs in Education, Labor and other agencies. (AFDC/JOBS not included). States would provide up-front or supportive services to those who need them.
- o For youth, DOL and ED would replace multiple programs with one program for those in-school and one for those out of school. In-school program to be linked to School to work. Out of school program to focus on linking youth to jobs.

Budget:

- o Funding in the initial OMB Passback for the major programs in ETR is \$8.6 billion. Additional investment of \$2 to \$3 billion annually has been requested.
- o Initial funding decisions for the major initiatives upon which ETR builds is \$14 billion (Head Start, Goals 2000, ESEA Titles I and II, National Service).

MAJOR ETR DESIGN ISSUES

- o Delivery system for adults. Option 1: Maintain separate funding streams for: JTPA; Employment Services; One-stop career centers. Option 2: Combine into one funding stream; let the States decide the administrative structure.

Option 1 preserves the One-stop initiative to reform the Employment Service and reduces likely opposition to the proposal.

Option 2 maximizes State flexibility and consolidation, and permits hundreds of millions now spent on administration, to be spent on additional services.

- o Delivery system for youth. Option 1: Consolidate and simplify program structures, but retain four funding streams to States: two Labor (JTPA); one ED (vocational ed); one joint (School-to-Work). Option 2: Combine the four into one that States and localities use as they see fit to more effectively move youth from high school (or drop-out status) into jobs or further education.

Option 1 retains the benefit of each agency's expertise in reforming program operations (jobs in DOL; education in ED) and can still support the transition to jobs and education objective.

Option 2 maximizes State flexibility and consolidation, including reducing required spending on administration.

- o State control over program design. Two components: (a) requiring States to spend a fixed share of funds on individual empowerment grants, vs. flexibility to spend on empowerment grants or on other things individuals may need, including up-front services, OJT, and support services; (b) requiring a fixed share of funds to be spent on dislocated workers and on low-income persons, vs. flexibility to change the mix.

Option 1: Require a minimum share (the majority) of adult funds to be used for empowerment grants, with specific reserves for unemployed workers and for low-income persons, but permit waivers where local economic conditions warrant a different mix either for grants vs. services, or for low-income vs. dislocated workers. Option 2: Allocate funds to the States and localities based on share of dislocated and disadvantaged in local workforce but give States and localities more control over program design as long as their plan meets broad goals.

Option 1 more fully supports the empowerment theme and more directly ensures access for the disadvantaged and services for dislocated workers.

Option 2 maximizes State flexibility and consolidation.

DRAFT

Questions that need to be answered before ETR is announced:

1. The proposal consolidates 60 programs. What about the other 94 identified by GAO?
2. What's really new here? And why do you think it will be more effective than the system we have now? What's the evidence that more local flexibility and individual choice lead to better outcomes?
3. Who will benefit and what exactly will they get? Is this a program for everyone or only for a few special groups? Why are there separate programs for migrants and Native Americans? What proportion of the workforce will be eligible (in a given year or over their lifetimes)? Will everyone get the same assistance?
4. How will you prevent the kind of abuse experienced in the Pell program? Won't there still be institutions that rip off both the government and those seeking training? Won't there be individuals who use the funds unwisely or for frivolous purposes?
5. You say you are eliminating bureaucracies. If so, what are the administrative savings? Are there program savings in addition to these -- from cutting red tape for localities and individuals and from encouraging more competition among providers? (These questions need to be answered even if we decide to reinvest all the savings and more back into the program.)
6. To what extent, and why, is the emphasis on training vs. finding people jobs? To what extent, and why, is it on training vs. income support? How do the three fit together in a coherent manner?
7. How does the proposal fit with the Administration's other initiatives -- including its education initiatives, national service, and welfare reform?
8. Why is this a priority? Why is it more responsive to people's needs than the Contract with America?