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JOB TRAINING

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/19

ACTION/CONCURRENCE/COMMENT DUE BY: 4/21 11:00am

SUBJECT: GI Bill Options

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McCURRY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLES	<input checked="" type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	RUFF	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MATHEWS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SMITH	<input checked="" type="checkbox"/>	<input type="checkbox"/>
RAINES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	REED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAER	<input type="checkbox"/>	<input type="checkbox"/>	SOSNIK	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ECHAVESTE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LEWIS	<input type="checkbox"/>	<input type="checkbox"/>
EMANUEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	YELLEN	<input type="checkbox"/>	<input type="checkbox"/>
GIBBONS	<input type="checkbox"/>	<input type="checkbox"/>	STREETT	<input type="checkbox"/>	<input type="checkbox"/>
HALE	<input type="checkbox"/>	<input type="checkbox"/>	SPERLING	<input type="checkbox"/>	<input type="checkbox"/>
HERMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	HAWLEY	<input type="checkbox"/>	<input type="checkbox"/>
HIGGINS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VERVEER	<input type="checkbox"/>	<input type="checkbox"/>
HILLEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RADD	<input checked="" type="checkbox"/>	<input type="checkbox"/>
KLAIN	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
BERGER	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
LINDSEY	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please advise

RESPONSE:

THE WHITE HOUSE
WASHINGTON

April 19, 1997

'97 APR 19 PM5:08

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: FUTURE DIRECTION OF YOUR G.I. BILL FOR AMERICA'S
WORKERS

This memorandum presents options for a decision on the content and structure of the second-term G.I. Bill for America's Workers initiative. The memo contains two parts. The first section provides the relevant background. The second section presents options and recommendations.

I. BACKGROUND

THE INITIAL FY 1996 PROPOSAL. In December 1994, you proposed a Middle Class Bill of Rights to empower working Americans to pursue a lifetime of learning through education and training tax deductions, tax credits for families with children, and expanded IRAs. The fourth point of your Middle Class Bill of Rights was the G.I. Bill for America's Workers. In your 1995 State of the Union message, you articulated your vision:

"The New Covenant approach to governing is as different from the old bureaucratic way as the computer is from the manual typewriter . . . The old way dispensed services through large, topdown, inflexible bureaucracies. The New Covenant way should shift these resources and decision-making from bureaucrats to citizens, injecting choice and competition and individual responsibility into national policy . . . We should pass a G.I. Bill for America's workers. We propose to collapse nearly 70 federal programs, and not give the money to the States, but give the money directly to the American people; offer vouchers to them so that they can get a voucher worth \$2,600 a year for up to two years to go to their local community college or wherever else they want to get the skills they need to improve their lives. Let's empower people in this way. Move it from government directly to the workers of America."

The actual proposal, as outlined in your FY 1996 Budget, was far more complex. It included significant consolidation, but the workforce development system, while rationalized, retained five discrete parts (see consolidation schematic at Tab A). The budget request for FY 1996, including all elements of the GI Bill was \$14.3 billion (see FY 1996 budget chart at Tab

B).

(1) Adult Workforce System: This component envisioned a Skill grant for non-degree adult training administered by the Labor Department and Pell grants for degree programs administered by the Education Department.

(a) **Skill grants.** The FY 1996 budget requested \$3.6 billion for the Labor Department to implement skill grants of up to \$2,620 for "technical education" for dislocated workers and low-income adults. The skill grant for non-degree training included most adult JTPA programs and added non-degree training funded (then and now) by Pell grants into one program, managed by the Department of Labor. The \$3.6 billion budget request included a \$2.1 billion transfer of Pell grant funds for non-degree skill training from the Education Department to the Labor Department. The FY 1996 budget request was sufficient to serve all dislocated workers whom we expected to want training, and some of the economically disadvantaged adults who needed and wanted training. As a result under the initial proposal, State and local grantees were required to ration Skill grant resources for disadvantaged workers.

(b) **Pell grants.** The FY 1996 budget requested \$4.5 billion for the Education Department budget, to operate Pell grants of up to \$2,620 to defray the costs of associate's and bachelor's degree courses. As mentioned above, the proposal assumed that Pell grants would no longer be used for non-degree training and transferred the \$2.1 billion referred to above to the Labor Department.

(2) One Stop: A grant to States for adult services other than training. The FY 1996 budget requested \$2.7 billion for the Department of Labor budget to support a State and local private sector-led workforce development system of job placement and training-related services (counseling, skills assessment, etc.) provided through one-stop career centers. The proposal also envisioned a limited fund administered nationally for activities such as grants for multi-State mass layoffs and natural disasters, and research.

(3),(4) Two State grants for youth. The FY 1996 budget requested \$2.9 billion for the two state grants for youth. One grant was designed to support vocational education for in-school youth through the Education Department; a second grant for at-risk and out-of-school youth was designed to offer second chance training and work experience through the Labor Department. The FY 1996 proposal called for all activities to be structured within the School-to-Work framework.

(5) **A State grant for adult and family literacy.** The FY 1996 budget requested \$490 million for the Education Department to provide GED, ESL, and basic skills instruction, as determined by the States.

LEGISLATIVE HISTORY. The Administration decided not to transmit legislation to authorize the G.I. Bill reforms, except for separate bills in May 1995 to reauthorize the vocational and adult education programs of the Department of Education. We chose instead to work informally with the 104th Congress on bills Republicans were moving through both chambers. Our judgment was that specific Administration bill language on categorical program consolidations (which would be seen as terminations) would raise issues our supporters could not accept and would provide fodder for Republicans to criticize our proposal before offering their own. Senator Kennedy supported this approach.

The proposal to transfer the \$2.1 billion in Pell resources for non-degree training to the Labor Department was abandoned almost immediately because it was opposed by the higher education community and many in Congress on both sides of the aisle.

In the Fall of 1995, training reform bills -- known as "CAREERS" (Goodling) and "The Workforce Development Act" (Kassebaum) passed both Houses of Congress with overwhelming bipartisan support (345-79; 95-2). In spite of our opposition to the Kassebaum bill, we felt it was important to keep the legislative process moving forward; thus, the Administration expressed conditional support for both bills, and organized Democratic and interest group support, despite concerns with each. We wanted to keep the issue alive in Congress and looked to conferees to address our concerns. Supporting reform in principle, and not alienating key constituency groups wedded to specific categorical programs, also helped us in the appropriations fight, where we could argue that it made no sense to cut funding deeply with a major reform on the horizon.

Of the two bills, Rep. Goodling's CAREERS was closer to fulfilling your G.I. Bill principles and the Administration's support for the Kassebaum version was essentially a tactic for keeping the reform conversation alive. CAREERS required: vouchers for adult training (with an exception for training run by community-based organizations and allocated as they are under current law -- at the discretion of the local agencies), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs (although it would have repealed the School-to-Work Act), and private sector involvement in workforce development programs. By contrast, the Kassebaum bill did not require skill grants and would have made vouchers available only at State option; authorized a single State grant with one quarter reserved for broadly defined State-determined workforce development activities, which could include supporting company training of the employed; weakened accountability by permitting States to define success in their own terms; and greatly diminished the role of local communities in determining training needs.

The conference process on training reform was swamped by the FY 1996 and then FY

1997 appropriations struggle, and the Administration's reform proposals took a backseat to our efforts to preserve funds for categorical training and education programs (dislocated workers, summer jobs and vocational education) under attack. Although we blocked large cuts in the categorical training programs, both the pressures of negotiations with Congress and the need to rally constituency groups who are indifferent or hostile to vouchers and consolidation, led to a blurring of the Administration's principles for changing the way training gets delivered.

In a May 1996 letter to the conference leadership (attached at Tab C), you called for earmarked funding of at least \$1.3 billion for dislocated workers and "properly targeted" resources for a summer jobs program, adult education, in-school youth, at-risk youth, and the labor exchange. Your original G.I. Bill principles had never explicitly singled out these features as essential components of your reform vision.

Pressured by conservative "family groups" to resist compromise, and for other reasons, Republican conferees excluded the Administration and the minority from the negotiations. The partisan conference produced a bill that resembled Kassebaum's flawed block grant approach, unacceptable because it required only a 50-State training voucher "pilot," failed to ensure that adequate resources would be available for adult training, included weak accountability provisions and repealed School to Work. Former Chief of Staff Panetta made an effort to reopen negotiations. The last effort, a June 17th offer from the Administration representing our "bottom line," (attached at Tab D), received no response from the conferees. Emerging in July 1996, without the support of a single minority conferee or the Administration, the conference bill never reached the floor.

CONSOLIDATION AND OTHER ADMINISTRATIVE REFORMS. As we consider strategy for a new effort, it is important to recall that we already have made some progress toward achieving your G.I. Bill objectives. The Labor and Education Departments have aggressively pursued training and employment reforms through administrative changes and other statutory authorities, separable from fundamental legislative reform. Both Departments have made progress toward your goal of consolidating the tangle of federal employment and training programs.

As you recall, prior to your G.I. Bill announcement, the GAO identified 163 separate employment and training programs in 14 agencies spending nearly \$25 billion in what it called an uncoordinated system.

While the GAO called attention to an important problem, their reports overstated it. Sixty-seven of the 163 programs are targeted at specific non-employment and training problems and do not belong in the education and training system. For example, included in their list of employment and training programs were: the Foster Grandparent and Senior Companions programs (volunteer programs for the low-income elderly); State Legalization Impact Assistance Grants; Women's Business Ownership Assistance, and Health Care for Homeless Veterans.

Of the remaining 96 programs, the administration determined that 70 of the should be consolidated into coordinated system which the G.I. Bill proposal envisioned (see schematic at Tab A). (The 26 programs not targeted for consolidation are aimed at special populations -- e.g. Native Americans -- and are most appropriately administered nationally.)

In spite of legislative obstacles to enactment of the G.I. Bill, the Departments of Education and Labor have consolidated 33 of the 70 targeted programs targeted through administrative reform, appropriations, and other means (see list at Tab E). Another five of the 70 programs have been dropped from our consolidation efforts as a result of policy or other considerations. The Education Department is proposing additional consolidation in vocational and adult education programs.

Other administrative reform successes include:

- **One-stop career centers.** Begun in 1994, this Department of Labor initiative consolidates multiple training and employment programs at the "street level" through competitively awarded State implementation grants. The number of States implementing one-stop systems will grow from 16 currently, to 43 by the end of 1997, to 50 by the end of 1998.
- **America's Job Bank and America's Talent Bank.** These two rapidly expanding Department of Labor Internet websites now provide access to 600,000 job openings and resumes of two million job seekers.
- **School-to-Work opportunities.** Since enactment in May 1994, the School-to-Work Act has provided the "seed capital" to spur State school-to-work systems that connect secondary education to work-based learning, postsecondary training, and career opportunities. Currently 37 States are receiving implementation grants; in 1998, all States are expected to be implementing their School-to-Work systems.
- **Waivers and funding transfers.** With the Administration's support, the FY 1997 appropriation for the Department of Labor provided unprecedented flexibility for State and local employment and training programs. (You had already obtained significant new waiver authority for Education Department programs in 1994.) The Budget which continues this flexibility in FY 1998, includes:
 - **Authority for the Labor Secretary to waive a wide range of JTPA and Wagner-Peyser Act (i.e., Employment Service) statutory and regulatory provisions pursuant to a request submitted by a State, in return for improved performance.**
 - **"Work-Flex" partnership demonstration (modeled on the 1994 "Ed-Flex"), in**

which up to six States are authorized by the Labor Secretary to waive JTPA and Wagner-Peyser provisions, pursuant to a plan describing the local waiver process, outcomes to be achieved, and assurances of fiscal accountability.

- **Funding transfer authority** to permit Governors to approve requests by local programs to transfer up to 20% of funds for the dislocated worker and low-income adults between the two JTPA programs. Since FY 1996, unlimited funding transfers have been permitted between the JTPA Summer Jobs and year-round youth training programs.

G.I. BILL IN THE FY 1998 BUDGET AND 105TH CONGRESS. The FY 1998 Budget reiterates support for the G.I. Bill principles, characterizes training reform as "essential," and anticipates working with the 105th Congress to produce a bill. The FY 1998 Budget proposes an increase of \$274 million over the FY 1996 request for the relevant Labor and Education Department budgets (see Tab F for budget details). (This budget request reflects the appropriations successes we had in FY 1997 and before: doubling funding for dislocated workers since FY 1993, winning \$400 million for the embattled School To Work program and increasing Pell grants by 14% since the low of FY 1995.)

In the 105th Congress, training reform legislation is a priority for the Republican chairmen of the House (Goodling) and Senate (Jeffords) Committees. Both chambers have begun hearings and the House Committee is drafting a bipartisan bill for markup next week. In the Senate, although Chairman Jeffords has not begun drafting legislation, he is planning to report a bill out of Committee by the end of June.

The House bill, introduced by Congressman McKeon (Chair of the subcommittee on Chairman of the Subcommittee on Postsecondary Education, Training and Lifelong Learning) and Congressman Kildee, is similar to last year's bill, but assures that funding for dislocated workers will be maintained and does not repeal School to Work. As it did last year, it requires vouchers for adult training (with an exception for training provided by community-based organizations), "report cards" and performance standards for training programs, the one-stop and school-to-work frameworks for adult and youth programs, and private sector involvement in workforce development programs. And, as was the case last year, it maintains local agencies' discretion in allocating skill grants.

In the Senate, legislation will soon be developed under the leadership of Senator DeWine, who heads the Subcommittee on Employment and Training. While Chairman Jeffords is expected to be less hostile to skill grants than was his predecessor, there is still skepticism among Democrats on the panel.

The House bill is expected to include a title reauthorizing adult education programs, while vocational education will be considered separately. In the Senate, it is unclear whether

vocational and adult education will be addressed separately, or as part of larger workforce development legislation. In an effort to maximize the prospect for reforms and continue to consolidate the myriad programs, and as a hedge against the possibility that training reform legislation stalls again, the Education Department is sending separate reauthorizing legislation to Congress again this year.

Notwithstanding the progress we have made on consolidation, most of your vision of the GI Bill is still alive and achievable given the legislative context described above.

II. OPTIONS

This section of the memo lays out some second-term options for your "GI Bill for America's Workers" initiative.

All of the options and the McKeon bill embrace the following core elements of your GI Bill vision:

- giving trainees the choice of providers (e.g. a skill grant that can be used at a community college, a four year college, a trade school, a union-operated program or a community-based organization, like the Urban League),
- improving accountability by focusing on results and barring bad providers,
- reforming the State and local system by implementing One Stop Career Centers based on your original vision, and
- giving consumers better information about training providers and the labor market.

The key choice for you is how to ration the skill grants, because although we have doubled funding for dislocated workers since FY 1993, the current budget is not sufficient to serve everyone. Option One obviates the need for rationing by relaxing the budget constraint. Option 2 seeks to maintain a purer vision of a \$2600-\$3000 skill grant entitlement, but does so by limiting eligibility to people who have, for example, been dislocated after being at the same job for three years, while allowing local discretion in rationing skill grants opportunities for low-income disadvantaged workers. Option 3 does not restrict eligibility for either disadvantaged or dislocated workers, but instead leaves the rationing for both categories of workers to state and local level.

In considering these options, we must balance the benefits of local flexibility with the benefits of having a more pure skill grant vision, in which workers are automatically eligible for skill grants and can make choices that are not subject to the discretion of government workers. Relative to Option 1, Option 2, keeps a purer vision of skill grants by tightening eligibility. The advantage here, is that for these dislocated workers -- who were the main targets of your skill grant proposal -- they are directly empowered by an entitlement, like a Pell grant -- without having to wait in line at any bureaucracy.

Option 3, on the other hand, allows local One Stop and JTPA system to exercise some discretion to pick and choose who gets skill grants, it also does not force arbitrary eligibility restrictions, and would better allow the State and local system of workforce boards and One Stops to target skill grants to those who need them and to respond to large dislocations without having to deny training to certain workers who don't meet the eligibility requirement.

Under all three options there is also the question of whether low-income workers who have not been in the workforce are well-informed enough to make good choices with skill grants. Some argue that we give such personal empowerment to 18 year olds with no experience when we give them Pell grants, so why should it be different here. Others, focus on the likelihood that low-income recipients with no work experience would be taken advantage of by cosmetology school or fly-by-night training programs. One approach is to allow local discretion about which low-income workers receive their training through skill grants. A second approach is to accept the risk that in some cases, people will make poor choices -- as we do with Pell Grants. This is the approach taken in Option 1. A third approach -- which could be combined with any of the options -- is to use skill grants for everyone, but have strict requirements that those who get them without prior work experience or significant education go through a counseling course to learn which programs have the best track records and where jobs are needed.

SKILL GRANT OPTIONS

Option 1: Dramatically Increased Funding for Universal Eligibility

All dislocated workers and economically disadvantaged adults (as defined by current JTPA rules) would be eligible for skill grants. As is now the case for Pell grants, discretionary BA would be requested according to best estimates of how many eligibles would actually use the grants, but outlays would be driven by actual use.

This option would be a "pure" model of skill grants in which individuals are truly empowered and automatically eligible for skill grants. To do this would require a dramatic increase in funding, well beyond the current budget request and well beyond that anticipated in the current legislative discussion. Our very rough estimate is that the cost could go from \$1.3 billion to \$4.2 billion. Though this approach would have the benefit of truly embodying the principles of your vision, none of your advisers think this is practical or realistic at this time. We wanted you to be aware of it, in case you feel differently, and as a contingency in case the budgetary context changes.

Option 2: Allocate Limited Skill Grants for Dislocated Workers by Narrowing Eligibility

This option structures eligibility to stay within the \$1.37 billion budget for training under current rules while giving dislocated workers (who presumably have more labor market savvy)

more wide-open choice than disadvantaged adults in how skill grants are used. Under this option eligibility for dislocated workers would be determined at state and local One-Stop centers, offering additional training-related assistance.

There are several ways to tighten eligibility for dislocated workers. One option is to offer skill grants only to workers laid off after 3 years in a job, on the grounds that short-tenure workers have fewer job-specific skills to replace and aren't strictly speaking "dislocated." Another option is to exclude the long-term unemployed, who are often eligible for Pell grants. These two screens would shrink the pool of eligible dislocated workers to 643,000. (Your original G.I. Bill proposed an additional \$1 billion to serve several hundred thousand additional workers.)

For disadvantaged adults, eligibility would be limited by giving state and local agencies discretion to decide which disadvantaged adults can best make use of the available skill grants. (Once in possession of a skill grant, trainees could then use it as they choose.) This approach could be combined with a requirement that disadvantaged workers receive counseling and skills assessment. The combination of local agency discretion and counseling has the advantage of controlling the cost while addressing concerns that a weak attachment to the job market may make people especially prone to bad training choices.

Relative to Option 1, this option represents a strategic compromise. In the face of budgetary limits, and some plausible worries about the uniform workability of a pure voucher approach, it falls back to make the stand for the skill grant principle on the terrain where that principle is strongest -- dislocated workers with labor-market experience. And it preserves the local workforce-development system in its most plausible role -- guiding disadvantaged who may have special problems making good choices on their own.

Relative to Option 3, this option preserves more individual empowerment and a more "pure" vision of skill grants for dislocated workers, while reducing the risk of bad choices among those with the least experience in the labor market, the disadvantaged.

Pros of Option 2:

- For the limited group of eligible dislocated workers, this is a pure empowerment vision, as you originally conceived it.
- For the limited group of eligible dislocated workers, this option replaces reliance on the discretion of local system in allocating scarce training dollars. Some of your advisors, notably Paul Dimond, feel strongly that even a reformed local system should not be given discretion.
- Should the program be successful and popular, we can expect pressure to expand it.
- Lives within current budget estimates.
- Avoids the "new entitlement" charge while delivering training via skill grants.
- Addresses concerns (based on Pell and student loan histories) that the disadvantaged

often have trouble making good training choices without guidance.

Cons of Option 2:

- Eligibility screens as the rationing mechanism for training resources reduce State and local elected officials ability to respond to variations in the local labor market. This is likely to be a major concern for governors.
- Replacing discretion with narrowly drawn eligibility screens may reduce the system's responsiveness to individual needs.
- While closer to your initial vision of pure empowerment for dislocated workers than Option 3, this would be a significant change from our willingness to live with skill grants as presented in last year's (and, by extension, this year's) House bill.
- State and local stakeholders (Governors, Mayors, and labor unions) will oppose what they will characterize as federalization of dislocated workers training system and advocates for the disadvantaged will object to be treated differently.

Option 3: Allocating Skill Grants Through Local Discretion

This option does away with new national eligibility rules as the rationing mechanism for disadvantaged and dislocated workers alike, and instead relies on local agencies to allocate skill grants, just as they now allocate JTPA training funds. As with Option 2, skill grants are limited by the amount of funding available. *But the discretion state and local agencies exercise over which disadvantaged workers get skill grants under sub-option 2-B becomes universal here;* One-Stop officials award skill grants based on aptitude, local labor market conditions, and judgments about who can best benefit. Skill grants, once awarded, would still be under individuals' control.

For *disadvantaged* workers, this option is the same as Option 2B. The two options differ in the treatment of *dislocated* workers: under this option, local discretion is the rationing mechanism for skill grants for dislocated workers; whereas under Option 2B new federal eligibility screens substitute for that discretion.

This option meets the empowerment model of skill grants by giving people skill grants that they would be able to use at the provider of their choice for the career path of their choice. It also does not automatically exclude people by setting a rigid eligibility rule. On the other hand, having local One Stop centers and JTPA offices decide who gets skill grants in the first place does not encompass the sense of entitlement or clear empowerment seen for eligible dislocated workers in Option 2. Much of this certainly will rest on the strength of the system — both the workforce board and the One Stops. Some of your advisors, feel that putting so much discretion in the hands of the current system — even if improved — does entail enough structural reform. Others, feel that the boards are improving gradually through our reforms and that allowing local discretion does not significantly reduce your vision with slower but

big diff.

safer structural reform.

Pros for Option 3:

- Is close to current House bipartisan bill and what many Democratic constituencies can live with, and makes it less likely our efforts for major reform will disrupt Congressional efforts for significant reform consistent with your decisions.
- With skill grants, one-stops, and report cards, this option goes far to your vision even if somewhat compromised by local discretion.
- Avoids arbitrary eligibility rules that will cut off State and local elected officials ability to target funds to meet individual needs and respond to variations in the labor market.
- Avoids differential treatment of lower-income disadvantaged workers

Cons for Option 3:

- Does not contain a component that fits more pure empowerment/entitlement options for some dislocated workers.
- Some will feel that reliance on current programs for discretion is counterproductive to need for strong structural reform.

RECOMMENDATIONS

OMB recommends Option 3. They feel it is consistent with the principles the Administration enunciated during the debate last year. Specifically, they feel Option 3 explicitly recognizes the reality of resource constraints, adopts the widely desired guidance and help for disadvantaged adults and dislocated workers who want it, maintains the goal of a thoroughly reformed private-sector-based local service system, and preserves the key skill grant vision of individual control over training providers.

The Labor Department also supports Option 3. Labor Department staff feel that Option 3 allows you to claim victory on the key elements of your GI Bill vision. They are especially concerned that Option 2 would derail the progress made in the House and alienate key constituencies, especially the labor movement.

I feel that while Option 2 would be a better choice, because it would genuinely empower workers while creating a One Stop system based on your reform vision, Option 3 is the practical choice.

By choosing Option 3 you would be recognizing the progress that Moderate Republicans and Democrats have made, and bolstering the chance that reform legislation -- which encompasses your vision of skill grants, one stops, report cards and better accountability -- would pass this year .

Plan of Action: Once you have signed off on a policy, I recommend that we draft for you a set of principles consistent with our policy that we send to the Hill in time for Wednesday's mark-up of the McKeon bill. The statement would lay out your vision from 1994 and make clear that you were pleased with the progress made in 1995 and 1996, disappointed by our inability to enact legislation last year, and that you feel it is critical for Congress to pass a training bill that meets your principles. This approach stresses your leadership, and sets up principles that allows us to push Congress in the right direction and claim a Clinton victory if legislation is passed that meets your principles.

Option 1 _____

Option 2 _____

Option 3 _____

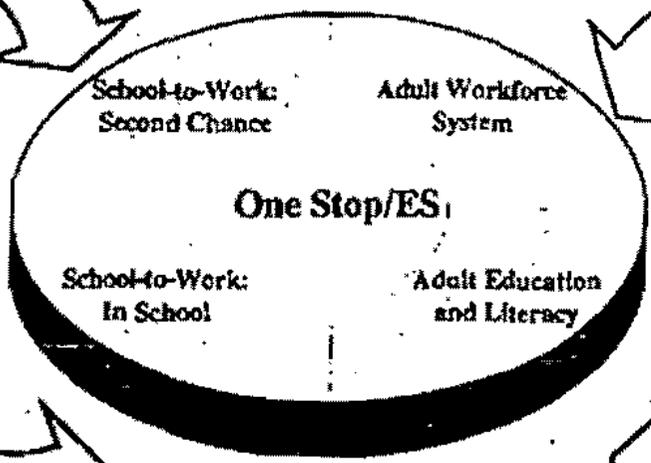
Require counseling _____

Let's Discuss _____

H.I. Bill for America's Workers

- School-to-Work Opportunities (DOL/ED)
- ITPA Title IX - Disadvantaged Youth
- ITPA Title IX - Youth Skills Ed programs
- ITPA Title IX - Youth Incentive Grants
- ITPA Title IX - Summer Youth Employment and Training
- ITPA Title IX - Summer Jobs - Native Americans
- YouthBuild
- Youth Job Corps
- Youth Incentives

8
Programs



- ITPA Title IXA - Adult Training for the Disadvantaged
- ITPA Title IXA - Training Programs for Older Individuals
- ITPA Title IXA/EDWAA (Governor's 50% Discretionary)
- ITPA Title IXA/EDWAA (Secretary's 50% Discretionary)
- ITPA Employment and Training Pilot and Demonstration
- ITPA Clean Air Employment Transition Assistance
- "Employment Services - Governor's Discretionary Funds"
- "Employment Services - Worker Project Demo Grants"
- ITPA Demonstration Adjustment
- ITPA Demonstration Development Program
- ITPA Title IXA - State Education Grants
- ITPA Title IXA - State Incentive Grants
- ITPA Title IXA/EDWAA ISDA Allowance
- Food Stamp Employment and Training
- State Postsecondary Review Program (PELL)
- Labor Market Information
- "One Stop Career Centers"
- Women in Apprenticeship
- Federal Pell Grant Program
- Federal Loan Program (Direct)
- Federal Loan Program (Family E&G)
- Labor Certification for Alien Workers
- Incentive Job Bank
- ITPA Employment and Training RAO
- American Economic
- Small CEPS
- NOICC (DOL Share)

27
Programs

- School-to-Work Opportunities (DOL/ED)
- Youth Ed - Programs for Criminal Offenders
- Youth Ed - Corporate or Democratic (all field program)
- Youth Ed - Opportunities for Indian & Hawaiian Native
- Youth Ed - Community Based Organizations
- Youth Ed - Drive Centers for Disadvantaged Workers
- Youth Ed - Commercial and Homebased
- Youth Ed - State Contracts
- Youth Ed - NOICC
- Youth Ed - South-Hopkins Act
- Workforce Transition training for incarcerated youth
- Native Hawaiian Ed - Community-Based Learning Ctr
- Youth Ed - Basic Skills Program
- Youth Ed - Technical Education
- Youth Ed - Goals for Integration of Voc and Academic Learning
- Youth Ed - Ed Programs for Post-Secondary Institutions
- Youth Ed - US Comprehensive Career Guidance and Counseling
- Youth Ed - Blue Ribbon Youth Ed Programs
- Youth Ed - Model Programs for Regional Training, Skills Training
- Youth Ed - Business/Education/Labor Partnerships
- Youth Ed - Training Contracted Post-Secondary Institutions
- Youth Ed - Skills Programs and Activities
- Youth Ed - Single Project, Homebased, Program
- Youth Ed - Sex Equity

23
Programs

- Adult Ed - State Administered State Grant
- National Adult Education Demonstration Program
- State Literacy Resource Centers
- Multi-Workplace Literacy Program
- Workplace Literacy Partnership
- Adult Education for the Homeless
- Literacy Training for Homeless Adults
- Literacy for Incarcerated Adults
- Literacy Programs for Prisoners
- Open State-Local Educational Agency
- State Grant - Migrant Education
- Literacy Learning
- (Transfer from ITPA Title IXA)

12
Programs

ES will be retained as a separately authorized and funded program to the extent it will be an integral part of the One Stop Career Center System. ES will be available only through 1999 and School-to-Work grants will be available only through the year 2000.

1. SHARING THE BENEFITS OF ECONOMIC GROWTH

23

Table 1-4. THE G.I. BILL FOR AMERICA'S WORKERS COMBINES 70 PROGRAMS INTO ONE WORKFORCE DEVELOPMENT SYSTEM, AND INCREASES FUNDING \$1 BILLION OVER 1995

(Discretionary budget authority, in millions of dollars)

Sets of Categorical Programs	1995 Enacted	System Components	1996 Proposed
JTPA adult programs	997	Skill and Pell grants to individuals:	
Dislocated worker programs	1,296	Dislocated workers	582
Pell grants	6,247	Low-income persons	3,059
Employment service	912	Pell grants for AA degrees and above	4,480
State postsecondary renew program	20		
Research, evaluation and demonstrations	48	Subtotal individual grants	8,121
One-Stop Career Centers	170		
JTPA and other youth programs	1,630	State-defined services system:	
School-to-Work (ED and DOL)	250	Adults (including One-Stop)	2,685
Vocational education programs	1,178	Adult and family literacy	490
Adult education and family literacy programs	488	Youth (including School-to-Work)	2,906
Total:		Total:	
Categorical programs	13,186	Better Jobs and Skills System	14,202
Loans for education and training (in millions of dollars)	25,757	Loans for education and training (in millions of dollars)	28,356

The new jobs and skills initiative will allow each State to devise an integrated strategy that unifies all elements of the training and education system. The building blocks are described separately below (though the Federal Government would no longer require States to maintain separate programs).

Helping Adults: The President's proposal would create "Skill grants" for unemployed and low-income workers and job seekers. States would create systems to give individuals the information they need to make informed choices with these grants and ensure that workers are not defrauded by incompetent or unscrupulous providers. The proposal would make 16 million more grants and loans available in 1996 than in 1995. (See Chart 1-3.) It also would support State efforts to design new, more flexible, integrated systems that will provide information about jobs and training, counseling, placement assistance, and other services.

- Individuals would get Skill grants or Pell grants of up to \$2,620 a year for training;
- The budget proposes \$3.6 billion in 1996 for Skill grants for technical education and \$4.5 billion for associates and bachelor's degree courses through Pell grants. The

student loan programs will provide another \$28 billion in loan capital to help finance training and higher education;

- Low-income persons would get Skill grants based on family income and cost of education, in the same way they do now under Pell grants; and
- Dislocated workers who need training would qualify for Skill grants without an income test. Adults who lose their jobs and need skill training to get a new one would receive income support.

The proposal would build upon progress underway through "One-Stop Career Centers" to encourage States and localities to design and implement new systems of placement and training-related services within five years.

- It would provide \$2.7 billion, most of it to States to design and operate the new system; and some for Federal activities such as oversight, research, evaluation, and response to multi-State layoffs and natural disasters; and
- It would provide \$490 million for adult and family literacy, which the States could use as they want for basic skills instruc-

THE WHITE HOUSE

WASHINGTON

May 20, 1996

Dear Mr. Chairman:

I am writing to express my views on the job training and education reform legislation now in conference. I appreciate the Conferees' efforts to address at least some of the key principles included in my G.I. Bill for America's Workers proposal. I believe we all recognize the importance of reforming, streamlining, and consolidating job training and education programs.

However, I cannot accept a conference bill that does not create a world class workforce development system that is built on a firm foundation of individual opportunity, strong accountability for results, and clear pathways for youth from school to work. This legislation must; authorize spending for a new system at no less than the levels proposed in my FY 1997 Budget; arm dislocated workers with sufficient information and purchasing power, through skill grants, to choose the training that is right for them; preserve national funding for school-to-work infrastructure building grants; ensure accountability to taxpayers by establishing high standards for program quality and clear accountability; and provide that education authorities are responsible for education resources at the State and local levels, and that those resources are targeted within the State. The attachment to this letter details these and other essential priorities pertaining to this legislation.

I believe we share the common goal of creating a job training and education system that equips all Americans to prosper in a global economy. I urge the Conferees to craft an acceptable bipartisan bill by meeting these concerns and fully incorporating my G.I. Bill.

Sincerely,



The Honorable William F. Goodling
Chairman
Committee on Economic and Educational Opportunities
House of Representatives
Washington, D.C. 20515

Attachment

ISSUES FOR CONFERENCE ON H.R. 1617

•**Sufficient authorization of appropriations.** It is imperative that the bill authorize spending for the consolidated programs at least at the levels proposed in the FY 1997 Budget. Future appropriation action must not be constrained by insufficient authorizations that imprudently cut funding for education and training investments.

•**Adequate funding for skill grants for dislocated workers.** The bill must earmark no less than \$1.3 billion for dislocated worker assistance, and ensure that these individuals have sufficient information and resources -- including through the use of skill grants -- to choose the training that is right for them.

•**Dedicated national funding to continue the School-to-Work implementation grants.** The School-to-Work Opportunities Act should not be repealed. To date, 27 States have received implementation grants under the School-to-Work Opportunities Act. Dedicated funding to continue School-to-Work implementation grants is essential to permit these States to complete their system building activities, and to provide an opportunity for all remaining States to do the same. Without a strong, lasting school-to-work infrastructure, the promise of this bill for youth development will be unfulfilled.

•**Accountability to taxpayers for results.** The bill must ensure that taxpayer dollars are not invested in programs that don't deliver results. Since Federal funds support the workforce development system, the final bill must establish the Federal government as a full partner in determining measurable goals and objectives, establishing expected levels of performance for State and local areas, and approving plans. To protect against fraudulent and incompetent training providers, this bill must include strong provisions on "gatekeeping" and consumer information. The Secretaries of Education and Labor should be clearly responsible and accountable for administering workforce education and workforce training and employment activities, respectively. Their resource and staffing needs should be determined through the annual budget and appropriations process.

•**State and local education agency control and responsibility for education resources.** The conference bill must ensure that State and local education agencies have responsibility for planning, administering, and making decisions relevant to education resources. Full collaboration of State and local workforce boards and the private sector with State and local education agencies is essential.

•**Adequate, properly targeted resources for adult education and training, in-school youth, at-risk youth, a summer jobs program, and the nation's labor exchange.** The conference bill must ensure a priority for these activities and for sufficient funding, at levels consistent with the FY 1997 Budget. In addition, the bill must contain within-State allocation formulas, as in current law, that target at-risk youth and that direct in-school funds to school districts with greatest need and post-secondary education institutions that

serve disadvantaged individuals. The Wagner-Peyser Act, which establishes the public employment services, must remain the fundamental legislative charter for our nation's public labor exchange services, ensuring the prudent use of employer-paid federal unemployment taxes.

•Local governmental responsibility for job training. While Governors should have final approval authority over the local plans affecting job training funds, elected officials from our cities and counties must have responsibility for administering and overseeing local One-Stop Career Center and job training funds, through workforce development boards that bring together business and labor and other community leaders to plan and develop flexible job training programs appropriate to their communities.

**ADMINISTRATION OFFER TO CONFEREES ON
WORKFORCE AND CAREER DEVELOPMENT ACT**

This offer is to be considered as a whole; it is not divisible into component parts.

1. Offer on authorization of appropriations: Accept the such sums authorization with the following trigger for the flex account:

- o Funds appropriated under the Act would be subject to the following percent splits: 45% for adult training; 28% for in-school youth; 20% for at-risk youth; and 7% for adult education.
- o No funds would go to a flex account until the level of funding for the States reached \$3.85 billion (FY 1996 appropriation for the total Federal grants to the States for programs consolidated in this legislation).
- o All funds above FY 1996 appropriation level would be available for flex account until 125% of FY 1996 level is reached.
- o The amounts in excess of 125% would be allocated as follows: 25% flex account; 35% adult training; 15% out-of-school youth; 20% in-school youth; and 5% adult education with a hold harmless from the flex account.

2. Offer on dislocated worker funding: Earmark \$1.3 billion of adult employment and training resources for assistance to dislocated workers (of which \$1.03 billion is for State grants).

3. Offer on skill grants for dislocated workers: Training for dislocated workers must be provided through a skill grant system (House bill, but limited to dislocated workers). This requirement would include the limited exceptions in the House bill to address rural areas and other special circumstances. However, it would also include a 5-year phase-in for this requirement (similar to the House bill's 3-year phase-in), with authority to the Secretaries to use incentive funds to encourage earlier implementation.

4. Offer on School-to-Work: (a) Strike the repealer from the bill, allowing the appropriations process to determine the future of School-to-Work; or (b) move up sunset date for School-to-Work from September 30, 2001 to September 30, 2000.

5. Offer on accountability: Package to include:

- o Plan approval and levels of performance: Substantive State plan approval authority for the Secretaries (Senate bill with amendment); and Secretaries and States to negotiate expected levels of performance to be basis for sanctions and separate challenging levels to be basis for incentives (Senate bill with amendment).

- o **Performance information and resources:** Uniform technical definitions of benchmarks (House); consumer information to be provided by all nondegree training programs with certain information required (House bill with modifications); uniform MIS guidelines that include demographic information (House bill with modification); reporting of both local and Statewide performance results to the Secretaries (House); and adequate human resources for oversight and other responsibilities to be determined through annual budget and appropriations process. (House)

6. Offer on control of education by State and local education system: Senate language ensuring that education funds will go to State and local education agencies and that the education portion of the plan will be developed by the State education agency.

7. Offer on local role: Local board negotiates with the State on employment and training benchmarks for the area as a whole, and local board in coordination with LEO, negotiates with the State the process for designation of One-Stops. Remainder of responsibilities reserved for local board in partnership with LEO; these responsibilities include developing local budgets, oversight over local programs, developing local plan, and designating local fiscal agent. (House bill with modification)

8. Offer on targeting resources to youth: Modify Senate language to clearly require a Summer Youth Program in each local area. Require equitable substate allocation formulas for in-school and at-risk youth.

Programs Consolidated Since FY 1996
FY 1997 Budget Authority

	<u>\$ millions</u>
Department of Labor	
1 JTPA Clean Air Employment Transition Assistance	0
2 JTPA Defense Conversion Adjustment Program	0
3 JTPA Defense Diversification Program	0
4 JTPA American Samoan Employment Program	0
5 JTPA Rural Concentrated Employment Program	0
6 JTPA Youth Fair Chance	0
7 JTPA Youth Innovations	0
Department of Education	
8 Voc Ed - Programs for Criminal Offenders	0
9 Voc Ed - Community-Based Organizations	0
10 Voc Ed - Demo Centers for Dislocated Workers	0
11 Voc Ed - Consumer and Homemaking	0
12 Voc Ed - State Councils	0
13 Voc Ed - NOICC	0
14 Voc Ed - Smith-Hughes Act	7
15 Voc Ed - Demo for Integration of Voc and Academic Learning	0
16 Voc Ed - Ed Programs for Federal Correctional Institutions	0
17 Voc Ed - Ed Comprehensive Career Guidance and Counseling	0
18 Voc Ed - Blue Ribbon Voc Ed Programs	0
19 Voc Ed - Model Programs for Regional Training, Skill Trades	0
20 Voc Ed - Business/Education/Labor Partnerships	0
21 Voc Ed - State Programs and Activities	0
22 Voc Ed - Single Parents, Homemakers, Pregnant Women	0
23 Voc Ed - Sex Equity	0
24 Workplace Transition for Incarcerated Youth	0
25 Native Hawaiian Ed - Community-Based Learning Centers	0
26 State Literacy Resource Centers	0
27 National Workplace Literacy Program	0
28 Workplace Literacy Partnerships	0
29 Adult Education for the Homeless	0
30 Literacy Training for Homeless Adults	0
31 Literacy for Incarcerated Adults	5
32 Literacy Programs for Prisoners	0
33 Library Literacy	0

Department of Labor and Education: GI Bill

(BA in millions)

Programs	FY 1993	FY 1994	FY 1995	FY 1996 Request	FY 1996 Enacted	FY 1997	FY 1998 Request
Department of Labor:							
GI Bill for America's Workers -- Adults:							
II-A Grants to States	1,015	988	997	1,055	850	895	1,064
III Dislocated Workers	651	1,151	1,229	1,396	1,092	1,286	1,351
Employment Service	895	918	915	872	821	824	843
One-Stop Career Shopping	0	50	100	200	110	150	150
Other Adult Programs and New Initiatives	60	98	54	660	47	47	45
Subtotal Adults	2,621	3,205	3,295	4,183	2,920	3,202	3,453
GI Bill for America's Workers -- Youth:							
Summer Jobs	849	877	867	959	625	871	871
II-C Grants to States	677	609	127	369	127	127	130
School-to-Work (Includes Education portion)	0	100	244	400	350	400	400
Youth Opportunity Areas Initiative	50	25	0	72	0	0	250
Subtotal Youth	1,576	1,611	1,238	1,800	1,102	1,398	1,651
Total DOL in G.I. Bill for America's Workers	4,197	4,816	4,533	5,983	4,022	4,600	5,104
Department of Education:							
Vocational Education	1,170	1,176	1,104	1,178	1,081	1,132	1,172
Adult Education	305	305	279	406	260	355	394
Pell Grants (program cost)	5,624	5,496	5,445	6,635	5,660	6,227	7,806
Total Education in G.I. Bill for America's Workers	7,099	6,977	6,828	8,219	7,001	7,714	9,372
Total G.I. Bill for America's Workers	11,296	11,793	11,361	14,202	11,023	12,314	14,476
Less Pell Grants	(5,624)	(5,496)	(5,445)	(6,635)	(5,660)	(6,227)	(7,806)
Net Total G.I. Bill for America's Workers	5,672	6,297	5,916	7,567	5,363	6,087	6,670

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