THE WHITE HOUSE

WASHINGTON

April 11, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Melanne Verveer
Elena Kagan

SUBJECT: White House Conference on Early Childhood Development and Learning

As you know, on Thursday, April 17, you and the First Lady will host the *White House Conference on Early Childhood Development and Learning: What New Research on the Brain Tells Us About Our Youngest Children.* This memorandum provides an overview of the Conference, as well as summarizing recommended policy announcements.

Conference Overview

The Conference will spotlight new scientific findings about how children develop, and explore how we can make the most of this information to give children what they need to thrive. The Conference will provide an opportunity to showcase what your Administration already has accomplished in this area, such as increasing investments in scientific research and creating or improving programs like Early Head Start and WIC.

The Conference will consist of two roundtable discussions, one in the morning and one in the afternoon, with a luncheon in the State Dining Room (optional for you) in between the two.

Morning session: You and the First Lady will make remarks to open the Conference. Yours will discuss the importance of the issue to be addressed, note past Administration accomplishments in the area, and discuss new initiatives, principally for improving child care and children's health (detailed below).

A panel of experts will then present an overview of the emerging knowledge, gained from neuroscience and behavioral science, on early childhood development. Dr. David Hamburg, President of the Carnegie Corporation, will moderate brief presentations by:

- Dr. Donald Cohen, Director of the Yale Child Study Center, who will discuss what the behavior of children shows about their cognitive, emotional, and social development;

- Dr. Carla Shatz, a neuroscientist at the University of California, Berkeley, who will explain how children's brains develop in the earliest years of life; and

- Dr. Patricia Kuhl, Chair of the Department of Speech and Hearing Sciences at the University of Washington, who will discuss how children learn language.

Following these presentations, three more experts will join the panel to discuss what the scientific research suggests about protecting children's health and providing good child care:

- Dr. Ezra Davidson, Drew University of Medicine, who can address the importance of prenatal and perinatal services;

- Dr. T. Berry Brazelton, Harvard University, who can discuss the pediatrician's role in early childhood development; and

- Dr. Deborah Phillips, Institute of Medicine, who can address how child care can affect early development.

These experts also will respond to a series of questions posed by the First Lady and Mrs. Gore. Some of these questions will come from a poll conducted by Hart Research for Zero to Three (an early development advocacy group) that tried to discover what parents most want to know about early childhood development. Other questions will tackle the tough issues raised by the new research – for example, "does this research mean that women should not work outside the home?" or "does this research suggest that adopting an older child is a bad idea?"

Afternoon Session: The purpose of the afternoon session is to highlight model efforts that communities are undertaking to support parents and enhance early childhood development. This panel will be action-oriented and will give you an opportunity to highlight Administration accomplishments and initiatives. Participants in the discussion will include:

- Dr. Gloria Rodriguez, Avance Family Support Program, San Antonio, TX.
  Avance is a widely acclaimed family support and education program serving predominantly Hispanic communities.

- Harriet Meyer, Ounce of Prevention, Chicago, IL.
  Ounce of Prevention is a statewide program in Illinois that develops innovative early childhood programs and runs model Early Head Start and child care programs.

- Melvin Wearing, Chief of Police, New Haven, CT.
  Wearing will discuss a pioneering initiative that trains community police officers to use child development principles in their work.

- Arnold Langbo, The Kellogg Company CEO, Battle Creek, MI.
  Kellogg launched a community-wide effort last fall to provide practical early brain development information to every Battle Creek parent and caregiver.

- Rob Reiner, CastleRock Entertainment, Los Angeles, CA.
  Reiner will discuss the "I Am Your Child" campaign launched this month and the media's role in making early childhood development information available.

- Governor Bob Miller, Nevada, Co-chair of the NGA Children's Task Force.
  Miller will discuss what States are doing to enhance early childhood development.

Satellite Sites: The morning session of the Conference will be transmitted to at least 53 satellite sites -- mostly universities and hospitals -- in about 30 states and all 10 federal regions. (Fifty-three is the current number; there will probably be more.) In almost all of these sites, local organizers will put on programs of their own to follow the morning session and will report back to you on their proceedings and recommendations. Cabinet Affairs is encouraging subcabinet officials to attend and speak at these satellite conferences. In addition, regional administrators from HHS, USDA, EPA, Education, and GSA are taking an active role in the satellite sessions.

Report of Proceedings: We are currently making arrangements for an official conference report, to be issued in early June. The report, in addition to providing a summary of the conference proceedings, will serve as a resource guide and learning tool for parents and child care providers. We expect to print 250,000 copies and distribute them through departmental programs, such as Head Start and Even Start, and to individuals who request information about the Conference.

Pre-Conference Policy Initiatives

We would like to make three announcements prior to the Conference, in order to lay the groundwork for the Conference's discussion of ways to enhance early childhood development.

FMLA Expansion for Federal Employees: In your April 12 radio address, you will introduce the themes of the Conference and then direct heads of executive departments and agencies to expand family and medical leave for federal employees in the ways proposed in your legislation. This action would allow federal employees 24 hours of unpaid leave each year to participate in activities relating to school and child care, children's health care, and (unrelated to the Conference) elderly relatives' health needs. You will stress in your radio address how such family-friendly policies can support parents with young children.

Prescription for Reading: On April 16, the First Lady (and perhaps you, depending on the status of budget negotiations) will announce an initiative to encourage pediatricians to "prescribe" that parents read to their children. As part of this initiative, the American Academy of Pediatrics will announce that prescribing reading to infants and toddlers should be part of standard pediatric care. In addition, several book companies have committed to donating hundreds of thousands of books for distribution to children through community health centers and other medical offices across the nation. This initiative reinforces the Parents as First Teachers portion of the America Reads program.

Executive Order on Environmental Health and Safety Risks: You currently have under consideration a proposed Executive Order that would require agencies to consider and explain the effects of certain major rules on children. This order, if you decide to approve it, would serve as an excellent lead-in to the Conference, and we recommend issuing it on April 16. The order gives meaning and effect to your Administration's commitment to protect children in making regulatory decisions.

Conference Policy Announcements

The biggest news from the Conference should be the Conference itself -- that you and the First Lady hosted a day-long meeting on this subject and that scientists, community leaders, parents, and other experts communicated ideas and information on this issue to each other and the American public. The Conference also should provide a vehicle to remind everyone of your Administration's accomplishments in this area, such as increasing funding for research related to children, expanding and improving Head Start and creating the Early Head Start Program, raising childhood immunization rates to an all-time high, and launching a major new effort to eliminate childhood lead poisoning.

In addition, the Conference -- especially your opening remarks -- will give you an opportunity to discuss new and pending policy initiatives that show a continuing commitment to this set of issues. We recommend that your comments focus principally, but not exclusively, on child care and children's health and that you make the announcements discussed below.

Child Care: Child care experts believe the Defense Department's child care system is now the best in the country and possibly the world (in large part because of legislation enacted in the late 1980s). DoD child care is characterized by: high standards, including a high percentage of accredited centers; a strong enforcement system with four unannounced annual inspections and a 1-800 hot line for parents to report concerns; a wage structure that is tied to training and an "up or out" personnel policy requiring completion of training requirements; relatively generous wages and benefits, which reduce staff turnover; a system of linking up individual home care providers to give them needed support; and sufficient funding to make quality child care affordable (though there still are waiting lists).

We recommend you hold up the DoD child care system as a model for the nation and issue an executive memorandum directing the Secretary of Defense to use the Department's resources and expertise to improve child care across the nation. In particular, you would direct that (1) military bases partner with state and county governments to provide on-the-job training in child care to welfare recipients; (2) each military child development center partner with a civilian child care center and work with it to improve quality; (3) DoD establish regional "Child Care Masters Programs" that civilian child care managers could attend for two weeks to learn best practices; (4) DoD publicize its model designs for child care facilities and playgrounds; and (5) DoD issue benchmarks in the areas of standards, enforcement, compensation, and cost against which civilian child care programs could evaluate themselves. Most civilian child care systems

will come up short against DoD's benchmarks, particularly in terms of compensation and affordability, but such a comparison might help build public support for greater investment in child care. DoD fully supports the idea of issuing such a directive.

You also might want to float some trial balloons on more ambitious -- and costly -- proposals. For example, some have suggested making the Child and Dependent Tax Care Credit refundable (at a cost of $2-4 billion), so that families with little or no income can benefit from it. The Blue Dog budget makes the credit refundable, but pays for it by eliminating the tax benefit for families with incomes over $100,000. Another legislative proposal would provide a tax credit to private companies and institutions to encourage them to build quality child-care centers on-site. Given our budget, you cannot endorse any of these proposals, but you might want to use this opportunity to suggest your openness to further discussion of such legislation.

Children's Health Initiative: We also recommend that you discuss in your opening remarks the importance of insurance coverage for children's health and development, highlighting the Children's Health Initiative in your 1998 budget proposal. Your proposal will extend coverage to up to 5 million uninsured children by the year 2000. You can announce at the Conference that the deans of academic medical centers -- important legitimators within the medical community -- have endorsed your proposal.

We are also planning a follow-up children's health event, where you will release a study showing the links between insurance coverage, health status and development and learning for children from 0 to 18 years old and talk in more detail about your health proposal. Either at the follow-up event or at the Conference itself, you can announce a project by Kaiser Permanente to spend $100 million over the next 5 years to provide health insurance to uninsured children.

Child Victims of Violence Initiative. You can announce that the Department of Justice will establish, with FY 97 discretionary funding, a Child Victims of Violence Initiative through the Yale, New Haven Child Development-Community Policing Program. This program, which Chief Wearing will speak about, trains police officers in child development, so that they can better respond to situations arising in the field. The new initiative will extend the program to other sites and also broaden it to include people other than police officers -- such as prosecutors, probation and parole officers, and mental health professionals -- whose work would benefit from knowing about early child development.

Head Start Funding: You can announce the launch of a new competition for Early Head Start grants, which will highlight this Administration's creation of the program.

America Reads Early Childhood Kits: You can announce the release of the America Reads Early Childhood Kits for Families and Caregivers. The kits include a developmental growth chart and suggestions about developmentally appropriate activities for children ages 0 to 5. Everyone who looks at these kits loves them. The kits will be distributed to early childhood programs across the nation and to individuals who call the Department of Education's 1-800 line.

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October 3, 1997

MEMORANDUM TO THE PRESIDENT

From: Harris Wofford

Subject: AmeriCorps and National Service -- What We've Done and Where We Need to Go

Two years have passed since you tapped me to lead the Corporation for National Service. It's time to report what we have achieved and to propose next steps. As you asked, we've worked hard to gain greater support for AmeriCorps, and these efforts have won new allies and reduced the political acrimony about the program. A sign of this progress is the action this week by the House-Senate conference committee on the VA-HUD appropriation. They restored the cut in AmeriCorps made by the House and increased last year's funding by $25 million, the first increase in three years. Now we need to capitalize on this progress and make the reauthorization and strengthening of AmeriCorps and the Corporation's other two major programs -- the Senior Corps and Learn and Serve America -- a high Administration priority.

After you've had the chance to read this memorandum, I hope that we can spend a few minutes together to chart our future course, beginning soon with an all-out effort to persuade Congress to reauthorize the Corporation.

* * *

Your charge to me was to build greater political support for AmeriCorps, strengthen AmeriCorps, and bring AmeriCorps into the mainstream of American life. That required developing real bipartisan support and establishing close working relationships with the great non-profit and service organizations of the country. We have made tremendous strides in these areas. Let me highlight our progress -- resisting the temptation to tell you everything we have done -- and then focus on the future.

The lack of controversy and rancor over funding of AmeriCorps in the soon-to-be-completed appropriations process shows AmeriCorps' greater acceptance. Through much work with Republican Members of Congress, we have made real inroads in demonstrating how AmeriCorps and the other key programs of the Corporation are a crucial part of a strategy to address the nation's educational and social challenges. As a result, support among Republicans inside and outside of Congress has expanded. Even among those who have not come all the way to supporting AmeriCorps, we have taken the edge off their opposition. They recognize that AmeriCorps will continue and that hundreds -- indeed thousands -- of organizations around the country approve. The loud

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foes of AmeriCorps have been significantly marginalized. Moreover, we are on the road to important breakthroughs that will bring AmeriCorps and the Corporation to a new level of true bipartisan and nonpartisan support. While AmeriCorps is continually winning new allies, we have also built strong new bases of support for the Corporation through our work with students and seniors. With your good help, we are in the forefront of a growing effort to make service-learning an integral part of American education at all levels, and to make citizen service a reality for Americans of all ages and backgrounds.

In building support for AmeriCorps, I have been especially cultivating the so-called "Compassionate Conservatives" and those in the civic renewal movement. Though conservative, these leaders believe that government must find effective ways to help poor and disadvantaged citizens. As you know, these conservatives want churches, other faith-based institutions and non-profit organizations -- instead of the government – to lead the effort to address our nation's problems. They want government to support these independent civic forces. Therein lies a great opportunity for AmeriCorps.

One story illustrates this. Earlier this year Rep. John Kasich visited the Rheedlin Center in New York, an AmeriCorps grantee that works in Harlem schools to create safe havens for children, tutor, and teach conflict resolution, among other activities. Kasich spent two hours there and was overwhelmingly impressed with what the director, Geoff Canada, and his team of more than fifty young people are accomplishing. Unaware that this in an AmeriCorps site, at the end of his visit Kasich said to Canada, "Dammit, this is exactly what AmeriCorps should be doing!" To which Canada replied, "Almost all the people you've seen here this morning are AmeriCorps members. This is AmeriCorps!" Based on this incident – reported to me by both Geoff Canada and Kasich -- I have struck up a very constructive, continuing conversation with Kasich. He says he is rethinking his position on AmeriCorps and believes there is common ground for mutual support.

I've also developed a strong relationship with Dan Coats, a co-chair with Kasich of the Congressional civic renewal alliance. Coats will become President of Big Brothers/ Big Sisters when he retires from the Senate next year. As he has seen AmeriCorps provide key assistance to Big Brothers/Big Sisters, he has discovered that AmeriCorps can play a valuable and constructive role. At the Big Brothers/Big Sisters national board meeting, after I put the challenge to them for a major Summit commitment, Coats moved a resolution committing the organization to double its numbers <u>and</u> <u>add</u> <u>service</u> as an integral part of the young participants' experience.

A key part of our strategy to build support for AmeriCorps has been to reach out to and collaborate with mainstream non-profit organizations. The Presidents' Summit was -- and continues to be -- the largest of our opportunities to do this and it has already borne much fruit. Our national service networks are taking the lead in many of the state and local summits, and forging closer relationships with the many Governors and Mayors who are engaged in the post-Summit campaign to achieve the five Summit goals for youth. Through these efforts, the National Service State Commissions, our Corporation state offices, and AmeriCorps grantees have taken a leadership role in their communities

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and states, and have established strong, new bonds with leading non-profits and private sector sponsors. The partnership that you and President Bush and General Powell showed in Philadelphia is being replicated in cities, counties and states across the country. And in one place after another, this partnership is working to the benefit of AmeriCorps and our other programs.

Other partnerships of great significance include the National Service Scholars Program for outstanding high school student volunteers, which you initiated in your commencement talk at Penn State in the spring of 1996. It has drawn enthusiastic support around the country and from such valuable national allies as the Kiwanis, Rotary International and Lions Clubs, the Miss America Foundation, the Chamber of Commerce and the Veterans of Foreign Wars. This past spring, we gave the first 1,700 high school service scholarships. Next year we plan to expand to at least 10,000 high schools, and then to all 25,000 high schools in the country. These service scholarships are also a potential feeder system for AmeriCorps recruiting.

Similarly, our "education award only" program, to which you gave a great boost at the Summit, has taken hold even more quickly than we expected. Under this approach, which we call the AmeriCorps Challenge Scholarship, the AmeriCorps member receives from the Corporation only the education award -- $4,725 for a year of full-time service. Living allowances and other costs are borne almost entirely by the host non-profit organization or from other private sector sources. The response to your Summit call for 50,000 such national service awards by the year 2000, has been enthusiastic. After the latest round of grants, we expect to have more than 15,000 new AmeriCorps participants in this program this year. Our largest partners in this endeavor so far are the National Council of Churches and the Boys and Girls Clubs. As you know, Sen. Grassley, who had been one of our chief critics, is particularly supportive of these AmeriCorps Challenge Scholarships and is delighted by our progress.

The most important source of our growing public support is the work of the members themselves. Whether it is tutoring school children for "America Reads" or disaster assistance in flooded communities, the reality of our motto -- Getting Things Done -- is setting in. In City Year and Habitat for Humanity, the American Red Cross and Teach for America, our AmeriCorps members are proving their value. That's why Millard Fuller, the Founder-President of Habitat for Humanity (once an AmeriCorps skeptic), recently wrote the following to Speaker Gingrich:

> *"I am writing you to affirm and emphasize the importance and value of national service. It is through partnerships with AmeriCorps, VISTA and other national service programs that [we] maximize Habitat's resources and expand its productivity, while helping recruit, train and supervise volunteers of all ages. To date, approximately 470 AmeriCorps members and additional national service participants through Learn and Serve America and the*

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Retired Senior Volunteer Program (RSVP) are serving in over 50 Habitat for Humanity affiliates. Again, national service is of great value in not only helping to eliminate sub-standard housing, but in transforming lives of participants in their various endeavors." .

Millard Fuller's praise for AmeriCorps is typical of the response by growing numbers of organizations that have the benefit of AmeriCorps members.

When one puts together the overall reduction of political tensions, your resolve in insisting on continued support for AmeriCorps, and the increased understanding of AmeriCorps' true potential for helping to solve seemingly intractable problems, it is clear that the prospects are good for establishing AmeriCorps as a non-partisan institution in which Americans take pride.

The Road From Here – Seeking Reauthorization for AmeriCorps

Now is the moment to capitalize on this progress. We must secure AmeriCorps' future and expand the reach of national service by – first of all – getting Congress to reauthorize AmeriCorps and the Corporation for National Service. This will not be easy but if you make this a personal priority, I believe we can win the reauthorization that will assure that AmeriCorps lives long into the future.

The authorization for AmeriCorps and the Corporation for National Service expired last year. We are now operating under a de facto extension through annual appropriations. We have worked with the Office of Management and Budget to complete draft reauthorization legislation. In short, we need the reauthorization and the bill is ready to go.

Our case for reauthorization rests on three key points:

(1) The Corporation and AmeriCorps are accomplishing the objectives set out in the original legislation;

(2) We have listened to the critics and been responsive to their concerns; and

(3) We have been creative in finding ways to extend the opportunities to serve and the rewards for service through innovations such as the AmeriCorps Challenge Scholarships and the high school service scholarship program.

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In addition to generally reauthorizing our programs and instituting minor programmatic improvements, the highlights of the draft bill are:

- to devolve more authority and provide greater flexibility to States and local communities in implementing national service programs;
- to streamline the delivery system, further reducing costs and improving efficiency;
- to foster greater coordination among national and community service programs; and
- to modify and improve programs based on the experience developed over the last several years.

The bill also repeals various redundant or obsolete authorities, and makes a number of technical revisions to the existing statutes.

Getting a bill passed will be particularly difficult in the House where Rep. Goodling has jurisdiction and is not friendly to AmeriCorps. Still, our key supporters in Congress -- including Senators Jeffords and Kennedy and Representative Shays -- see a real opportunity for success. Each emphasizes that the outcome will depend in significant measure on the strength with which the Administration presses for reauthorization.

Proposing legislation inevitably carries some risk -- of failure or of damaging amendments. These considerations led us to not seek a reauthorization bill in 1996. But the climate is significantly more favorable at this point. In addition to counsel from our allies on the Hill, I have spoken with Bruce Reed, Al From and Eli Segal, among others. Acknowledging the difficulties and dangers, each agrees that we should be bold and confident in sending Congress a reauthorization bill and in asking for Congressional action. This approach also has the strong support of our Board of Directors.

Our success in this undertaking will depend in large part on the tone we strike and approach we take. The Corporation programs are clearly in the mainstream of the national movement to promote service, a movement to which you have contributed so much. They are in line with the national, state and local efforts to achieve the goals of the Presidents' Summit. AmeriCorps is a valuable addition to the American tradition of community and citizen action.

The timing of the reauthorization effort is also important. Given the election results, AmeriCorps successes and the positive consensus around the Summit, we may never have a better time to make reauthorization a top priority. Yet time is already short

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for a reauthorization in this Congress. But if you make reauthorization a real priority and press forward with an aggressive campaign we can still succeed.

The strategy I propose has three phases in quick succession.

- First, you would launch reauthorization legislation before Congress adjourns this fall.

- Second, in the roughly three months (November, December and January) of Congressional inactivity we would press the case for reauthorization. We would ask Sen. Jeffords and others to conduct hearings on the bill during the lengthy recess. Our national partners in the national service movement will add their voices in support for reauthorization. In addition, we would propose one major Presidential event to demonstrate the case for reauthorization. We would also propose your involvement in making a major effort on the Martin Luther King Jr. Birthday - National Day of Service in January.

- Third, upon Congress's return early next year, we would press a Congressional strategy -- starting with a strong statement and request for reauthorization in the State of the Union address.

Our target is to win the reauthorization by the first anniversary of the Presidents' Summit in late April.

I look forward to discussing this with you in the near future and leave you with one thought. People say that getting a first reauthorization is like winning a first re-election: it is the hardest to accomplish but if you succeed you are well-established. I didn't succeed myself at this in the Senate; but I believe that with your strong support we can and will win reauthorization for AmeriCorps and the Corporation for National Service.

THE WHITE HOUSE

WASHINGTON

October 18, 1997

MR. PRESIDENT:

Please note that many of these proposals are still in the formative stage.

Phil Caplan

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I like the very much and would like to meet by yourself or with the relevant cabinet members to be then soon to discuss them + a coupling specific dialogue mechanism for review/roadplan

Phil Caplan

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Race Initiative Policy Proposals

Education

- Teaching Initiative -- Previously announced proposal to prepare and recruit teachers for high-poverty urban and rural communities.

- Urban Education Initiative -- Select 15-20 urban school districts as Education Opportunity Zones, which would receive additional monies for implementing a program of standards-based school reform, including measures to promote public school choice, end social promotions, remove bad teachers, and reconstitute failing schools. The Department of Education has requested $320 million for FY 99 for this program.

- School Construction Proposal -- Support our own proposal from last year; the Daschle-Gephardt bill; or an alternative approach.

Teaching Corps

- College/School Partnerships -- Propose a grant program to promote strong partnerships between colleges and high-poverty middle and high schools. Through these partnerships, colleges would encourage students to take demanding courses, while providing academic enrichment and intensive mentoring, tutoring, and other support services. The Department of Education has requested $200 million for FY 99 for this initiative.

- Communications Strategy for Maintaining Diversity in Higher Education -- Issue departmental report and give speech or town hall on the value of diversity in higher education; identify and highlight effective outreach and recruitment efforts in report and/or speech; invite educational leaders to White House to discuss the importance of the issue. Do not become Admissions Dean-in-Chief (i.e., do not recommend or endorse particular admissions criteria or strategies).

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- Attacking Racial Separation Within Schools -- Department of Education report on best practices for helping students reach across racial barriers; grants to support model projects.

Economic Empowerment

Work through Congress

- Empowerment Zones, Round 2 -- Announce the Second Round Empowerment Zones designees. (There is some interagency dispute about the timing of this proposal, given our inability to come up with grant money to complement the tax incentives.)

- Housing Portability -- Announce package of proposals including expanding the home ownership voucher program, encouraging the use of exception rents to open suburban housing markets, eliminating obstacles to portability of Section 8 vouchers, and reducing mortgage denial rates for minorities by working with mortgage and real estate industry.

- Fair Lending Initiative -- Announce initiative that might include an examination of

THE PRESIDENT HAS SEEN
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certain lending practices on minorities' access to capital, measures to improve the collection and analysis of data on loan denials, and increased resources for testing and enforcement (see below).

Transportation Infrastructure Development -- Propose tax reforms to stimulate spinoff development from transit projects and aid development of urban intercity bus facilities.

Yes!

Assisting the Unbanked -- Announce the electronic funds transfer regulation, which may bring up to 10 million individuals into the banking system.

Health

Initiative to Reduce Health Disparities -- Adopt multi-faceted program, largely focused on education and outreach, to reduce racial disparities in heart disease and stroke; breast, cervical, and other cancer; diabetes; infant mortality; AIDS; and immunizations. HHS, OMB, and Chris Jennings are in the midst of developing cost estimates for this initiative.

Crime

Community Policing Initiative -- Target funds from the COPS program to hire new police officers and support community organizations in underprotected high-crime, largely minority neighborhoods (e.g., public housing communities); also use COPS money to promote diversity training for police and establish citizen academies to help community residents understand police procedures; promote minority recruitment in law enforcement through existing grant program.

Community Prosecuting Initiative -- Develop an initiative to give communities an incentive to experiment with community prosecution, which applies the principles of community policing -- neighborhood involvement and a focus on problem solving and prevention -- to this aspect of the criminal justice system.

At-Risk Youth Prevention Efforts -- Devote $75 million currently in CJS appropriations bill, which we proposed as part of the President's juvenile crime strategy, to targeted programs for at-risk and minority youth (convince DOJ to drop plans for distributing funds by formula); launch a new fight to get crime bill prevention programs funded in next year's budget process.

Indian Country Law Enforcement Initiative -- In line with recommendations of Departments of Justice and Interior (due on October 31), transfer law enforcement authority from BIA to Justice and seek increased law enforcement resources specifically designated for Indian Country.

Civil Rights Enforcement

Enhanced Enforcement Initiative -- Request additional funds for civil rights enforcement,

THE PRESIDENT HAS SEEN
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tied to programmatic changes to improve coordination among federal government's civil rights offices, speed resolution of claims, and reduce backlog of cases. This initiative probably will focus on the EEOC. DPC, OMB, and other offices are currently working on cost estimates.

Hate Crimes Initiative -- Announce a package of proposals at the November 10 hate crimes conference, including measures to enhance enforcement of hate crimes laws, improve collection of statistics, initiate educational activities, and amend the current federal hate crimes statute.

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(also file under Provs memos)

THE WHITE HOUSE

WASHINGTON

October 20, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
MELANNE VERVEER

CC: THE FIRST LADY

RE: WHITE HOUSE CONFERENCE ON CHILD CARE

On October 23, you and the First Lady will host the White House Conference on Child Care in the East Room. This memorandum outlines the purpose and structure of the conference, the policy initiatives that we recommend you announce at the conference, and the process and direction of our work on a child care proposal to unveil this winter.

Purpose and Structure of the Conference

The White House Conference on Child Care has two purposes. First, it will call national attention to an issue that political leaders and policy makers historically have ignored, notwithstanding its enormous importance to working families. Second, it will provide a basis from which to launch a child care initiative in the State of the Union. (As noted later in this memo, we will provide you with policy options for this initiative -- including a range of price tags -- as part of your normal budget process.)

The conference will address three critical child care challenges -- availability, affordability, and safety and quality. Many parents choose to stay at home and care for their children themselves. Yet millions of Americans, by choice or necessity, rely on child care and after-school programs to care for their children for part of each day. The conference will explore how the public and private sectors can respond to the need that Americans struggling to be both good parents and good workers have for safe, affordable child care.

Morning Session. The morning session will begin with remarks by you and the First Lady and will include a video of children, parents, caregivers and others talking about child care. We believe your remarks should address the importance of child care for America's working families, note past Administration accomplishments on this issue, and announce several new policy initiatives as well as a commitment to unveil a broader child care proposal this winter.

You and the First Lady will then moderate a panel with two parts. The first three panelists will discuss why child care matters -- both to our children's development and to the nation's economy. The second four panelists will examine how well we are doing in meeting the challenge of assuring that good child care is available to working families. The first three panelists are:

- Ellen Galinsky, President, Families and Work Institute, who will discuss the relationship between quality child care and children's healthy development, particularly in the earliest years of life;
- Michelle Seligson, Founder and Director, National Institute on Out-Of-School Time, Wellesley College Center for Research on Women, who will discuss the importance of good after-school programs for youth;
- Secretary Rubin, who will discuss the need to address child care given dramatic changes in the workforce and economy.

The second four panelists are:

- Secretary Shalala, who will discuss the strengths and weaknesses of child care across the country;
- Governor James Hunt of North Carolina, who will discuss how states are doing in meeting the challenge of assuring that working families have access to safe, affordable child care;
- Dr. Valora Washington, Program Director, W.K. Kellogg Foundation, who will discuss community efforts to meet this challenge;
- Patty Siegel, Executive Director, California Resource and Referral, who will share the experiences of parents.

Afternoon Session. The afternoon session will begin with remarks by the Vice President and Secretary Riley. The afternoon panel will consider the roles that states, business and labor leaders, the faith community, health care professionals, and others can play in addressing this challenge. The panelists include: Major General John G. Meyer, Jr., Chief of Public Affairs United States Army; Dr. Susan Aronson, Member, American Academy of Pediatrics; Jane Maroney, State Legislator, Delaware; Bishop Joseph Sullivan, Vicar of Human Services, Brooklyn, New York; and Doug Price, President, FirstBank of Colorado.

Agency and Satellite Sites. An additional 300 people will view the conference at three Federal agencies, and Secretaries Shalala, Riley, Glickman and Herman will host working sessions at these agency sites during the luncheon at the White House. In addition, the entire conference will be transmitted to satellite sites in at least 48 states. The Administration's

regional administrators have helped to organize these satellite conferences, and Cabinet Affairs has encouraged subcabinet officials to participate in them.

Policy Announcements to be Made at the Conference

We recommend that you indicate at the conference that you will propose a child care initiative in your State of the Union address and your fiscal year 1999 budget. We also recommend that you announce three policy proposals at the conference.

1. Child Care Working Group. You can name Secretary Rubin as chair of a working group on child care primarily made up of business leaders, with representation from labor and other community leaders. The Child Care Working Group would report to you within 45 days on efforts that business leaders should undertake to help working families overcome the challenge of managing child care and work responsibilities.

2. Scholarships for Child Care Workers and Background Checks on Child Care Workers. Experts link the quality of child care to the quality of the caregiver. Yet child care providers often receive little training, and occasionally have unsuitable backgrounds for the profession. You can announce steps to support caregivers by ensuring that they are able to afford adequate training. At the same time, you can urge Congress to pass and states to ratify the "National Crime Prevention and Privacy Compact" to protect children from child care workers who have committed crimes.

Scholarships. To help child care workers afford training, you can instruct the Department of Education to develop an outreach plan to inform students and institutions of the potential availability of Pell Grants. You also can announce a new scholarship program for child care workers. Even with Pell and other education programs that you have put in place, many child care workers cannot afford training. The new program would provide assistance to full- or part-time students working toward a Child Development Associate Credential or other degree in child development who agree to remain in the child care field for at least one year.

Background Checks. You can also announce steps to make background checks on child care workers more effective. Today, many states prohibit the release of criminal history records for purposes other than ongoing criminal investigations. The Department of Justice is prepared to transmit to Congress on October 23 the "National Crime Prevention and Privacy Compact." The compact, which must be passed by Congress and ratified by the states, will enable states to share criminal history information for limited other purposes, including background checks on child care workers.

3. Service and School-Age Care. You can launch the "To Learn and Grow Partnership," a

Safety and Quality. The quality of child care in this country is too often mediocre or poor. A recent four state study of child care centers found that one in eight centers expose children to unsafe or unsanitary conditions. Infants and toddlers are at the greatest risk, with 40 percent in care that poses a threat to their health and well-being. Only 14 percent of centers provide high quality care -- care that actually enhances growth and development. A study of child care in family-based settings found equally disturbing patterns. Over one-third of programs are rated inadequate, meaning that quality is low enough to harm children's development, and only 9 percent offer high-quality care.

States are currently required to spend 4% of the funds they receive through the CCDBG on quality improvement. We are looking at ways to help states improve quality by providing additional funding to states that agree, for example, to improve and enforce health and safety standards, invest in training for caregivers, or create networks to support family day care providers. We are also developing a consumer information campaign to arm parents with the information they need to chose high quality care for their children.

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10/27/97

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

THROUGH: SYLVIA MATHEWS AND BRUCE REED

FROM: STEVE SILVERMAN
DIANA FORTUNA
BIBB HUBBARD

DATE: October 21, 1997

CC: ANN LEWIS AND THURGOOD MARSHALL, Jr.

This is to update you on Administration progress in the six months since the Philadelphia service summit and to provide a strategy for the next six months. Attached you will find 1) a review of your accomplishments to date; and 2) a six month proactive strategy.

The six month anniversary is October 27, and we expect continuing press attention in the coming weeks. General Powell and America's Promise (the non-profit organization continuing the summit's work) will commemorate the six-month anniversary by releasing an "Update to the Nation" on November 25, perhaps at the National Press Club. Prime Time Live will interview Powell about the anniversary. Jonathan Alter of Newsweek is working on a comprehensive update that is expected to be influential.

Contrary to reports in last week's Time and last Sunday's Boston Globe, you and the Administration have made significant progress since the event in Philadelphia. You have highlighted the summit's five goals for children in several speeches; you have followed through on your major announcement on AmeriCorps scholarships; you have announced a variety of policy initiatives that relate directly to the summit's goals; and Cabinet agencies have begun to follow through on their commitments. The Corporation for National Service is very actively involved in summit follow-up work, as Harris Wofford travels the country to participate in and plan dozens of follow-up summits.

Although America's Promise has not yet been able to develop measures of the summit's success, your work at the summit has clearly contributed to a spirit of service and volunteerism that is developing every day in communities around the country. And, while challenges of this magnitude are not without difficulties (e.g., organizational difficulties at America's Promise, cynical media, heightened expectations, and measurement questions), you and the Administration have every right to be proud. By any measure, you have effectively follow-up on your service commitments and will continue to do so.

After a bumpy start, America's Promise appears to be moving toward a stable organizational structure. This week, Peter Gallagher became the third CEO of America's Promise, replacing Ray Chambers, who remains very involved. Gregg Petersmeyer, who ran President Bush's volunteer office, manages the communities team and Tim hanlon handles Communications. They manage a staff of 50-60 that continues to grow.

As you have noted, it is critical for the Administration to connect our on-going policy initiatives to service and to the summit's five goals for children wherever possible (i.e., America Reads, children's health, welfare to work, racial reconciliation, education technology). Moreover, real progress has been made on projects directly related to service, including AmeriCorps Scholarships, high school service scholarships, and cabinet agency summit commitment implementation.

We should remain proactive over the next six months, continuing to demonstrate the Administration's commitment to service through Presidential speeches, several service-related events, participation in mini-summits, agency commitment follow-up, new policies related to service and children, and direct service program enhancement. As set forth here, your record of accomplishment on service is profound. In the coming weeks, we will ensure that all interested media and constituencies are briefed about your record.

SIX MONTH STRATEGY ON SERVICE INITIATIVES

We should remain proactive over the next six months, continuing to demonstrate the Administration's commitment to service through Presidential speeches, several service events, mini-summit participation, agency commitment follow-up, service-related policy development and direct service program enhancement.

There are a number of promising opportunities for events and announcements that will allow us to show significant progress by next April, one year after the Summit.

I. Six-Month Anniversary October 26-28

America's Promise is now planning to downplay the six-month anniversary because much of their empirical and anecdotal evidence is not ready for release yet. So, rather than hold a press conference at the National Press Club and release a report, General Powell will have one interview from Prime Time Live.

However, America's Promise has set November 25 as the release date for their "Update to the Nation" report and we are considering having your pre-Thanksgiving radio address be on AmeriCorps reauthorization and service.

II. Participation with America's Promise

We meet regularly with representatives from America's Promise and are working closely together in order to promote the goals of the Summit -- especially goal five, to serve. Below are activities at America's Promise that we are involved in.

Mini-Summits:

You, the Vice President, Mrs. Clinton and Mrs. Gore should participate in one of the several hundred mini-summits being held in communities and regions around the country. We are working closely with General Powell's staff to determine the most appropriate summit for you and the other principals -- including your cabinet -- to participate in over the next six months. Harris Wofford will continue to travel extensively to these mini-summits. The Corporation for National Service is part of the planning team for many of the state and local summits.

Meeting with General Powell:

You and the Vice President should meet with General Powell again, as you did in July, for a briefing on Summit follow-up. White House staff will continue to meet regularly with America's Promise officials to keep abreast of developments and to keep America's Promise up to speed on Administration service related activity. In this regard, we should ask America's Promise to report to you on their progress since the summit. It will be useful to continue to foster these positive relationships.

America's Promise Video:
On behalf of America's Promise, the John Schreiber Group is producing a television special to highlight the daily risks facing millions of American children and youth and the numerous programs, corporations and individuals that have responded through the efforts of the Summit and America's Promise. The John Schreiber Group has requested photos of the President for the special. We supplied them with a photo taken at the Summit in Philadelphia and are waiting for them to send us a copy of the program for counsel's approval.

III. Administration Policies with Service Themes
As has been noted, your interest in service did not commence or conclude with the advent of the Service Summit. Over the years, you have promoted service as a way of life and as one of your major themes. Your signature program -- AmeriCorps-- is a testament to that commitment. As we go forward, there are opportunities to continue and enhance the ongoing service related initiatives and to announce new ones. Below are some thoughts on possible next steps towards promoting community service.

Children's Health Outreach:
We are working with states and community groups to ensure that eligible children are enrolled in Medicaid and the new child health program. Through America's Promise, we could ask all the organizations that made commitments to the summit to embark on a major effort to reach these children. Gen. Powell has been interested in this issue.

Teen Pregnancy and Service:
A new study shows that engaging in community service is at least as effective as other methods of teen pregnancy prevention. We could design an event with the National Campaign to Prevent Teen Pregnancy and the Corporation for National Service.

Policy Events Focussed on Summit's Goals:
You could appear at one or more event centered on one of the five goals of the summit. Opportunities are many, and they could include an event with the Department of Justice's new Mentoring Alliance, which is working toward the summit's first goal. Another option is the launching of the Corporation for National Service's Seniors for Schools: America Reads initiative, which uses older volunteers as literacy tutors in elementary schools. The Corporation says such an event could take place in October or November.

President's Initiative on Race:
We are working to make the topic of your first town hall on Race in early December revolve around service themes. We could look at the AmeriCorps programs like City Year that have focused consciously on race as part of the service experience, and also examine how more service-learning programs in schools could bring together students of different backgrounds to share in community service. We are also preparing for your review a major proposal on mentoring young people to ensure that they take advantage of higher education opportunities.

Additionally, we will reach out to America's Promise to see how we can integrate the goals of the race initiative with the Summit-related activities taking place in cities and states across the country.

IV. Service Projects Moving Forward

The Corporation for National Service is making significant progress in pushing goal five of the Summit and continues to gain national support for AmeriCorps and it's other important programs. Additionally, within the White House, we are thinking about ways to promote citizen service nationally.

AmeriCorps:

Harris Wofford has put together a draft legislative proposal to reauthorize the Corporation for National Service's programs, including AmeriCorps. As discussed above, we could announce this as part of a pre-Thanksgiving radio address on service, immediately prior to Powell's summit update. This would be the first reauthorization of these programs, which are now operating without authorization. Ideally, we would like to reauthorize these programs through the end of your term or beyond. We could use this as an opportunity to reflect on the contribution AmeriCorps has made in the past five years, including its key role in mobilizing volunteers.

It appears that the antipathy toward Corporation programs has lessened significantly since the summit. This year's appropriations battle has not seen an assault on the Corporation's core programs, as previous years have. The remaining battle is over what level of funding the Corporation will secure for the America Reads program. We have asked the Corporation to wait on this proposal until appropriations are finished. Wofford is pushing hard to send our draft legislation to the Hill before Congress leaves for the year.

Expansion of High School Service Scholars Program:

Next year we can expand our program of $1,000 scholarships for exemplary high school service to 10,000 high schools, a significant increase from the 1,700 schools that participated in the first year of the program. There are approximately 24,000 high schools in the U.S.. The Corporation for National Service is planning a major promotional campaign to generate more interest in this program, including getting local sponsors to provide matching funds. You could send a letter to all high school principals urging them to become involved and nominate a student from their school.

Mentoring through the Inter-Net/Virtual Reference Desk:

OSTP, in conjunction with Cabinet Affairs, DPC and the Corporation, is promoting this initiative. The goal is to allow all qualified and interested individuals to volunteer their time to answer the questions of the k-12 community which relate to the federal government. The project builds on national initiatives of the Administration including a call for increased volunteerism and community service.

Mentoring Projects:

White House staff and the federal agencies are investigating opportunities to tutor young

people through America Reads, Everybody Wins and other appropriate programs.

The White House Service Web Page:
The Office of Communications, under the direction of Kevin Moran, is developing a clearinghouse of community service opportunities for White House staff.

Strengthening The Clinton Administration's Commitment to Service Presidential Memorandum:
Shortly, we expect to recommend a Presidential Memorandum directing federal departments and agencies to explore additional measures to expand service opportunities for Federal employees.

Other Service Ideas:
We are continuing to search for opportunities to highlight citizen service. For example, there may be opportunities in St. Louis or Sacramento to do a service related event. Another idea is to have you host a meeting with representatives of companies, volunteer groups, recipients of mentoring, non-profits and community leaders to get a report from the field on how things are going. There would support the anecdotal information, like the story General Powell related to you, about Sioux Falls, South Dakota and the groundswell that is taking place. This would contrast with the "inside the beltway" view offered by some reporters.

Martin Luther King Day of Service:
Martin Luther King Day is designated as a day of service -- "a day on, not a day off". Rev. King was an advocate of service. You, the Vice President and/or the First Lady could join some of the service activities planned for that day.

Administration Accomplishments Since the Presidents' Service Summit

President Clinton is deeply committed to the goals of the Presidents' Summit for America's Future held in Philadelphia last April. Service and the well-being of our nation's children have been at the center of the President's agenda since he took office.

The President is committed to moving forward with America's Promise and other partners to attain the summit's goals for children --a caring adult, a safe place, a healthy start, a marketable skill, and a chance to serve. Since April, the President has continued to emphasize the importance of service to audiences, including the Business Roundtable, the Conference of Mayors, the Welfare-to-Work Partnership, and the radio address, and has recognized major corporate commitments. At the same time, the Administration has been moving forward on all five goals.

The Spirit and Work of the Summit Continues

Since the summit, America's Promise and the Corporation for National Service have continued the work that began at the summit --working with communities at the grass-roots level and securing commitments from corporate and non-profit America toward the five goals. America's Promise, the independent organization founded to follow up on the summit, has garnered over 200 new commitments since the summit, some very substantial. Over 150 cities and states are holding "mini-summits" around the country, with the help of America's Promise and the Corporation for National Service. America's Promise is encouraging communities to become "communities of promise" that take responsibility for reaching children at risk. The President has met with General Powell to discuss progress since April and talk about future directions.

The President's Corporation for National Service is also helping corporations and non-profits implement their summit commitments at the local level. Viacom is deploying its employee volunteers through AmeriCorps. The Corporation's Learn and Serve America program is helping in the delivery of eye exams and glasses to over 40,000 needy children promised by Vision Service Plan. The Corporation's National Senior Service Corps is helping the National Education Association-Retired meet its commitment to deploy thousands of retired teachers as tutors for America Reads. AmeriCorps*VISTA is working with IBM to bring technology to community organizations.

The Administration is Moving Ahead on the Summit's Goals

Since April, we have continued our work on the summit's five goals. Several of the following initiatives were announced at the summit itself by the President or by federal agencies.

AmeriCorps Scholarships:

We have increased opportunities for young people to serve their communities. At the summit, the President issued a challenge to service and religious organizations that we would provide 50,000 new AmeriCorps scholarships over the next 5 years to organizations that offer young people the chance to serve. The response since then has far exceeded our expectations. Seventy-seven organizations answered that challenge, offering to sponsor 10,000 new AmeriCorps members. In June, 8,900 scholarships were approved, well ahead of our first-year plan for 5,000 scholarships. (Summit goal

5, among others.)

National Service Scholars:
This summer, we launched a new effort to recognize and foster outstanding community service among our nation's youth. We awarded scholarships to over 1,600 high school students with exemplary service records in the first year of the National Service Scholars program. A host of leading community organizations stepped forward to raise the local match for the scholarships, including the Kiwanis, Rotary, Lions, Veterans of Foreign Wars, the American Legion, Elks, and Women's Clubs. Each high school principal was invited to nominate a junior or senior for the scholarship. For next year, we have secured funding that will allow the program to expand to 10,000 high schools --almost half of all high schools in the nation. (Summit goal 5.)

Children's Health:
The Balanced Budget Act included a huge investment of $24 billion in children's health care, the single largest investment in health care for children since 1965. This Children's Health Initiative will give many more children the "healthy start" that the Summit recognized as so important. In June, the President announced that Kaiser Permanente is committing $100 million to provide health coverage for uninsured children in California, complementing the Administration's efforts. The Administration is also focusing on outreach to families who may not know their children are eligible for Medicaid or other health insurance. (Summit goal 3.)

Welfare to Work:
Since May, the Vice President has been leading the Coalition to Sustain Success, a new partnership of civic organizations that is working with state and local government to mentor families seeking to leave welfare for work and provide them with networking and support. In addition, the Welfare to Work Partnership has mobilized over 2,500 businesses to hire welfare recipients, so that those parents can move into the economic mainstream and improve their children's future. The Partnership is helping companies all across the nation hire people off welfare by providing information on best practices through a Blueprint for Business and other information available on their toll-free hotline and web page, as well as working closely with community and business leaders in a number of cities to promote innovative and effective welfare to work initiatives. (Several summit goals.)

Loan-Forgiveness for Community Service:
The President's proposal for loan forgiveness for those who perform community service was enacted as part of the balanced budget. To encourage private universities and non-profit organizations to offer loan forgiveness to borrowers who take lower-paying service jobs, the President proposed and won a provision that would not subject such loan forgiveness to taxation. (Summit goal 5.)

America Reads and AmeriCorps:
The Department of Education and the Corporation for National Service have begun to implement the President's America Reads initiative this year, while seeking resources from Congress for full-scale implementation in 1998-99. Hundreds of colleges and universities have committed to provide tens of thousands of work-study students as reading tutors in the current school year as part

THE PRESIDENT HAS SEEN
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Teachers Recruitment to underserved areas

of America Reads, the national literacy campaign to ensure that every child can read well and independently by the third grade.
AmeriCorps members are working in 94 programs across the country to tutor and mentor, set up after-school and summer programs, and recruit parents and community volunteers as tutors. The Corporation is also launching a new "Seniors in Schools" initiative in nine cities to use older volunteers as literacy tutors in some of the nation's poorest elementary schools. In the District of Columbia, over 1,000 college students, volunteers, seniors, and parents will tutor first grade children in 16 of the neediest schools in the city. (Summit goal 4.)

White House Conference on Child Care:
On October 23, the President and First Lady will host this event as part of an Administration focus on how to ensure high quality and affordable child care. This effort builds on our earlier emphasis on the importance of early learning. (Summit goals 1, 2, and 4.) + specific actions

Commitments by Federal Agencies:
Federal agencies are following through on the more than 40 commitments they made at the summit, including mentoring and tutoring and launching new partnerships with corporations and nonprofits. They are also continuing to launch new initiatives and partnerships to reach the summit's goals. Here are some examples of agency progress:

- **Department of Justice:** The Department of Justice has convened a new public/private Mentoring Alliance to promote the Summit's mentoring goal, disseminate information about best practices, and determine how best to link volunteers with the children who need them. Members include Big Brothers/Big Sisters, One to One, Boys and Girls Clubs of America, and Save the Children. In addition, DOJ has followed through on its commitment to more than double the number of sites for its Juvenile Mentoring Program. (Summit goal 1.)

  DOJ also completed its commitment to expand its Drug Education for Youth (DEFY) summer camp program that promotes positive life choices for children between the ages of 9 and 12. After the summer program, the children are linked with mentors from the local U.S. Attorney's office, police department, or university. DOJ's new Youth Network provides a forum for young people and community organizations to exchange ideas on juvenile violence and delinquency prevention. (Summit goals 1 and 2.)

- **Corporation for National Service:** The Corporation for National Service is taking the lead to meet the Summit's goal of engaging an additional 2 million young people in community service. (Summit goal 5.) It is also developing a new initiative "To Learn and Grow" to expand and improve the quality of afterschool programs (Summit goal 2).

- **Department of Education:** This summer, the summer reading program Read*Write*Now! reached over 1.5 million children through over 500,000 reading partners, fulfilling the Department's commitment. (Summit goal 4.)

- **Health and Human Services:** In June, HHS Secretary Shalala launched a new partnership with the Girl Scouts, to teach girls about the dangers of substance abuse and other risky behaviors, featuring a new patch that Girl Scouts can earn by completing the program. (Summit goals 1 and 3.)

- **Department of Defense:** The Army has modified its leave policy to make it easier for military and civilian personnel to volunteer in schools. Pursuant to its commitment, the Department of Defense is increasing high school enrollment in Junior ROTC Career Academies, an alternative to the regular high school JROTC program designed to address the special needs of at-risk youth. (Summit goals 1, 2, and 4.)

- **Department of Agriculture:** In September, the Vice President and Agriculture Secretary Dan Glickman convened a National Summit on Food Recovery, to develop a national strategy to increase gleaning efforts by one-third by the year 2000. (Summit goal 5.)

- **Department of Transportation:** DOT has launched its new effort, the Garrett A. Morgan Technology & Transportation Futures Program. To date, DOT has heard from over 200 partners who want to join its effort to reach one million students by the year 2000. The program will offer these students better math, science, and technology skills and information about careers in technology and transportation. (Summit goal 4.)

- **Partnerships with Schools:** The Social Security Administration, the Department of Labor, the Department of Health and Human Services, and the Department of Transportation are among the agencies now forging new partnerships with schools. (Summit goals 1 and 4.)

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THE WHITE HOUSE

WASHINGTON

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October 24, 1997

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MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED BR

CC: Steve Silverman

SUBJECT: Harris Wofford Memos

Harris Wofford has written you two memos. The first recommends that you make reauthorization of AmeriCorps a high priority. The second recommends that you reinstate President Bush's "Daily Points of Light" awards. A discussion of each memo, along with my recommendations, follows.

I. Recommendation on Harris's Reauthorization Memo

Harris Wofford wrote you on October 3 urging that we make reauthorization of AmeriCorps a high priority. He argues that we should send the Corporation's reauthorization proposal to the Hill before adjournment this year, with the goal of getting AmeriCorps reauthorized by the first anniversary of the Presidents' service summit next April. AmeriCorps has never been reauthorized and is now operating without any authorization. Harris argues that we must seek to establish firmly AmeriCorps' existence, preferably beyond the end of your term, and that this is the best time to do it.

The Corporation has made strides, particularly since the service summit, in getting Congress to support or at least not attack AmeriCorps. This year, for the first time, Congress did not launch an effort to eliminate the core AmeriCorps programs during the appropriations process, and it appears we will secure funding at last year's levels plus an increment for America Reads, although a smaller one than we requested.

agree

We recommend that we launch the reauthorization in a high-profile way as Harris requests, but wait until the final phase of this year's appropriations battle is complete. The VA-HUD appropriations bill that is coming to you for signature includes funding for core AmeriCorps programs as well as $25 million for America Reads. However, we are still fighting to get more funds for AmeriCorps' portion of America Reads as part of the Labor-HHS appropriations bill, and we believe it would be prudent to wait until this is resolved. It is possible that Labor-HHS will not be settled until just before recess, which would frustrate Harris's goal of sending this proposal to the Hill prior to adjournment. Nevertheless it would be prudent to wait.

THE PRESIDENT HAS SEEN
11-3-97

One option is to launch the reauthorization in a radio address right before Thanksgiving, which would come just before Powell's summit update on November 25.

II. Recommendation on Harris's Points of Light Memo

Harris Wofford has written to urge that you resume former President Bush's "Daily Points of Light" awards. He proposes to rename the awards the "Presidents' Points of Light," with you and President Bush as co-sponsors. Rather than having the White House take responsibility for selecting and vetting the winners on a daily basis, as was the case under President Bush, Harris proposes that the Points of Light Foundation and the Corporation for National Service take on this responsibility. The Knights of Columbus have agreed to fund the costs of this program for one year.

One factor complicating the decision is that Harris has had extensive conversations with the Points of Light Foundation and with President Bush himself on this proposal. Apparently Harris has made it clear that he favors this idea and that the decision rests with the White House. Harris indicates that President Bush will be deeply disappointed if we decide not to resume the awards.

One other timing issue is that you are scheduled to attend the dedication of President Bush's library on November 6. If we decide to reinstate this program, that event would be an opportunity to announce it, especially given the former President's attachment to the Points of Light program.

Arguments For:

- Reinstating the awards is an easy way to keep the issue of service and volunteerism before the public on a daily basis. It would continue to repair the rift between the AmeriCorps concept of service and the more traditional volunteer sector, just as the Philadelphia summit did. Also, AmeriCorps members would be eligible for the awards.

- President Bush very much wants the Administration to do this. He will be very disappointed if we do not, and he will see it as the White House's decision because of Harris's conversations with him.

Arguments Against:

- The benefits of resuming the awards are minimal. Our efforts to reach out to the volunteer sector at the Philadelphia summit were so successful that it is not clear what this would add. In addition, some would react negatively to such a decision, since the original Points of Light program was derided by many as an empty gesture.

- Although theoretically we could assign responsibility for vetting the award winners to the Points of Light Foundation and the Corporation for National Service, from a practical

THE PRESIDENT HAS SEEN
11-3-97

standpoint we would probably still feel the need to do a legal and/or political check on award winners. The daily responsibility of selecting and vetting winners will be time-consuming for White House staff, and not worth the effort.

Also — we can let them handle the administration of our [illegible] thing [illegible]

Options:

#1 Resume the awards as Wofford proposes.

#2 Decline to resume the awards.

#3 Recommended Option: Reestablish these awards as the "Daily Points of Light" awards, rather than the "Presidents' Daily Points of Light" awards, to be administered by the Points of Light Foundation and the Corporation, with no formal connection to the President or the White House.

Harris believes that this plan would be acceptable to former President Bush as long as we do not appear to be distancing ourselves from the awards. To that end, he suggests we announce this at the dedication of the Bush library, and advise former President Bush in advance of our action. He also suggests that we invite a group of the first winners to the White House during National Volunteer Week in April, along with former President Bush, and that we use inclusive language in talking about the awards, such as "We join former President Bush in congratulating the winners." Such actions seem like a reasonable compromise on this issue.

___ Option #1

___ Option #2

✓ Option #3 (recommended)

___ Discuss

Called I'm OK on option 3 — might help us get to a vote — Did I would Bush publicly help us get to authorization?

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THE WHITE HOUSE

WASHINGTON

October 24, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED BR

CC: Steve Silverman

SUBJECT: Harris Wofford Memos

Bruce — I would keep the Bush awards name for Bush & use for him. Maybe for him and we should not [illegible] from Hitler. [illegible]

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Arguments For:

- Reinstating the awards is an easy way to keep the issue of service and volunteerism before the public on a daily basis. It would continue to repair the rift between the AmeriCorps concept of service and the more traditional volunteer sector, just as the Philadelphia summit did. Also, AmeriCorps members would be eligible for the awards.

- President Bush very much wants the Administration to do this. He will be very disappointed if we do not, and he will see it as the White House's decision because of Harris's conversations with him.

Arguments Against:

- The benefits of resuming the awards are minimal. Our efforts to reach out to the volunteer sector at the Philadelphia summit were so successful that it is not clear what this would add. In addition, some would react negatively to such a decision, since the original Points of Light program was derided by many as an empty gesture.

- Although theoretically we could assign responsibility for vetting the award winners to the Points of Light Foundation and the Corporation for National Service, from a practical

standpoint we would probably still feel the need to do a legal and/or political check on award winners. The daily responsibility of selecting and vetting winners will be time-consuming for White House staff, and not worth the effort.

Options:

#1 Resume the awards as Wofford proposes.

#2 Decline to resume the awards.

#3 Recommended Option: Reestablish these awards as the "Daily Points of Light" awards, rather than the "Presidents' Daily Points of Light" awards, to be administered by the Points of Light Foundation and the Corporation, with no formal connection to the President or the White House.

Harris believes that this plan would be acceptable to former President Bush as long as we do not appear to be distancing ourselves from the awards. To that end, he suggests we announce this at the dedication of the Bush library, and advise former President Bush in advance of our action. He also suggests that we invite a group of the first winners to the White House during National Volunteer Week in April, along with former President Bush, and that we use inclusive language in talking about the awards, such as "We join former President Bush in congratulating the winners." Such actions seem like a reasonable compromise on this issue.

___ Option #1

___ Option #2

___ Option #3 (recommended)

___ Discuss

II.6

THE WHITE HOUSE

WASHINGTON

October 29, 1997

MEMORANDUM FOR ERSKINE BOWLES

FROM: Jack Lew and Bruce Reed

SUBJECT: Domestic Violence Waivers

Despite our many efforts we have been unable to persuade Senator Murray to embrace our approach on welfare reform and domestic violence. We recommend against supporting her proposal in the Labor-HHS conference given that it is at odds with our policy. We believe the issue would be better addressed through regulation; Secretary Shalala strongly agrees. This memo provides talking points describing our position and provides a brief comparison of the domestic violence amendment offered by Senator Murray and the HHS regulations currently under review.

Talking Points

- We share Senator Murray's goal of allowing states to grant temporary waivers from welfare reform rules to victims of domestic violence while ensuring that these women receive the services they need to become self-sufficient.

- We disagree with Senator Murray about how best to achieve these goals. We believe Senator Murray's proposal would allow states to largely escape the new welfare law's work rules and time limits while failing to provide victims of domestic violence with the services they need to get on the road to self-sufficiency.

- We support a policy that will encourage states to provide temporary waivers to victims of domestic violence and require that they provide services to these women while maintaining the welfare law's strong work focus.

Background

Senator Murray has long advocated a proposal that would exclude victims of domestic violence from the welfare work requirements and time limits. The Senate adopted her amendment as part of the Senate Labor-HHS bill, which is now in conference. Senator Murray's proposal has passed the Senate several times, but has always been dropped in conference. Our Statement of Administration Policy on the Labor-HHS bill does not mention her amendment. Senator Murray has long been aware that both the DPC and HHS have serious reservations about her approach to this issue.

Currently, states can exempt victims of domestic violence from work requirements and time limits, so long as they put 30 percent of their overall caseload to work and enforce the time limit for 80 percent of their caseload. Senator Murray's approach would change the law by allowing states to grant exemptions to these women wholly independently of the overall work and time requirements. This approach would significantly weaken the welfare law's emphasis on work: for example, if 15 percent of the caseload were granted domestic violence waivers, then only 15 percent of the total caseload would have to work. At the same time, Senator Murray's proposal would do nothing to ensure that victims of domestic violence actually get the intensive assistance they need to become self sufficient; indeed, the proposal might well lead states to wholly ignore these women.

DPC, OMB, and HHS believe there is a better way to meet our and Senator Murray's joint goals, although Senator Murray strongly disagrees. We have been working on regulations clarifying that HHS will not subject states to penalties if they fail to meet the work rates because they have exempted victims of domestic violence, so long as their exemptions are temporary and the state also provides services to help these women become self-sufficient. In particular, the proposed regulation will:

- Ensure that domestic violence waivers (1) are based on an individualized assessment, (2) have limited duration and (3) are accompanied by an appropriate services plan designed to provide safety and lead to work. These provisions would help ensure that victims of domestic violence get the assistance they need and that states grant waivers only for individuals who need them.

- Excuse states from a penalty for failing to meet its work participation rate if the state meets the rate for the part of its TANF population that has not been granted domestic violence waivers.

(Within the Administration there is still some dispute between us and HHS over excusing states that grant domestic violence waivers from the 5-year time limit as well as from work requirements. We are currently discussing middle ground positions and hope to work through this dispute at the staff level.)

Both OMB and DPC believe that the proposed rule we are working on with HHS will result in a fair policy which balances our goals of protecting victims of domestic violence and ensuring the strong work focus of welfare reform. We believe it is critical that real services be provided to victims of domestic violence and that states not be penalized for providing these specialized services, but also that states not be given loopholes to escape work requirements or time limits.

Despite our efforts to address Senator Murray's concerns, we do not expect that she will be satisfied with any proposal that falls short of her amendment. However, based on HHS consultation with outside groups during the regulation development process, we do believe that many women's advocates will understand how much our proposal does to help victims of domestic violence.

THE PRESIDENT HAS SEEN
11-3-97

THE WHITE HOUSE
WASHINGTON

October 30, 1997

MR. PRESIDENT:

Harris Wofford, Director of the Corporation for National Service, has sent you two memos. The first seeks your approval on a strategy of moving forward with reauthorization of AmeriCorps this year. The second seeks your approval of a plan by Sen. Wofford to reinstate the "Daily Points of Light" award. Sen. Wofford has apparently already had extensive conversations with President Bush about this plan.

At my request, Bruce Reed has summarized the memos and presented you with recommendations; the underlying memos from Wofford follow Bruce's cover note.

There is no disagreement on the reauthorization issue -- your advisors agree that we should move forward this year. On the "Points of Light" award, Bruce presents a recommendation different than Harris' proposal. While none of your advisor's are thrilled about reinstating these awards, they agree that Bruce's suggestion makes the most sense. Resumption of the awards could be announced at your visit to the Bush Library next week.

Please see Bruce's memo for details.

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THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

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November 11, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
ELENA KAGAN

SUBJECT: RACE POLICY INITIATIVES

A few weeks ago, we sent you a list of policy ideas that could be announced over the next six months as part of the race initiative. We are attaching that list to this memo. It is worth noting again that none of these ideas has gone through the budget process, and some are more fully developed than others. We are continuing work on these policy ideas and will discuss some of them at the meeting tomorrow.

In a recent article, William Julius Wilson wrote: "The country's deep racial divisions certainly should not be underestimated, but the unremitting emphasis on these gaps has obscured the fact that African-Americans, whites, and other ethnic groups share many concerns, are beset by many similar problems, and have important values, aspirations, and hopes in common. . . . A new democratic vision . . . must find issues and programs that concern families of all racial and ethnic groups, so that individuals in these groups can honestly perceive mutual interests and join in a multiracial coalition to move America forward."

We believe the central focus of the race initiative should be a race-neutral opportunity agenda that reflects these common values and aspirations. Of course, there is still a need for strong civil rights enforcement, narrowly tailored affirmative action programs, and certain other kinds of targeted initiatives (see, for example, the health initiative described in the attached memo). But the best hope for improving race relations and reducing racial disparities over the long term is a set of policies that expand opportunity across race lines and, in doing so, force the recognition of shared interests. These policies -- for example, education opportunity zones, university-school mentoring programs, housing vouchers, and community policing and prosecuting initiatives -- address the concerns of working people of all races, at the same time as they provide especial benefits to racial minorities.

We think you should state explicitly throughout the year that this kind of agenda is the best way to achieve racial progress -- to reduce racial inequalities and bridge racial divides. Expanding opportunity for all Americans has been the clear mission of your Presidency, and it should be the clear mission of your race initiative.

THE WHITE HOUSE

WASHINGTON

December 9, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
TOM FREEDMAN

SUBJECT: Civil Rights Enforcement Initiative

We have developed a civil rights enforcement initiative that places a new emphasis on prevention and non-litigation remedies for discrimination while also strengthening civil rights agencies' ability to bring enforcement actions for violations of anti-discrimination law. The plan promotes prevention by providing increased resources for compliance reviews and technical assistance, and offers an alternative to expensive litigation by funding a dramatic expansion of alternate dispute resolution (ADR) mechanisms. The plan also sets specific performance goals for the EEOC to speed its processing of complaints and reduce its backlog, and provides for greater coordination across federal civil rights agencies and offices. The package of improvements totals approximately $100 million, including a 16.5% increase above the enacted FY 1998 budget for EEOC and a roughly 50% increase for the relevant HUD office.

I. Strategies that Promote Prevention and Avoid Litigation

A. Resolving Problems Without Lengthy Court Fights

The plan calls for the dramatic expansion of Alternative Dispute Resolution (ADR) programs across all relevant agencies. The largest initial investment is a $40 million expansion over three years of the EEOC's mediation program. The EEOC currently sends only a small number of cases to mediation. The increased funding will allow upwards of 70% of all complainants to choose mediation, rather than the lengthy process of investigation and litigation. (The remainder will not have this option, either because their cases are seen as the most serious enforcement priorities or because their cases are wholly devoid of merit.) We expect about half of all complainants to choose the mediation option. In addition to the EEOC program, pilot mediation programs will be introduced at HHS and Labor.

B. Spotlighting the Problem and Encouraging Compliance

The initiative includes a fund to improve surveillance, technical outreach, and compliance efforts by civil rights offices. The focus on compliance is reflected in increased support for DOL's Office of Federal Contract Compliance, which ensures that businesses under contract to the federal government implement E.O. 11246 and comply with anti-discrimination law. This $18 million reform will allow the office to increase tenfold the number of compliance reviews it

conducts through the introduction of a tiered review system. In addition, the initiative provides $10 million to HUD to conduct a program using paired testers, which is designed to raise awareness of the extent of housing discrimination through the public release of audit results and some focused enforcement action. This initiative also will enable the EEOC to improve compliance through videos for employers and a public service campaign.

II. Making Enforcement Work

A. Resources to Eliminate Backlogs

One of the most common criticisms of federal civil rights enforcement relates to the length of time the EEOC takes to hear and decide cases. This plan uses improvements in technology, mediation, and the addition of over 100 investigators to lower the average time spent resolving private-sector complaints to under 6 months (from the current 9.4 months) and to reduce the inventory from 64,000 cases to 28,000 by the year 2000. The plan also includes two new initiatives at HHS to reduce backlogs by expanding the use of case management techniques and giving state and local civil rights agencies an additional role in enforcement activities.

B. Coordinating and Streamlining Federal Policies

Federal civil rights offices only rarely consult or coordinate with each other. This initiative will institute a standing inter-agency working group to address issues of common interest, including development of strategy, implementation of performance outcome measures, and sharing of training initiatives and data collection.

We also recommend that you begin the process of implementing EEOC's proposal to strengthen its authority to eradicate discrimination from federal agencies, provided White House and Department of Justice attorneys approve the measures. Currently, parties who complain of discriminatory treatment by an agency can request a hearing from an Administrative Judge (AJ) who is an impartial EEOC employee. Agencies, however, can then issue a final agency decision (FAD) rejecting the AJ's decision altogether. Statistics show that agencies modify decisions adverse to them nearly two-thirds of the time, while modifying decisions favorable to them only about 1% of the time. The EEOC proposal would eliminate the FAD process where there has been an AJ hearing, and permit both the complaining party and agencies to appeal the AJ's decision to the EEOC.

C. Modernizing Civil Rights Enforcement

Many civil rights agencies have not received sufficient increases in resources to make use of technology and improve their efficiency. For instance, unlike most of the federal government, EEOC offices lack the ability to communicate with each other using e-mail. The plan includes a $15 million technology initiative for EEOC, HHS, Labor, and Education to provide for communication via electronic mail; eliminate redundant data entry procedures; permit the

sharing of information and enhanced research capabilities for investigators and attorneys; allow for the filing of forms and complaints over the Internet; and provide for the sharing of civil rights data bases.

III. Status of Proposals

DPC developed this plan after consultation with representatives of leading civil rights organizations, heads of federal civil rights offices, and other White House offices. OMB has recommended a package of $57 million for this initiative, which will fund some of the measures described here. OMB is currently reviewing other agency proposals, including the $40 million expansion of ADR at EEOC and the $18 million proposal by DOL-OFCCP to expand its compliance program.

THE WHITE HOUSE

WASHINGTON

December 10, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: Child Care Initiative

As you recall, you announced at the White House Conference on Child Care that you would unveil a child care initiative in your State of the Union Address and FY 1999 budget proposal. The Conference made clear that child care is one of the most pressing issues facing America's working families today. It focused particular attention on the problems families face with the cost of child care, the quality of care (especially for infants and toddlers), and the availability of care (especially for school-age children). The recommendations presented in this memorandum address these concerns.

This memorandum outlines a recommended package of proposals and reflects a policy development process led by the Domestic Policy Council with significant input from the First Lady and her staff, NEC, OMB, OVP, CEA, IGA, and various federal agencies, including the Departments of HHS, Treasury, and Education. Many of your advisors see your child care proposal as the next significant initiative in your on-going commitment to working families. As you know, the First Lady has been particularly supportive of strong investment in this area.

The memorandum outlines both tax and general revenue expenditure options. On the tax side, we recommend an increase in the Child and Dependent Tax Credit, which assists low- and middle-income working families with child care costs. On the spending side, we recommend a package centered around: a significant investment in direct child care subsidies, which help low-income working families afford child care; a series of targeted investments to promote early learning opportunities and improve the safety and quality of child care; and an expansion of good after-school programs.

OVERVIEW OF PROPOSALS

Tax Relief for American Families. Modify the Child and Dependent Care Tax Credit (CDCTC) to assist low- and middle-income Americans with child care costs.

Tax Credits for Businesses. Provide a tax credit to businesses that incur costs related to building or operating child care facilities, training child care workers, or providing resource and referral services to employees (some version of Senator Kohl's proposal).

Subsidies for Low-Income Families. Increase federal investment in the Child Care and Development Block Grant (CCDBG) to enable states to provide child care subsidies to additional low-income working families with children under 13.

Standards Enforcement. Establish a new fund for states to improve licensing of providers and enforcement of state health and safety standards.

Early Learning Fund. Establish a new fund -- structured as challenge grants to communities -- to promote early learning, child care quality, and parent involvement and education.

Early Head Start. Increase the Early Head Start set-aside and raise overall funding in Head Start.

Scholarships and Training for Child Care Providers. Establish a Child Care Provider Scholarship Fund to provide scholarships to students working toward a child care credential, and expand the Department of Labor's Child Care Apprenticeship Program to fund training of child care providers.

Research and Evaluation. Establish a new fund to support research and demonstration projects, data collection, technology development, a National Center on Child Care Statistics, and a national child care hotline for parents.

School-Age Opportunities. Expand the Department of Education's 21st Century Community Learning Center Program to provide start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children in public schools.

Stay-at-Home Parents. Consider expanding the reach of the Family and Medical Leave Act and establishing a small evaluation or demonstration fund to support states wishing to test innovative approaches in this area.

PROPOSAL	DPC RECOMMENDED FUNDING LEVEL OVER FIVE YEARS
Child and Dependent Tax Credit Reform	$5.2 billion
Tax Credit for Businesses	$1 - $2 billion
Subsidies for Low-Income Families Through Block Grant	$4 billion
Standards Enforcement Fund	$500 million
Early Learning Fund	Approx. $2 billion
Early Head Start	$500 million
Child Care Provider Scholarship Fund	$250 million
Child Care Apprenticeship Training Program	$10 million (for FY 1999)
Research and Evaluation Fund	$150 million
21st Century Learning Center program	$500 million to $1 billion

TOTAL TAX: $6.2 to $7.2 billion over five years

TOTAL SPENDING: Approx. $8 billion over five years

BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

The federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG).

Child and Dependent Care Tax Credit. The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income (AGI). Currently, the credit rate is phased down from 30 percent (for taxpayers with AGI of $10,000 or less) to 20 percent (for taxpayers with AGI above $28,000). The maximum amounts of qualifying expenses for which credits may be claimed are $2,400 for one qualifying individual and $4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from $480 to $720 for a taxpayer with one qualifying individual and $960 to $1,440 for a taxpayer with two or more qualifying individuals.

Child Care and Development Block Grant. The CCDBG is the primary federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Because of your efforts, welfare reform increased federal funding for child care by approximately $4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the states, which provide matching funds to operate direct child care subsidy programs and improve the quality and availability of care. By law, states may serve families below 85 percent of state median income, and must spend 4 percent of their funds on efforts to improve child care quality.

	CCDBG	CDCTC
Current federal funding level	$2.9 billion (FY 1997)	$2.5 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85 percent of state median income	Taxpayers who pay for at least 50 percent of the care of a child under 13 and/or a disabled dependent or spouse in order to work
Percent of overall dollars in program going to families with AGI below 200 percent of poverty	**Approximately 96 percent**	**19 percent**
Percent of families with AGI below 200 percent of poverty and children under 13 who receive assistance under program	12 percent (of potentially eligible families)	13 percent
Amount of assistance	**$3,200 (average, annual subsidy per-child in FY 1995)***	**$419 (average tax relief per family with AGI below 200 % of poverty)***

*Average annual child care costs in 1995 range from $4,000 - $10,000 for full-time care for one child.

OPTIONS FOR CHILD CARE INITIATIVE

I. **TAX SYSTEM**. Options for investing in child care through the tax system include:

A. ***Child and Dependent Care Tax Credit***. Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. Presently, the CDCTC phases down from a high of 30 percent at $10,000 or less of income to 20 percent at more than $28,000 of income (a phase-out rate of one percentage point per $2,000 of income). The recommended option would raise the top rate from 30 percent to 50 percent and move the phase-out range from $10,000-$28,000 to $30,000-$59,000, indexed for inflation thereafter. Under this option, the credit would phase out at a rate of one percentage point per $1,000 of income, from a high of 50 percent at $30,000 or less of income to 20 percent at more than $59,000. The Department of the Treasury estimates that this option would affect 3 million taxpayers (all with adjusted gross incomes below $59,000), providing an average tax cut of $358 and eliminating tax liability for most families with incomes below 200 percent of poverty and maximum allowable child care expenses. This option would cost $5.2 billion over five years; less expensive options, using different rates and phase-out ranges, are also possible.

The chart below describes the effect of modifying the CDCTC as described above on various hypothetical American families:

Hypothetical Family Experiences	Post-Credit Income Tax Liability Under Current Law	Post-Credit Income Tax Liability Under the Proposal	Change in Tax Liability from Current Law
Single head of household with a child under 13, whose income is $20,000 and has $1,900 of child care expenses	-$927	-$1,152	-$225
Single head of household with a child under 13, whose income is $25,000 and has $2,500 of child care expenses	$569	-$103	-$672
Married couple with two children under 13, whose income is $35,000 and have $4,050 of child care expenses	$665	0	-$665
Married couple with two children under 13, whose income is $50,000 and have $4,050 of child care expenses	$2,915	$2,510	-$405

[Treasury Department Analysis; shown in 1999 dollars]

Pros:

- The CDCTC has not been adjusted for inflation since 1982. (Adjusting for inflation would move the phase-out from the current $10,000 - $28,000 to $18,000 - $45,000 -- less than $30,000 to $59,000 described in the option.

- The CDCTC assists parents with a range of income levels at low administrative costs.

Cons:

- The CDCTC is not well targeted to those with low incomes.

  -- Under current law, about 1 percent of the CDCTC is received by families with incomes in the bottom quintile. About 32 percent of the credit is received by families with incomes in the top quintile.

  -- Taxpayers who also claim the $500 child credit will not benefit from an increase in the CDCTC unless their income is more than 130 to 160 percent of poverty, depending on such variables as number of children and level of child care expenses.

- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

Recommendation

This option will directly assist middle-class families with child care costs: over 3 million families, all with incomes below $59,000, will benefit. The Treasury Department and OMB think that if you decide to propose a tax bill this year, this expansion of the CDCTC should be part of that package. The NEC supports this option. **The DPC recommends that you propose these adjustments to the CDCTC, at a cost of $5.2 billion over five years.**

B. ***Tax Credits to Corporate Sector***. Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. In legislation proposed by Senator Kohl, the credit covers 50 percent of qualified costs incurred, but cannot exceed $150,000 per year. Kohl's proposal, which is sunsetted after two years, is estimated by the Joint Committee on Taxation to cost $2.6 billion over five years. The Treasury Department is working to adjust this option to limit inefficient subsidies; Treasury predicts that the resulting proposal will be less costly.

Pros:

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to employees.

- The proposal addresses concerns about the quality of child care by providing the credit only for expenses incurred in licensed child care facilities.

Cons:

- This credit is costly relative to the number of additional child care slots created.

- This proposal may give businesses a tax credit for expenses they would have otherwise incurred -- and deducted or depreciated -- in the absence of the credit. (The Treasury Department is working to adjust the option to limit substitution.)

- This proposed credit is likely to disproportionately benefit middle- and higher- wage workers.

- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (*e.g.*, governments and non-profit organizations).

Recommendation

Secretary Rubin has met with Senator Kohl and recommends that you seriously consider including this option in any tax bill you propose this year if Treasury can adjust it to limit subsidization of existing activity. The rest of your advisors generally agree (with NEC most stressing the need for safeguards against inefficient subsidization), though all think that adjustment of the Child and Dependent Care Tax Credit should be a higher priority because that credit better helps low- and middle-income families afford child care. **The DPC recommends that you support a new tax credit to businesses with effective safeguards against subsidizing existing activity, in the range of $1 to $2 billion over five years.**

II. **CHILD CARE AND DEVELOPMENT BLOCK GRANT**. Increase federal investment in the Child Care and Development Block Grant (CCDBG) to enable states to provide child care subsidies to additional low-income working families with children under age 13. According to HHS estimates, for every $100 million of annual additional federal investment in CCDBG matching funds, at least 35,000 more children from families with incomes below 200 percent of poverty will receive subsidized child care.

Pros:

- CCDBG provides significant relief to low-income working families for child care costs. Annual subsidies averaged nearly $3,300 in FY 1995. Average annual child care costs range from $4,000 - $10,000 for full-time care for one child.

- States currently target their CCDBG dollars to the lowest-income working families who are making the transition from welfare to work; additional resources will enable states to reach working families with slightly higher incomes.

  -- Early data from HHS demonstrate that states have obligated nearly all of their FY 1997

CCDBG dollars. Although states are allowed to subsidize child care costs for families below 85 percent of state median income (roughly 200 percent of the federal poverty level), the majority of states serve only families with incomes below 130 percent of poverty.

- Increasing federal investment in the block grant leaves states with flexibility to use the funds for the particular child care needs of their low-income populations.

- Governors strongly favor this option.

Cons:

- The federal government has little control over a state's use of this money, including the state's decision about which families to cover (assuming the families are below the statutory limit of 85 percent of state median income).

Recommendation

Many of your advisors -- Secretary Shalala, the Treasury Department, DPC, and CEA in particular -- believe that making child care affordable for low-income working families should be the highest priority of any child care initiative -- and that subsidies are the most effective mechanism to accomplish this goal. They note that subsidies from the block grant provide a generous amount of assistance and go to the lowest-income families. During the policy development process, your advisors considered whether to condition increases in the block grant on quality improvements. Most of your advisors, however, came to the conclusion that doing so would provoke broad bipartisan opposition among Governors and Members of Congress. The DPC will continue to explore whether there are feasible ways of using new investment in the block grant to encourage quality improvements. **The DPC recommends that you propose an increase in federal investment in the CCDBG of $4 billion over five years, which will provide subsidies for approximately 280,000 additional children of low-income families.**

III. **QUALITY/EARLY LEARNING**. Options for increasing federal investment in child care quality and early learning include:

A. ***Standards Enforcement***. Establish a fund for states to improve licensing systems and enforce state child care health and safety standards. Activities supported would include providing additional staff and resources to license child care settings and increasing unannounced inspections of child care centers and family day care homes.

Pros:

- Child care experts report that almost all states under-enforce child care standards.

- Research and experience in the military child care program indicate that diligent enforcement of standards -- particularly frequent unannounced inspections -- improves quality dramatically.

Cons:

- In some states, funding will go to enforce weak standards.

B. ***Early Childhood Development and Quality***

1. ***Early Learning Fund***. Increase federal investment in activities to improve early childhood education and the quality and safety of child care for young children (ages 0-5). The program would have three goals: (1) to improve early learning and development for our youngest children; (2) to ensure health and safety in child care; and (3) to increase parental involvement. In order to accomplish these goals, funds could be used for the following activities: (1) providing basic training to child care providers (including first aid and CPR, and training in child development); (2) creating and supporting family day care networks (*e.g.*, connecting individual child care providers to centers for education and support); (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; (5) reducing group sizes and child-to-staff ratios; and (6) providing home visits, parent education, and consumer education about child care. This program would provide challenge grants to communities (*e.g.*, counties or local public-private partnerships) to support child care providers and programs. It is similar to North Carolina's Smart Start program and Senator Kerry's current legislative proposal.

Pros:

- The fund targets infants and toddlers, whose health and safety are most at risk in child care today.

- The Administration has made a strong commitment to promoting early childhood development and learning, which help ensure school-readiness.

Cons:

- With limited resources, additional investments in quality may take money from investments to make child care more affordable.

- Existing programs and proposals serve some of the same purposes as the Early Learning Fund.

- It is unclear whether this fund, as presently conceived, has sufficiently clear and measurable goals.

2. ***Early Head Start***. Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that raising the set-aside does not reduce the resources available for children 3-5. One option would be to double the set-aside to enable more than 35,000 additional children to receive Early Head Start services in 2002, at a cost of approximately $500 million over five years.

C. ***Child Care Provider Training***. Increase federal investment in the training of child care providers. Options include:

1. ***Child Care Provider Scholarship Fund***. Establish (as you announced at the White House Conference on Child Care), the Child Care Provider Scholarship Fund to enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. You announced an investment of $250 million over five years, which will support 50,000 scholarships per year.

2. ***Child Care Apprenticeship Training Program***. Expand the Child Care Apprenticeship Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on-the-job observation and practice. The Department of Labor has asked for a one-time increase of $10 million for FY 1999.

Pros:

- Child care experts agree that well-trained child care providers are critical to child care quality.

- The apprenticeship program has shown positive results. In West Virginia alone, the program led to 800 apprenticeships in the child care field.

Cons:

- The scholarship fund will not guarantee that the recipient will remain in the child care field beyond the one-year commitment. However, results from the North Carolina T.E.A.C.H. program (on which the fund is modeled) indicate that annual staff turnover is only 10 percent for T.E.A.C.H. participants, as compared to 42 percent statewide.

D. ***Research and Evaluation***. Establish a new fund to support data and research, a National Center on Child Care Statistics, and a national child care hotline.

Pros:

- There is very little solid data on many aspects of child care, including quality, affordability, and parental choice. Funds for research and evaluation would be a noncontroversial way of expanding our knowledge on child care.

- No federal funds currently go to child care data and research. Research is needed to assist policy-makers and community leaders to better understand how to build the supply of affordable, quality care.

Cons:

- Research will not directly increase the supply of child care or make it more affordable.

Recommendation

All of your advisors agree with the proposals to establish a Standards Enforcement Fund and a Research and Evaluation Fund. Your advisors also agree on the need to increase federal investment in the training of child care workers (although OMB recommends only a $1 million increase for the DOL apprenticeship program).

Your advisors disagree about the importance of the Early Learning Fund. OMB supports resources for early learning, but not in the format of an Early Learning Fund because it is not targeted to the poor and does not go through existing programs. OMB notes that we already spend over $4 billion on early learning activities in Head Start and $50 to $60 million in America Reads for Parents as First Teachers and HIPPY. OMB believes that these programs, as well as WIC, may be more appropriate vehicles than a new program for conveying information to parents and otherwise promoting early learning and development.

NEC and HHS argue equally strongly in support of the Early Learning Fund -- and of significant investment in this new program. NEC argues that a "signature" initiative focusing on early learning and parents as first teachers builds on your and the First Lady's longstanding commitment (evidenced most recently at the White House Conferences) to foster learning in the earliest years. HHS notes the importance of directing resources to communities to make needed quality improvements for infants and toddlers. HHS has recommended $4 billion over five years for the Early Learning Fund; NEC has recommended $3.6 billion over five years.

Your advisors also disagree about whether you should propose to increase Early Head Start as part of the child care initiative. Many believe that this proposal would comport with your long-standing commitment to early learning for young children. HHS believes, however, that because the Head Start Act is up for reauthorization next year, such a proposal might lead to trade-offs within the Head Start program (*i.e.*, Head Start vs. Early Head Start) and between Head Start and other elements of your child care initiative.

The DPC recommends that you propose the above package of initiatives at a cost of about $3.5 billion over five years, broken down as follows:

Standards Enforcement	**$500 million over five years**
Early Learning Fund	**Approx. $2 billion over five years**
Early Head Start	**$500 million over four years (through FY 2002)**
Child Care Provider Training	
Scholarship Fund	**$250 million over five years**
Apprenticeship Fund	**$10 million for FY 1999**
Research and Evaluation	**$150 million over five years**

IV. SCHOOL-AGE OPPORTUNITIES

A. ***Expansion of the 21st Century Community Learning Center Program.*** Increase investment in the 21st Century Community Learning program, which provides start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children at public schools. Modify the program to increase community involvement, target higher-need communities, and require an increasing local match to ensure that programs become self-sustaining after receiving start-up funding.

Pros:

- This expansion responds to the tremendous need for after-school programs. Estimates of the number of "latch-key" children who are left unsupervised during non-school hours range from 2 to 15 million. Research shows that children are more likely to engage in at-risk behavior (*e.g.*, crime, drug and alcohol use) during these unsupervised hours.

- The program increases the supply of after-school programs in a cost-effective manner by using underutilized public school buildings and their existing resources, such as computers, gymnasiums, and sports equipment.

- The program responds to demonstrated parental and educator demand for school-based after-school programs. Many parents prefer school-based programs because they do not require transportation from school, are more likely to provide enrichment activities that build on the regular school program, and are overseen by school officials.

- The 21st Century Community Learning Center program has a proven record of support in this Congress; it received $40 million for FY 1998.

Cons:

- It may be difficult to expand a relatively new program rapidly (although creating an altogether new program at this level of funding would be even more difficult).

- Some community organizations may not support a primarily school-based initiative. This program currently funds only activities located in public schools, even though good programs also exist in community centers, museums, and other locations.

B. ***Coordination of Federal Efforts.*** Create a multi-agency task force to assist three to five pilot cities, including the District of Columbia, to identify and make the best use of currently available federal resources to provide comprehensive after-school programming. This collaborative federal effort would work to improve access to and efficient use of federal funds, and would provide the targeted communities with information from around the country on promising and effective practices. This initiative is expected to lead to other federal multi-agency collaborative efforts in other areas. (It has no cost for FY 1999.)

Recommendation

The Vice President, the First Lady, and Departments of Justice, HHS, and Education believe that your initiative must make a strong commitment to after-school programming, in part because this issue affects both low- and middle-income families. The Department of Education has recommended investing $1.7 billion over five years in this program -- $200 million in the first year, $300 million in the second year, and $400 million in the last three years to reach up to 1 million children and thereby double the number of children currently served by school-based after-school programs. The Vice President's Office supports this funding level. OMB suggests that a more gradual expansion of this new program would help ensure an effective use of funds. **The DPC recommends that your initiative propose a phased-in expansion of the 21st Century Learning Center program, at a total cost of $500 million - $1 billion over five years.**

V. STAY-AT-HOME PARENTS

A. ***The Family and Medical Leave Act (FMLA)***. FMLA currently covers employees of businesses with 50 or more employees. Options include: (1) expanding coverage to businesses with 25 or more employees, either in one step or incrementally; or (2) extending the leave period from 12 weeks (current law) to 24 weeks for parents with newborns.

Pros:

- Lowering the employee threshold would cover 10 million additional employees, increasing by 15 percent those employees covered by the Act.
- This proposal has no cost to the federal government.

Cons:

- Lowering the threshold will provoke strong business opposition, and increasing the length of leave may do so as well. The numbers of employers covered would double from 330,000 to 690,000.
- Opening the FMLA may trigger further Congressional action on legislation we oppose -- *e.g.*, comp time legislation.
- Because a small percentage of employees take the maximum amount of leave, expanding the length of leave will help relatively few people. Based on 1994 survey data, about 10 to 20 percent of the estimated 8 million who take some leave for any allowable reason in a year take the maximum leave of 12 weeks.
- These options will not help those people who cannot afford to take leave. According to the Commission on Leave, 65 percent of those who would have liked to take leave to care for their newborn, foster, or adopted child could not do so for economic reasons.

B. ***Paid parental leave coverage.*** Provide paid parental leave coverage for a limited amount of time to working parents below a specified income level. For example, a new paid leave plan could provide $200 a week for 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. Leave would be administered through the unemployment insurance system, but would be funded separately by the federal government. Employers not currently covered by FMLA would not be required to allow their employees to take this leave.

Pros:

- Paid leave would allow more parents to spend time with their newborn babies, and many parents are likely to take advantage of this new opportunity.

Cons:

- There are small substitution effects. Two to three percent of all employees receive paid family leave from their employers, though many of these employees would not meet the income threshold for this benefit. In addition, many employees receive paid vacation leave (roughly 90 percent) and paid sick leave (roughly 55 percent), and they do "bundle" these benefits to take leave for the birth of a child.

- Under the program described above, parents who have not been in the workforce would not receive any benefit.

- Businesses may oppose the plan because the cost of hiring and replacing employees will increase as more people take leave.

Recommendation

Some of your advisors, including the First Lady, urged us to consider policies to support new parents who want to stay at home with their newborns. They argued that such policies offer choice to parents and could help inoculate your child care initiative against conservative attack. Most of your advisors concluded, however, that the available policies -- *i.e.*, expanding the FMLA and providing paid leave -- would have limited appeal to conservatives because they primarily help mothers who intend to return to the workforce. Given the expense of paid leave, your advisors also concluded that it is not the best use of limited resources. We are now looking into the possibility of establishing a small evaluation or demonstration fund to support states wishing to test innovative approaches in this area. **The DPC recommends against proposing paid leave at this time. The DPC and NEC will soon submit a separate decision memorandum on FMLA options (which have no budgetary consequences), and the DPC may submit a proposal for an evaluation or demonstration fund to assist stay-at-home parents.**

THE WHITE HOUSE

WASHINGTON

March 10, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

SUBJECT: Auto Choice

Overview:

This memorandum addresses the "Auto Choice" legislation introduced last April by a bipartisan coalition of Members of Congress. Over the last several months, an NEC-DPC inter-agency working group has spent considerable time analyzing the Auto Choice proposal and reviewing other auto-insurance reform options. It is the strong view of the working group that the benefits of the Auto Choice proposal do not justify the costs.

Although proponents of Auto Choice claim that it will reduce insurance premiums by approximately $250 per year for the average driver, the working group found little evidence that this proposal or any other no-fault insurance plan will lead to lower rates. In the three states that currently mandate insurance companies to offer drivers choice between no-fault and pre-existing insurance plans (New Jersey, Kentucky, and Pennsylvania), there was no evidence that insurance rates fell when choice was implemented. In addition, our analysis suggests that under Auto Choice, bad drivers will benefit more than good drivers.

Background:

"No-fault" insurance plans allow policyholders to recover financial losses from their own insurance companies, regardless of fault, while restricting their right to sue.

Under current state no-fault laws, motorists may sue for damages beyond what their insurance company pays (i.e., economic damages above the policy limit and non-economic damages such as pain and suffering) only if the case meets certain conditions. These conditions, known as a "threshold," relate to the severity of injury. They may be expressed in verbal terms (a descriptive or verbal threshold) or in dollar amounts of medical bills (a monetary threshold). Some laws also include the days of disability incurred as a result of the accident. The academic evidence shows that verbal thresholds can lower insurance premiums, but that monetary thresholds can actually lead to higher premiums because people have an incentive to exaggerate their medical bills so that they can sue for additional damages.

Proposals:

The working group has considered two options. The first is the Auto Choice legislation introduced by Senators McConnell and Moynihan and Representative Armey. Under this proposal, drivers in states that accept the new federal legislation have a choice between the existing system in their state and a no-fault plan called 'personal protection insurance' (PPI). A driver who chooses the PPI option gets first-party coverage for economic damages (mostly medical and lost wages), without regard to fault. The driver can sue or be sued for economic damages above policy limits, but cannot sue or be sued for non-economic damages ('pain and suffering') except in cases involving drug or alcohol abuse. A driver who opts to stay in the state's current tort system must purchase tort maintenance coverage (TMC) to cover accidents with PPI drivers.

Because of some of the problems associated with the Auto Choice proposal, CEA developed an alternative proposal, which achieves the same ends -- lower premiums -- but at less cost. This proposal would require insurance companies to offer premiums on a per-mile basis for those drivers who opted for no-fault coverage. Per-mile premiums would be charged based on an estimate of miles, with a rebate or surcharge issued every year after an odometer reading. Odometers could be read at regular inspections or by firms under contract with insurance companies. Insurance companies would compete in their per-mile premium, subject to current regulations; premiums would vary with region, driving record, type of car, and safety features, much as premiums vary now.

Analysis:

There are a number of problems with these proposals. Perhaps most important, neither of the proposals guarantees that insurance companies will pass on savings to consumers. There is little evidence that over the long-term consumers saved money in states that have implemented no-fault systems compared to the period when no-fault was not mandated. In addition, it is not clear why the Federal government should enter into a field that traditionally has been the responsibility of state governments and in which state innovation is thriving. Such involvement might also appear to conflict with our long-standing skepticism of other federal tort reform efforts.

The McConnell-Armey Auto Choice legislation has additional adverse consequences. The PPI plan initially will attract more bad drivers than good ones, because they will no longer have to be covered for non-economic damages. As bad drivers enter the PPI system, the premiums of safe drivers maintaining their current coverage will increase because of the need to cover losses incurred as a result of other drivers' fault. Then, as the premiums of drivers in the non-PPI system rise, more and more people will switch to PPI, thus further raising premiums for those left in the system -- the very safest drivers. The end result is the progressive penalization of safe driving -- and perhaps, in the end, the virtual collapse of the non-PPI option.

In addition, CEA is concerned that even if Auto Choice legislation were to succeed in driving down rates, it would have an unintended consequence: by increasing the number of miles driven, the legislation would lead to more accidents, highway deaths, congestion, and environmental degradation. To address this problem, CEA developed the per-mile premium option. We believe, however, that we could not sustain support for their proposal. While the average premium for drivers would decrease under CEA's proposal, opponents would counter that we are "taxing" each mile that middle-income families drive. They would also argue that monitoring miles driven is an example of "big government" intrusion into people's lives. CEA agrees that the current political environment does not allow us to propose per-mile premiums. They would like us, however, to work to facilitate the voluntary adoption of per-mile premiums by states, insurance companies, and individuals.

Although Auto Choice has wide bipartisan support -- from Senator McConnell to Senator Moynihan and from Grover Norquist to Mike Dukakis -- consumer groups, auto safety groups, environmentalists, and attorneys representing automobile accident victims will oppose this legislation.

Recommendation:

There is unanimous agreement among the NEC-DPC interagency working group -- including the Office of White House Counsel, the Office of the Vice President, CEA, OMB, Transportation, and Treasury -- that you should oppose the McConnell-Armey Auto Choice bill.

Assuming you agree, the remaining issue is when to announce your position. If we announce our opposition now, we may encourage supporters to bring the legislation up so as to to define their disagreement with us. By contrast, if we remain quiet, the legislation may die on its own. We therefore believe that it would be best to hold off any statement on the bill for now. If Auto Choice comes to the floor, you could oppose it in a speech or we could issue a Statement of Administration Policy.

Decision:

_____ Oppose Auto Choice, But Do Not Announce Position Unless And Until Bill Comes To Floor (RECOMMENDED)

_____ Oppose Auto Choice, But Announce Position Now

_____ Discuss Further

II.75

HAS SEEN
6-16-98

THE WHITE HOUSE

WASHINGTON

June 14, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
BRUCE REED

SUBJECT: Individual Development Accounts

On Wednesday, the Senate Labor subcommittee will mark-up the Human Services reauthorization bill. Besides Head Start and LIHEAP reauthorization, the Committee is planning to include a demonstration of Individual Development Accounts. Given your record, we believe that you should get out in front on this issue and we should either endorse the proposal (with some modifications) or propose our own IDA demonstration.

For many years, you have strongly supported Individual Development Accounts (IDAs) as a means to build assets among lower-income Americans, help move people from welfare to work, expand homeownership opportunity, increase access to post-secondary education, and help people start their own businesses. Indeed, nearly six years ago -- in September 1992 -- you announced your support for IDAs, saying that they "would encourage poor Americans to set money aside in special savings accounts that they can use for a home, their education, their training or starting a small business." To that end, your 1994 Welfare Reform proposal included an IDA proposal and the 1996 Welfare Reform law allowed States to use welfare funds to establish IDAs.

However, the Federal government has yet to provide direct funding to create IDAs. This memo lays out three potential options for the Administration: (1) endorse the Coats-Harkin IDA demonstration bill; (2) put forward our own Coats-Harkin-*like* IDA proposal with a higher price tag; or (3) propose a narrower IDA demonstration for just homeownership.

Coats-Harkin IDA Demonstration Bill:

Senator Coats and Senator Harkin are the lead sponsors of a bill which would establish a four-year, $100 million IDA demonstration under which State and local agencies and/or non-profits would be funded to operate IDA programs. The demonstration would be open to households that are either eligible for welfare (TANF) or have an income level below the EITC phase-out point and a net worth below $10,000. For each dollar deposited into the IDA by a low-income family, the administering agency would provide a match of not less than 1:1 and not more than 8:1. Individuals could make qualified withdrawals from the IDA for only three purposes: (1) purchase of a first home, (2) post-secondary educational expenses, or (3) starting a new business. The Coats-Harkin bill gives a preference to entities that are able to attract pledges of substantial non-Federal, especially private sector, funding to serve as a match for the Federal dollars. And to determine whether this demonstration works, the bill requires that there be a rigorous evaluation of the program.

You should know that the Coats-Harkin bill has the support of a bipartisan group of Senators, including Abraham, Lugar, Collins, Moseley-Braun and Wellstone. On the House side, the lead sponsors of the companion bill are Tony Hall and Kasich. While there are no real substantive problems with the bill, there need to be some clarifications and technical corrections.

Options:

The following options would be coupled with two other measures to promote IDAs in the private sector and at the state and local level: first, we would ask the banking regulators to clarify that banks and thrifts can receive Community Reinvestment Act credit for IDA programs; and second, a letter would be sent from HUD clarifying that HOME and CDBG funds can be used to establish IDA programs. In addition, because of the need for an offset to pay for any of the following options, we are investigating whether we could place the IDA program within the Treasury Department instead of at HHS (as the Coats-Harkin bill does) and direct the Community Development Financial Institutions (CDFI) fund to set-aside funds from its existing budget request for FY99 to pay for its operations.

Option 1: Endorse Coats-Harkin bill

Pros:

- Could help approximately 50,000 lower-income Americans build assets, which is an important means to get out of the cycle of dependency.
- While the national homeownership rate is nearly 66 percent, the rate among lower-income and disadvantaged Americans is below 50 percent. IDAs would help expand homeownership opportunities to this group of people. IDAs would also help increase access to college and help low-income families start their own businesses.
- Provides another tool to move people from welfare to work.
- Enactment of Federal IDA legislation would complete the community empowerment agenda you laid out in your 1992 campaign.
- Would dovetail well with other housing proposals: Low-Income Housing Tax Credit expansion will help develop more rental housing units; Welfare-to-Work Housing Vouchers will help move welfare recipients into privately owned rental housing; and IDAs will help these families save to become homeowners.
- Of all the options being considered, most likely to be enacted this year.

Cons:

- The Coats-Harkin bill comes with a price tag of $25 million per year. One option to pay for our endorsement could be to place its operation within the CDFI Fund and direct the Fund to set-aside $25 million within its FY99 budget request.

- Some believe that Republicans would expand IDA bill to include K-12 private school education, reopening the same issues raised by Coverdell amendment, but in a less favorable context (IDAs help lower-income Americans, while IRAs disproportionately benefit those with higher incomes).

- This initiative would help only a small percentage of low-income persons who need help accumulating wealth.

- An IDA demonstration may be vulnerable to fraud, especially allowing withdrawals for small business activities.

- Endorsing Coats-Harkin means you will not have put forward your own IDA proposal (even though Coats-Harkin is based largely on the one included in our 1994 welfare proposal).

Option 2: Put Forward Our Own IDA Demonstration with a Higher Price Tag

Another option would be to put forward our own IDA demonstration proposal (with a higher price tag), while acknowledging the proposal from Senators Coats and Harkin. OMB believes that the largest our own IDA demonstration program could be -- within your FY99 budget -- is $30 million per year (or $150 million over five years). This option would allow us to make the small substantive and technical changes to the Coats-Harkin proposal without having to negotiate with their staffs.

Pros:

- Same as option 1, but you would have ownership of the proposal.

Cons:

- Same as option 1, but the price tag for this option would be higher and would require a larger offset.

- Could upset Harkin and Coats that we are proposing a similar IDA demonstration without endorsing their proposal.

Option 3: Propose More Narrow IDA Demonstration for Only Homeownership

Another alternative would be to propose a narrow IDA demonstration which would be focused solely on homeownership -- the only qualified withdrawal would be for the purchase of a first home.

Pros:

- Focuses message on homeownership and focus attention on the importance of saving for homeownership.
- Allays concerns of education community that IDAs would be used as vehicle for Coverdell.
- Costs less than other two options.

Cons:

- Some may question why we did not propose allowing post-secondary education as a qualified withdrawal from IDAs, given your strong record on expanding access to college. We would get the same criticism for not allowing withdrawals for starting a new small business.

Recommendations:

NEC, DPC, OMB, White House Legislative Affairs, OVP, Treasury, HUD, CEA, SBA, and HHS recommend that you support the Coats-Harkin bill with some modifications. There is unanimous agreement that endorsing Coats-Harkin would be consistent with your goals of helping move people from welfare to work, provide educational opportunities, help people buy their own homes, and help people start their own businesses. If you decide to endorse Coats-Harkin, we will work with their staffs to ensure that the bill is modified to address the specific concerns of your advisors; for example, we want the bill to include a stronger evaluation component so that we have rigorous evidence on whether this initiative works or not.

Education is concerned that endorsing an IDA demonstration now may provide the Republicans an opportunity to open up the accounts to K-12 private school education. You should know that Senator Harkin has indicated that he will not support the IDA demonstration if the Republicans try to attach a Coverdell-like amendment. Your advisors believe that we should work with Senator Harkin to obtain a similar pledge from Senator Coats before we endorse the bill. In the end, we believe that Senator Coats will provide us this guarantee because he is retiring and wants to pass the IDA bill.

✓ Endorse Coats-Harkin Bill (RECOMMENDED)

_____ Put Forward Your Own, Bigger IDA Demonstration Proposal

_____ Propose Narrow IDA Demonstration Program Targeted To Homeownership

_____ Discuss Further

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THE PRESIDENT HAS SEEN
6-16-98

Great
cc Rahm - Instruct us to do all we can on this

THE WHITE HOUSE

WASHINGTON

June 16, 1998

MR. PRESIDENT:

The attached Sperling/Reed memo asks you to endorse, with some changes, the Coats-Harkin Individual Development Accounts (IDAs) legislation, which would establish a 4-year, $100M demonstration program under which State, local and nonprofit entities would operate IDA programs.

Under the demonstration, low-income households would qualify to open IDAs with a match from the administering agency of at least 1:1 and no more than 8:1. Individuals could make withdrawals from their accounts for (i) a first-home purchase; (ii) post-secondary education expenses; or (iii) starting a new business. The bill gives a preference to administering entities that attract substantial private or non-Federal matching funds. The bill enjoys bi-partisan support.

cc'ed Emanuel Sperling Reed COS

Gene/Bruce present three Options, but no one supports Option 2, which would have you put forward an IDA proposal with a higher price tag, or Option 3, which would have you propose a narrower IDA demonstration limited to home buying. All of your advisers (*NEC, DPC, OMB, Podesta, Stein, VP, Treasury, HUD, CEA, SBA, HHS*) support Option 1, which is to endorse Coats-Harkin with some modifications. There is some risk the GOP will attempt to expand the IDAs to include K-12 private school (a type of Coverdell Amendment), but Harkin has vowed to oppose any such efforts. Your advisers are seeking a similar pledge from Coats.

Option 1 (recommended) ✓ Option 2 __ Option 3 __ Discuss __

Sean Maloney

THE WHITE HOUSE

WASHINGTON

May 4, 1999

MEMORANDUM FOR THE PRESIDENT
VICE PRESIDENT

FROM: ROBERT RUBIN
BRUCE REED
CHUCK RUFF
GENE SPERLING
LARRY STEIN

SUBJECT: COMMUNITY REINVESTMENT ACT (CRA) STRATEGY

Action Forcing Event

CRA will be a central issue in the Senate floor debate on financial modernization legislation scheduled to begin as early as Monday. The Gramm bill, voted out of committee on a straight party-line vote, would significantly weaken CRA. We expect that both sides will offer CRA amendments. Democrats have made procedural demands in exchange for their cooperation in bringing the bill to the floor.

We will work to focus the message on a unified Democratic position on CRA. Earlier today Secretary Rubin spoke to the Democratic Caucus where he reiterated your veto pledge on CRA, and he will also testify on financial modernization in the House Commerce Committee tomorrow (5/5). Just as he was today, we expect that he will be asked to clarify the items you cited in your letter threatening to veto the Gramm bill tomorrow as well. Specifically, we expect that he will be asked whether, if all other problems with the financial modernization bill were resolved, you would veto a bill that fails to require that banking organizations "have and maintain" an adequate CRA record as a condition for engaging in newly authorized financial activities.

Background

You sent a letter on March 2, 1999 (attached) to the Senate saying that you would veto the bill for four reasons, including concern that the bill would weaken CRA. Your letter did not specify how the Gramm bill would seriously weaken CRA, but it does so in three ways:

1. Its "safe harbor" provision exempts any bank that received a satisfactory CRA rating in a previous banking examination from regulators' review -- and community groups' input -- at the time of an application to merge or expand.

2. Its "small bank exemption" provision removes some 4,000 banks and thrifts with under $100 million in assets, located outside metropolitan areas (38% of all banks and thrifts) from CRA.

3. It fails to include a requirement that banking organizations both *have* a satisfactory CRA rating as a precondition to engage in newly authorized financial activities and *maintain* their CRA rating in order to continue engaging in these activities. Chairman Gramm considers this requirement an expansion of CRA. We, on the other hand, believe that failure to include this provision would seriously erode CRA's relevance over time, as banking organizations increasingly focus on these new activities. (See appendix.)

In the House, the Banking Committee reported out a bipartisan bill (51-8), that we endorsed, that does not contain any anti-CRA provisions. The House Banking bill includes the "have and maintain" requirement. If a bank fails to maintain its rating it must develop and implement a compliance plan or risk penalties -- including the possibility of forced divestitures of the newly approved activities and, according to some interpretations of the bill, civil money penalties.

When the Senate bill comes to the floor, Democrats currently plan to introduce both a Democratic substitute bill, and a comprehensive CRA amendment striking the anti-CRA provisions and adding the "have and maintain" requirement. Democrats will likely vote for the amendment -- although support for individual pieces may vary -- and against final passage if the amendment fails. Republicans may offer anti-CRA amendments. In addition, there may be amendments offered by members of either or both parties with respect to permitting banking organizations to conduct new activities through operating subsidiaries, and limiting the unitary thrift provisions. We support such amendments as consistent with your veto letter, although there is some question about our likelihood of success on the floor. Our strong support for the "have and maintain" requirement for CRA is likely to further bolster our support from Democrats for these other amendments. If the Democratic CRA amendment fails, Democrats are likely to be unified in opposing the bill on final passage, and we may have more leverage to fix other issues in conference, such as banking and commerce or the operating subsidiary. If the CRA amendments succeed, we may be in a weaker position to make other changes to the legislation in conference.

Community groups strongly support our opposition to the Gramm bill, but believe that the House-passed version, with its "have and maintain" requirement, is at best minimally acceptable. They are likely to oppose any financial modernization legislation that does not significantly expand CRA.

Recommendation

Part 1: CRA Veto Threat, including "Have and Maintain"

In both your letters to the Senate and Treasury statements, we have provided a number of reasons why you would veto the current Gramm bill. This week, as some Senators seek to find a compromise, Secretary Rubin inevitably will be asked whether you would veto the bill over specific provisions -- in particular over the absence of the "have and maintain" requirement. As a policy matter, your advisors believe that you should veto financial modernization legislation that fails to include a requirement that banking organizations both have and maintain a satisfactory CRA record in order to engage in newly authorized activities.

Nonetheless, your advisors also believe that it is premature for you to be asked to speak to a hypothetical situation, as no bill currently would address all our other concerns except the "have and maintain" requirement. Moreover, we do not have a clear sense of how many Democrats would support you, if that were the only CRA problem raised by the bill. Thus, for now, your advisors recommend that we continue publicly to reiterate your veto threat on CRA generally. When asked, Secretary Rubin would clarify that the veto threat includes the small bank exemption, the safe harbor, and the lack of a "have and maintain" requirement. If pressed further on "have and maintain," Secretary Rubin would explain that the requirement is embedded in the veto threat. We would leave flexibility as to the enforcement mechanism for this requirement.

Analysis: In the future, the relative importance of banking merger applications -- and, thus, occasions for reviewing a bank's CRA record, may decline and the establishment of non-bank financial activities will become increasingly important. In that context, the requirement that banking organizations have and maintain an adequate CRA record in order to engage in newly authorized financial activities will be essential to maintaining the relevance of CRA. This requirement strengthens CRA enforcement -- by conditioning applications for non-banking activities on CRA compliance and by subjecting the bank to further consequences if its CRA record becomes unsatisfactory after the applications is approved -- without expanding the scope of CRA beyond insured depository institutions.

In addition, insisting on the "have and maintain" requirement is consistent with your strong stance on CRA over the last six years, and is a position that consumer, community, and civil rights groups expect you to take. Moreover, there are tactical advantages to taking a tough negotiating stance on CRA. It increases our leverage in conference, as Congressional Democrats have thus far been relatively united in supporting a "have and maintain" requirement this year. Democrats are not as united on our other concerns. Thus, CRA will be a key rationale should a veto be necessary.

In the end, however, it is unlikely that we will get a bill out of Congress containing the "have and maintain" requirement. Chairman Gramm has said that he will bring down any bill that is not at least "CRA neutral." Chairman Gramm argues that "have and maintain" is an expansion of CRA. Moreover, in the unlikely event that you are forced to veto a bill *solely* over the "have and maintain" requirement, that veto could be difficult to sustain. For example, many Democrats at the end of the day may not oppose a bill that addressed their other concerns with the Gramm bill, but dropped the "maintain" requirement. (Prospects of sustaining the veto are somewhat better in the House than in the Senate.) Last Congress, moreover, the Administration sent up a bill requiring that banks have a satisfactory CRA rating but not that banks maintain their CRA rating, and the Senate Banking Committee reported a bill last year with this more limited requirement, 16-2.

Part 2: Support Democratic CRA Floor Strategy

Your advisors believe that we should support the Senate Democratic Leadership's floor strategy, be careful not to push votes that will divide Democrats on CRA issues, and be especially careful not to drive moderates to cut a deal with Gramm. Although the situation is fluid, that strategy currently exists of offering a full Democratic substitute for the bill, offering a single CRA amendment to strike offending

provisions and add the "have and maintain" requirement, and opposing anti-CRA amendments.

Analysis: On the one hand, community groups have been urging us to be more aggressive, arguing that we should expand CRA as we modernize the financial system. On the other, some Democrats would prefer to get financial modernization enacted, even if it meant a weakening of CRA. Thus, some are tempted to compromise on the small bank exemption or "have and maintain." As a result, Democratic unity behind a comprehensive CRA amendment would be a significant achievement.

If Republicans offer an "anti-extortion" amendment, we would oppose it on the grounds that it would chill legitimate relationships between financial institutions and communities, and that extortion is already illegal, but the debate will be difficult for Democrats. Republicans also might propose an amendment requiring disclosure of bank-community group CRA settlements, and it would be difficult to press Democrats to oppose this. In fact, we could support such an amendment. If it is offered, we should encourage Democrats to offer a "second-degree" amendment requiring financial institutions to report on their progress in meeting their CRA commitments, which would garner support from Democrats and community groups, but the amendment is unlikely to pass.

DECISION _____**Agree** _____**Discuss Further**

APPENDIX: BACKGROUND ON CRA

Current Law. CRA requires a bank to serve the convenience and needs of all communities in which it operates. The Fed, OCC and OTS examine the banks they each regulate periodically (every 24-36 months) for CRA compliance, and make these CRA evaluations public. However, enforcement comes only when a bank files an application to merge with another bank or opens a new branch. (A bank's CRA record is not currently scrutinized in connection with applications to affiliate with non-banking companies.) In considering an application, the regulator must take into account the banks CRA and the public has an opportunity to comment. Regulators issued regulations in 1995 in response to your request that CRA focus on performance not paperwork. CRA ratings are now based on a three-pronged test: lending, services, and investments. In addition, regulators revised and streamlined the examination process, particularly for smaller institutions.

Effectiveness of CRA. Evidence suggests that public disclosure of CRA ratings, together with the changes made by the regulators under your leadership, have significantly contributed to improved performance by financial institutions in meeting the needs of low and moderate income communities and minorities. Since 1993, the number of home mortgage loans to African Americans increased by 58 percent, to Hispanics by 62 percent, and to low and moderate income borrowers by 38 percent, well above the overall market increase. Since 1992, nonprofit community organizations estimate that the private sector has pledged over $1 trillion in loans and investment under CRA. In 1997, banks and thrifts subject to CRAs reporting requirement made 2.6 million small business loans for a total of $159 billion, two-thirds of all small business loans made that year. More than one-fifth of those loans were made to small businesses in low and moderate income communities.

Changing Nature of the Financial Services Industry. Commercial banks have seen their share of total financial intermediary assets decline from about 60 percent at the end of World War II, to roughly 25 percent today. In the future, the relative importance of banking merger applications -- and, thus, occasions for reviewing a bank's CRA record, may decline and the establishment of non-bank financial activities will become increasingly important. Communities groups are likely to oppose any financial modernization legislation unless CRA were extended to securities and insurance providers, which Treasury has not supported in the past, which stands no chance of success in the current or foreseeable political environment, and which presents practical and theoretical difficulties.

II.78

THE PRESIDENT HAS SEEN
5-21-99

THE WHITE HOUSE
WASHINGTON

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May 21, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: **BRUCE REED**

SUBJECT: **POLICY ANNOUNCEMENTS FOR GRAMBLING SPEECH**

Your Grambling State University commencement address this Sunday focuses on the need to empower parents with greater tools to balance their responsibilities to their jobs and their families. You will release a new study by the Council of Economic Advisors that analyzes the "time crunch" that parents increasingly feel. In addition, you will announce a new policy that addresses this challenge for federal workers. You will direct the Office of Personnel Management to revise its regulations to allow federal workers to use up to 12 weeks of accrued sick leave to care for a spouse, child, or parent with a "serious health condition," as defined under the Family and Medical Leave Act (FMLA). Currently, federal workers are allowed to use only 13 days of sick leave to care for an ill relative. This new policy will enable federal workers to use the sick leave they have earned on the job to take care of a loved one with a serious health condition.

The DPC also has led a policy process to examine non-legislative options for action to enable states on a voluntary basis to use their Unemployment Insurance systems to provide benefits to workers on some form of FMLA-covered leave. This year, in part responding to UI trust fund surpluses, four states – Massachusetts, Vermont, Maryland, and Washington – had bills introduced in their state legislatures that would do this. Three of the four states, anticipating conformity problems, have asked for comment from the Department of Labor (DOL). While many question the prospects of State legislative efforts, DOL has been pressured by Senators Kennedy, Dodd, Leahy, and Murray, the AFL-CIO, and women's groups to allow states this flexibility; business groups have weighed in strongly against opening up UI for this purpose.

Taking a non-legislative step to advance paid leave for American workers would be a way to enable more workers to spend time with their families during important times. The 1996 FMLA Study, *A Workable Balance*, found that lost wages are a significant barrier to taking leave, particularly for lower income workers. Even if no state immediately elected to use its UI system in this way (as many argue is very likely), advancing a proposal that would allow State experimentation would send a strong message that making leave affordable for workers is a new priority and that states should consider creative ways to provide paid leave benefits.

However, the challenges and risks to embracing an expansive change to the UI system are considerable. First, the expense of such a system, if ever fully implemented in all states, would

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be significant. It is not deficit neutral in the short term since taxes will not match benefit spending which is estimated to begin at $2 billion annually, but will likely be deficit neutral in the long term (10-20 years). Second, the breadth of purposes covered by the FMLA raises concerns. The majority of FMLA-covered leave is taken by workers caring for their *own* serious health conditions, and advancing a policy of providing UI benefits for this category of leave might transform the UI system into a paid sick leave program and lead to significant and regressive substitution effects (employers might abandon their sick leave benefit programs). Third, while today most UI tax collection is "experience rated" (meaning that employers pay into the system based on their workers' use of it), the cost of this new policy should be borne as broadly as possible to guard against possible employer discrimination against women of child-bearing age.

Your advisors have come to a consensus recommendation that would enable you to advance the policy of paid leave, while mitigating the potential for unintended negative consequences. You would direct the Department of Labor (1) to issue regulations and (2) develop model legislation that together would guide the states to confine the allowance of new UI benefits to parents following birth or adoption (and, perhaps, other analogous categories) and that would ensure that these new benefits are not "experience rated." Limiting these new benefits primarily to leave following birth and adoption would alleviate concerns about expanding the uses of the UI system while responding to the area of greatest need. The 1996 FMLA report found that maternity-disability leave tends to be unpaid or partially paid, while all other types of leave are significantly more likely to be fully paid.

Ideally, DOL's regulation would be able to limit states to using UI only for parental leave (and, perhaps, other analogous categories). The DOL Solicitor's Office is still reviewing whether it has the legal authority to impose these limits; there is a question whether it can distinguish between parental leave and other FMLA categories. If the Department cannot do so, we would rely on model legislation to guide states toward this relatively modest expansion. This course has some risk; states, after all, could choose to ignore our direction and guidance. We are relatively confident, however, that few states would elect to impose far greater burdens on their own UI systems than we would recommend in our model legislation.

This general approach would allow you to send a very clear signal about moving forward on unpaid leave for new parents, while also making clear that you will not countenance other, less appropriate uses of UI benefits. The action, however, will not be uncontroversial. Business groups and Republican allies on the Hill may object even to this limited expansion of the UI system and attempt to halt the regulatory process through appropriations riders.

All of the offices involved in this process – the DPC, NEC, OMB, DOL, the Department of Treasury, CEA, and First Lady's Office – agree that the recommendation presented in this memorandum is an innovative and responsible approach to addressing this issue.

✓ **PROCEED** ____ **HOLD OFF AT THIS TIME** ____ **LET'S DISCUSS**

'99 JUL 2 P4:27

THE WHITE HOUSE

WASHINGTON

July 2, 1999

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MEMORANDUM FOR THE PRESIDENT

FROM: Paul Weinstein Jr.
Domestic Policy Council

CC: Gene Sperling
Bruce Reed
Larry Stein
Ron Klain

SUBJECT: **Representative Kanjorski and Better America Bonds (BABs)**

During your New Markets trip next week, Representative Kanjorski may seek your support for two controversial changes to your Better America Bonds proposal. First, he will ask that we alter the selection criteria to limit BABs to those areas that are economically distressed. Such a limitation would defeat one of the main purposes of BABs, to promote regional cooperation between suburban, urban, and rural communities. In addition, such a change would cost us the support of a number of Members in suburban and rural areas, including possibly the chief sponsor in the Senate, Max Baucus. We are also concerned that some in the environmental community would react negatively to limiting the number of applicants based on economic conditions. To relieve some of his concerns, you could tell the Congressman that approximately one-third of the BABs would be used to cleanup "brownfields" which tend to be located in distressed communities. We have asked EPA to make sure that there are potential "brownfield" sites in the Congressman's district and that they consider the unique characteristics of these sites when developing program guidelines.

Second, Representative Kanjorski will ask that we provide private entities with the authority to issue Better America Bonds along with local, state, and tribal governments. Treasury opposes this change because of the significant potential for fraud with regards to the bonds and the misuse of the open spaces they are designed to preserve. In addition, state and local governments might also oppose such a proposal because it would drain resources from their efforts to preserve open spaces.

Domestic Policymaking in the Clinton-Gore White House 1993-2001: Selected Memoranda and Documents

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TO: Gov. Clinton

FROM: Bruce Reed

DATE: May 25, 1991

RE: Running for President

Only two questions really matter in presidential politics: First, why do you want to be president and what will you do for the American people? Second, do you have the discipline and determination to say and do what it takes to win?

It sounds easy, but most first-time candidates never face these questions until it's too late. In 1988, for example, none of the Democrats who ran for president knew himself well enough to say, "Here's what I want for America, and why I'm the one to do it." And for all the ambition in the '88 field, only Dukakis and Gephardt had the discipline to be good candidates, and even they faltered in the end.

Don't let this happen to you.

1. Why Do You Want to Be President?

If you want to run for president, you have to look deep in your soul and decide whether you're doing it for the right reason. Wanting to be president is not enough. Some night eight months from now, when you're stuck in a lousy Cedar Rapids hotel after your tenth stump speech of the day, and you have to stay up late to prepare for your 23rd debate, even though you haven't slept in a week, and you missed Chelsea's call (again), and your campaign manager informs you not only that most Iowa caucus goers still don't know you and the rest can't decide whether you're a conservative or just a racist, but that you'll be out of the race unless you borrow another half-million and make your staff miss another payroll, and you can't turn on the TV without seeing Dick Gephardt (again) -- right about then you will realize that no job is worth this much. What most candidates don't realize until they stand before their supporters at their concession speech is that personal ambition can launch a campaign, but it takes a cause much broader than any man to sustain one.

There is one good reason to run for president: you must truly believe that the nation is on the wrong track, and that you won't be able to live with yourself for the next four years if you don't do everything you can now to make things

better. The fire you need in your belly has nothing to do with your own ambitions; it's about what kind of country you want and how badly you want it. If you're not mad enough about the way things are -- and confident enough that you can do better -- you'll never persuade millions of people to turn the greatest nation on earth over to somebody they've never heard of.

So when friends and advisers say you have nothing to lose, don't believe them. That's a consolation for losers when the race is over, not an excuse to get in. You may have less to lose than other candidates -- and that will be an advantage if you choose to take risks when others cannot. But it will be a handicap if you let yourself think even for a moment that this is just a trial run. Your political life will be on the line, just like everybody else's, and there's no guarantee that you'll get another or a better chance.

2. *A Few Reasons Not to Run, Even If You Want to*

Even being sure you want to run, and for all the right reasons, still doesn't mean it's the smart thing to do. Most prospective candidates ask the same questions before running for president that they asked before seeking their current office: Am I up to the job? Is it worth the risk? Will my family support me?

These are good, important questions, but as you well know, they aren't the only ones you need to consider. No matter what level you're used to -- governor, senator, congressman -- running for president will make you feel like you just entered a marathon after training for the 100-yard dash. You'll enjoy the race more if you go into it certain you can finish.

Here are a few reasons not to run. All of them can be overcome, and many can be turned around, but none should be ignored.

1. You told the people of Arkansas you wouldn't run.
2. You have yet to prove you can raise enough money nationwide to wage a credible campaign.
3. You will have to build a fundraising and field organization from scratch faster than any relatively unknown, first-time candidate has ever done.
4. Your prospective opponents include three who could outraise and outorganize you (Cuomo, Gephardt, Gore), one who could bury you with his own money (Rockefeller), and one who would attract more media attention and could steal your message (Wilder).
5. Your past, your record, your financial dealings, your family, and everything you hold dear will be subjected to intense and unfair scrutiny.
6. If you win the nomination, you will face the most popular president in American history, who can point to victory, peace, and perhaps prosperity, and will make you out to be an untested young man with no foreign policy experience from a state that is 49th in per capita income.

Of course, it's still a good opportunity, and you'll soon discover a little secret: until you start losing, running for president can be fun. But don't kid yourself about the odds, or about how much it will wreck your life in the meantime.

3. What to Do First Once You Make Up Your Mind

1. Line up your finance organization. Money is everything -- between now and January '92, nothing else you do matters. You need to raise at least $5 million by February -- a million a month if you announce in September. You might be able to raise $2 million in Arkansas. The rest will have to come from places you've never gone before.

You'll need a finance director with national fundraising experience, a finance chair who can drain Arkansas dry, and 100 rich supporters around the country who can raise $10-50,000 each. To build that kind of network, you'll have to call on every successful friend you've ever had: college and law school classmates, Hilary's friends and colleagues, other governors, etc. You should be able to line up a number of DLC supporters as well, but keep in mind that most of our support comes from Washington PACs. PAC money is barely worth the trouble in presidential campaigns: it's anathema to Iowa caucus goers, and doesn't add up to much anyway.

The most important thing you can do this summer is to get on the phone and line up your network. Anywhere you go outside the state, you should sit down with potential money people. By the time you announce, you need to know where the money's going to come from.

2. Horde your money. The next best thing to raising money is not spending it. Other campaigns will learn too late that most of the money they spend between now and January will go to waste. Campaigns always spend too much on field staff (which is worthless outside Iowa), tracking polls, salaries for more people than they need, etc. Don't promise much to anybody, and bargain for everything, from consultants to organizers.

3. Put your campaign in the hands of people whose judgment you trust as much or more than your own. The difference between running for president and running for anything else is that a presidential candidate cannot possibly run his own campaign. Presidential campaigns are too big and being a candidate is too hard. You may try to run everything for awhile, but you will lose unless you learn to let others share the burden.

Your campaign manager ought to be someone you trust, someone who can say no to you, someone who knows more about running for president than you do.

Their job is to see trouble coming, help you avoid the mistakes most first-time candidates make, and worry about every aspect of the campaign so all you have to worry about is your part in it. Your manager must also know how to talk to the national press, keep your friends and contributors happy, get tough with other campaigns, and most important, manage money.

It's essential that you start out with great faith in your advisers, because at some point during the campaign, you will begin to think they are out to make a fool of you. Sooner or later in any campaign, mistrust sets in between the candidate on the road and the campaign headquarters back home. Candidates get paranoid: they complain that their staffs never send them what they've asked for; they read anonymous quotes from their advisers in the press; they stop listening to advice from anyone who's not right there with them in the midst of the battle. At times like these, it helps to have people around you who will tell you what they think no matter what frame of mind you're in.

4. Hone your message. You're the best communicator in the Democratic Party; your speech in Cleveland was the most compelling vision Democrats have seen in some time. Choice, opportunity, responsibility, and reinventing government are great themes that will serve you well in the primaries and the general election; "the new choice" is a good slogan. But that still doesn't mean you have a presidential message.

A message has to fit on a bumpersticker or in a 30-second spot. It has to sum up what you've done, what you stand for, and what you intend to do. Perhaps more important, it has to make clear what you're against, and whose side you're on.

You can point to an impressive record of accomplishments, and you're way ahead of the pack in knowing what you believe in and what you want to do as president. If you had Dukakis's war chest, you too could win the nomination on your record alone. But the only way an unknown, underfinanced candidate like you can emerge from a crowded field is to put forth a message with teeth. Don't get into the race until you're certain what it is. Your tactical strategy can change, but your message (from your agenda to your TV spots) should be part of your announcement speech.

The spark in your Cleveland speech came from what you said you were against: politics as usual, the false choices of right and left, do-nothing government, deadbeat fathers and welfare cheats, CEOs who reward themselves and not their workers. Sharpen those lines, and you will get noticed. Fuzz them, and you'll disappear.

5. Turn your campaign into a cause. You often tell audiences that to accomplish our goals for the country, we have to build a movement that is bigger than any individual. This is your chance.

There is every reason in the world to make your campaign into something larger than yourself. More than any other potential candidate, you need a compelling reason to run -- because you promised you wouldn't, and you don't have to. You need to be able to tell the people of Arkansas that you're running for a purpose that is higher than your own ambitions; you're doing it for people like them. Moreover, if you make your campaign into a compelling cause, winning will become both easier and less important. You'll attract the troops and attention you need to steal the '92 nomination, and if you fall short, you'll have a firm base to build upon next time around.

Your cause seems clear: to put America back on the side of ordinary people. You are perfectly positioned to lead a crusade for the people and against the system -- against a bureaucracy in Washington that's out of date and doesn't work, a government that rewards the rich and protects the poor but has forgotten the middle class, an economy that makes CEOs fat while average families struggle to make ends meet, and a political process that turns people off not because they don't care but because they think there's nothing to choose from.

You can make things right again for average folks: you'll put government back in line with their values of responsibility, hard work, and family; you'll stop catering to the rich and coddling the poor, and make sure everybody is treated equal; you'll reinvent government so it answers to ordinary people; and you'll replace the Republican ethic of every man for himself with an America in which we get ahead by pulling together.

Middle America's growing frustration with the whole system is your ticket to the nomination and the White House. If you can build a mad-as-hell movement around answers that make sense to ordinary people, you will attract a following and project an image that will endure long beyond 1992.

6. Use your national DLC tour to gather momentum for your cause. With the DLC as your cover, you can barnstorm the country for the next two months honing your stump speech, meeting potential supporters and givers, getting your name out, and showing Arkansas reporters and the national press that you're connecting with ordinary people. You don't have to spend all your time opening state chapters -- I think your travels should lead up to a big campaign-style crowd event (in one of our core states, like Texas) that would show the press that whether you're running or not, there are lots of people who want you to.

7. Learn as much as you can now, because there won't be time later. You can't master national security or economic policy in the heat of the campaign, so

you should do what you can to raise your comfort level in the next few months. Make a list of the subjects you don't follow closely or never have to talk about: conventional arms control, the Middle East, the S&L bailout, interest rates, or whatever. We can help you find good people to talk with in these areas.

DLC and PPI are working on a few projects that should be useful:

* A health care policy
* An economic growth policy
* A comprehensive critique of the Bush presidency, including a special edition of the magazine devoted to what the Republicans are doing wrong. Democrats often lose because they criticize Republicans for the wrong reasons (not spending enough money, for example); we want to come up with the right ones.

If you can think of other areas that cry out for further study, let us know.

8. Keep your options open. Many prospective candidates stumble in the run-up to a decision and the immediate aftermath. They deny they're going to run until the last minute, then suddenly change their mind. Once in the race, they say they're going to compete for every vote in every state, or take part in every debate, or raise X amounts of money. None of this talk advances their cause, and usually it makes them look stupid. As a general rule, candidates should always talk about message, and never talk about process or strategy -- especially when their strategic plans have not been set. You'll never win a single vote by talking about the process.

9. Make your own rules. Everyone who has ever won the nomination did so his own way. John Kennedy discovered West Virginia, Carter discovered Iowa, Mondale discovered the special interests, and Dukakis discovered money.

Don't let the calendar or the debates or the activists dictate your agenda. If you can't afford to compete in New Hampshire, say so, and don't go there. Just make sure you win somewhere else. Whatever the issue -- strategy, campaign spots, your personal life -- the press will hold you to whatever standard you set for yourself, and respect you for calling your shots.

Cut your own swath to the nomination. The only rule that matters is that you win a majority of delegates at the convention.